

## Press release

Zurich/Geneva, 26 October 2020

### Despite the pandemic, Swiss watchmakers believe in-store shopping will prevail over digital platforms

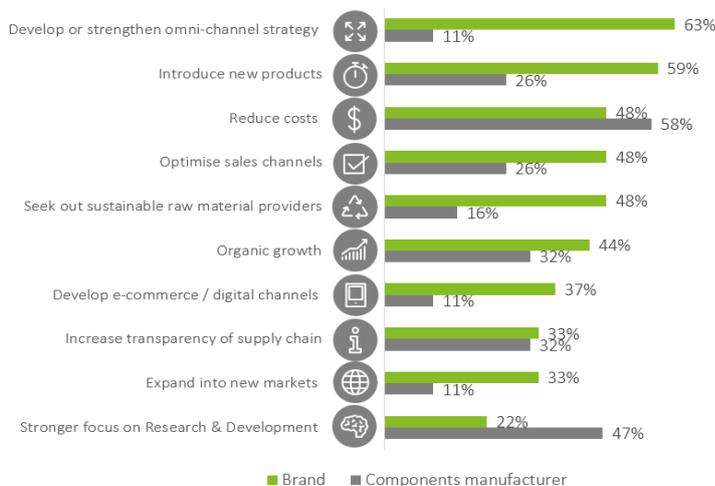
The majority of Swiss watchmakers believe that bricks and mortar stores will remain the preferred sales channels for their products and will prevail over online in the coming years. This, despite the recent impact of the pandemic and accelerated digitalisation. In-store experiences are still viewed as an essential part of the customer journey, and companies are investing considerably in experiential brand marketing. Pessimism is rife among Swiss watch industry executives with 85% forecasting a grim outlook for the industry. Despite the challenging outlook, the industry is not complacent, prioritising omnichannel strategies, delving into the pre-owned market and shifting towards more sustainable and ethical ways of production.

Hopes were high in January 2020 for a positive year for the watch industry after a challenging 2019. COVID-19 had other plans leading to one of the most disruptive periods in the history of the Swiss watch industry. Over two-thirds (67%) of watch industry executives surveyed in the [Deloitte Swiss Watch Industry Study 2020](#) predict a gloomy outlook for the Swiss economy in general, with 85% forecasting a grim outlook for the industry specifically which shows the seriousness of the current situation and the monumental challenge for the industry.

COVID-19 has hit the industry hard and the emerging second wave is a stark reminder that the crisis is not yet over. The decline in exports has affected entry-level quartz watches even more acutely, a segment suffering since 2012. The collapse of global tourism due to travel restrictions, which is likely to continue in the coming months, a drop in domestic demands due to the lockdown and cautious spending habits are having a direct impact on the industry. Production halts in China exposed gaps in some of the producers' supply chain and inventories, perhaps leading to a rethink of regionalising production back to Switzerland.

#### In-store experiences remain an essential part of the customer journey

Bricks and mortar stores will remain the most important sales channels in the coming years despite the pandemic. Over 70% of Swiss watch executives believe that offline channels will continue to dominate digital ones across all price brackets. As shown in Figure 1, over 60% of brands surveyed are prioritising the development and strengthening of their omnichannel strategy. The in-store experience is an essential part of the customer journey, which is why executives are looking to implement experiential brand experiences, mobile-driven workforce and mobile apps to enhance their in-store customer experience. Technologies like augmented reality or virtual reality are not prioritised at the moment.



**Figure 1:** To what extent is each of the following business strategies likely to be a strong priority for your business over the next 12 months?\*

\*Share of "Strong priority". Other options were "Somewhat a priority" and "Not a priority".

Karine Szegedi, Head of Fashion & Luxury at Deloitte Switzerland notes that “For an industry that largely relies on the emotional connection from seeing and handling luxury watches, the challenge moving forward will be how to combine physical and digital with so-called ‘phygital’ experiences. This will be essential to create not only a seamless journey for customers but also increase resilience should another lockdown happen.”

When it comes to which marketing channels influence consumers’ decisions to buy a watch, print ads are still most influential in Switzerland and Germany, while in France, China and the UK, in-store events have the greatest impact as shown in Figure 2. Social media and influencers are most effective in Hong Kong, UAE and Singapore. Radio and TV are still quite important in many countries, showing the importance of getting the marketing channel mix right.

