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The Deloitte Swiss Watch Industry Study 2023

A calibre of its own

About the study

This is the tenth edition of the Deloitte Swiss Watch Industry Study. It is based on an online survey of 75 senior executives in the industry, conducted between August and September 2023, and interviews with industry experts. We also carried out an online survey during the same period of 6,045 consumers in the domestic Swiss market and top export markets for Swiss watches: China, France, Germany, Hong Kong, Italy, Japan, Singapore, the United Arab Emirates, the United Kingdom and the United States. This year we also surveyed consumers in India and have included a specific section on this growing market. 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

Experience over convenience

Brands are enhancing the in-person experience – at retail outlets, watch fairs and auctions – to interact closely and sell directly to customers. While new customers will initially engage with brands online, these spaces will evolve into storytelling hubs and information sources. The personal connection, relationship building and face-to-face brand experience will outclass the convenience of the digital space, especially for mid-market and luxury timepieces.

Greening priorities from the inside out

External pressures have given way to internal priorities. This year brands and retailers are investing more in sustainability because it's part of their corporate strategy and identity, rather than doing so because of consumer pressure or concerns about brand image.

Augmenting their reality

The traditional industry continues to embrace innovation. Over half (52%) of executives surveyed plan to use Generative AI to create content for written publications and reports in the coming year, with approximately one quarter only considering it for brand campaigns/marketing purposes and to support the creative process.

India, incredible India

This was the first year India was mentioned so frequently as the next big growth market for the Swiss watch industry. By 2028, we predict that export sales of Swiss watches in India will reach over CHF 400 million. We think that India will be in the top 10 of Swiss export markets within a decade.

Price conscious yet curious

Of those consumers willing to buy a pre-owned watch, 22% would be willing to spend between CHF 1,500 – CHF 15,000. While not a grail watch territory, it's a healthy range to sustain further growth in the secondary market, which more consumers are now interested in timepieces.

From scrolling to selling

Social selling will become a key sub-channel for the industry due to its ability to offer personalised recommendations and instant purchasing through connected apps and mobile payment options, particularly for younger consumers. Already well established in Asia, social commerce offers a unique blend of buying, community and trust, turning screen time into an instantly gratifying, shoppable experience.

2. Setting the scene

2.1 The numbers

The Swiss watch industry had an impressive year in 2022 with exports rising to a new all-time record high of CHF 24.8 billion, a 14% increase on 2019's pre-pandemic figures of CHF 21.7 billion. It was the first year with a semblance of normality following the pandemic. Tourism picked up globally with close to one billion international arrivals.¹ However, for most of 2022 lockdowns continued on-and-off in China in many cities including Shanghai. Lockdowns have weakened the Chinese economy, and post-pandemic recovery has been sluggish. Chinese consumers remain key for the Swiss watch industry, especially for European sales. Export

values and volumes were strong, even in lower-end segments, thanks to the over one million MoonSwatches sold in 2022. The pre-owned market contributed to the momentum through the volumes sold and price premiums. The US remained the biggest single market for the industry, with all markets growing on the prior year except for the Far East and Eastern Europe.

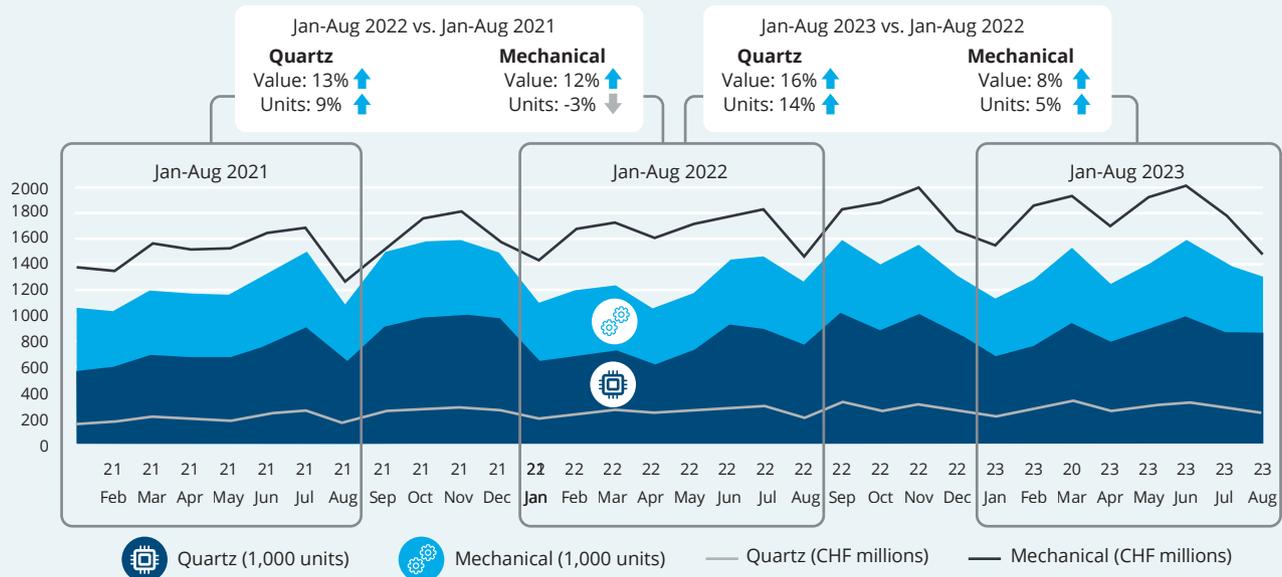
The end of 2022 was more challenging. A worsening energy crisis, falling global stock markets and cryptocurrency devaluation caused exports to dip in December and the pre-owned market to take a collective deep breath. Despite these headwinds, demand

continued to far exceed supply for many luxury brands.

