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The Deloitte Swiss Watch Industry Study 2022

Recalibrating for the future

About the study

This is the ninth edition of the Deloitte Swiss Watch Industry Study. It is based on an online survey of 70 senior executives in the industry, conducted between mid-August and mid-September 2022, and interviews with industry experts. We also carried out an online survey during the same period of 5,579 consumers in the home market and top export markets for Swiss watches: China, France, Germany, Hong Kong, Italy, Japan, Singapore, Switzerland, the United Arab Emirates, the United Kingdom and the United States. Independent in its approach and drawing on our research capabilities, the Deloitte Swiss Watch Industry Study is a holistic industry assessment comprising diverse points of view.



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1. Key findings

Nothing secondary about the secondary market

By 2030, we estimate that the pre-owned market is likely to grow to CHF 35 billion and make up more than half of the primary market. This growth should be supported by brands launching new pre-owned offerings, the expansion of existing channels and consumers looking for discounted and discontinued timepieces.

Online continues to shine

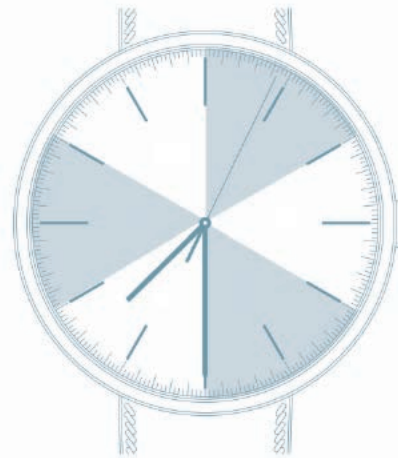
We believe the share of watches bought online will likely increase to 30% by 2030 from roughly half that now. Although 63% of industry executives think offline sales will still dominate over the next five years, e-commerce sales continue to grow, and nearly half of Millennials and Gen Z prefer online shopping to in-store.

The land of opportunity

The US is the most important market for the Swiss watch industry for the second year in a row, taking in the highest share of exported watches. Growth is being driven by strong e-commerce behaviour, a surge in retailing options, both online and in-store, and a growing affinity for value-appreciating premium timepieces.

ESG or Look at me?

Brand image or sustainability, which is most important? Consumers are split equally between those who value sustainability and those who don't care provided they like a watch, with a smaller proportion prizing brand image. Millennials and Gen Z place more importance on a timepiece's sustainability credentials.



Show me the money

23% of consumers purchase a watch for investment or resale. Consumers, mainly in Asia, recognise the money-making potential of watches and are motivated by higher resale prices or portfolio diversification. Speculation is seen as more important than familial succession.

Immersed in the metaverse

57% of brands are planning to launch a non-fungible token (NFT) within the next year primarily as a digital twin, for certification purposes and to accessorise in the metaverse. Although 40% of consumers are interested in NFTs, mostly for their investment potential, 31% still don't understand this virtual asset.

Watches are a girl's new friend

Timepieces are a matter of taste, not gender. Yet 44% of females prefer female-specific designs while 26% favour unisex options. Nearly half of brands are expanding their range of designs tailored to females and one-third are looking to offer female-friendly sizes. Brands see a bright future with female buyers.

Generation wristwatch

Owning a watch has become more important to every third Millennial and Gen Z, and it's not just smartwatches. Younger consumers prefer to purchase online and have a penchant for pre-owned due to price sensitivity and sustainability. Good news for the industry: watches are not out of style.

2. Setting the stage

2.1 Reaching new heights, but uncertainty abounds

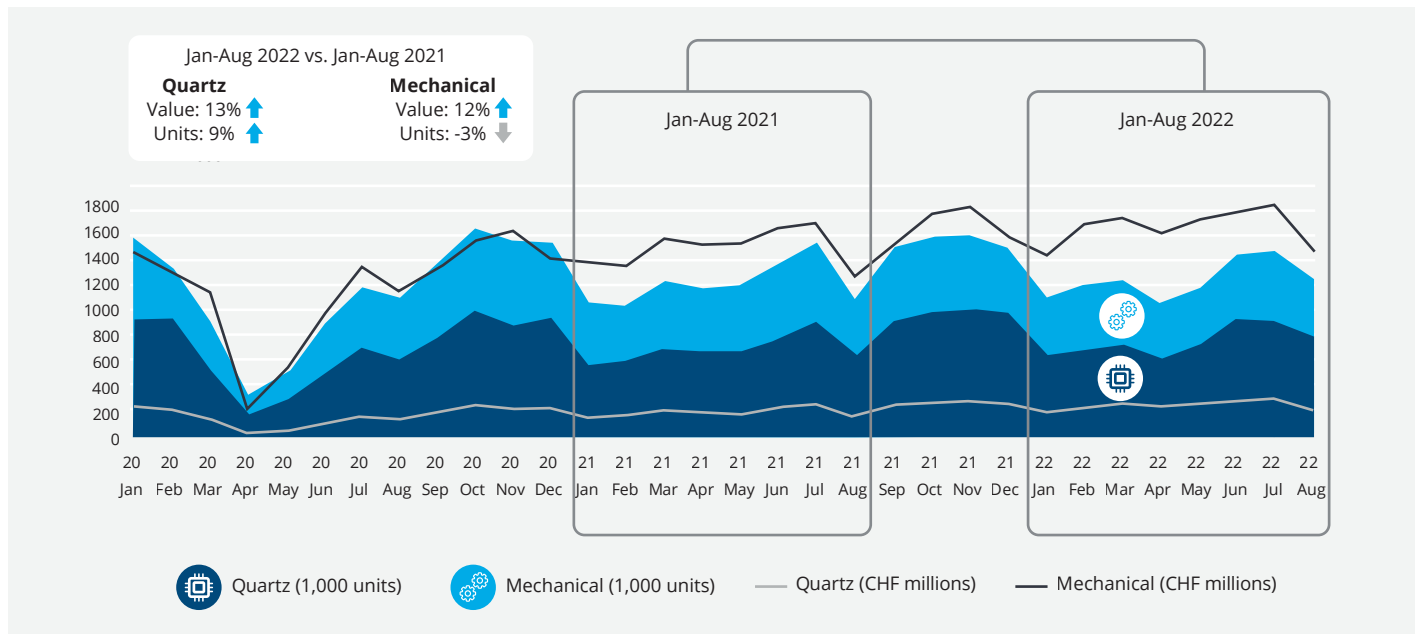
The year 2021 was the strongest for the Swiss watch industry ever. Export values reached CHF 21.2 billion, slightly surpassing the 2014 record and comfortably ahead of pre-Covid levels. Following restrained spending in 2020, demand for luxury watches was high in China and the US in 2021 as wealthy consumers pivoted from other high-ticket items such as travel to so-

called hard luxury goods, further solidifying the shift towards watches as an asset class. Digitalisation continued to open new avenues for purchase as well as audiences to the world of watches.

The year 2022 has been more subdued; the war in Ukraine, record-level inflation and ongoing supply chain issues due to local lockdowns – especially in China – have introduced many challenges. However,

export numbers have remained strong since January 2022 (Chart 1) with quartz export values increasing by 13 percent and units up nine percent. In the mechanical segment, units decreased by three percent overall, while value increased by 12 percent. High-end timepieces continued to outperform with consumers still playing catch-up after their luxury spending spree hiatus in 2020.

Chart 1. Swiss watch exports according to type of build (in 1,000 units and CHF millions)



Source: Federation of the Swiss Watch Industry FH, Deloitte research

2.2 Luxury continues to shine, low-end has lost its lustre

During the pandemic, luxury watches drove industry growth overall and this continues. Although progress has been healthy for decades, the recent trajectory is impressive. Compared to the first eight months of 2021, the value of watches with export prices above CHF 3,000 increased by 15 percent in 2022 while volumes were up by 12 percent. Those priced between CHF 500 and 3,000 also experienced growth of six percent in both value and volume although this was mainly propelled by mechanical watches in the upper range of that segment (CHF 2,000 to 3,000). By contrast, sales of watches priced between CHF 200 and 500 decreased by over 20 percent in value and 19 percent in

volume. However, the cosmic success of the MoonSwatch launch in March 2022 by Swatch and Omega has changed the tide for entry level watches at least temporarily and has succeeded in attracting a legion of new fans to the industry.

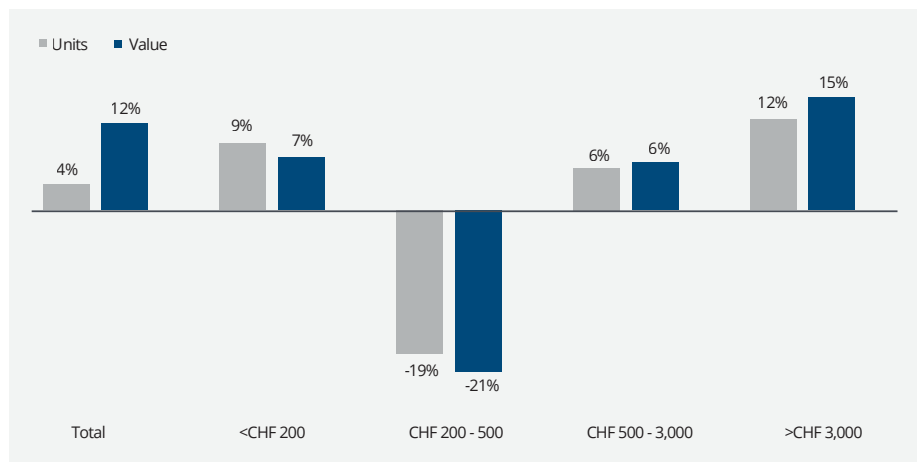
Over the past 20 years the average export price of Swiss watches rose from around CHF 300 to over 1,300 (see Chart 3), whereas exported units almost halved. Of the industry executives surveyed, 53 percent see this volume decrease as a threat to the Swiss watch industry, 17 percent as an opportunity. Rarity creates or often equates to value, whether real or perceived, and a decrease in volumes could also be a chance to further strengthen the image of Swiss luxury watches as unique.

This gives watchmakers the opportunity to upscale their offering and potentially increase prices. Several mid-tiered brands, such as Louis Erard, are focusing more on higher-priced limited editions or adding in-house movements to some of their collections, with corresponding price increases, as is the case with Oris with their ProPilot X Caliber 115 and 400.

Most of the volume decline stems from the quartz segment; in contrast mechanical watches saw their volume triple from 2000 to 2015. The decline of export volumes for lower price categories accelerated with the introduction of the Apple Watch in 2015, followed by other smartwatches thereafter. The smartwatch's arrival saw a drop in Swiss exported watch volumes from nearly 28,000 to 16,000 units from 2015 to 2021. The shift in preference from quartz to mechanical resulted in a spike in export prices, averaging CHF 1,500 in 2022, and a plunge in exported units. Although selected brands can generate impressive revenues by selling in small quantities, suppliers and the wider industry ecosystem are threatened by lower volumes.

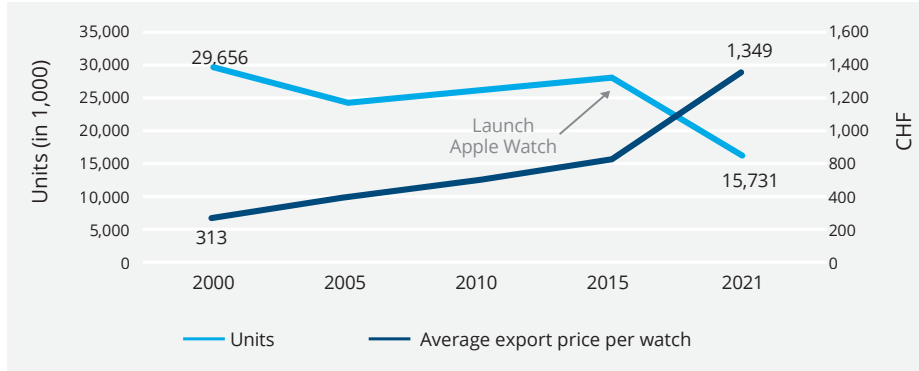
Fewer watches produced mean fewer watchmakers and components needed, and many component manufacturers who responded to our survey indicated that this lack of volume and corresponding loss of know-how and diversity, as well as

Chart 2. Swiss watch exports for different price segments: Jan-Aug 2022 vs. Jan-Aug 2021



Source: Federation of the Swiss Watch Industry FH, Deloitte research

Chart 3. Average export prices per watch and volumes during the last 20 years



Source: Federation of the Swiss Watch Industry FH, Deloitte research

the need to adapt value chains to lower volumes are what 'keeps them awake at night'. Brands and retailers also cited the loss of Swiss-made entry level market share to foreign competitors and smartwatches, the weakening network of suppliers, and the loss of know-how in design, production and repair as worrying for the industry overall. With the strengthening of 'Made in Switzerland' requirements and pandemic-related supply chain challenges, reliance on foreign suppliers, mainly in Asia, is also proving to be a risk.



