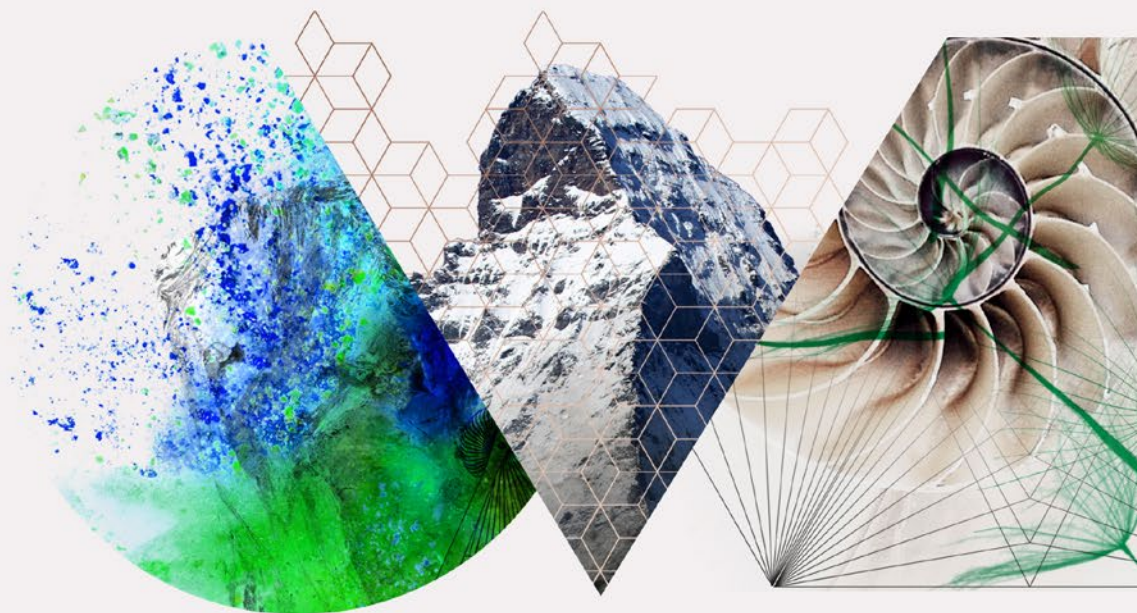


FHH

FONDATION HAUTE HORLOGERIE
FOUNDATION HIGH HOROLOGY



**FHH Watchmaking
Trends Report
2018**

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About Fondation de la Haute Horlogerie

INTRODUCTION

Each year begins with the same interrogation: what will the new trends in watches be? What novel shapes, mechanical innovations or design twists can we look forward to? These are legitimate questions, given the vast amounts of creativity and technical know-how at work in an industry that never fails to reinvent itself, year after year. Fine Watch brands, like Haute Couture houses, have their “fashion weeks” – trade events for the most part – where they can exhibit, explain and show the world their latest products.

INTRODUCTION

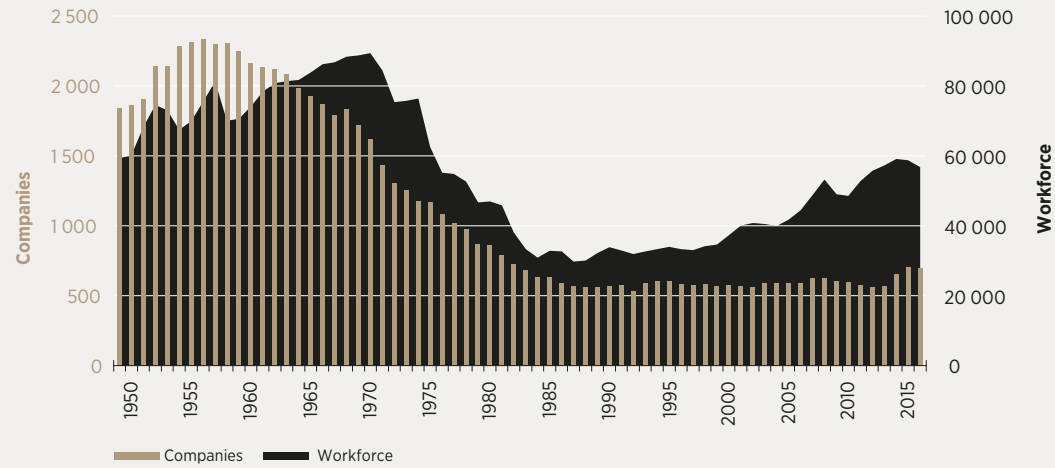
It's here, at these industry gatherings, that the trends set to dominate watches for the twelve months to come are revealed. Starting the ball rolling, in January, is Salon International de la Haute Horlogerie (SIHH) in Geneva, which held its 28th edition in 2018, followed a few weeks later by Baselworld, the world watch and jewellery show, in Basel since 1917. For any brand with global distribution, or looking to make a name on international markets, taking part in either - or both - is a must. However much digital is transforming sales, nothing has yet replaced presentations "in the metal"

of these mechanical marvels. Taking the temperature of these two events is therefore essential when seeking to understand how the industry is moving ahead.

The authors of this report are inside observers with many years' experience of these two key dates in the watchmaking calendar. Since 2015, they have compiled an in-depth review of the year's launches in an online publication. As a complement to this, we have mapped out the highlights of 2018 in watchmaking, as illustrated by the trends spotted at SIHH and Baselworld.