	Top answer	Second best answer	Third best answer
Switzerland	Print media	Own network	Billboard ads
Germany	Print media	Radio / Television	Social media / Influencers
US	Radio / Television	Social media / Influencers	In-store events
UK	In-store events	Radio / Television	Social media / Influencers
China	In-store events	Brand Ambassadors	Social media / Influencers
UAE	Social media / Influencers	In-store events	Radio / Television
Japan	Radio / Television	Social media / Influencers	Print media
France	In-store events	Billboard ads	Radio / Television
Italy	Own network	Radio / Television	In-store events
Hong Kong	Social media / Influencers	In-store events	Radio / Television
Singapore	Social media / Influencers	In-store events	Print media

**Figure 2:** In general, which marketing channels influence your decision to buy a watch the most?

### Swiss watch brands have underestimated the popularity of smartwatches

Over 60% of watch executives admitted that the industry missed the boat when it came to smartwatches, with 34% seeing smartwatches as a threat, up from 14% in 2017. However, 60% of consumers surveyed would wear either a traditional watch or both a traditional and smartwatch, a positive sign for the industry that consumers are not completely digitalised when it comes to their timepieces.

Income levels at different stages in life influence one’s buying decision, which is why we asked respondents what their watch buying preference would be if they had CHF5,000 (or their local currency equivalent) to spend. Although the majority of respondents across all eleven countries surveyed would buy a luxury watch, the appeal of a new smartwatch each year clearly increased for millennials in the UK, China and Italy compared to our 2017 study. The evolution of results between 2017 and 2020 show that smartwatches are increasingly attractive to consumers when money does not play a role. However, luxury mechanical watches remain favoured by a majority and therefore still have a bright future.

### The pre-owned market heats up

Luxury brands have long stayed away from the pre-owned watch market, but recently large brands and groups have begun to shift into this important and potentially lucrative segment. Jules Boudrand, Deloitte Switzerland’s watch industry expert notes: “The aim of the large brands and groups moving into the pre-owned space are twofold: to grab a share of this growing market to counter the cyclical effects of the industry and to grow sales of new watches via trade-in programmes.”

One-fifth of consumers are likely to buy a pre-owned luxury watch in the next year, a share likely to increase given that the transition to digital channels and e-commerce are giving a wider market of potential buyers the ability to purchase a pre-owned watch. Mr Boudrand emphasises “Maintaining the monetary, brand and emotional value have become key decision factors in driving today’s pre-owned market. Brands with the strongest value retention, both actual and perceived, are the ones leading the industry.”

### Geopolitical uncertainty negatively impacts the Swiss watch industry

The industry is dealing with more than just the current pandemic. In 2019, the protests in Hong Kong had a noticeable impact on sales figures month after month. According to the majority (54%) of executives surveyed, external factors such as political uncertainty from the likes of Brexit, the US-China trade war and upcoming elections in the US, is having a negative impact on the Swiss watch industry. As we also saw in our 2017 study, weaker foreign demand, softening domestic demand and a strong Swiss franc all continue to pose significant risks to the industry. The risks associated with a rise in gold prices and a shortage in skilled labour have increased substantially since our last revision.

China is mentioned most often as the next big growth market for the Swiss watch industry in general, followed by the US and other densely populated Asian countries like Indonesia, India and Vietnam. Over the next 12 months, 77% of respondents are expecting growth in China, and over one-third expect growth in the

Middle East; however a decline is expected in both Europe and Hong Kong. The more expensive the watch, the better the outlook as we have seen high-end mechanical watches drive the summer recovery in China, and this upward trend should continue.

### **Shifting towards sustainability**

The Swiss watch industry recognises the increasing importance of sustainability and ethics across its entire value chain. Almost 90% of the executives surveyed believe that sustainability is an important topic for the Swiss watch industry. However, only half actively communicate their initiatives and less than one-third publish a sustainability report. Driving the focus for greater transparency are changing consumer demands, a desire by the company itself to be more sustainable, and the media. On average over 50% of consumers surveyed consider sustainability when purchasing a watch and this number will continue to increase.

Karine Szegedi, says, "In the fashion and luxury sector in general, we are seeing an accelerated shift towards sustainability with designers and jewellers focusing on eco-friendly materials, responsible sourcing and upcycling. This will only grow in importance in the years ahead, also in the watch industry."

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### **About the «Deloitte Swiss Watch Industry Study»**

The 2020 version of the Deloitte Swiss Watch Industry Study is the seventh of its kind, unique to the Swiss market and was last published in 2017. Based on an online survey conducted between mid-August and mid-September with 55 watch executives and personal discussions throughout the year as well as a survey of 5,800 consumers in eleven countries (China, France, Germany, Hong Kong, Italy, Japan, Singapore, Switzerland, the United Arab Emirates, the United Kingdom and the United States) conducted in early August, it is an indicator of the current sentiment in the Swiss watch market. You can find our 2020 Deloitte Swiss Watch Industry Study on [our website](#).

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