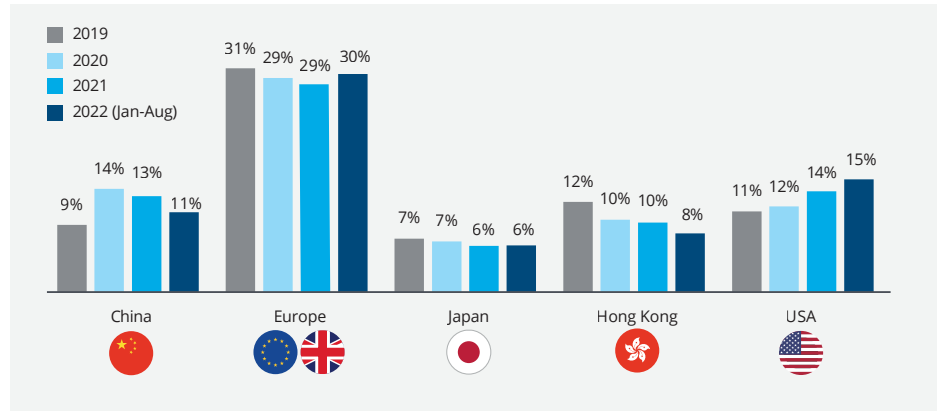
URWERK UR-106 Flower Power. Photo courtesy of URWERK.

2.3 Steady in the West, shaky in the East

For the past two years the US has been the biggest single market for the Swiss watch industry, with 15 percent of exported watches in 2022 arriving there, as seen in Chart 4. Most industry executives specified the US as the next big growth market, followed by India, China and the countries comprising the Gulf Cooperation Council (GCC). Hong Kong as a market continues to decline, while China has yet to recover to its pre-Covid level of export share. Europe and Japan remain stable, with 30 percent and six percent respectively.

The trajectory of watch exports to China and the US has differed. Exports to the US have maintained a positive trend, except for a sharp decline during the pandemic (Chart 5). The situation in China is different. Exports to China were a lifeline to many brands in 2020 but the trend has reversed since 2021. Because of China's zero-Covid policy and ongoing regional lockdowns, monthly exports to China dropped below CHF 100 million in April and May 2022 – nearly as low as at the beginning of 2020. Lockdowns also affected deliveries of products bought via e-commerce and consumers' willingness to buy. Recent months have seen China on a par with the US in terms of export volumes, but uncertainty remains. Some analysts even predict that the Chinese economy will not grow at all in 2022.¹

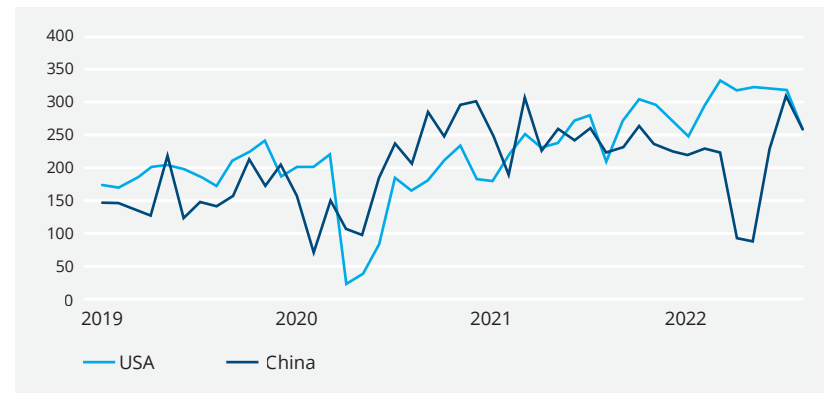
Chart 4. Swiss watch exports, relative share of selected countries and regions (value based)



Source: Federation of the Swiss Watch Industry FH, Deloitte research

Note: The category "Other countries" is not shown in the chart

Chart 5. Monthly watch exports to China and USA (in CHF millions)



Source: Federation of the Swiss Watch Industry FH, Deloitte research

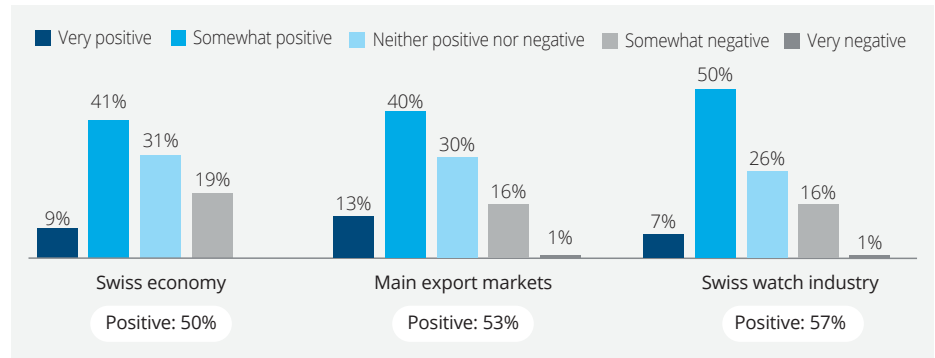
2.4 Great expectations?

From rising inflation and the war in Ukraine to the threat of recessions and geopolitical tensions in Asia, one could be forgiven for thinking that all is gloomy in 2022. The energy and cost of living crises in many parts of the world are ushering in low consumer confidence and an uncertain business environment. However, the luxury goods industry remains resilient and continues to perform well. Despite the backdrop of slowed growth and shaky markets, most executives (57%) surveyed still predict a positive outlook for the industry overall in the coming year, although this figure is markedly lower than in our 2021 study where 77 percent predicted a favourable outlook for the industry (Chart 6).

As expected, stronger growth is predicted for watches retailing at the high-end (CHF 5,000 – 25,000) and very high-end (> CHF 25,000) segments, whereas mid-range watches are expected to stagnate. Entry-level and watches retailing up to CHF 1,000 are expected to decline in the coming year – these segments compete most directly with smartwatches and their foreign counterparts.

Growth expectations differ considerably according to region, as seen in Chart 7. Hong Kong is expected to further decline or stagnate and China is mixed, with 57 percent expecting growth and around one-third stagnation. The outlook for the rest of Asia is strong, as it is the Middle East.

Chart 6. How do you judge the economic outlook for the next 12 months?

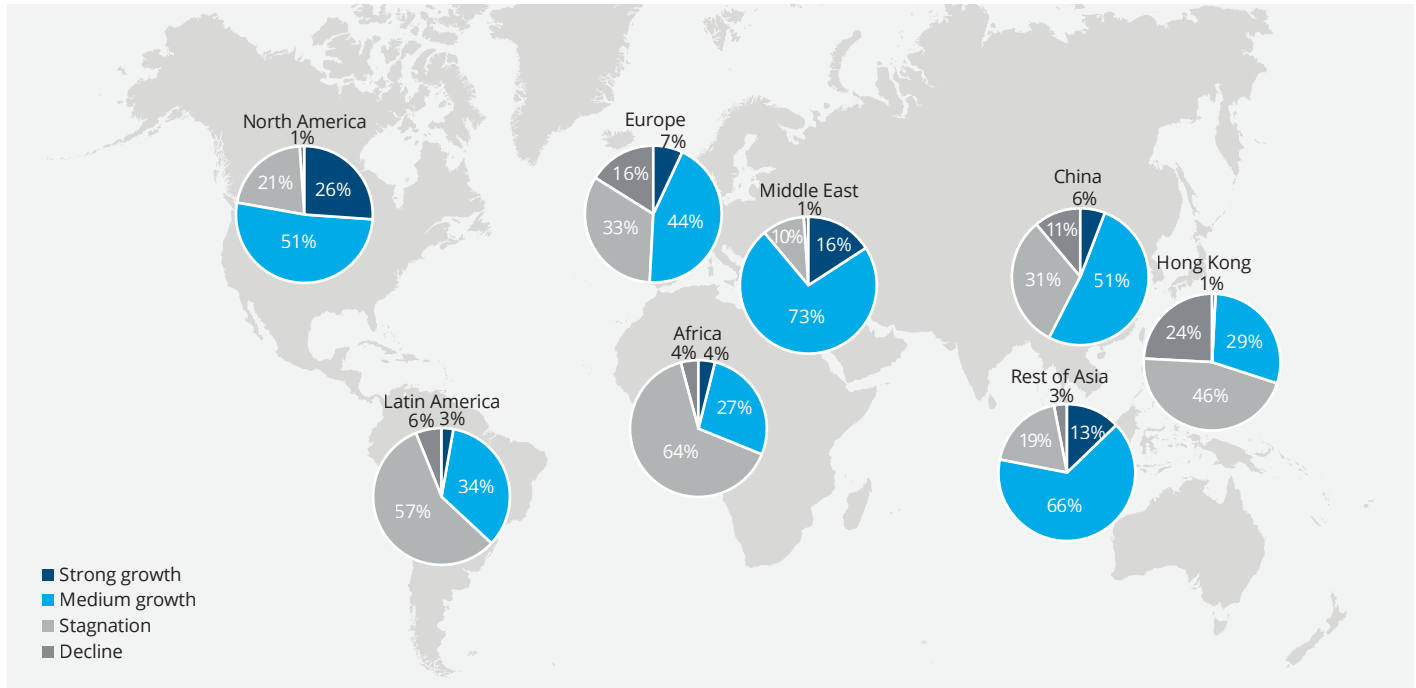


Source: Deloitte research. Note: Because of rounding, percentages may not add up to 100. This also applies to all subsequent charts in this report.



Breitling Superocean Automatic 36. Photo courtesy of Breitling.

Chart 7. What are your growth expectations for the Swiss watch industry in the following regions over the next 12 months?



Source: Deloitte research

Europe is mixed, with 16 percent expecting a decline. The picture is quite different and more upbeat in the Americas: More than one quarter of respondents expect strong growth in North America and more than half medium growth, while in Latin America 37 percent expect growth.

2.5 Supply and demand

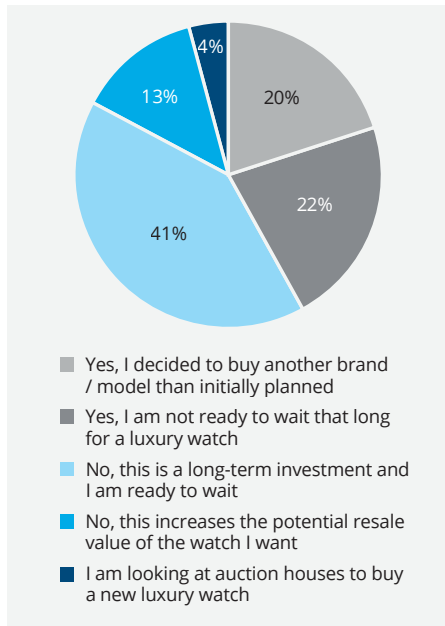
The demand for luxury watches in the current economic environment coupled with ongoing supply chain challenges

have led to stock shortages and delays in sourcing new luxury watches. Forty-three percent of brands and retailers surveyed believe this scarcity attracts clients as it increases the potential resale value. However, 57 percent of brands and retailers also said that clients have decided to go with another brand due to wait times and one-fifth of consumers surveyed confirmed this, with those in the UAE most likely to have changed plans (35%) for this reason.

However, looking at Chart 8, most consumers (54%) are willing to wait for a luxury watch as they see the purchase as a long-term investment and this was echoed by 58 percent of brands and retailers. Willingness to wait was highest on average in the European countries (47%), followed by the US (45%) and Asian markets (38%).

Stories abound about the shortage of available models from Audemars Piguet, Patek Philippe and Rolex. The scarcity of

Chart 8. Have the current shortage of stock and/or longer delays in sourcing new luxury watches impacted your intentions to buy a new luxury watch? Answers from those considering buying a luxury watch



Source: Deloitte research

the coveted three is proving advantageous for brands such as Breitling, Cartier, Omega and Tudor, among others. However, availability challenges are now affecting these brands and the industry overall in the second half of 2022.

2.6 Times are tough

Lockdowns and store closures globally are still having a negative influence on the Swiss watch industry, as demonstrated by low export rates to China in the spring. Nearly 80 percent of watch executives rate the negative influence of geopolitical

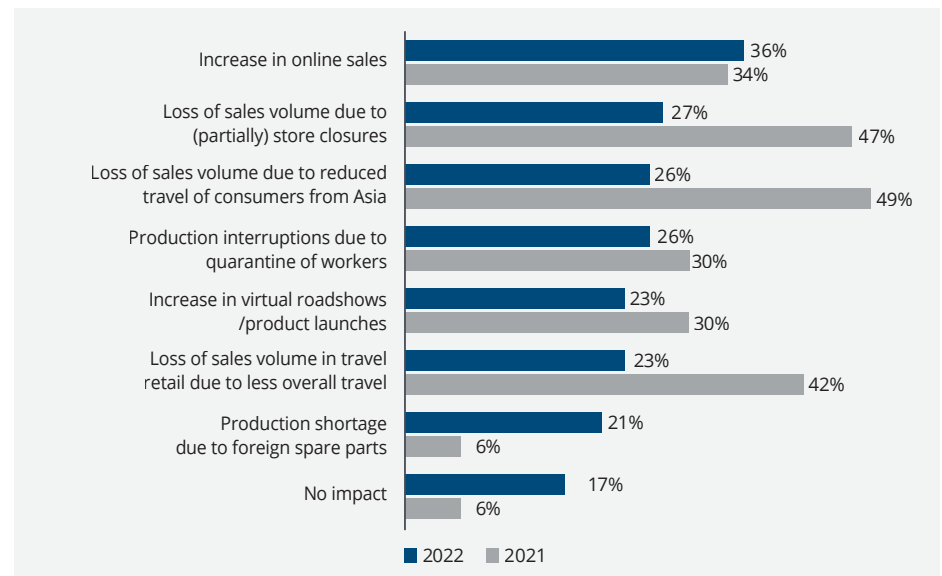
uncertainty due to the war in Ukraine, elections and tensions between China and the US as high. The looming energy crisis and its impact on costs was also mentioned by several component manufacturers. Limited supply, longer delivery times and rising prices for raw materials, especially metals like steel and copper, are affecting them.