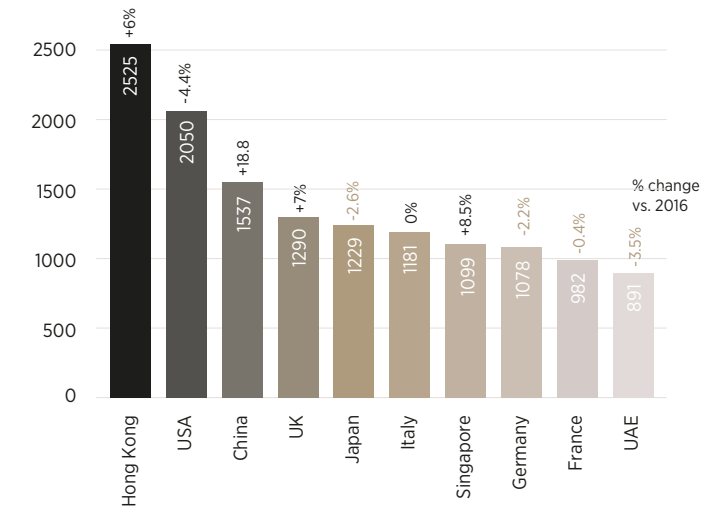
FIGURES

Workforce and companies in the Swiss watch industry



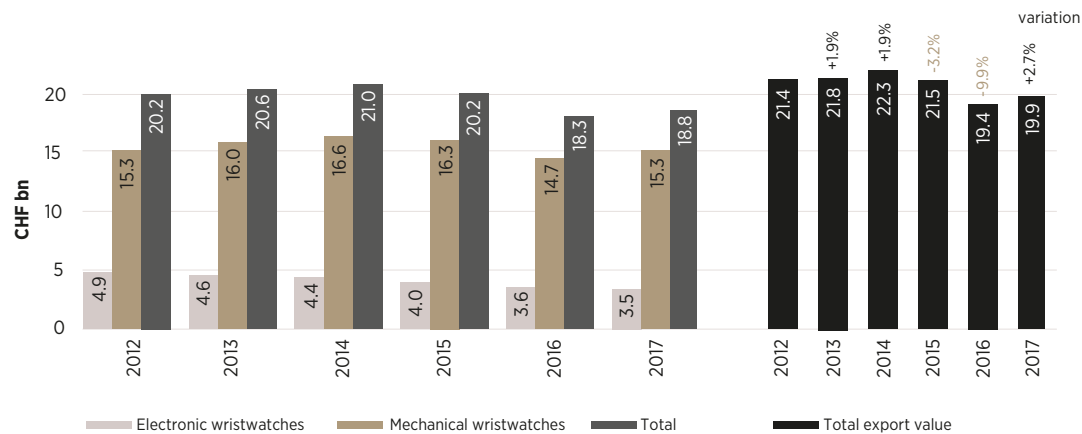
Source: 2016 census of staff and companies in Swiss watchmaking and microtechnology industries

TOP 10 - Swiss watch exports per country in 2017



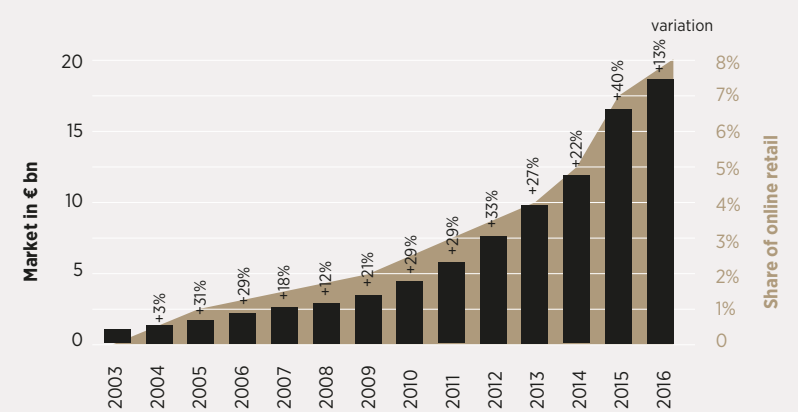
Source: Federation of the Swiss Watch Industry FH

Swiss watch exports 2017



Source: Federation of the Swiss Watch Industry FH

Online sales of personal luxury goods



Source: Federation of the Swiss Watch Industry FH

“We look to balance activity between millennials and mature customers.”

Jean-Christophe Babin

CEO of Bvlgari

INTERVIEW

ON FINE WATCHES

What's the biggest opportunity for your brand to increase its appeal to customers?

That we further express Bvlgari watchmaking's unique fusion of Swiss Haute Horlogerie expertise with contemporary Italian design, already epitomised by the Serpenti, Diva Finissima, Octo Finissimo and Lvcea Tubogas.

ON AUDIENCES

Which expanding customer groups are you focusing your marketing (and design) efforts on?