In 2023, inflation has impacted many consumers worldwide and made a dent in their purchasing power. Supply chain bottlenecks have largely been resolved in many industries. The Swiss franc continues to appreciate against major currencies, by two percent against the US dollar and 3.5% against the Euro currently, making Swiss watches more expensive for international buyers. Despite that, for the first eight months of the year, watch exports have increased 10.2% in volume and 9.2% in value.

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

Market view



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

2.2 The markets

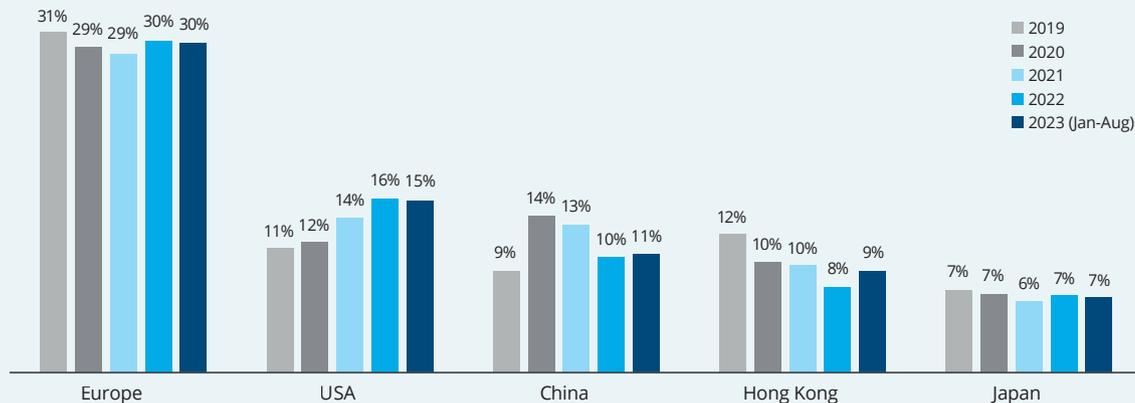
The top 10 export markets continued their growth trajectory during the first eight months of 2023. The US remained dominant with nearly CHF 2.7 billion in watches exported until the end of August, up nearly 10 percent on 2022 levels. China also saw similar growth of 9.3% during the same period, but exports are still down 7.5% compared to 2021 levels. Exports to Hong Kong were strong, up over 26% compared to the first eight months of last year, however, they were nowhere near pre-2019 levels. Hong Kong endured one of the most severe pandemic lockdowns

which continued into 2022 amidst surging infection rates. From January to August 2023, Hong Kong received over 20.5 million visitors compared to only 183,662 for the same period in 2022, an 11,089% increase.² Over 80% of those visitors, 16.5 million, were from the Chinese Mainland.

India has also seen a healthy increase in exports, with the value reaching CHF 133.7 million from January to August. We will go into more detail about India as a growth market in Chapter 6.

Chart 2. Swiss watch exports, relative share of selected countries and regions (value based)

Market view



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

2.3 The priorities

Looking at their priorities over the next 12 months, industry executives will be busy, as shown in Chart 3. The priority areas differ slightly between brands and component manufacturers.

Brands' strongest priorities for the upcoming year are:

1. Introduce new products (73%)
2. Develop or strengthen omnichannel strategy (45%)
3. Organic growth (45%)
4. Invest in sustainability (43%)
5. Optimise sales channels (39%)

Whereas component manufacturers are focusing on:

1. Increasing capital expenditure (50%)
2. Increasing production capacity in Switzerland (44%)
3. Introducing new products (28%)
4. Increasing the number of staff in Switzerland (28%)
5. Increasing cash flow (28%)