Although the impact of raw material costs can be minor depending on the type of component, most manufacturers suffered cost increases in labour, energy and materials. Ideally, such increases would be passed on partially or fully to brands

but because this is not always possible, component manufacturers are likely to face margin reductions this year.

Challenges faced by the industry in 2021, primarily pandemic-related through loss of sales volume due to reduced travel and sales closures, persist, but to a lesser degree, as seen in Chart 9. In our 2021 study we discussed how Covid-19 accelerated the transition to, and in some cases the introduction of, e-commerce for the Swiss watch industry, although some brands are still holding out. Despite the necessary shift, brick-and-mortar sales are still fundamental for the industry.

Chart 9. How have recent supply chain issues, COVID-19 restrictions and inflation affected your business activity in the last 12 months? (Please select all that apply)



Source: Deloitte research

As shown in Chart 10, brands and retailers this year are most affected by the strength of the Swiss Franc, the decrease in consumers' purchasing power due to inflation and a shortage of qualified labour. With unemployment rates low in many countries, companies are having difficulty finding sufficient qualified labour. Geopolitical and economic uncertainty coupled with supply chain issues have further strengthened the Swiss Franc. With exchange rates unpredictable, brands and retailers have yet to adapt their pricing, thereby making the price of a Swiss watch more expensive in local currencies.

Component manufacturers have seen a sharp increase in the challenges they face including rising prices or insufficient supply of raw materials, rising labour costs and a shortage of qualified labour. Rising labour costs as well as rising prices or insufficient supply of raw materials are all likely to pose a significantly higher risk to the value chain for many in the industry in the year ahead.

Chart 10. Top five risks for the next 12 months

	Brands and retailers	Component manufacturers
1	Strength of the Swiss Franc	Rising prices of raw materials
2	Decrease in purchasing power of consumers due to inflation	Rising labour costs
3	Shortage of qualified labour	Shortage of qualified labour
4	Insufficient supply of parts and movements from third-party manufacturers	Insufficient supply of raw materials
5	Insufficient in-house production capacity to meet demand	Strength of the Swiss Franc

Source: Deloitte research



Credit: Patrice Schreyer. Photo courtesy of Monyco.

3. What makes consumers tick?

3.1 Form and function

The percentage of overall consumers wearing either a traditional watch or a smartwatch has remained stable since our 2021 study. While one-third wear a traditional watch, an equal share (22%) wear either a smartwatch, both or none.

As seen in Chart 11, Baby Boomers (51%) and Generation X (34%) are more partial to traditional watches whereas Millennials are more likely to wear both (33%) and Gen Zs are more firmly in the smartwatch camp (29%).*

Based on our survey, the highest proportion of traditionalists reside in the UK (45%), with smartwatches most popular

in the US (31%); in China most are likely to prefer to have both (44%) and Japan has the highest percentage of consumers wearing none (44%).

While the tendency to wear both a smart and traditional watch is increasing, the reasons for doing so vary (Chart 12). Respondents in Hong Kong were most likely (29%) to wear both traditional and smartwatches at the same time, with those in Germany (31%) and Japan (27%) preferring their smartwatches during sporting activities only and one-quarter of Swiss respondents reserving traditional watches for special occasions, the highest proportion. Overall, consumers surveyed were equally split as to when they prefer

to wear their timepieces – with traditional watches as weekend wear, for example, or only for special occasions. It is apparent that consumers are unique and their tastes change.

One in six even engage in the phenomenon known as ‘double-wristing’: wearing a watch on each wrist. Although not new, double-

Chart 12. You indicated that you wear both a traditional watch and a smartwatch. When do you wear your watch(es)?

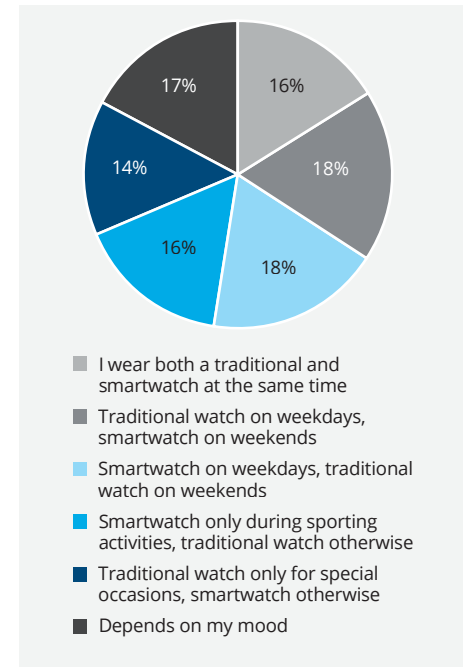
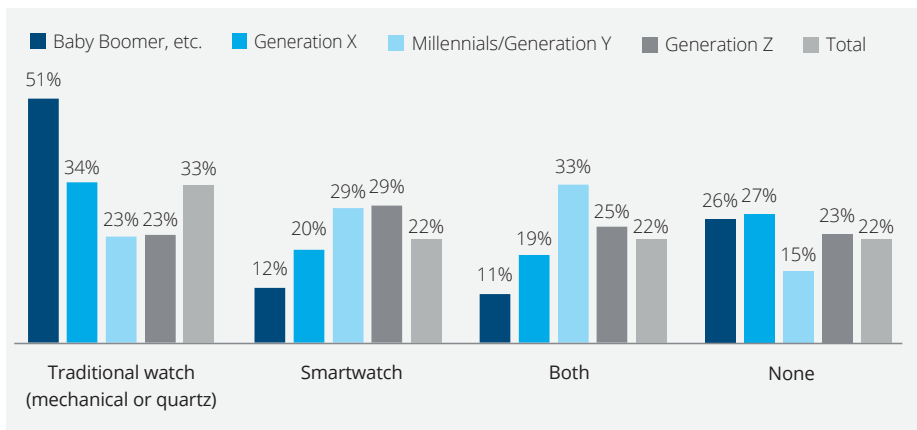


Chart 11. What kind of watch do you usually wear?

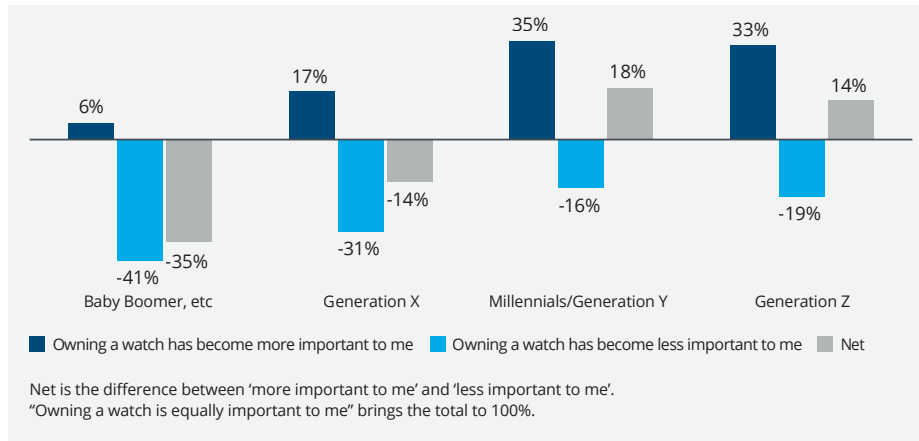


Source: Deloitte research

Source: Deloitte research

* For the purpose of our survey, we classified the demographics as follows: Baby Boomers, etc (born prior to 1964), Generation X (born between 1965 – 1980), Millennials (born between 1981 – 1996) and Generation Z (born between 1997 – 2012).

Chart 13. How has your attitude towards owning a watch changed over the past five years?



Source: Deloitte research

wristing has become more common with the introduction of the smartwatch. Wearable tech serves a purpose – tracking steps, heart rates, moonlighting as a personal assistant – whereas a traditional watch is an extension of the wearer’s character, personality and style. Combining the two – form and function – is not yet mainstream in the industry, though many traditional watch brands including TAG Heuer, Montblanc, Louis Vuitton, Hublot, Frédérique Constant, Alpina and others have been active in elevating the exclusivity and craftsmanship of wearable tech. Apple has continued its partnership with Hermès for its latest Series 8 release with an increased range of straps.

With parents increasingly introducing their younger children to the world of smartwatches, traditional watchmaking

brands may need to thank their technology counterparts for whetting the watch-wearing appetite of younger audiences. Of the consumers we surveyed, 23 percent indicated that it has become more important to own a watch over the past five years, with this percentage higher for Millennials (35%) and Gen Z (33%), as shown in Chart 13. Consumers in China (52%) and the UAE (42%) place greater importance on owning a watch whereas those in Japan are far less enthused, with 63 percent saying it has become less important.

Brands are adapting to this increased interest from 25 – 45 year olds through their choice of brand ambassadors and by promoting their environmental and social credentials (see section 4.6) and ensuring they are ever-present online.

“Our audience is so different than who you assume a traditional watch buyer to be. They’re much younger, they’re buying and selling watches much more often, and they care about pre-owned. They want to know that they’re getting assets instead of liabilities, which was a totally foreign concept to the watch industry five years ago and now it’s everything.”

Ben Clymer
 Founder & Executive Chairman
 HODINKEE, Inc

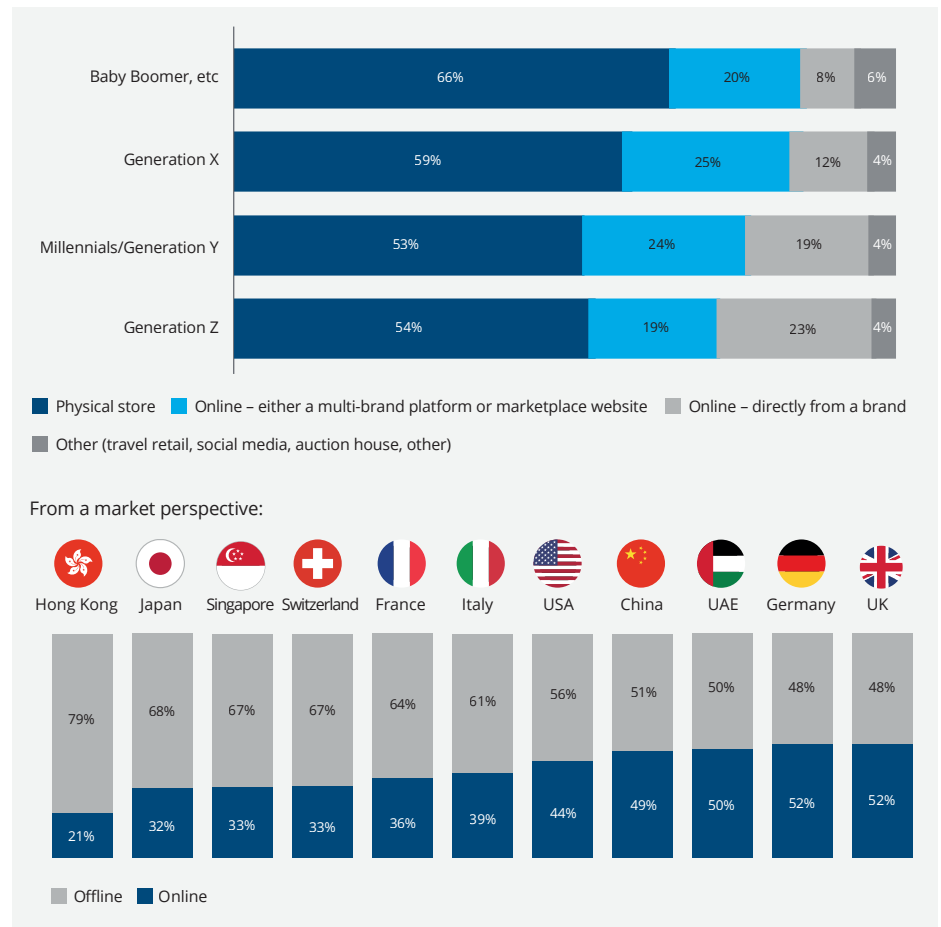
3.2 Buying behaviours

As shown in Chart 14, of all consumers surveyed, 40 percent are most likely to buy a new watch online, with Gen Z and Millennials being the most likely (43%). Though this overall share is three percentage points lower than in our 2021 study, the reduction may be due to the increased opportunities to buy watches in physical locations compared to last year. Preference for in-store purchases is highest in Hong Kong (79%), Singapore (68%), Japan and Switzerland (both 67%), France (64%), Italy (61%), USA (56%), China (51%), UAE (50%), Germany (48%) and UK (48%).

The large luxury groups, LVMH, Kering and Richemont, are still generating a minimal percentage of their overall retail revenues from e-commerce. As highlighted in our 2021 report, the famously conservative Swiss watch industry was slow and even reluctant to embrace e-commerce, but the pandemic changed that, with many brands setting up virtual shops.