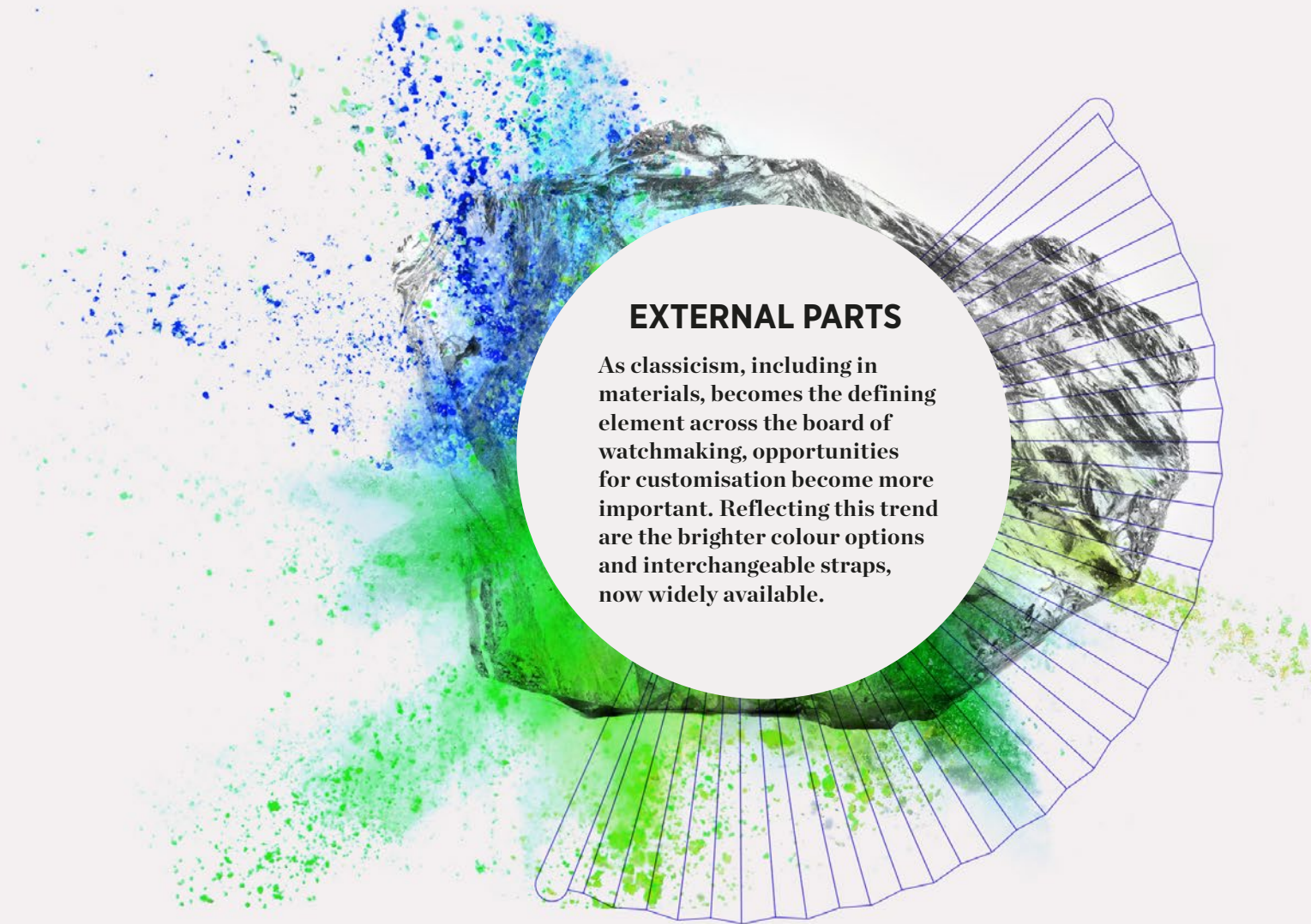
Generally speaking, we look to balance activity between millennials and more established, mature customers. This shows throughout our communication which spans social media and traditional print. It's also evident in our collections, which cover a spectrum from beautiful gem-set pieces and dials that confirm our high-jewellery status to contemporary materials such as ceramic and titanium.

ON THE FUTURE GENERATION OF WATCHMAKERS

How do you find new watchmakers and what qualities do you look for?

We look for creative, rule-breaking talent that will carry forward Bvlgari watchmaking's strengths and heritage, as well as break new ground and keep Bvlgari at the top of its field.





EXTERNAL PARTS

As classicism, including in materials, becomes the defining element across the board of watchmaking, opportunities for customisation become more important. Reflecting this trend are the brighter colour options and interchangeable straps, now widely available.

EXTERNAL PARTS

The steel deal

The race to develop high-tech materials – once the industry's new grail – has died down among all but a handful of brands that have made performance their raison d'être. No longer a mark of originality, ceramic and carbon, alongside bronze for its vintage patina, are now part of the landscape. Just as designs become more subdued, traditional metals are back in fashion.

Luxury and steel form a proposition that appeals strongly to millennials, while for other generations gold continues to hold status value. Platinum, once reserved for gem-set watches, returns in the high-end segment while titanium continues to make inroads in the sport watch category.

“Our collections cover a spectrum from beautiful gem-set pieces and dials that confirm our high-jewellery status to contemporary materials such as ceramic and titanium.” JEAN-CHRISTOPHE BABIN, CEO BVLGARI



Grönefeld
Parallax Tourbillon



Girard-Perregaux
Neo Tourbillon with
Three Bridges Skeleton



Ulysse Nardin
Marine Torpilleur Military



Vacheron Constantin
Fifty-six Day-Date

EXTERNAL PARTS

Making it personal

In the late 1990s, fashion watches frequently came in packages that included two or more interchangeable straps. The idea was shortlived, mainly because swapping straps required a special tool or fiddling with buttons, at the risk of breaking a fingernail.

“I hope watch brands will speak the language of the consumer more than the language of the retailer.”

KRISTIAN HAAGEN



Cartier
Santos



Piaget
Possession



Hermès
Carré H



TAG Heuer
Formula 1 Lady

As demand for customisation options grows, interchangeable straps stand out as the most practical and affordable way for customers to put a new spin on their timepiece. Accordingly, a number of brands have developed ingenious systems that enable the wearer to change straps in a few simple moves or, for a metal bracelet, add or remove links to fit. As a consequence, several of this year's new models are delivered with more than one strap.