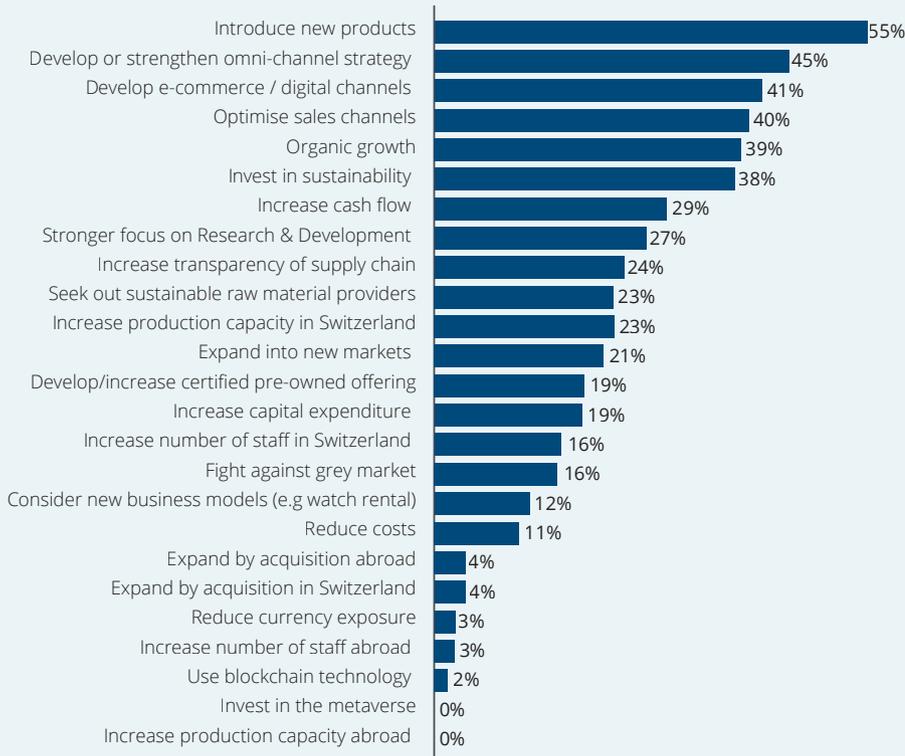
Brands catering to the price segment below CHF 5,000 have a much stronger focus on introducing new products than their higher-priced peers. With lower margins

and the rising cost of production and materials, increased volumes are the only way to maintain growth. New releases, limited editions and collaborations are key strategies to achieve this. In the coming year brands will be focusing on design (30%), movements and complications (both 16%), and sustainability (14%) in terms of product development. Those brands catering to the mid-range (CHF 5,000 to CHF 15,000) and high-end price segment (greater than CHF 15,000) see the increase in production capacity in Switzerland as much more of a likely priority for their business. Supply chain shortages and lockdowns have exposed the risk of relying heavily on suppliers abroad. Brands have learned from this and are taking steps accordingly to mitigate risks in the future. Zero percent of respondents are strongly prioritising increasing production capacity abroad, thereby strengthening the 'Swiss Made' designation for the industry.

Component manufacturers are on the front line where material and labour shortages, increased costs and margin pressures are concerned. We will go into more detail below on how they are adapting their strategies to keep up with steady demand.

Chart 3. To what extent is each of the following business strategies likely to be a priority for your business over the next 12 months? (Only "Strong priority")

Industry view



Source: Deloitte research

2.4 The concerns

Of the executives we surveyed, geopolitical uncertainty (84%) and inflation coupled with the cost-of-living crisis (69%) were deemed as having the biggest impact on the Swiss watch industry (Chart 4). These overarching macro trends filter down to, and impact, the risk factors that both brands and component manufacturers have identified for the coming year. The business priorities mentioned above correlate in some respect to the challenges stated below, and although operating at different parts of the value chain, brands and component manufacturers are similarly affected.

Shortage of qualified labour is a concern across all industries, and it is acute in Switzerland. Talent shortages have remained top of mind for the industry over the course of our last three reports. Luxury watchmaking is a skill often passed

down by artisans through the generations. Although innovation goes hand in hand with the industry and automation plays a greater role, time and training are needed to become a watchmaker. According to the Employers' Association of the Swiss Watch Industry (CIPH), 4,000 professionals will need to be recruited and trained by 2026.³ The brands are investing in their current and future talent. Adecco Switzerland, a human resources provider and temporary staffing firm, founded the Watch Academy in Geneva to invest in the training needed for individuals to enter the watch industry.⁴

Inflation remains problematic in many parts of the world, though the worst appears to be over in most economies. As mentioned in previous studies, consumers likely to purchase luxury timepieces usually still have the necessary purchasing power and discretionary income and therefore will

not be impacted by inflation fluctuations. However, this is not the case for consumers more comfortable buying in the sub-CHF 500 range.

The demand and supply picture for the industry is complicated. Demand far exceeds supply, particularly in the higher price segment and insufficient supply of parts and movements are exacerbating delays.



KIF Parechoc shock absorber. Photo courtesy of Acrotec Group.