However, given that 40 percent of consumers are most likely to purchase a watch online, brands and retailers need to significantly expand their e-commerce offerings and their promotion of them to align with the expectations and preferences of consumers. By 2030 we predict that the share of watches bought via e-commerce channels will likely increase to 30 percent from its current share of roughly half that.

Chart 14. When you buy a new watch, where are you most likely to make your purchase?



Source: Deloitte research



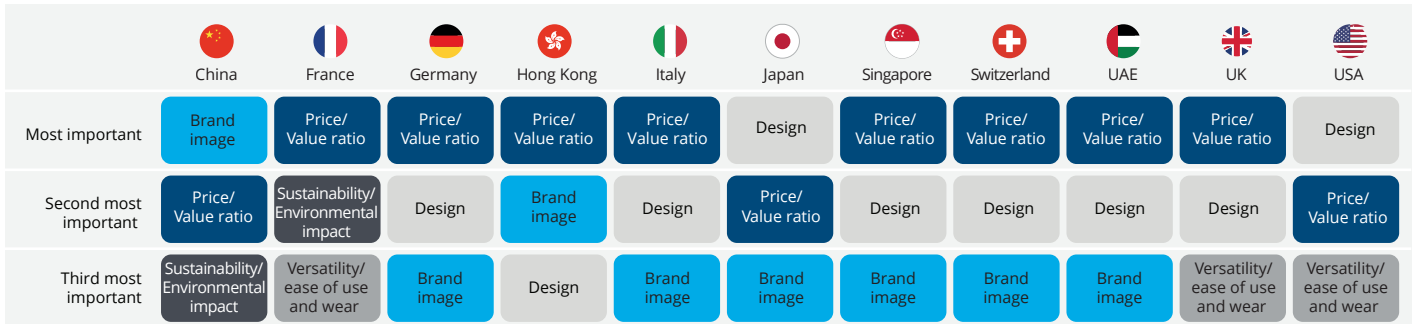
Gucci 25H Tourbillon Skeleton. Photo courtesy of Gucci.

In China, online platforms including Tmall Luxury Pavilion and WeChat are the e-commerce destination for luxury brands. Zenith has had a presence on Luxury Pavilion since 2017 and in 2020 Cartier was the first Richemont brand to have its virtual flagship on the platform. Earlier this year, Bulgari opened its first virtual flagship store on Tmall Luxury Pavilion with a customised digital interface, the

first for any brand, signalling its continued digitalisation and adaption to changing consumer preferences, especially in Asia. Of the surveyed countries, more than one-quarter of respondents in China (26%) were most likely to purchase their watch from a brand's website – the highest proportion of the countries surveyed - with many more presumably preferring to do so if there were more opportunities to do so.

Understanding consumers and meeting them in their preferred channel helps personalise their experience and engages them where they prefer to interact with the brand.²

Chart 15. What are the most important factors you consider when deciding to buy a luxury watch? (Multiple answers possible)



Source: Deloitte research

3.3 Deciding factors

The consumers in most countries we surveyed consider the price/value ratio to be the main deciding factor when buying a watch (Chart 15). Brand, design and the price/value ratio were most often selected as deciding factors across the surveyed markets in both 2021 and 2022. With certain luxury watch brands firmly established as assets likely to appreciate, the price/value ratio becomes more important from an investment perspective and also in the pre-owned market.

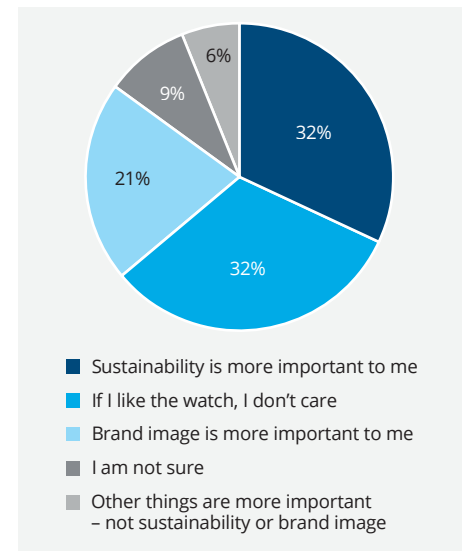
Looking at the above, sustainability does not factor strongly as a deciding criterion across most markets. We specifically asked consumers if they would prefer a brand's sustainability credentials over its image when choosing between two watches. Respondents were split (Chart 16), with 32 percent deeming sustainability more important and an equal amount not caring

about image nor the planet if they like the watch. Approximately one-fifth (21%) placed a higher emphasis on brand image than how green the brand is.

Sustainability and brand image were similarly weighted in China (44% vs 39%), Singapore (30% vs 26%) and Hong Kong (26% vs 31%). Unsurprisingly, Millennials (36%) and Gen Z (37%) were slightly above average in terms of the importance they place on sustainability above all other options.

In section 4.6 we explore how the industry is driving the sustainability agenda and what is most important to consumers from a sustainability perspective – and how that differs from the industry's point of view.

Chart 16. You can choose between two watches. One brand is focused on sustainability. The other brand focuses on their image. Which watch would you choose?



Source: Deloitte research

3.4 Stand out from the crowd

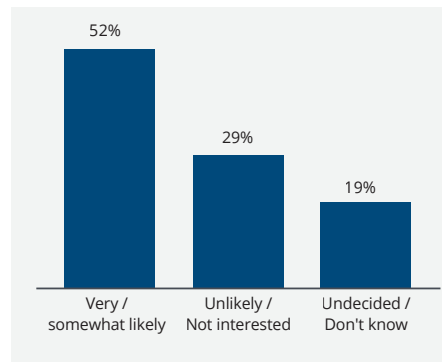
Brands have been crowdsourcing ideas or co-creating with consumers for years. Lego, IKEA and Coca-Cola have long sourced ideas from the public to inspire and influence product launches. The advantages of doing so are plenty, the least of which is building a community of brand ambassadors by involving them in the creation process. More than half of the consumers (52%) surveyed would like to participate in such projects for the co-creation of watches (Chart 17).

Lausanne-based CODE41 took this approach when asking their community to vote for designs, complications, materials, case size and name, not only for their 2016 launch watch, but for subsequent releases.

In October 2022, to mark the 50th anniversary of the Royal Oak, Audemars Piguet and Wristcheck, a Hong Kong-based pre-owned watch trading platform, launched a competition entitled ‘Your Take on the Royal Oak.’ Enthusiasts can submit designs for this iconic watch, including colours, complications and materials. Three winners will be chosen and, if feasible, may have their designs turned into a watch produced by Audemars Piguet.

Based on our survey, the demand is there, and this could be a great opportunity for brands to further engage with their communities, especially for limited editions.

Chart 17. Would you like to participate in crowdsourced projects for the co-creation of watches?



Source: Deloitte research

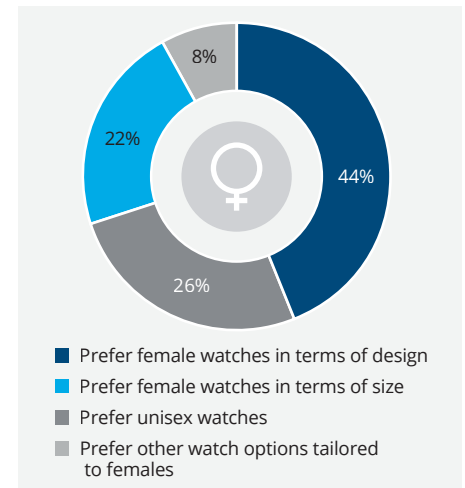
3.5 Tailor made – female-specific timepieces

Watches need not be gender-specific. Like other accessories worn for adornment, they are a matter of taste and personal expression. Precious stones are not reserved for the ladies nor big dials for the gents. Of the female consumers surveyed, 44 percent however do prefer female watches in terms of design, with a little more than one-quarter (26%) favouring unisex options (Chart 18).

Female-specific designs were most important to over fifty percent of female respondents in the UAE and China (both 53%), and France (51%). Size considerations were most important for those in the UK and US (both 32%), whereas unisex watches were more preferred in Hong Kong (42%), and Japan and Italy (both 30%).

Many watch brands are choosing to showcase their timepieces based on

Chart 18. What best describes your preference when you buy a watch?



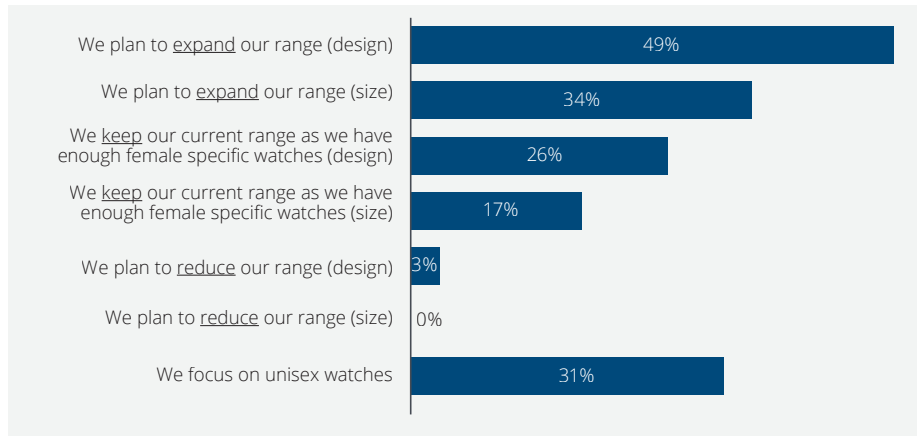
Source: Deloitte research

collection and diameter sizes rather than gender categorisation. At Watchfinder & Co. searching is done by case size rather than male/female designation and Richemont brands IWC, Panerai, Roger Dubuis, as well as Louis Moinet, Oris and Tudor promote their collections and families instead of a specific ‘female’ category.

Hublot’s self-described gender-neutral Big Bang Millennial Pink was first introduced on the wrist of French footballer Kylian Mbappé. Meant to be “intriguing and undefinable”, the Big Bang Millennial Pink was meant to symbolise a “new generation” of watch wearers.³

Despite the shift towards gender neutrality, of the brands surveyed, nearly half (49%) are expanding their range of female

Chart 19. What is your strategy regarding product offerings specific to the female audience?
Please select all that apply



Source: Deloitte research

watches from a design perspective and one-third plan to offer additional sizes to appeal to female watch wearers. Less than one-third (31%) of brands are focusing on unisex watches, as shown in Chart 19.

Design and dial sizes aside, tailoring to a female audience is an area where smartwatches are stepping up their game. Though some features – step counts, sleep patterns and heart rate – are firmly unisex, the Apple Watch Series 8 has temperature sensors to help women track their menstrual cycle and ovulation.

Brands aiming to enhance their appeal with a female audience often do so through their choice of ambassadors and have a fondness for actors, athletes and models who embody not only the brand’s values but also add a bit of aspirational appeal: Audemars Piguet with Serena Williams; Breitling with Charlize Theron and Misty

Copeland; Carl F. Bucherer with Li Bingbing; IWC with Eileen Gu and Gisele Bündchen; Longines with Kate Winslet; and Omega with a legion of inspiring women, from Allyson Felix and Nicole Kidman to So-hee Han and Zoë Kravitz.

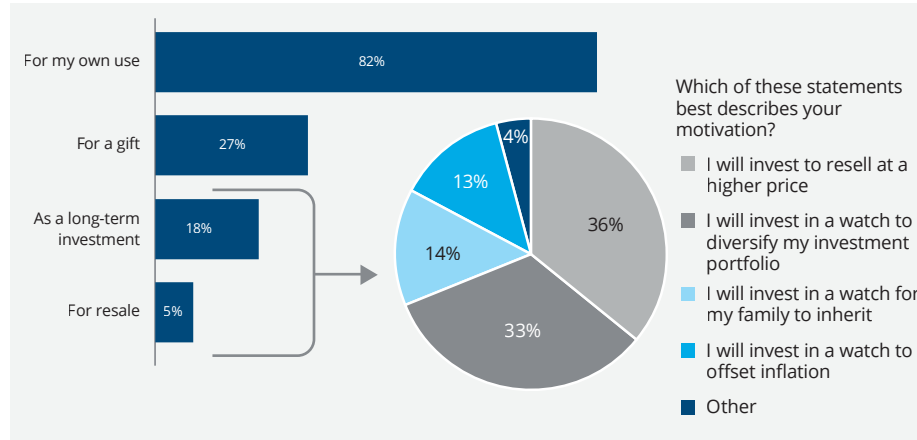
Brands are casting their net wider, no longer looking at the ‘usual suspects’ like leading ladies and supermodels and sporting disciplines such as equestrian and golf. The purpose is to endear their brands to a wider, and hopefully new, audience. In 2021, Rolex chose 29-year-old Nepalese mountaineer Dawa Yangzum Sherpa as their youngest ambassador, or testimonee. In 2019 Blancpain brought in Swiss Michelin-starred chef Marie Robert to join its circle of friends. Longines is expanding from equine to extreme sports with Géraldine Fasnacht, a Swiss freeride snowboarder, base jumper and wingsuit pilot, who became one of their latest

ambassadors in 2022. Tudor thought New Zealand national rugby captain Sarah Hirini was a perfect representation of their ‘Born to Dare’ campaign when it tapped her to represent the brand in 2021.



Hublot Big Bang Millennial Pink.
Photo courtesy of Hublot.