EXTERNAL PARTS

The reign of colour

Colour is all the rage this year, as cases, dials and straps come alive with vibrant shades – particularly for women who want a watch with a more assertive, standout aesthetic. Those who were tired of the predictable combination of a white or black dial inside an inevitably gold or steel case are now spoiled for choice. Blue has become almost standard fare, while green is gaining currency alongside some distinctly funky shades.

As well as becoming a canvas for colour, dials remain a showcase for watchmaking's companion crafts, the métiers d'art, although these are more of a rarity this year – even among brands that are renowned for their expertise in these decorative arts.



Bovet 1822
Château de Môtiers 40



Roger Dubuis
Excalibur Aventador S



H. Moser & Cie
Endeavour Tourbillon
Concept



Van Cleef & Arpels
Lady Arpels
Planétarium

“The newly launched Les Aérostiers collection mirrors our values and illustrates our ability to tell a story and push the limits of our expertise.”

LOUIS FERLA, CEO VACHERON CONSTANTIN

Kristian Haagen

ON WATCH DESIGN

Which timepiece took your breath away at SIHH 2018?

I really like the path Baume & Mercier has been taking these past years, and in 2018 especially with their new movement. It's maybe a slight exaggeration to call it an in-house calibre, as it's more a group-produced movement from the Richemont facilities in Val Fleurier, but it's another great move nonetheless from what is something of the underdog in the Richemont group. But if we're talking about a watch that took my breath away design-wise, it would have to be the relaunch of the Cartier Santos. I didn't think it could get any better, but Cartier pulled it off with the elegant facelift and a brilliant new bracelet design.



ON NEW AUDIENCES

Do you think brands are doing enough to bring in new customers? What do you think they will do this year?

I hope brands will speak the language of the consumer more than the language of the retailer. The watch industry still hasn't recovered. I think brands would benefit immensely from being way more transparent. Don't say you are a Manufacturer if you're not. Don't say a paid influencer is a "fan of the brand" when it is merely money talking. Don't wrap it all up in champagne and A-list ambassadors if your product sucks. Edouard Meylan from H. Moser & Cie hit the nail on the head with his now "illegal" movie for the Swiss Icon watch.

ON THE INDUSTRY

After a rough two years, do you think the industry will continue to grow its exports? Also, what do you think is the biggest driver of this upturn and why?

Well, I most certainly hope exports will do better soon. I want everybody to do well, but first and foremost I expect quality at every level. Not just the watch and movement, but in sales and after-sales too. Service charges are getting crazy high from pretty much any watch brand, leaving consumers with a big "Say WHAT?!" It makes customers wonder whether they should buy a smartwatch and take the entire family to the Four Seasons in the Maldives for a month, or service their 12- to 15-year-old watch. So if you want an upturn, you also need to lower your after-sales charges. Not all brands are Richard Mille nor have the same end customers.

“Don't say a paid influencer is a “fan of the brand” when it is merely money talking.”

DESIGN

Watch exports took a sharp downturn between 2015 and 2017. As the majority of brands experienced a contraction in sales, product strategies have veered away from breakout designs in favour of tried and true models.

DESIGN

Classic rules

Carrying on from the previous two years, the general trend for 2018 is to keep it simple, with designs that emphasise elegance or sport-chic. The anything-goes aesthetic that accompanied the upsurge in interest in mechanical watches

“In what is still a fragile context, clients are buying icons and key references.”

FRANÇOIS-XAVIER OVERSTAKE

is now a thing of the past – as shown by a reduction in case sizes which have settled around the 40 to 42mm diameter mark for round watches; round being the dominant shape. This classical revival is also evidenced by styles that skim the wrist, as brands rival to shave millimetres from extra-thin watches. As for dials, clarity and readability take precedence. From a symbol of belonging and a mark of status, the watch is becoming an extension of its wearer’s personality, chosen because it reflects his or her deepest affinities. This shift in perspective exactly aligns with the millennial mindset, the demographic brands are out to conquer.



A. Lange & Söhne
1815 “Homage
to Walter Lange”



Carl F. Bucherer
Manero Flyback



Laurent Ferrier
Galet Minute Repeater
School Piece



Panerai
Luminor Due 3 Days
Automatic 38mm

DESIGN

Affordable icons

Certain watches, even entire collections, have become references in their own right, and these models come to the fore as brands look to secure their markets. These icons have spanned several decades, hence most are time-only models, sometimes with the addition of a useful complication such as a date display or a chronograph. Compared with high-mech and jewellery models, they form part of the entry-level segment – a price point that has been all

too often overlooked in recent years. Perceived value for money has become an important construct, meaning brands have every interest in occupying this end of the market. These same brands also need to maintain volume sales in order to keep production lines busy, hence the attention paid to these iconic styles – and why each anniversary is celebrated as though it were a piece of world history.



“It’s clear from the entry price of many prestigious brands that watches are more affordable than ever.” CARSON CHAN



Chanel
J12 Untitled



Chopard
Happy Sport
Manufacture



Audemars Piguet
Royal Oak Offshore
Selfwinding
Chronograph



TAG Heuer
Carrera Heuer-02

DESIGN

Vintage- mania

Watch design reflects the importance afforded to the enduring values of time measurement. Little wonder, then, that the popularity of anything vintage has reached epic proportions over the past three years.

“Our Maison combines over 260 years of tradition with contemporary and creative designs.”

LOUIS FERLA, CEO VACHERON CONSTANTIN

Almost every brand is caught up in the same strategy of reviving a golden – meaning pre-digital – age. The phenomenon has grown such that it now takes multiple forms.