Chart 4. Which of the following factors are likely to pose a significant risk to your business over the next 12 months? Multiple selections possible. Industry view

	Brands and retailers	Component manufacturers
1	Strength of the Swiss franc	Shortage of qualified labour
2	Shortage of qualified labour	Rising labour costs
3	Decrease in consumer purchasing price due to inflation	Strength of the Swiss franc
4	Insufficient supply of parts and movements from third-party manufacturers	Decrease in consumer purchasing power due to inflation
5	Rising prices for parts and movements from third party	Rising prices for other raw materials

Source: Deloitte research

2.5 The outlook

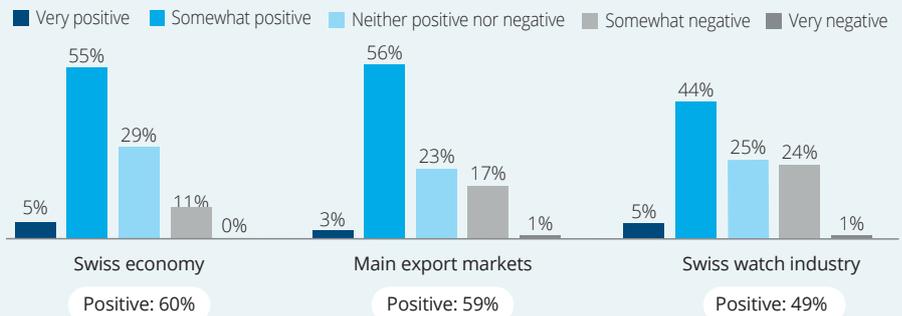
A year ago Swiss watch executives were cautiously optimistic about the prospects for the Swiss economy and its main export markets, with roughly half expecting improvement. More than half, 57%, thought the Swiss industry would fare better. A year on, caution has given way to optimism in the Swiss economy and export markets but the industry has become less confident about its own prospects than it was a year ago as shown in Chart 5.

Sixty percent of executives see the Swiss economy doing well or very well and 59% are confident about export markets. On the industry itself, 44% are optimistic and a further five percent very much so, but 25% of executives see a very or somewhat negative year ahead while 25% expect the picture to remain much the same.

The degree of optimism on global markets varies widely by region (Chart 6). India excites industry executives most: three-quarters expect this market to grow, which is why we have decided to do a deep dive into this market in Chapter 6. This contrasts with China's perceived prospects, where executives are split. While nearly half (49%) of those surveyed see growth, 51% assume stagnation or decline. China's prolonged Covid-19 hangover and wobbly recovery dampens prospects, and many financial institutions are predicting five percent growth in China's GDP for 2023, which is down from previous forecasts.

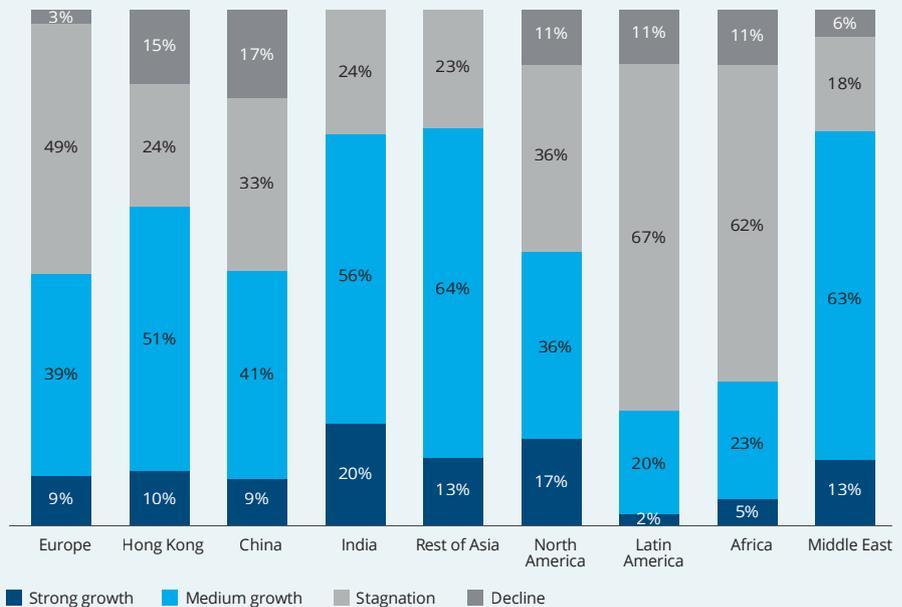
The Middle East continues to be a promising market and over three quarters of executives (76%) expect growth. Growth

Chart 5. How do you judge the economic outlook over the next 12 months? Industry view



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

Chart 6. What are your growth expectations for the Swiss watch industry in the following regions over the next 12 months? Industry view



Source: Deloitte research

3. Concentration and Integration

3.1 Upwards and outwards

When asking executives what the biggest threats were to the Swiss watch industry, common themes emerged including:

1. Market concentration and a decline in volumes
2. Supplier delivery times and the influence of large groups
3. Personnel and production capacity in Switzerland
4. Increase in prices and the move upmarket
5. Rising operating costs

The Swiss watch industry ecosystem is complex and interconnected. The concentration of suppliers remains a challenge. While beneficial for those brands and groups with substantial production volumes and the financial ability to invest further down their supply chains by acquiring minority or majority stakes in their suppliers, this polarisation affects the broader Swiss horological landscape and its intricate web of supplier relationships. Smaller independent watchmakers struggle to find the artisans or supplies needed for their comparatively small production volumes.