Chart 20. If you plan on buying a watch in the next 12 months, what would be the purpose? (Please select all that apply)



Source: Deloitte research

3.6 Diversified portfolio - watches as an asset

Just as in our 2021 survey, most consumers surveyed purchase a watch for their own use (82%), followed by as a gift (27%), as shown in Chart 20. Nearly one quarter of consumers (23%) purchase a watch for investment or for resale purposes. Consumers in Singapore (33%), Hong Kong (32%) and China (29%) specifically recognise the long-term investment potential of watches, which is less realised in Japan (7%), France (9%) and Switzerland (13%). This is also why consumers in some Asian markets are likely to spend more on new watches, with over one-third in China (35%), one quarter in Hong Kong and slightly less than one-fifth in Singapore (17%) willing to spend CHF 5,000 and above on a new timepiece.

Luxury watches are seen as stable stores of value particularly in a volatile market where inflationary pressures are high.⁴ Of those consumers who purchase a watch as an investment, the motivation for doing so is to resell it at a higher price (36%) or to diversify their investment portfolio (33%). Consumers in China are particularly interested in portfolio diversification (55%), Singaporeans are partial to resale opportunities (49%), while Italians are most likely to purchase a watch for *la famiglia* to inherit (31%).

In 2021 and early 2022 the significant value increase of select brands and models (Rolex Daytona, Submariner, GMT and Master II, Patek Philippe Nautilus, Audemars Piguet Royal Oak) on the secondary market attracted an influx of buyers who were not necessarily watch

enthusiasts. This was less than ideal for timepiece connoisseurs and industry purists. However, it's difficult to blame opportunists when a savvy purchase decision could appreciate two or three times by the time one leaves the store. With prices cooling off for many of these coveted models, this secondary market correction will help to restore balance but supply remains tight for most major brands.



Louis Vuitton Tambour Carpe Diem. Credit: Ulysse Frechelin. Photo courtesy of Louis Vuitton.

3.7 Penchant for pre-owned

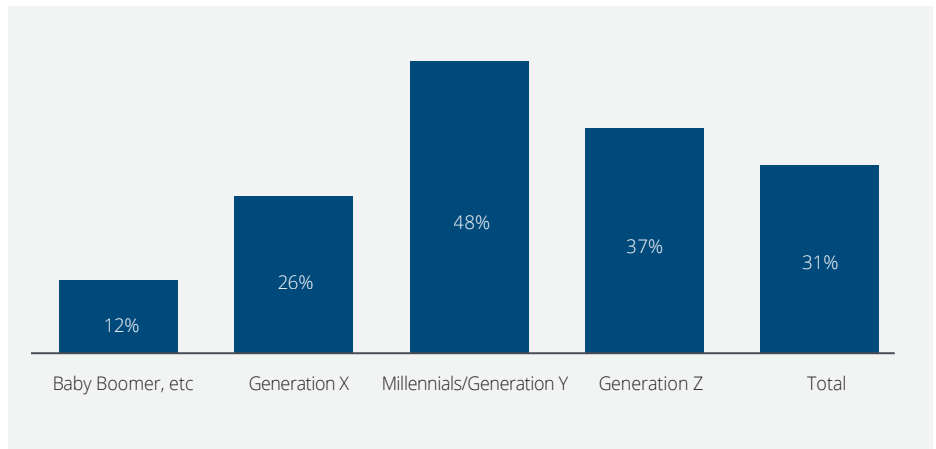
Of the consumers we surveyed, Millennials and Gen Z consumers are more likely to purchase a pre-owned watch in the coming year (Chart 21). This was also the case in our 2021 report. The motivation for doing so is the ability to buy a luxury watch at a lower price (44%); this is the top reason across all markets surveyed except for China where buying a discontinued model is the top motivation (42%).

As mentioned previously, consumers in Asia are likely to spend the most money on new watches, and this is also the case for pre-owned. The likelihood of purchasing a pre-owned watch in the coming year was highest in China and the UAE (both 62%), followed by Hong Kong (44%). Consumers in Germany (44%), Japan (37%) and France (35%) had the highest portion of respondents 'not interested' in pre-owned.

While over one-third of respondents in China (35%) were willing to spend CHF 5,000 or more for a new watch, that proportion dropped to 28 percent for a pre-owned timepiece. As mentioned in the previous section, recognition and acceptance of watches as investment pieces is strong in the Far East. However, with consumer confidence falling in China, the prices for a Rolex and Patek Philippe falling as well,⁵ and the economy stagnating, it remains to be seen how luxury watch brands will fare in China in the months ahead.

Timepiece scarcity is also driving consumers to the pre-owned market – for certain brands, there may be a better chance of securing a watch that has already been produced rather than putting your patience and trust in procuring a new one or trying your luck on a so-called 'interest list'. Consumers are increasingly turning their attention to auctions to secure unique or hard-to-find timepieces, with consumers in China most likely to consider auction houses as a way to get their hands on luxury watches. As reported in our 2021 report, online auctions increased with the onset of the pandemic and were responsible for bringing a new and often younger clientele into the mix, particularly from Asia.

Chart 21. How likely is it that you will buy a pre-owned/second-hand luxury wristwatch in the next 12 months? Share of "Very/somewhat likely"



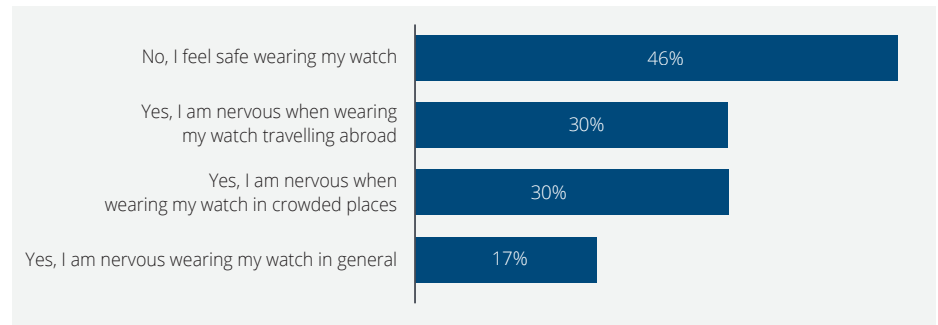
Source: Deloitte research

3.8 Playing it safe

The strong growth expectations for high-end watches have raised the profile and popularity of these luxury timepieces and not only among collectors and connoisseurs. On average less than half (46%) of those we surveyed felt safe wearing a luxury watch, a proportion that differs from country to country. Those who are nervous about wearing a luxury watch are as nervous in crowded places as while travelling – as shown in Chart 22.

Stories about watch theft – sometimes violent - have reached mainstream media. Watch thefts have been on the rise in New York and Los Angeles, as well as Paris, London and Europe in general.⁶ Formula 1 drivers Charles Leclerc and Lando Norris were both victims when their Richard Mille watches were stolen from their wrists in Tuscany and Wembley Stadium respectively. After French actor Daniel Auteuil's Patek Philippe was stolen recently in Italy, the association of tour operators in Naples proposed a creative solution: hotels could offer cheap plastic imitations to those guests wearing expensive timepieces while they explore the city.⁷ This increased attention on timepiece theft, especially with high profile personalities, may have an influence on the overall public perception of safety when it comes to wearing a luxury watch.

Chart 22. If you wear a luxury watch, do you consider safety an issue? (Please select all that apply, share of those wearing a luxury watch)



Source: Deloitte research



Photo courtesy of Faktor Zeit.

4. How the industry is adapting

4.1 As a matter of priority

With crowded high streets and bustling airports, life has returned to normal in most parts of the world. For brands and retailers, the last two years have seen sales channels optimised and omni-channel strategies developed to adapt to the pandemic-induced changing retail landscape. The importance of these two strategies is markedly less than in previous years but still among the top five priorities, as shown in the table below (Chart 23).

In an environment where labour, materials and energy costs are increasing, reducing costs is one of the top priorities for component manufacturers looking to

maintain margins. Also, limited production capacity is forcing many to invest in increased capacity, modernise their production equipment and optimise their processes and quality to keep pace with the growing pressure of ‘supplier ratings’ used by many brands. Innovation remains a key driver for brands and component manufacturers, who play an integral part in the search for new materials, new manufacturing techniques and engineering solutions. Therefore R&D and the introduction of new products that can differentiate brands also remain high on their agenda.

Organic growth and introducing new

products are the top priorities for brands and retailers. Brands choose to do product launches in various ways, one of them watch fairs. Over three fourths of executives (76%) agree that watch fairs will be essential to the industry in the future, with most (44%) deeming a hybrid approach (physical and digital) as the way forward. The horological equivalent of fashion weeks in Milan, New York or Paris, watch fairs such as Watches & Wonders are where many brands choose to launch new products. With a welcomed return to Geneva back in March and many hybrid elements for those not attending in person, the premier industry trade show will travel to Hainan in China from December 2022 to

Chart 23. Top five business priorities for the next 12 months

	Brands and retailers	Component manufacturers
1	Organic growth	Increase capital expenditure
2	Introduce new products	Reduce costs
3	Develop e-commerce / digital channels	Increase production capacity in Switzerland
4	Develop or strengthen omni-channel strategy	Stronger focus on Research & Development
5	Optimise sales channels	Introduce new products

Source: Deloitte research

“Post-pandemic, there is a strong and renewed interest in physical gatherings, enabling not only professionals but watch lovers as well to interact directly with brands.”

Patrick Pruniaux
CEO
Ulysse Nardin & Girard-Perregaux

February 2023, before returning to Geneva in March.

Geneva Watch Days, born out of necessity in 2020 due to the pandemic, has proven to be a success, showcasing mainly independent watch brands across the city of Geneva, and open to the public. With no Dubai Watch Week planned for 2022, the Middle Eastern fair went to New York in late September for the eighth edition of its Horology Forum, which included panel discussions and interactive experiences and was open to enthusiasts and the public.

Although luxury consumers are less affected by inflationary pressures, sustainable growth can't be achieved by focusing solely on luxury. Of the consumers we surveyed, over two-fifths (43%) are not considering buying a luxury watch. This increases to over fifty percent on average for consumers in the five European markets and peaks at 77 percent for respondents in Japan. Even 45 percent of consumers in the US were not considering buying a luxury watch. As we saw in section 3.7, the main reason consumers look to the pre-owned market is to be able to buy watches at a cheaper price.

Consumers are interested in watches, Millennials and Gen Z increasingly so. And the release of MoonSwatch in March 2022 was a big factor that further increased interest. Watch releases don't normally bring crowds of people to the high



MoonSwatch "Mission To Saturn" Swatch x Omega.

streets or attract such mainstream media coverage. Whether they were Swatch or Omega devotees, individuals attracted by 'fear of missing out' or people generally curious as to what the fuss was about, the fact remains the collaborative coup got millions of people thinking, researching and talking about Swiss watches. Sales from

MoonSwatch even gave a much-needed spike to the export numbers of entry level watches. The MoonSwatch launch is likely to be remembered as a lesson in savvy marketing par excellence that generated excitement about a Swiss watch brand and the industry more broadly.

Like smartwatches serving as the entry point for many younger consumers, entry level quartz and mechanical watches also open the first door into the world of watches for many. And there are many options available for those consumers who are looking for a piece of Swiss craftsmanship at an affordable price. For in the face of rising inflation and economic slowdowns, four digit timepiece purchases are simply out of reach for many.

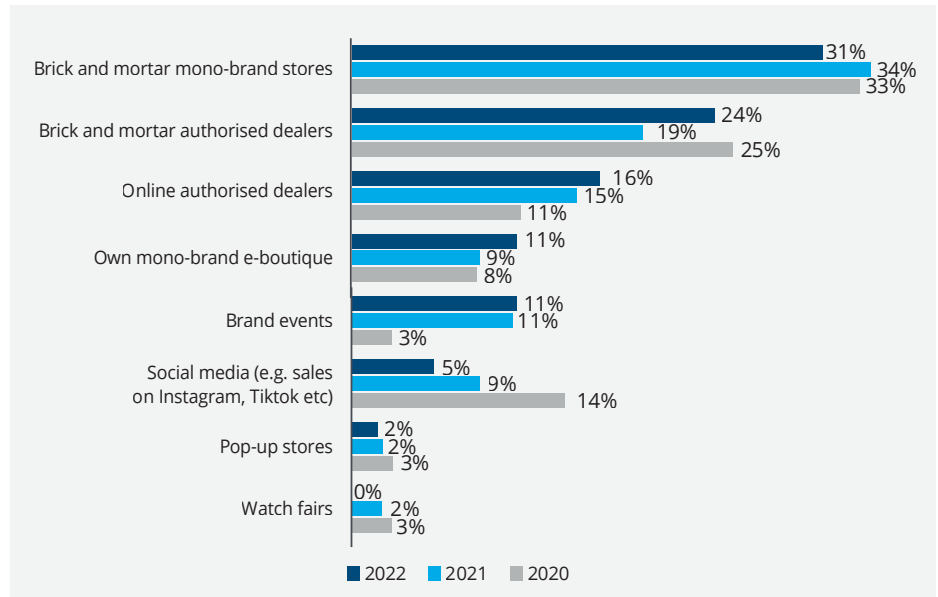
“For us it’s important to democratise the access to luxury watches, a high price tag shouldn’t be a barrier. Through our platform and our business model we are introducing a broader audience to the world of luxury timepieces and making it possible for them to own a piece of Swiss craftsmanship.”