Brands can choose to reinterpret older styles with a complete design overhaul, or instead make subtle changes to a flagship model, thus retaining its essence, while introducing a modern movement. A further option is the launch of a new collection inspired by a model from the back catalogue, or a distinguishing feature from the past.



Cartier
Tank Cintrée



Montblanc
1858 Monopusher
Chronograph Limited
Edition 100



Jaeger-LeCoultre
Polaris Memovox



Zenith
Pilot Cronometro
Tipo CP-2 Flyback

“It’s important that we take a global approach and create a unique experience across all our communication channels.”

Chabi Nouri CEO of Piaget

INTERVIEW

ON FINE WATCHES

What’s the biggest opportunity for your brand to increase its appeal to customers?

It’s important that we take a global approach and create a unique experience across all our communication channels, from events to the red carpet.

Today’s customers are more engaged, and we have to make sure we go beyond their expectations every time.

ON AUDIENCES

Which expanding customer groups are you focusing your marketing (and design) efforts on?

Piaget will always stay true to its DNA, thanks to which we already reach a wide audience through our different product lines. As for marketing, we focus on providing experiences for our clients in stores, at our events, online and in the content we create.

ON THE FUTURE GENERATION OF WATCHMAKERS

How do you find new watchmakers and what qualities do you look for?

Our artisans and watchmakers are highly valued. Some have been with us for years and provide extraordinary skills and technical competencies in watch- and jewellery-making. These are the skills that we also look to recruit from schools and apprentice schemes.

Our movement Manufacture in La-Côte-aux-Fées concentrates vast amounts of expertise, particularly in ultra-thin calibres.



MOVEMENTS

Function takes precedence over complication – and specifically the watch's primary purpose as a counterpoint to smartwatches, which form a parallel universe. With this in mind, brands are attentive to the precision and reliability of their movements and give preference to useful indications through chronographs for timing short intervals, calendars and multiple time zones.

MOVEMENTS

Slim & precise

A consequence of the current business climate, the year's collections are dominated by simple movements - whose precision and thinness are the two ways brands can innovate and stand out from the competition. Regarding precision, a movement is now expected to comply with stricter standards than those imposed by the Contrôle Officiel Suisse des Chronomètres (COSC).

This explains the plethora of alternative tests and certifications. It also explains the popularity of materials such as silicon, which does away with the need for lubrication and adjustment. As for thinness, records are toppled on a regular basis - including in 2018 with a new record for the thinnest automatic movement in the world.



Audemars Piguet
Royal Oak Tourbillon
Extra-Thin



Vacheron Constantin
Traditionnelle Tourbillon



Piaget
Altiplano Ultimate 910P



Bulgari
Octo Finissimo Tourbillon
Automatic

“I expect quality at every level. Not just the watch and the movement, but in sales and after-sales too.”

KRISTIAN HAAGEN

MOVEMENTS

Useful & desirable

With regard to functions, grand complication watches are made with an audience of collectors in mind. They form a separate category whose appeal is essentially emotional and intellectual, distinct from financial considerations.

“Today’s customers are more engaged, and we have to make sure we go beyond their expectations every time.” CHABI NOURI, CEO PIAGET

Since watchmaking’s return to tangible values, the emphasis has shifted to complications that serve a practical purpose, led by chronographs and moon phases, and followed by annual calendars and multiple time zone displays. There is, however, one exception to the rule: the tourbillon. Once the preserve of a handful of manufacturers, the tourbillon regulator became considerably more mainstream – to the point of being brushed aside in favour of complications such as the minute repeater or the perpetual calendar whose elite reputation is unblemished. This spinning mechanism returns with a vengeance this year, its charm intact.



IWC
Portofino Hand-Wound
Moon Phase Edition
“150 Years”



Breitling
Navitimer 8 B35
Automatic Unitime



Louis Vuitton
Tambour Essential Grey



Parmigiani
Kalpa Chronor

MOVEMENTS

A creative force

There can be no denying that independent and artisan watchmakers now form an integral part of Haute Horlogerie. They bring their particular concept of watches not just as instruments that keep time but the expression of a kinetic art. As such, they have accustomed us to products that break with convention, and the new watches they present rarely fall short of expectations.

This is truer now than ever. Demonstrating creativity and technical expertise in equal measure, this hub of talent has rightfully been compared to cinema's New Wave. And while their approach is far removed from that of industrial and serial production, both are similarly uncompromising in their demand for artistry and skill.

“The solution lies with creativity: when a watch is highly desirable, price becomes a less prominent issue.”

FRANÇOIS-XAVIER OVERSTAKE



F.P. Journe
Linesport Chronographe
Monopoussoir
Rattrapante



MB&F
MoonMachine 2



Greubel Forsey
Double Balancier



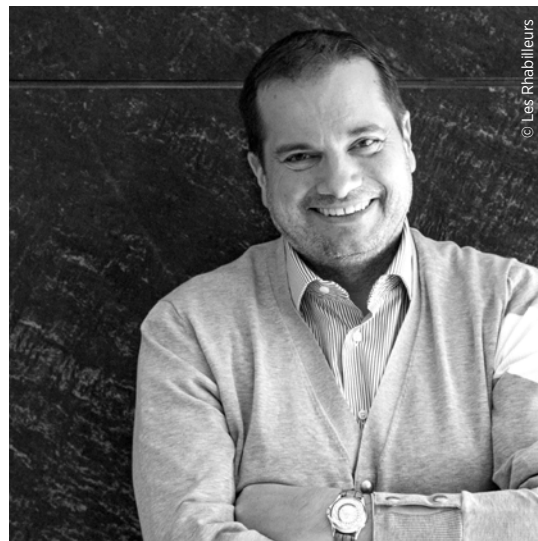
Richard Mille
RM 53-01 Tourbillon
Pablo Mac Donough

François-Xavier Overstake

ON WATCH DESIGN

Which timepiece took your breath away at SIHH 2018?