Component manufacturers are also finding ways to ramp up production to satisfy the industry's growing demand. Sigatec and Mimotec, both part of Acrotec Group, expanded their facilities earlier this year to deal with increasing demand in their specialties of silicon micromechanical components and micro gears respectively. The growing facilities in Sion will

accommodate additional machines and a steadily growing workforce.⁵

In June 2023 Louis Vuitton acquired three suppliers to integrate into the company's La Fabrique du Temps, its horological division. These suppliers, Art & D, a manufacturer of watch components and gem-setting, H2L, a manufacturer of watch cases and components, and Microedge, a producer of high-end watch decorations particularly for movements, give Louis Vuitton more security over supply to produce its own dials, cases and movements as well as decorative elements.⁶

Hublot, another brand within the LVMH conglomerate, bought a 70% stake in Ecco Watch Co., a South Korean ceramic manufacturer.⁷ The Nyon headquartered brand, known for its art of fusion concept, continues expanding its range of ceramic timepieces in colours ranging from blues and beiges to neutral black, grey and white hues.

In September 2022 Patek Philippe became a shareholder in Salanitro S.A., known for its expertise in gem setting, especially diamonds and precious stones, which is symbiotic for the maker of diamond encrusted Nautiluses. Patek ensured the continuity of the industry's leading stone setter, serving over 80 luxury brands,⁸ including Audemars Piguet and Rolex, the Richemont Group and LVMH.

Earlier this year, Tudor opened its own manufacturing centre after nearly a

century in existence to satisfy growing demand. The 5,500 square metre facility in Le Locle now houses Tudor's production facility, which focuses on assembly and its movement manufacturing producer, Kenissi. Launched in 2016 by Tudor, Kenissi also produces and assembles movements for Bell & Ross, NORQAIN and TAG Heuer, among others, and Chanel is also a shareholder.

This new dedicated facility increases Tudor's capacity and efficiency and the traceability of its components, while providing some breathing room for Rolex which can now use their entire manufacturing centre to address its

“As a subcontractor of the watch industry, we need to evolve to the changing demands of our customers through our ability to innovate our production processes and machine new materials while ensuring the continuity of our Group. Our goal is to supply components of consistently high quality within increasing tighter tolerances to maintain long-term relationships with our customers.”

François Billig
CEO and Chairman
Acrotec Group

infamous waiting lists topped by Daytonas, GMT-Masters and Sky-Dwellers, but also the Oyster Perpetual 36 with the turquoise blue dial, often referred to as the 'Tiffany' OP. The announcement late last year of Rolex's new one-billion-franc manufacture, slated to be completed in 2029 in Bulle, Switzerland will also help to keep up with future demand.

Audemars Piguet is expanding its facilities in Le Brassus, Le Locle and Meyrin to

meet growing demand and expand its production capacity. On track to achieve CHF 2.4 billion in sales in 2023, according to the outgoing CEO François-Henry Bennahmias,⁹ the Meyrin expansion, scheduled for completion in 2025, will house their case and bracelet production and a centre dedicated to technology. Its Manufacture des Saignoles in Le Locle, which was completed in 2021, and The Arc in Le Brassus, ready in 2024, will give the brand more flexibility in the future,

provide spaces that cater to the changing needs of its employees and align with its sustainability ambitions.

In our 2022 report, we featured a picture of Greubel Forsey's state-of-the-art manufacturing facility. The La Chaux-de-Fonds-based brand is expanding this facility to nearly triple its size at a cost of CHF 20 million. Scheduled to be completed in 2026, the expansion will help Greubel Forsey to increase its production capacity and R&D.



Karine Szegedi's Rolex Oyster Perpetual. Photo taken by Alissa Strässle from KEYFRAME.

3.2 Waiting game

With a limited number of suppliers catering to the specialised needs of watchmakers, supply chain disruptions impact the entire industry, leading to production delays. Raw material shortages and their increasing cost have filtered down to consumers in the form of waiting lists, while select brands and models continue selling for well above their retail prices in the secondary market. Obtaining raw materials is one thing, but the expertise needed to fashion such materials into tiny components and ultimately craft a mechanical watch takes time. Coupled with a lack of qualified labour, this continues to be a challenge for the industry, as mentioned above.

Brands selling lower-end timepieces struggle not to pass increased material costs on to consumers and maintain their stock levels, while the most popular brands are banking on brand equity to keep consumers sufficiently interested and in the proverbial queue.

More than half (58%) of brands and retailers surveyed think clients have decided to buy another brand or model than initially planned because of current stock shortages, as shown in Chart 7. However, a similar number (55%) do believe that consumers subscribe to the age-old adage of ‘good things come to those who wait’ and are willing to do so, while 45% believe that scarcity increases the investment appeal. Scarcity, whether real or perceived, brings desirability and as we have seen, robust prices on the pre-owned market. While brands insist that scarcity is not a strategy, executives lament its impact on the Swiss watch industry and say the upward march towards higher prices threatens the industry.

Chart 7. How do you feel the current shortage of stock and/or longer delays in sourcing new luxury watches have impacted the market?
Multiple selections possible.