**Nicolas Hildenbrand & Ronan Pensivy
Watchdreamer SA**

4.2 Changing the channel

Brick-and-mortar mono-brand stores are deemed the most important sales channel in the next 12 months by nearly one-third (31%) of industry executives surveyed, followed by brick-and-mortar authorised dealers. Online authorised dealers and own mono-brand e-boutiques have also gained importance in recent years, perhaps offsetting the declining importance in sales via social media since 2020, as shown in Chart 24.

Chart 24. Which sales channel do you think will be most important in the next 12 months?



Source: Deloitte research

Although brands and retailers continue to expand their digital offerings, this demonstrates that in-store experience remains supreme, if not as a pure sales channel, but rather an experiential one. Luxury purchases are emotional. You are not only buying a product, but also a brand’s story, personality and values, which is why the brand’s presence, both virtual and in-store, needs to tap into that innate desirability for the consumer. Far less retail and far more lifestyle, brands are getting creative with their boutique openings and renovations in a move to rethink the in-store experience and their relationship with customers. Evoking exclusivity (think lounges or gentlemen’s

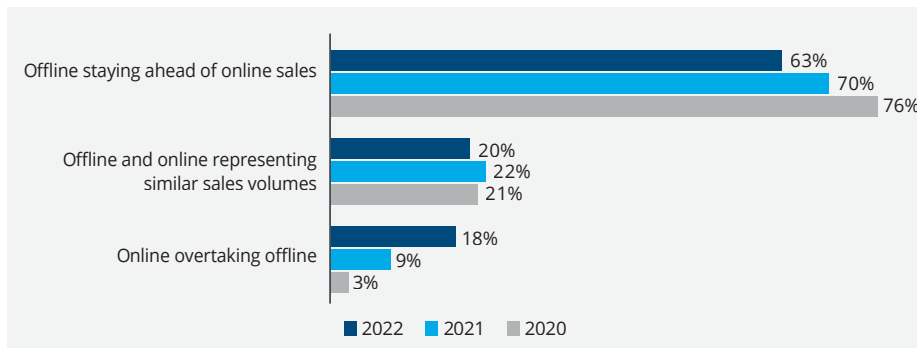
clubs) or artistry (galleries) or some other brand personification, these traditional retail spaces have become destinations themselves. Imaginative and immersive, they serve as a sort of communal space to get to know the ‘personality’ of the brand.

Part concept store and part art gallery, the recent MB&F Lab opening in Singapore is exactly that – a homage to kinetics and artistic ingenuity with curated timepieces and art. Other Labs will be opening in Los Angeles and Paris in the coming weeks and join the brand’s M.A.D. Gallery spaces, which first opened in Geneva in 2011 and was followed by ones in Dubai, Hong Kong and Taipei.



Louis Moinet. Time to Race Rossa Corsa. Photo courtesy of Louis Moinet

Chart 25. How do you see the ratio of offline vs online sales evolve over the next five years?



Source: Deloitte research

Closer to home, Panerai opened a new flagship boutique in Zürich that personifies the Italian culture and passion for the sea in which the brand is rooted. This follows the renovation of their Geneva boutique in early 2022 based on the same 'Modularità Espressiva' theme, a concept that will be rolled out to Panerai boutiques around the world. Although primarily a boutique, Audemars Piguet's AP House in Zürich will also host art, cultural and culinary events. Patek Philippe's salons in Geneva, London and Paris are also far more about brand experience than pure retail.

Although it operates its own multi-brand watch boutiques, Watches of Switzerland is expanding its array of mono-brand boutiques with openings in September 2022 for Rolex in London, for Breitling in Copenhagen and Stockholm and for Omega also in Copenhagen.

There is a reason for this retail expansion - a clear majority of industry executives (63%) see offline sales still dominating online sales over the next five years. However, online sales are growing in importance and have grown from 3 percent in 2020 to 18 percent this year, as shown in Chart 25.

And for a sign that travel retail will once again be a strong sales channel for the Swiss watch industry, Cartier recently opened its largest travel retail boutique at Istanbul Airport in the famed 'Luxury Hill' in Zone 4.

* In April 2021, US-based Jacob & Co. was the first luxury watch brand to sell a digital version of their SF24 Tourbillon.

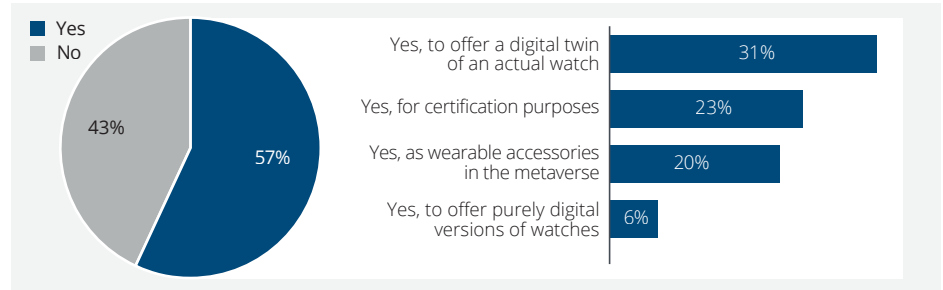
4.3 Welcome to the (virtual) neighbourhood

Despite consumer concerns over how Big Tech is using their data, there remains potential for NFTs, Web 3.0 and the metaverse. In 2021 Louis Erard released the Swiss watch industry's* first non-fungible token (NFT) with a limited-edition Louis Erard x Alain Silberstein timepiece. Since then, other brands have followed suit, with more likely to do so. Of the brands we surveyed, over half (57%) are planning to launch an NFT within the next 12 months, with the main reason being to offer a digital twin of an actual watch, for certification purposes and as a wearable accessory in the metaverse, as shown in Chart 26. Brands including Breitling, Ulysse Nardin and Vacheron Constantin have been using blockchain technology to guarantee authenticity and for tracking and tracing purposes – all of which are helpful for the pre-owned market.

In 2021, LVMH, Prada Group and Cartier joined forces to create the Aura Blockchain Consortium with the aim of setting standards for the luxury industry in innovation, transparency and blockchain technology. Consumers can access product history and proof of authenticity from sourcing to sales and all the way to secondary markets by using technologies such as radio-frequency identification (RFID) tags, NFTs, QR codes, etc.

In June 2022 TAG Heuer partnered with Bored Ape Yacht Club and Clone-X to release an update of its Connected Calibre

Chart 26. Do you intend to launch NFTs (non-fungible tokens) in the next 12 months (Please select all that apply)



Source: Deloitte research



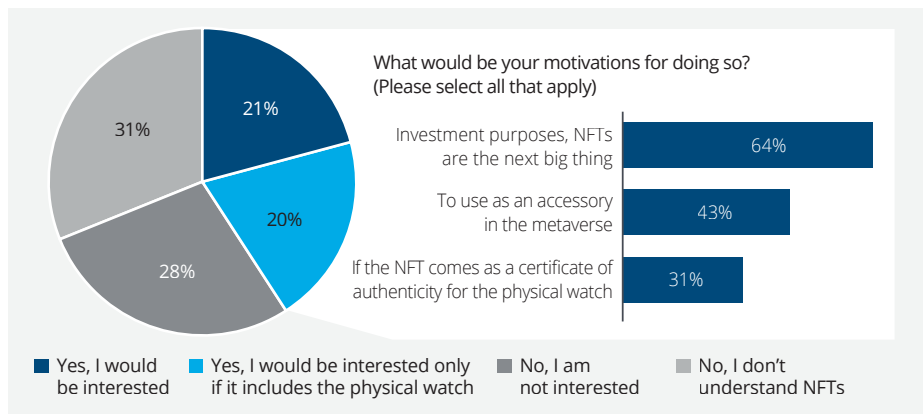
Greubel Forsey Tourbillon 24 Secondes Architecture. Photo courtesy of Greubel Forsey.

E4, giving wearers the ability to display their virtual NFT artworks, both static and animated.

In March 2022, Bulgari launched the Octo Finissimo Ultras, limited to 10 pieces, and emblazoned with a QR code on the watch's face. Launched in partnership with the Aura Blockchain Consortium, the QR code links to a unique NFT piece of digital art that also serves as a certificate of authenticity.

Are consumers jumping on the NFT bandwagon as well? According to the consumers we surveyed, around 40 percent overall (Chart 27) are interested in the digital twin of a watch, with overwhelming interest shown in China (82%) and the UAE (76%). However, nearly one-third of consumers still don't understand NFTs, the highest proportions being in France (47%), the UK (45%) and Japan and Switzerland (both 38%). Of those interested in digital assets, two-thirds believe that NFTs are the big next thing and cite investment as their motivation for buying. More than forty percent (43%) of consumers are using digital twins for accessories in the virtual world. According to our Global Powers of Luxury 2021 report, luxury has the same aspirational relevance in the metaverse as in real life: it's an asset to differentiate oneself and express one's way of being and values. Another important aspect of 'virtual luxury' is its viability and accessibility—even those who can't afford the price of a physical luxury item can possess and use a virtual branded item and display it on multiple occasions.⁸

Chart 27. Recently, brands have introduced NFTs (non-fungible tokens) for watches. Would you be interested in the NFT version (digital twin) of a watch?



Source: Deloitte research

Brands are benefiting from the NFT hype, real or perceived. In February, Louis Moinet's created 1,000 unique NFT watches based on their Space Revolution watch, which sold out in seven minutes on the day they were released.

Earlier this year, Sotheby's auctioned off 100 of Gérald Genta's original drawings in their Icon of Time Sale held in Geneva, Hong Kong and New York. Known as the world's most famous watch designer, all Genta's drawings were sold with the accompanying NFT even including the original drawings for the Audemars Piguet Royal Oak and Patek Philippe Nautilus.

Using a watch to adorn your avatar in the metaverse is beginning to catch on with consumers, particularly those we surveyed in Hong Kong (51%) and Singapore (49%). In

March 2022, Frederique Constant became the first brand to launch a new timepiece in the metaverse. Inviting customers to its digital hub dubbed Metacube, it also released two limited-edition Classics Worldtimer Manufactures to celebrate its foray into the virtual world and the brand's 10th anniversary, as well as releasing 50 limited edition digital twins of the anniversary edition. IWC gave away 1,868 digital artwork tokens through various channels, including at their Watches & Wonders booth, and also to those who bought select watches from its Pilot's family. Inviting you to join their Diamond Hand Club, these tokens served as an entry into a virtual and NFT-based members only club. Their metaverse was modelled after their shipping container-style booth from Watches & Wonders and members will be able to access exclusive digital and real-world benefits.

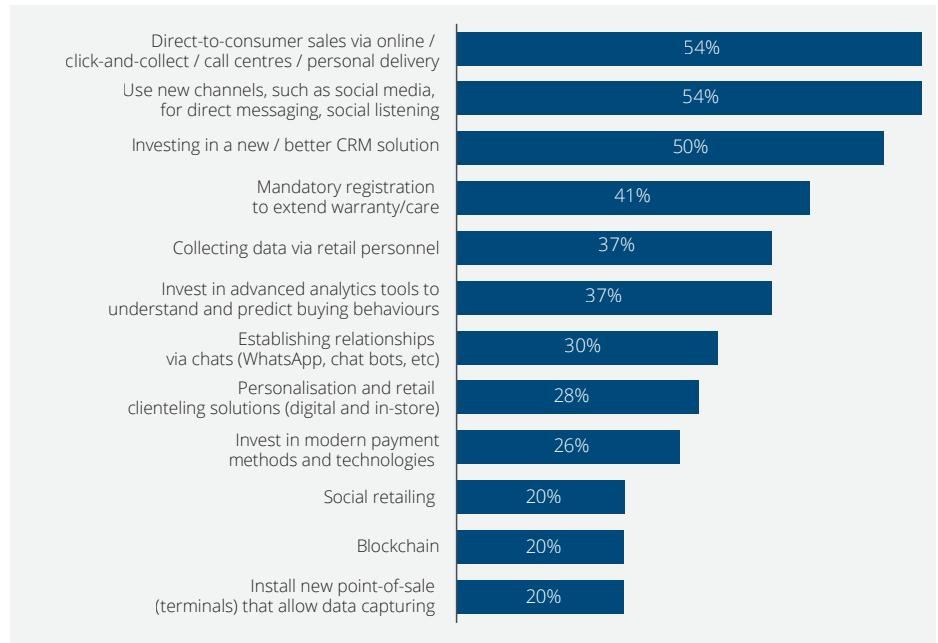
4.4 Getting to know you

With increased digitalisation and the growing importance consumers place on personalised interactions with brands and retailers, data-based decision-making is crucial. Brands and retailers are using direct-to-consumer (D2C) sales (54%), social media channels (54%) and investing in their CRM system (50%) to get to know their audience better (Chart 28). The pandemic accelerated the D2C adoption and demonstrated the importance of and need for a strong D2C presence, even in industries that traditionally relied on business-to-business (B2B) and wholesaler channels. As we reported in our 2021 study, D2C sales channels are strong in China with luxury companies selling through platforms such as WeChat, their mini-programmes and the aforementioned Tmall Luxury Pavilion.