From a pure design point of view, I'd pick the new version of the Carré H by Hermès. I find this watch perfect on the wrist; it's simple but still has character. The Montblanc 1858 Geosphere is also interesting. It has a kind of steampunk influence. As a reinterpretation of the neo-retro trend, it's a breath of fresh air. At Baselworld, the Akrivia Chronomètre Contemporain caught my eye. It's a nice redesign of the classic three-hander in the high-end segment. That, and the superb sandblasted cases of the Bulgari Octo Finissimo.



© Les Rhabilleurs

ON NEW AUDIENCES

Do you think brands are doing enough to bring in new customers? What do you think they will do this year?

That's a complex question. Brands know that they need to renew their customer base, yet despite efforts in communication I feel there is still a gap between what's on offer and what these new clients want, which is creativity, fun, personalisation and fair prices. The problem I currently see is that the fair prices are very often the consequence of cost controlling, which I'm afraid to say becomes perceptible when you handle the watches. The solution lies with creativity: when a watch is highly desirable, price becomes a less prominent issue. If I were a large group, I would focus my entry-level brand on very creative, daring pieces at reasonable prices, and I would adapt communication and distribution to clearly speak to these clients and make them want to wear a watch again. If I were a standalone company with a high price segment, I wouldn't focus on new clients at this stage. I would stay at my usual price point by offering bold products. It's a big mistake to adapt the offer to a lower price segment as this is often perceived as a sign of weakness and, for loyal clients, a loss of brand equity.

ON THE INDUSTRY

After a rough two years, do you think the industry will continue to grow its exports? Also, what do you think is the biggest driver of this upturn and why?

I don't think we can speak of an upturn just yet. Exports may be growing, but this is mainly driven by the need to rebuild dealers' stocks. The overall context remains fragile, with the result that clients are buying more icons and key references. The market is steadily becoming more and more driven by the most famous watches. Look at what's going on with the Nautilus and the Daytona. We're in something of a "winner takes all" situation. So if you don't have that type of watch in your catalogue, you need to generate desirability with a bold attitude. One of the current problems is that some brands are too cautious, in which case you can't expect a significant improvement in your market share and turnover. Again, creativity is the key. Since it's impossible to lower prices, I'd say brands need to be thinking about improving the horological substance of their watches at stable prices.

“It's a big mistake to adapt the offer to a lower price segment as this is often perceived as a sign of weakness.”

FORECAST 1

Customer Service

Statistically speaking, the number of watches returned for servicing is equivalent to 10% of total watches in circulation. Knowing that some six million new watches are added to this total each year, it's easy to see how these all-important departments could quickly become swamped. However, setting up competent after-sales service support is a time-consuming and costly investment – as well as one of the major challenges facing tomorrow's watch industry.

CUSTOMER SERVICE

Under pressure

A watch is a complex object whose parts become worn and deteriorate. Aside from the shocks that can affect the mechanism, certain elements such as lubricants and gaskets naturally lose their properties over time. The need for regular servicing must therefore be factored in from the design stage. Statistics show that in any one year, 10% of the watches worn worldwide are sent back to the manufacturer for servicing. Also, over the past decade the number of mechanical watches in circulation has grown by an average of six million a year. It's an increase by design, not by chance, but which could put unmanageable pressure on customer service departments.

A strategic factor

After-sales service often remains low on brands' agenda; a curious fact given its importance, not to mention the ease of voicing complaints online as customers take to social media to vent their dissatisfaction. Grievances range from problems locating customer service to lack of information on warranties, difficulty obtaining a cost estimate, long wait times and high prices. But the situation is evolving. In a context of slower growth and the very public face of discontent, the watch industry is starting to consider customer service as a commercial and strategic asset. Some experts believe that, in the long term, customer service could become brands' biggest profit centre, ahead of new product sales.

Staff shortage

A customer service department is expensive to set up and complex to run. The first obstacle is the number of product returns. A brand that has two million watches in circulation has to deal with 200,000 service requests a year. Assuming the same brand makes 100,000 watches a year, it must therefore be equipped to handle twice as much service and repair as production. The second difficulty involves planning, managing and shipping spare parts. Customer service used to be located at head office but is now more likely to be spread across the different markets, to prevent backlogs. This requires a major logistics effort. The third challenge is training. The Watchmakers of Switzerland Training and Educational Program (WOSTEP) was set up to this effect and works with a dozen partner-schools worldwide. Despite this, brands report a shortage of after-sales service watchmakers in several countries. The shortfall is estimated at 6,000 watchmakers in Asia alone.

“Each year we enrol new graduates from vocational study courses into our teams.”

Louis Ferla CEO of Vacheron Constantin

INTERVIEW

ON FINE WATCHES

What’s the biggest opportunity for your brand to increase its appeal to customers?

Vacheron Constantin appeals to the emotions through its focus on creativity, storytelling and flawless execution, both from a technical and an artistic standpoint. Indeed, our Maison combines over 260 years of tradition with contemporary and creative designs. The newly launched “Les Aérostats” collection employs the métiers d’art and a complication, and in this respect is a perfect example of Haute Horlogerie at Vacheron Constantin. It mirrors our values and illustrates our ability to tell a story and push the limits of our expertise.

ON AUDIENCES

Which expanding customer groups are you focusing your marketing (and design) efforts on?