Industry view

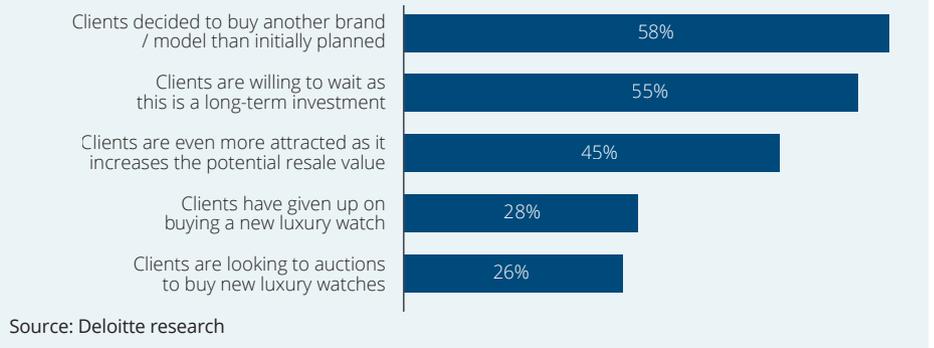
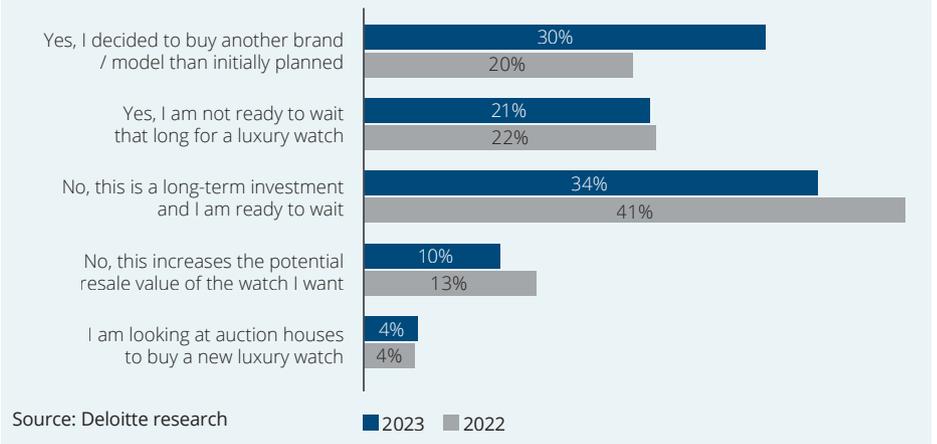


Chart 8. Have the current shortage of stock and/or longer delays in sourcing new luxury watches impacted your intentions to buy a new watch?

Consumer view



Compared to last year, more consumers have decided to purchase another brand or model due to delays, up by ten percentage points, and fewer respondents see the benefit of playing the waiting game when it comes to their investment (Chart 8). Of the consumers surveyed, those in the US (56%), India (43%) and the UAE (33%) were more likely to change their purchasing decision based on a lack of availability.

Respondents in Switzerland (50%), Italy (45%) and Germany (42%) see the long-term investment potential of luxury watches and will wait. While coveted brands benefit from the patience of consumers willing to wait, the same cannot be said for brands with a more readily available and similarly priced alternative.

3.3 Talk of the town

Rolex's acquisition of Bucherer, one of the world's largest watch retailers, was the M&A deal heard round the watch industry world in August 2023. Bucherer will retain its name and operate its over 100 retail outlets independently, while Rolex maintains that its relationships with its other authorised retailers will remain unchanged. This move gives Rolex access to Bucherer's prime real estate locations and distribution channels, strengthening Rolex's presence in key markets, notably Europe and the US through Bucherer's subsidiary, Tourneau.

Rolex will now have more control over its entire customer journey, from purchase to after-sales service, which previously was handled by a network of dealers with inconsistent approaches. Rolex has limited direct-to-consumer retailing experience and will rely on Bucherer's vast experience to extend its brand management, and identity, to the retail space. It remains to be seen if this deal will impact retail prices for Rolexes, which continue to enjoy a healthy appreciation on the pre-owned market, or availability.

This is not the first time a group has acquired a direct-to-consumer player. When Richemont acquired Net-A-Porter in 2010, the UK luxury marketplace continued with its diverse multi-brand offering featuring luxury products from Richemont's Maisons alongside those of LVMH, Kering and independent brands. Net-A-Porter subsequently merged with YOOX, its Italian counterpart, and in August 2022 Richemont sold most of its online retail operations to Farfetch, an e-commerce specialist.



Vacheron Constantin Calibre 2460 R31L/2. Photo courtesy of Vacheron Constantin.