D2C is more than an e-commerce platform through a website or app – it requires a mindset shift and a consideration of the entire customer journey and includes many of the considerations included in Chart 28, including data analytics, chat functions and expanded digital payment methods. However, it all ultimately distills down to data, and the importance of it.

Direct engagement with brands – whether transactional, behavioural or via third parties – creates feedback loops that allows brands to use the data at their disposal to create experiences and products that are more tailored to customer preferences

Chart 28. What actions have you taken to better know your customers? (Please select all that apply)



Source: Deloitte research

and desires.⁹ Cloud-based customer data platforms capture omnichannel data to map the entire customer journey and empower brands to more clearly design the solutions for which their customers are explicitly or subtly asking.¹⁰

Brands are also using their foray into the metaverse and NFTs (see Section 4.3) to get to know their customers better. With Panerai’s limited edition Luminor Goldtech Perpetual Calendar with NFT and IWC’s Diamond Hand Club, these brands are offering their digital asset holders access to one-of-a-kind experiences and a range of

to-be-defined benefits – further deepening engagement and ideally retention.

We also asked brands and retailers which digital solutions they currently use and would like to use to get to better know their customers. Experiential brand experiences, mobile-driven workforce and mobile apps allowing customers to find product information or make an in-store purchase are not only the most currently used digital solutions but also the top priorities to help enhance the customer experience.

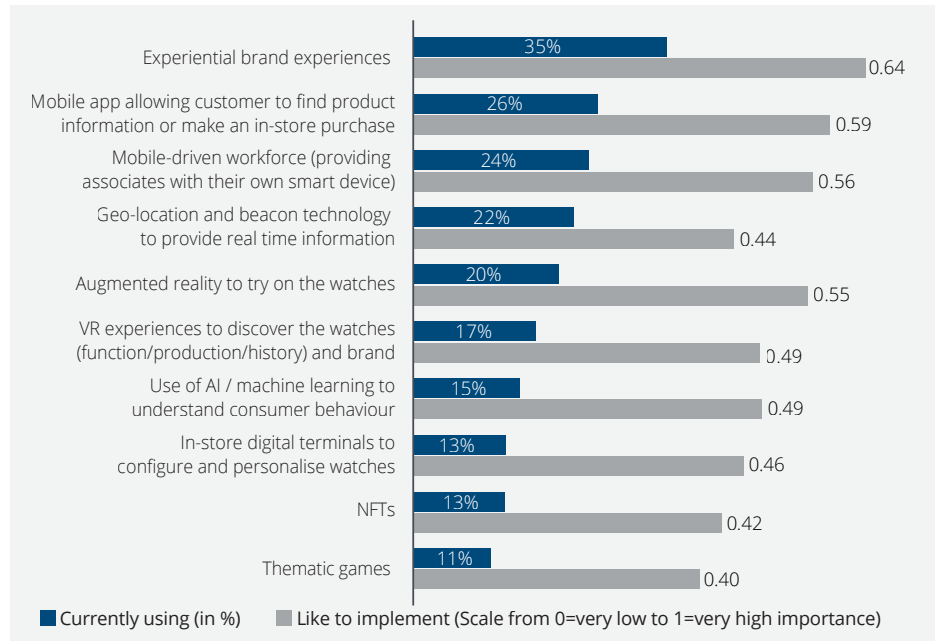
Brands are also keen to use augmented

reality to give consumers the opportunity to see how watches look on their wrists. WatchBox and Chrono24 introduced this virtual benefit in 2018. Gucci was also early to offer virtual watch try-ons via its app and more recently brands such as Piaget and Cartier have been using Snapchat’s wrist tracking technology to offer virtual try-ons for select models.

Particularly for those brands experiencing stock shortages, harnessing technology to offer a virtual option is a useful stopgap. Jaeger-LeCoultre showcased this technology at Watches & Wonders in Geneva in 2019, and at the Shanghai rendition of Watches & Wonders in 2021, visitors to the Tmall Luxury Pavilion stand were able to virtually try on watches thanks to augmented reality.

Brands are looking beyond their retail outlets and digital channels to deliver experiences. Zenith has partnered with Neuchâtel Tourism to promote the guided tour of the brand’s manufacturing centre in Le Locle. Geneva Tourism also recommends a visit to the city’s Patek Philippe Museum. IWC offers virtual and in-person tours to its Manufacturing Centre in Schaffhausen. Tours can also be arranged to Greubel Forsey’s state of the art factory. These experiences not only introduce the brands to visitors, but also underscore the history and heritage of Swiss watchmaking and how it is intimately intertwined with the history of the country.

Chart 29. What kind of digital solutions do you currently use/would you like to implement to enhance the customer experience in stores? (Please select all that apply)



Source: Deloitte research



Photo courtesy of Greubel Forsey.

4.5 Pre-owned proliferation

In 2021 we wrote about the professionalisation of the pre-owned market, from the rise of certified pre-owned to the strategic acquisitions taking place. Historically the space for collectors and connoisseurs, the performance of pre-owned has attracted strategic investors and even speculators, driving prices to new heights. But as we saw with financial markets, the resale prices of pre-owned watches have started to decline. The Subdial50 Index¹¹ tracks the top 50 traded models on the pre-owned market and takes into account the latest market price of each of the models as well as their relative weighting based on sales value. This index has shown the top 50 models drop from a high in mid-February 2022 of CHF 45,000 down to CHF 35,000 as of mid-September.

While this normalisation is good for watch enthusiasts and those on waiting lists, this price correction does not mean at all that the pre-owned market is shrinking. We predict that the current market size of around CHF 20 billion should continue to experience strong growth in the coming years and reach nearly CHF 35 billion by 2030 and comprise more than half of the primary market. Growth is likely to be sustained by:

01. Brands launching their own pre-owned sales channels to capture more of this market, while emphasising the circular narrative of this option

- 02. Established pre-owned platforms, both online and in-store, continuing their expansion
- 03. Consumers looking for opportunities to purchase discounted and discontinued luxury watches at a discount, as well as being attracted by the circularity aspect of the pre-owned market.

The brands surveyed see the secondary market even more positively than last year. As shown in Chart 30, over 70 percent see the pre-owned market as having a positive influence on brand perception and value and welcome the side-effect it has on awareness and visibility of the watch industry overall.

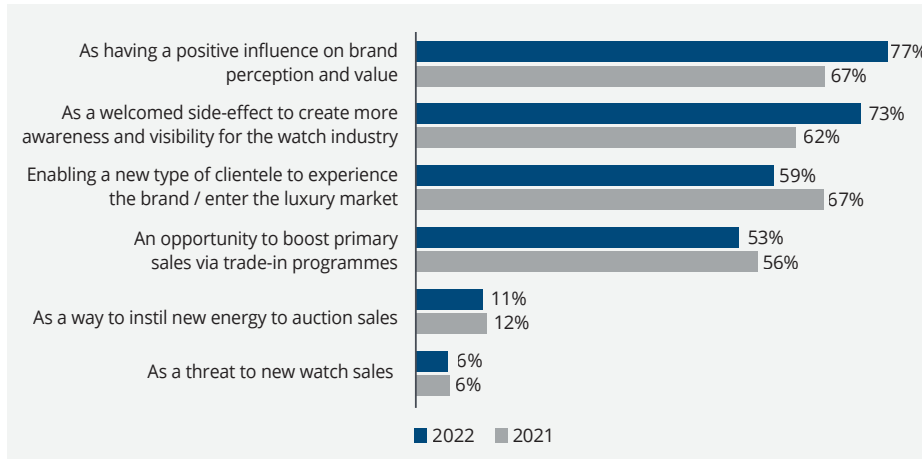
In terms of strategy for the pre-owned market, most respondents are investing in their own platform (30%), followed by a white label partnership with an existing pre-owned provider (17%) or launching their own certified pre-owned business (15%). There are several ways brands are actively managing the value of their watches on the secondary market. Similar to our 2021 report, most brands are actively managing the value of their timepieces through buy-back programmes and managing production levels (both 37%). Nearly 30 percent of brands are discontinuing products to keep them exclusive.

Bucherer has partnered with Sotheby's to offer its collectors around the world access to one of the largest collections of certified pre-owned luxury watches via the

“The growth potential is exponential. With the primary and secondary markets becoming more complimentary and symbiotic, the pre-owned market has been able to grow at a pace close to the primary market. It opens up a new entry point for first time buyers and gives aficionados confidence in the value and circularity of a luxury watch. The pre-owned segment is integral to the watch industry ecosystem.”

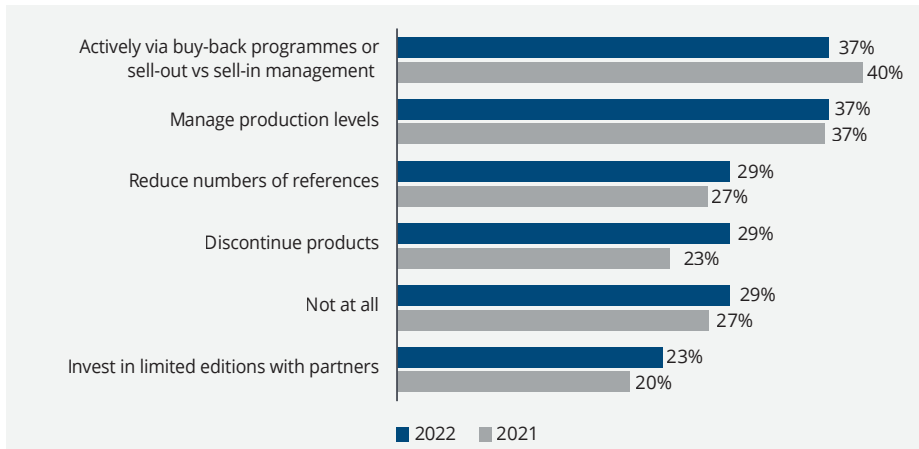
Arjen van de Vall
Chief Executive Officer
Watchfinder & Co.

Chart 30. How do you see the secondary market / pre-owned market? (Multiple answers possible)



Source: Deloitte research

Chart 31. How consciously do you manage the value of your watches on the secondary/pre-owned market? (Multiple answers possible)



Source: Deloitte research

auction house's e-commerce platform. Phillips Perpetual portfolio of watches can also be found on Chrono24. Pre-owned retailer WatchBox has recently opened brick-and-mortar stores in New York with further retail outlets planned in China, Europe and the UK. WatchBox also has salons in Dubai, Singapore, Switzerland and the US.

Watcherfinder & Co. has partnered with US-based department store Nordstrom to sell pre-owned watches at its New York City and Seattle locations. This is in addition to Watchfinder's retail presence at Bongénie in Geneva, Grieder in Zürich, Printemps Haussmann in Paris and Rinascente in Milan.

“Pre-owned is important for us and we actively manage our brand equity on the secondary market. Providing certification and a two-year warranty on such pieces, directly or via our certified pre-owned partners, allows us to have a healthy and secured secondary market.”

Felix Baumgartner
Co-founder
URWERK



Watchfinder & Co. at Nordstrom in New York. Photo courtesy of Watchfinder & Co.

4.6 Greening the approach

Changing consumer behaviours, recent catastrophic climate events and a consensus that we all have a part to play to work towards a most sustainable and equitable future, are pushing many industries, not only the Swiss watch industry, along a more sustainable path. As shown in Chart 32, consumer demands and a desire to decarbonise (both 77%) are catalysing brands into action, in addition to generating some goodwill when it comes to image (74%). More promising

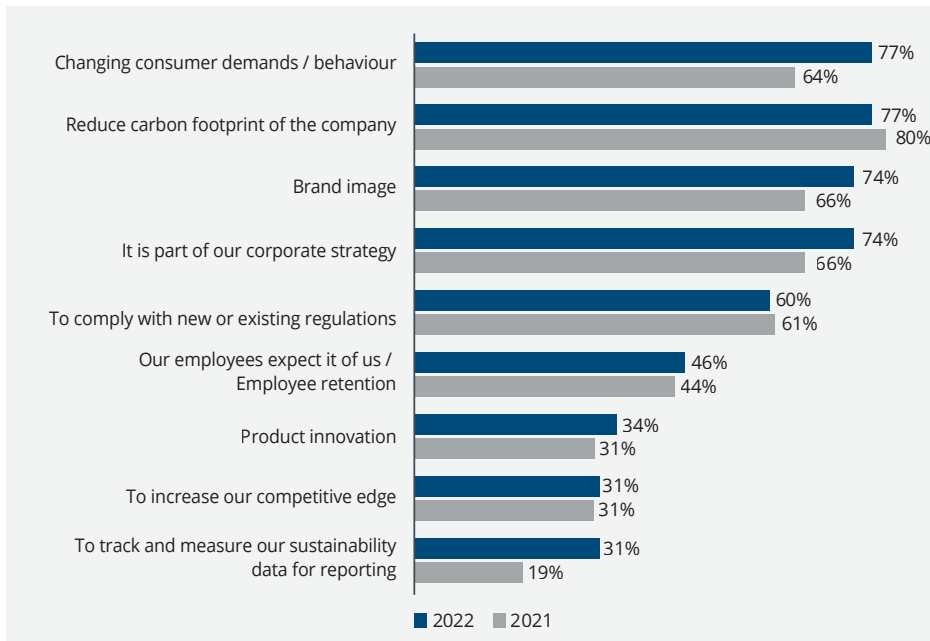
is the increase in brands that are making sustainability part of their corporate strategy compared to our 2021 report (by eight percentage points).