In keeping with its DNA, Vacheron Constantin is a Maison for connoisseurs who are looking for technical excellence, elegance and understatement. These are universal values for aficionados of Fine Watchmaking.

ON THE FUTURE GENERATION OF WATCHMAKERS

How do you find new watchmakers and what qualities do you look for?

Vacheron Constantin has been involved in the training of watchmakers for years, and more particularly in the creation of apprenticeships. In order to meet the Maison’s high standard of quality and expertise, Vacheron Constantin must continue its efforts to pass its knowledge on to younger generations. Each year we enrol new graduates from vocational study courses into our teams. This is the best way to integrate them into Vacheron Constantin, and give them the opportunity to train with our master watchmakers on our different collections. Throughout their training, we evaluate a number of professional and personal qualities such as manual ability, visual acuity, concentration, meticulousness and methodicalness. Beyond training, we value the transmission and safeguarding of our unique craftsmanship.



FORECAST 2

Second- Hand

Today's second-hand watch market is worth an estimated US\$5 billion in revenue and increases in value by 5% a year. It owes its success to the internet, but also new consumption habits. Once left to specialised online platforms and third-party dealers, a growing number of brands are signalling an interest in regaining control over this market.

SECOND-HAND

An expanding market

Virtually non-existent in the early 1990s, the global market for second-hand watches – including those sold at auction – is estimated to be worth US\$5 billion a year by financial consultancy Kepler Cheuvreux. Since 2013 it has outperformed the market for new watches, and continues to grow by around 5% a year. Boosted by increased professionalism and by the internet, within the next 5 years sales of pre-owned watches are forecast to equal and possibly even exceed the market for new watches. In an interview to Reuters during SIHH 2018, Audemars Piguet CEO François-Henry Bennahmias declared that the second-hand watch market could ultimately be worth 10 to 20 times more than the market for new.

A millennial's playground

The pre-owned watch business developed alongside mechanical watchmaking's post-quartz revival, initially in response to demand from collectors and enthusiasts seeking rare pieces. What started out as a niche market, limited to a handful of specialist dealers, has grown exponentially on the back of the internet. This now global business has produced giants such as Chrono24.com or TheRealReal.com, and given a new, less wealthy clientele access to prestige timepieces.

Changing mentalities – buying pre-owned luxury goods is no longer taboo – and new consumption habits that favour experience over ownership have turned these platforms into a playground for millennials. Collectors, meanwhile, have been instrumental in popularising watch-themed auctions, which have seen a transformation of their own: until six or seven years ago, the vast majority of lots were vintage or rare watches whereas today's catalogues feature a high number of recent, and in some cases very recent, items.

A new opportunity for brands

Traditionally, brands have passed up on the second-hand market, letting new players take the initiative instead. However, rising sales of pre-owned watches coupled with declining sales of new watches has prompted them to think again. At SIHH 2018, Audemars Piguet announced its intention to embrace the second-hand watch market as of this year. Richard Mille has said it will test the waters in the United States. Small brands such as H. Moser & Cie and MB&F have also expressed interest. First-hand involvement in this market is one way brands can control the quality of their pre-owned watches and at the same time maintain prices.

Carson Chan

INTERVIEW

ON WATCH DESIGN

Which timepiece took your breath away at SIHH 2018?

If I can only choose one, then it has to be the A. Lange & Söhne Homage to Walter Lange. And if I can choose more than one, the A. Lange & Söhne Triple Split, the Ressence E-Crown, and the IWC Pallweber.



ON NEW AUDIENCES

Do you think brands are doing enough to bring in new customers? What do you think they will do this year?

Are brands doing enough to bring in new customers? It's a philosophical question; of course more can be done, although in all fairness most brands are aware of the challenges the industry is facing. They're all working to extend their audience, whereas a decade ago brands were more geared toward an elite group of customers.

The most obvious sign is the entry point of many prestigious brands. Watches are more affordable than ever. These days you can start an entire collection with €10,000 whereas just five or seven years ago, that same €10,000 might only have got you one watch.

ON THE INDUSTRY

After a rough two years, do you think the industry will continue to grow its exports? Also, what do you think is the biggest driver of this upturn and why?

My answer to the first question is: yes. Brands are enlarging their audience and lowering prices in an effort to attract more new customers at entry level. Of course they are also taking care of customers at the more intermediate level by introducing complications and craftsmanship that are relevant to their tastes. I truly believe that mechanical watch collecting is heading toward the same realm as collecting art. A good solid understanding of the fundamental intricacy of the mechanical watch is absolutely essential for the industry to grow, by which I don't just mean the frontline sales associates but also knowledge amongst collectors. Knowledge is the key to the industry's future.

“Watches are more affordable than ever. These days you can start an entire collection with €10,000.”

FORECAST 3

E-commerce

Digital is a fast-growing channel in every country and every sector, and luxury is no exception. Consultancy firm Bain & Company forecasts that by 2025 a quarter of luxury sales will be made online. Closer ties between brands and online platforms show that watchmakers are continuing to make (still timid) inroads into e-commerce. Will they avoid the pitfalls of the web, not least the importance of managing their image and reputation online?

E-COMMERCE

Exponential growth

Online retailing has exploded across every sector in the past few years. New York-based market retail company eMarketer reports that worldwide B2C e-commerce sales hit US\$ 1.915 trillion in 2016, up 24% on 2015. This is 8.7% of total retail spending worldwide, a figure that is expected to double by 2020.