4. Go to market

4.1 Let's get physical

As our lives become more digitalised, has the physical shopping experience lost its lustre? Hardly. As shown in Chart 9, while most brands and retailers (62%) agree that offline sales will continue to dominate online sales in the next five years, differences exist depending on the price segment. In the high-end price segment (greater than CHF 15,000), those surveyed are clear (73%) that offline sales will maintain their supremacy, whereas those operating in mid and lower tiered

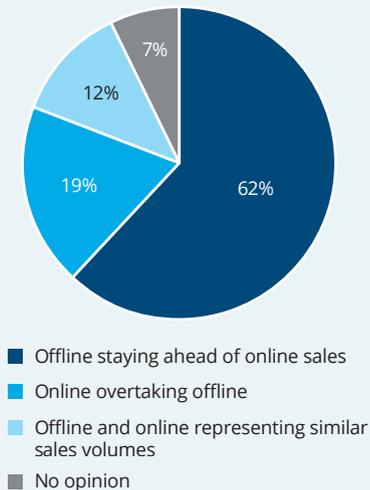
price segments (less than CHF 15,000) are more willing to entertain the idea that online sales may overtake in the near future. Swatch made a strategic decision by selling MoonSwatch only in-store, bringing increased foot traffic into their retail outlets regularly as consumers check for the latest availability.

outlet or at an auction, while 44% would buy online (Chart 10). In-store purchases are most preferred by consumers in Japan (68%), Hong Kong (63%) and France (61%), whereas online marketplaces fare better in India (47%) and Germany (38%) - Chrono24's home market - and the UAE (33%).

Overall, more than half of consumers (54%) would still buy their watch in a store, whether in-store, at a travel retail

Industry view

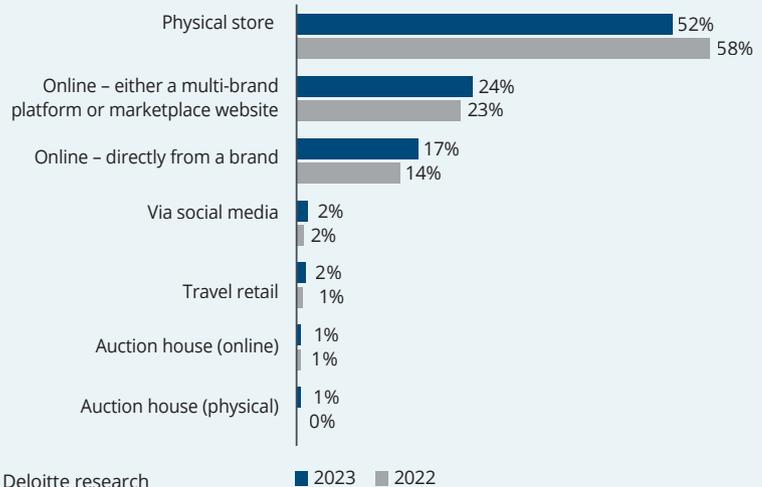
Chart 9. How do you see the ratio of your offline vs online sales evolve over the next five years?



Source: Deloitte research

Consumer view

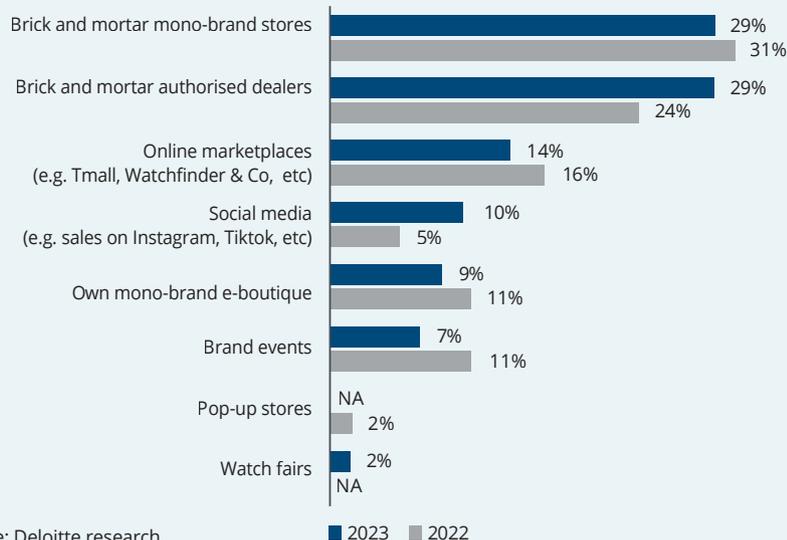
Chart 10. When you buy a new watch, where are you most likely to make your purchase?



Source: Deloitte research

Chart 11. Which sales channel do you think will be most important in the next 12 months?

Industry view



Source: Deloitte research

Brands are also banking on their flagships, which is why a majority (60%) are likely to open a new mono-brand store in the next 12 months, yet nearly one third (34%) are unlikely to do so as shown in Chart 11. Over the past 12 months there has been a boom in mono-brand boutique openings for Swiss brands around the world, Chopard, H. Moser & Cie., and IWC Schaffhausen in Shanghai, Jacob & Co. and Zenith in Riyadh, Panerai and TAG Heuer in New York. Breitling has opened more than two dozen boutiques since 2021, outside the main metropolises, in cities such as Hyderabad, Salt Lake City and Sapporo.¹⁰

Swatch Group continues to invest in and expand its retail network, which has grown by over 20% in the first half of 2023. Sales via this channel exceeded 40% of total sales for the watches and jewellery segment of the group, with average store sales up by more than 30%

compared to the previous year, driven by stable demand for MoonSwatch and also strong performance from Tissot, OMEGA, Longines and Harry Winston.¹¹

