



Luxury Swiss Watches

Is innovation shifting from technology to brand?



When we hear “made in Switzerland” a host of images spring to mind, among the most prominent is likely to be a classical Swiss watch. Not just any watch, a superior, high-quality, mechanical watch. Explore a little deeper and we enter a world of luxury, privilege and sophistication. Brands like Patek Philippe, Rolex, Omega, Jaeger-LeCoultre and Zenith shimmer alluringly in our minds.

A recent Interbrand survey ranked Switzerland highest in the world as a country of origin associated with quality (ahead of Japan and Germany). Another study showed that consumers all over the world strongly associated Swiss products with “high quality”, “reliability” and “luxury”. But, curiously, the same people also rated Swiss poorly when it came to “price competitiveness” and “innovation”. For the luxury watch industry, “price competitiveness” hardly matters, after all pricing is always relative and when your competitors are also Swiss the collective impact can actually be quite positive as it reinforces the cost of entry and perceived prestige of ownership. But what about innovation? It seems that many iconic Swiss watch brands seem to regard innovation as a core strength, they proclaim it in their advertising, on their websites, in their brochures and through their spokespeople. Here, for example, are some quotes from three luxury watch brochures:

“...ground breaking technological development that provides better long-term accuracy”

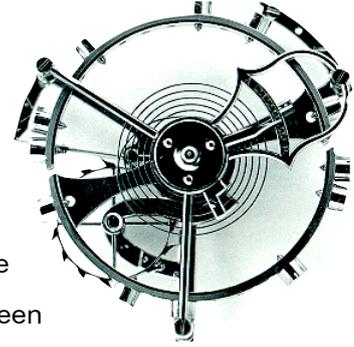
“...a new chapter of horological history for a new millennium”

“...futuristic, daring, high-tech and cutting edge... superior technical solutions”

It would appear then that there is either a growing anomaly between what the industry wants its audiences to think and what their audiences actually believe, or the Swiss national brand no longer reflects the industry with which it has been intrinsically-linked for the last two-and-a-half centuries.



Interestingly, there was a time, a few generations ago, when there would have been no such discrepancy. Watches might be regarded as the first high-tech gadgets in history and Switzerland's burgeoning watch brands lead the world in technical innovation. The development curve for the mechanical watch design actually began in the 18th century and by 1800 most of the cleverest innovations (including the chronograph, the self-winding mechanism and, most notably, the tourbillon) had already been invented, with Breguet, the premium-priced technological leader, firmly positioned as the Apple of its generation. By the end of the 19th century most of the major watch brands had established themselves and their biggest challenge was to manufacture these high-tech gadgets in ever greater numbers and at more affordable prices to meet growing international demand. It was in so doing that Switzerland's legendary watch-making was consolidated and, as its products reached wider audiences, they had a profound and lasting effect on the national reputation. It would not be unfair to say that for much of the last century the basic architecture of the mechanical watch has remained largely unchanged. There have, of course, been significant advances made in the manufacturing processes (finer tolerances providing more consistent quality) and in the application of new high-performance materials, but these are comparatively minor to the average consumer most of whom have long given-up on the Swiss watch for daily timekeeping anyway and for whom a Swiss watch is primarily a luxury accessory.



As if to prove the point, a recent advertisement for the Cartier Santos (the wristwatch created by Cartier for the early aviator Santos-Dumont) simply takes the headline: "Since 1904". Ironically, you could purchase the same timepiece used by Santos-Dumont to time his record-breaking 21-second flight from the airport boutique before you jet-off on a 14 hour flight across the globe!

It was, of course, the arrival of the quartz watch in the 1970s that changed everything. In terms of scientific innovation the world had moved-on and, by rational analysis, the Swiss watch industry suddenly looked about as outmoded as the record player would look on the arrival of the CD a decade later. But, for similar reasons, its appeal was re-born. It was no longer a rational product to be assessed scientifically, rather it became a subjectively-satisfying product with which buyers connect emotionally, creatively, intuitively. The luxury Swiss watch was reborn as an exquisite, hand-crafted indulgence whose functional capabilities are patently not the primary motivation for purchase. It is, today, a lovingly-crafted piece of functioning jewellery, an object of fascination and desire.

From a scientific/technological perspective, it is fair to say that the gadget innovation baton has now been seized by Japan and the USA (the national brands that rank highest in public perception for 'innovation'). Products like Seiko's revolutionary 'Eco-drive' and 'Ananto' and Citizen's 'Kinetic'

models have accelerated the performance expectations of the wristwatch into a new dimension. But then, their customers' motivations are as different from the Swiss luxury watch buyer as those of the latest Panasonic digital audio system's are from the specialist hi-fi chosen by the audiophile buyer.

As with any market, it is vital that the brand owners understand their customers' motivation. Clarity of positioning is essential and, with the best will in the world, no amount of window dressing about cutting edge technology is going to sell a piece of precious time-keeping jewellery even to the most technically-minded customer. While even the very finest Swiss watch mechanisms have now been eclipsed by newer technologies, this is immaterial to the appeal of the brands whose beautifully crafted products and breathtaking intricacy continue to enchant their privileged owners.

It is the brand promise and pride of ownership that will increasingly enable Swiss luxury watch brands to stand-out and thrive in the luxury marketplace. Their ability to deliver a distinctive, relevant and consistent experience will maintain their appeal and customer loyalty over time. It may well be that the key to future success in the luxury watch business will be ever less associated with the mechanism and 'technology' within the watch and increasingly with the sense of style, finish, quality of materials and personality that the watch exemplifies as a luxury accessory.



Although it might sound like contentious sacrilege today, is there really any reason why we should not, in future, see a luxury Swiss watch brand with a Seiko 'Ananta' or Citizen 'Kinetic' mechanism concealed within its stylish gold case? Just as Aston Martin has been dipping its toe in the water with its Cygnet concept car (a genuine Aston Martin luxury experience beneath which is a mechanically unmodified Toyota iQ city car), perhaps the future direction for all luxury brands will be to define, own and express their own authentic, emotional brand experience. Then, to determine the best way to deliver this via the most appropriate technologies currently available. This is, after all, the business model used so successfully by Apple Corporation - spiritual successors of those pioneering 18th century trailblazers, Breguet.

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