Luxury follows suit

The luxury sector mirrors this trend. According to Bain & Company, online sales of personal luxury goods reached US\$ 28 billion in 2017, climbing 24% on the previous year. The United States made up almost half this figure, although growth was particularly strong in Europe and Asia. Accessories are the fastest-growing category, ahead of apparel. Bain estimates that online sales for personal luxury goods will account for 25% of the market by 2025.

Watchmakers behind the times

Despite progress made, the watch sector is still lagging: online sales currently represent a tiny 2% of revenue. The rise of the digital native – luxury's main growth engine – is, however, forcing watch brands to adapt their behaviour. Pop-ups warning against online sellers are now being replaced by partnerships with major e-commerce portals such as JD.com in China or British e-tailer Mr Porter.

The way ahead

A 2017 study by Deloitte revealed that 67% of watch executives consider e-boutiques to be the most important sales channel. The next step will be to find the right balance between virtual and physical, e-commerce and brick-and-mortar stores. A further challenge will be to avoid the pitfalls of an online presence, i.e. being associated with close-out sites (detrimental to image) or insisting on going it alone (less effective).



BEST PICKS

Philippe Dufour's insight into SIHH



SEE THE VIDEO

Philippe Dufour is a brilliant independent watchmaker, revered in Japan as a living legend. In his mind, nothing can replace the craftsman's hand nor the watchmaker's seasoned eye. His quest to take Fine Watchmaking to the ultimate level inevitably draws him to complex pieces whose mechanical construction requires immense mental agility. The emotional spark, however, comes from the assembly, adjusting, finishing and decoration of each part that transform a timepiece into a work of greatness.

BEST PICKS

Eric Giroud's many reasons to be cheerful at SIHH



SEE THE VIDEO

For designer Eric Giroud, each new crop of watches brings rich pickings. Opportunities abound to marvel at the shape of a case, artful gem-setting or an ingenious mechanism. Nor does he reserve his enthusiasm for watchmaking's highest echelons; there are innumerable opportunities to stop and admire. From vintage inspiration to contemporary designs, from horological electronics to the icons of the past, beauty is a form of intelligence that knows no boundaries.



BEST PICKS

Designer Emmanuel Gueit gives his take on Baselworld



As a designer himself – including icons such as the Rolex Cellini and Audemars Piguet's Royal Oak Offshore – Emmanuel Gueit browsed the booths at Baselworld in search of a creative touch. His wanderings led him to brands whose products shape lines and curves into emotions; products that infuse metal with soul while delivering flawless technique. Because for him there can be no doubt: design is part of our future.

BEST PICKS

Baselworld reveals its technical tips to Gianfranco Ritschel, consultant



As a complete watchmaker, Gianfranco Ritschel, now a consultant and trainer, shows a particular affinity with the backstage of the profession: that peculiar place where watchmakers conjure up mechanisms full of finds, tricks and innovations. He takes us behind the curtain at Baselworld to learn more about the horological complications that never cease to amaze.



CONCLUSION

The watch industry is in the throes of change. Digital has produced new paradigms that are forcing brands to reconsider how they go about their business. Nor is there any clear logic as to where the two meet. On the one hand are the watch companies that think in long cycles, particularly for product development, and value tradition. On the other there is the Internet, operating 24/7 to satisfy a culture of immediacy that erases borders. Watchmakers believed they could adapt to these changes... given time. But time goes too quickly! Whether it's communication, marketing or distribution, whether it's knowledge-sharing, training or raising funds, everything can - even must - be done online.

This chain of information has made watch companies acutely aware of the need to make contact with the buying public. Particularly as the baby boom generation gives way to

millennials, who don't necessarily want the same things or consume in the same way as their elders. Also, brands can no longer cling to the belief that luxury is immune to crises. Resilient, yes, but certainly not invulnerable. Watch companies must show themselves capable of adapting quickly to economic uncertainty if they are to stay the course. The consequence of these two factors is that the industry is probably more attuned to its customers and its markets than ever before. And showing unprecedented product responsiveness.

As this report shows, we can no longer dissociate watch production and the economy, timepieces and purchase motivations. And yet amidst these transformations, one element remains unchanged: Fine Watchmaking continues to appeal to our hearts and minds with products that, year after year, are a culmination of expertise, creativity and innovation. Values that withstand the test of time.

IMPRESSUM

Fondation de la Haute Horlogerie

A not-for-profit foundation set up under private law in 2005 by Audemars Piguet, Girard-Perregaux and the Richemont Group, the objective of the FHH is to promote and spread the reputation of Fine Watchmaking around the world. It provides information on the latest news, history and skills within the watchmaking professions. It trains, assesses and certifies horological knowledge. It organises large-scale events and encounters intended for both the general public and professionals. A creator of content, competencies, connections and experiences, the FHH is supported by 42 partner brands. Leading names in the watch industry and independent creators, they actively contribute to its activities.

THE 42 PARTNER BRANDS

A. Lange & Söhne, Audemars Piguet, Armin Strom, Bovet, Bulgari, Cartier, Chanel, Chopard, Christophe Claret, Chronométrie Ferdinand Berthoud, De Bethune, DeWitt, F.P. Journe, Girard-Perregaux, Greubel Forsey, Grönefeld, Hautlence, Hermès, H. Moser & Cie, HYT, IWC, Jaeger-LeCoultre, Kari Voutilainen, Laurent Ferrier, Louis Vuitton, MB&F, Montblanc, Officine Panerai, Parmigiani Fleurier, Piaget, Ressence, Richard Mille, Roger Dubuis, Romain Gauthier, RJ, Speake-Marin, Tag Heuer, Ulysse Nardin, Urwerk, Vacheron Constantin, Van Cleef & Arpels, Zenith

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