The argument can be made that a well-made mechanical timepiece is by definition sustainable. It can be passed down for generations or traded in. Many can be repaired indefinitely, thereby reducing the need, though not the desire, for more; and many materials used in the manufacturing process, metals or otherwise, can also

be recycled. Although not featuring high on Maslow's Hierarchy of Needs, an investment timepiece bodes better for the environment than one that is easily discarded, falls quickly out of fashion or whose technology – ahem smartwatch – gives out after one or two years.

Sustainability means many things, depending on who you ask, which is why we asked both industry executives and consumers in 11 countries what the most important aspect of sustainability

Chart 32. What are your primary reasons for investing more into sustainability? (Multiple answers possible)



Source: Deloitte research

“Our industry has a responsibility to reduce its impact on the environment and positively impact our world. This can only be achieved through collaboration – sharing best practices, coming up with joint solutions and using our collective influence to accelerate the change that customers and society expect of us.”

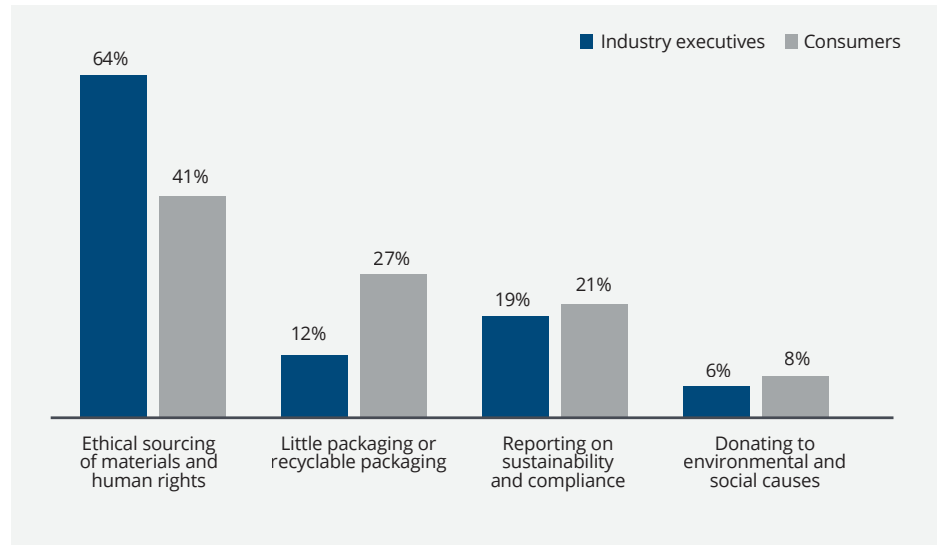
Franziska Gsell
Chief Marketing Officer & Sustainability Committee Chair
IWC Schaffhausen



IWC Portofino Chronograph 39 with fully traceable Swiss calf leather. Photo courtesy of IWC Schaffhausen.

was (Chart 33). Most industry executives consider the ethical sourcing of materials and human rights to be most important. Consumers agreed, especially those in the UK (48%), Switzerland (47%), Germany (46%), the UAE (45%) and Singapore (44%), but they mentioned minimal or recycled packaging twice as often as the industry did. Donating to environmental and social causes generates more 'feel-good' appeal to consumers surveyed in Japan (15%),

Chart 33. What do you consider the most important aspect of sustainability for a watch/the watch industry?



Source: Deloitte research

the US (11%) and Singapore (10%) than other markets, though clearly not 'wowing' consumers overall.

Consumers even placed slightly more importance on reporting than the industry itself. When it comes to reporting, of the brands surveyed, nearly half (48%) publish a sustainability report, less than one-third don't publish one but would like to (30%) and one-fifth don't see a need to. Reporting on sustainability was most important to consumers in France (44%), China (35%) and Hong Kong (25%). France has a longer history of requiring companies to report on their environmental and social impact,

which has been a requirement since the passage of the Grenelle II Act in 2012.

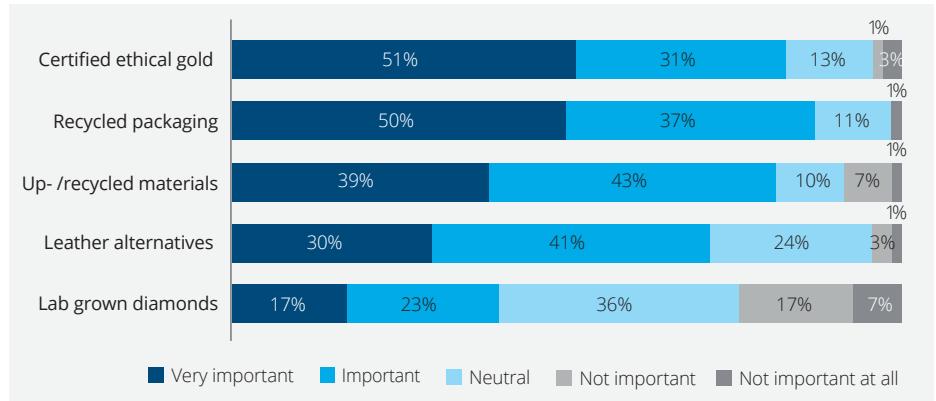
Although often characterised as traditional and slow to change, when it comes to innovation in both design and materials, the Swiss watch industry is innovative. While often the focus is on developing materials that are slimmer, lighter, more robust, more pigmented, this has also given way to investing in materials and processes that are more circular, more sustainable and with a smaller environmental footprint – without forsaking comfort, quality and durability, of course.

We asked industry executives about the importance of materials (Chart 34). Recycled packaging was deemed the most important (87%) followed by certified ethical gold (82%) and upcycled/recycled materials (81%) and leather alternatives (71%).

First unveiled at Watches & Wonders in March, IWC expanded its range of alternative leather straps with its release of MiraTex which contains natural materials such as FSC-certified* natural rubber, cork powder and various mineral colorants, and is free of petrochemicals. Cartier’s Tank Must Solarbeat comes standard with a vegan-leather strap partially made from apple skin. Mondaine is also offering vegan strap options in the form of grape leather. While leather alternatives are important, especially for Gen Z consumers who prefer to have vegan options, it must be said that not all leather alternatives are created equal. Those that rely on polyurethane (PU) leather, as is the case with Mondaine’s grape leather, or polyvinyl chloride (PVC), still include some form of synthetic plastic.

In addition to alternative leather for their straps, watch brands are particularly fond of upcycling and recycling materials. For the strap of its Patravi ScubaTec Black Manta Special Edition, Carl F. Bucherer upcycles 15 litre PET bottles. For its Aikon #Tide collection, Maurice Lacroix has created a composite using recycled PET bottles mixed with glass fibre, resulting in

Chart 34. How important will each of the following materials be in the next 5 years?



Source: Deloitte research

a material that is harder than plastic with a carbon footprint six times less than PET. Upcycled ocean plastic can be found in straps from Luminox, Panerai and Titoni, whereas supplying straps from repurposed fishing nets has been the approach of Alpina and Breitling.

Beyond the straps, recycled steel is also gaining favour in the industry – Panerai’s eSteel comprises 95 percent recycled steel, IWC has increased the proportion of its recycled steel to 85 percent and Chopard’s Lucent Steel alloy is made using 70 percent recycled stainless steel. The latest Dive watch from Gucci also uses recycled steel and bio-based materials.

Upcycling and recycling help to reduce the materials needed to make new timepieces, helps reduce the overall footprint of a

watch by reusing materials and thereby makes the product and process more circular. When it comes to circularity, ID Genève’s CIRCULAR “S” model aims to be the pinnacle of circularity. Starting with the materials, they use 100 percent recycled stainless steel collected from the waste of watch and medical companies in the Jura region. Straps are made from discarded grape skins, stalks and seeds from wine production or from compostable green waste sourced from parks in London. Even the packaging is compostable and is composed of mycelium (root-like structure of fungus), mixed with agricultural waste like hemp, cork and sawdust.



“We should go from linear to circular which means a complete change of business model and what we do every day. It’s in the product, it’s in the processes, it’s in the hierarchy, it’s in everything we do.”

Nicolas Freudiger
Co-founder
ID Genève Watches

ID Genève Circular S. Photo courtesy of ID Genève.



Girard-Perregaux Laureato 42mm Pink Gold & Onyx.
Photo courtesy of Girard-Perregaux.

At Watches & Wonders in Geneva this March, TAG Heuer unveiled its new Carrera Plasma timepiece featuring lab-grown diamonds. Identical in structure and appearance to natural diamonds, the diamonds used in the Carrera Plasma are created using chemical vapour deposition, a complicated term that essentially means combining a diamond fragment with gases, including hydrogen and carbon, with some UV light to create the lab grown version.¹²

Many of these high-tech innovations are well outside mainstream, but brands

are beginning to collaborate more, as is the industry. Panerai will be offering the research it has been doing on recycled packaging as open source so that other brands can benefit.

When it comes to collaboration, the industry has often been criticised for its insular approach and has been far slower to embrace broad collaboration than the fashion industry in the name of sustainability. But that is starting to change. Membership associations such as Swiss Better Gold (SBG) and the Responsible Jewellery Council (RJC) are forcing brands to focus on the environmental and social considerations of their business practices, material sourcing and supply chains. With its members, SBG helps to create responsible gold value chains from mine to market. Through its standards and certification process, the RJC helps companies integrate and ensure responsible business practices across their value chains.

Launched in October 2021, the Watch & Jewellery Initiative 2030 (WJI2030) was co-founded by Kering and Cartier with the belief that accelerating the industry's sustainability ambitions and working to achieve the UN's Sustainable Development Goals were only possible through collaboration. In September 2022, the initiative expanded with new members including A. Lange & Söhne, IWC

Schaffhausen, Jaeger-LeCoultre, Officine Panerai and Piaget, who join Boucheron, Gucci Watches, Chanel Horlogerie Joaillerie, Montblanc and Swarovski.

It remains to be seen how this collaborative initiative will develop, particularly around their focus areas of climate resilience, resource preservation and inclusivity, but given the strong sustainability ambition of many of the member brands, we are likely to see positive movement in the future, for our future.

“This is the decade of trust and transparency. The time is now to show how our watches and jewellery have a positive impact on people's livelihoods and our planet. More than ever, ambitious partnerships are fundamental to achieve the UN Sustainable Development Goals. We have a shared responsibility across the value chain to leave no one behind.”

Iris Van Der Veken
Executive Director & Secretary
General
Watch & Jewellery Initiative 2030

5. Conclusion

Recent years have seen the Swiss watch industry adapt to a changing landscape. Change has not only been hastened by external factors; internal forces are driving the industry away from its slow-to-change stereotype.

Dynamics continue to shift between East and West, with the US maintaining its position as the most important market in terms of exported watches for the second year in the row. The reality is more nuanced and China specifically, and Asia more broadly, remain crucial to the Swiss watch industry, and particularly to those brands operating in the high-end and ultra-high end of the market.

China also remains the testing ground for new retail concepts and digital solutions. But with consumer behaviours and demographics shifting, consumers globally are adopting all things digital in greater numbers, including purchasing timepieces online. Although most industry executives believe in-shop purchases will reign supreme in the coming years, we predict that watches purchased via e-commerce channels could comprise 30 percent of all purchases by 2030.

When it comes to digitalisation, most brands are convinced about the metaverse and NFTs, to an even greater degree than consumers. With inflationary pressures rising in most parts of the world, outfitting

your metaverse avatar with the latest luxury timepiece may be a more affordable way to dip into the world of timepieces, even if virtual. But the investment potential – or hype – of digital assets continues to entice.

A growing number of consumers are turning their attention to luxury watches because of their money-making potential, a motivation most strongly seen in Asia. While the recent investment and resale frenzy have skewed prices in the secondary market and drawn the ire of many watch-lovers and industry purists, it remains to be seen whether those who dabbled for speculative reasons can be turned into new long-term fans of quality Swiss craftsmanship.

For Millennials and Gen Z, owning a watch has become more important, and the industry continues to adapt to understand, reach and connect with this vital consumer base. But what about Generation Alpha? Born after 2012, it will play a key role in shaping society and consumer dynamics and will be key to the future success of the industry. Fully digital, this generation will be exposed to brands from a very young age through social media, their peers and the habits of their millennial parents.

The industry is focusing on sustainability with increased urgency. Responding to consumer demands, regulatory

developments and the realisation that we all have a role to play to be more sustainable, brands are incorporating sustainability into their long-term strategies and adapting their business model accordingly. An emphasis on industry collaboration, increasing circularity and material and packing innovation will accelerate the greening of the industry.

The industry's circularity credentials get a massive boost from pre-owned. Though most consumers are looking to the secondary market for discontinued and discounted timepieces, sustainability is also a pull. The potential and growth expectations for pre-owned are strong; we predict that by 2030 the pre-owned market is likely to grow to CHF 35 billion and make up more than half of the primary market. This will be realised by brands launching new pre-owned offerings, the continued expansion of existing channels and increased interest from younger and female audiences.

The Swiss watch industry comprises and supports a complex ecosystem, and its future success depends on respecting its heritage while embracing the possibilities that lie ahead. With its longevity and innovative mindset, coupled with its spirit and passion, the Swiss watch industry has all the components it needs to successfully recalibrate for the future.

6. Endnotes

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