However, 29% of brands and retailers see brick and mortar authorised dealers as just as important in the coming year. Following renovations, Bucherer re-opened its Las Vegas flagship, the Bucherer 1888 TimeDome store. At 18,000 m², it is one of the largest watch and jewellery retail outlets in the US.¹² In their coming financial year, which began in May 2023, Watches of Switzerland has planned to open several multi-brand showrooms in the US and Europe, 20 mono-brand boutiques in the US and Europe for brands including TAG Heuer, Rolex and Audemars Piguet.¹³

Brands have also been dipping their toes into pop-ups, which give presence, but not real estate commitment, for

example OMEGA this summer with its four temporary boutiques in Forte dei Marmi, Mykonos, Saint Tropez and San Diego for their Seamaster collection.

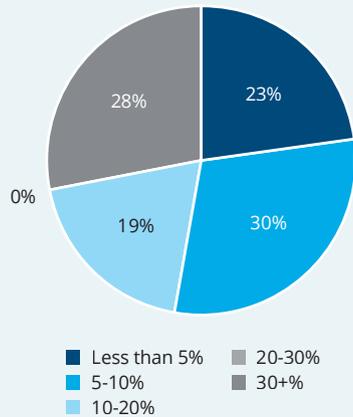
Both Longines and Breitling took to the German island of Sylt for their summertime pop-ups, with the former showcasing their DolceVita collection complete with a special Sylt edition featuring a blue and white striped strap, while the latter launched their third Sylt edition with their Chronomat GMT 40 Sylt Edition 2023.

Until November 2023 visitors to Thailand's capital can visit Blancpain's first-ever pop-up store in the southeast Asian country. The pop-up highlights watches from four of Blancpain's collections, Air Command, Fifty Fathoms, Ladybird and Villeret, with the spotlight on their Fifty Fathoms 70th Anniversary Act 2: Tech Gombessa. Following the unveiling of its new Pilot collection at Watches and Wonders Geneva, Zenith ran a pop-up at Watches of Switzerland Hudson Yards location in New York City for one month between August and September to celebrate Zenith's history in pilot watches.

When it comes to online channels, there is a divergence between consumer and industry views. Consumers' preference for purchasing online, either from a multi-brand platform or marketplace website or directly from a brand, has increased slightly since last year, countered by a perceived decrease in its importance for brands and retailers. In 2022, Hamilton expanded its number of e-commerce platforms to 13 to reach more markets online with nearly 40% of its watches sold online.¹⁴ E-commerce's propensity and sophistication in China have long been established, with many brands

Industry view

Chart 12. What percent of overall sales do you currently sell online?



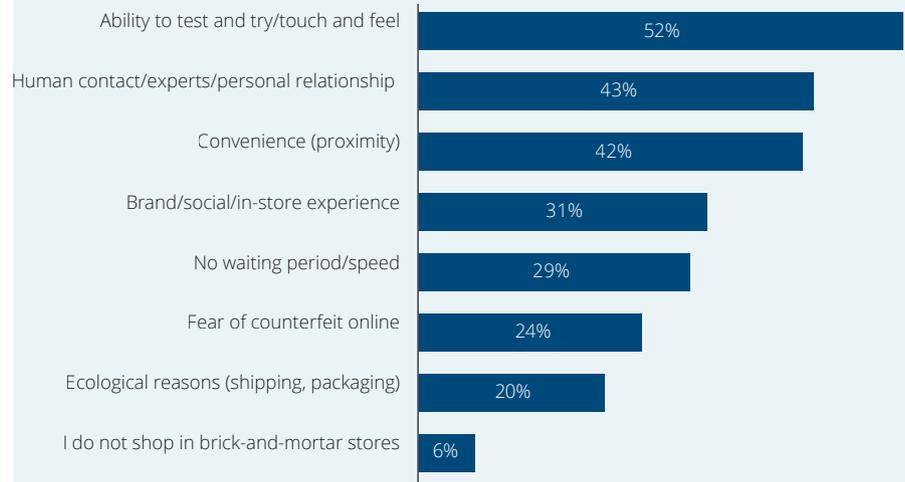
Source: Deloitte research

having made their first foray into online purchases in the country. It is underscored by Chinese consumers being most likely to purchase watches from a brand's website (26%). Buying via social media remains marginal for consumers, whereas brands and retailers see it as increasing in importance. Looking at the proportion of sales that brands and retailers achieve online more than half (53%) are bringing in ten percent or less of sales through this channel (Chart 12). As mentioned above, Hamilton seems to be an outlier with its robust proportion of online sales. However, this reflects its strong presence in North America, where e-commerce is more established and embedded in buying habits, even for luxury watches.

Why do consumers prefer shopping in store? Shopping for a watch, specifically a luxury one, is an emotional experience. The ability to test and try, touch and feel is

Consumer view

Chart 13. Why do you keep purchasing at brick-and-mortar stores? Multiple selections possible.



Source: Deloitte research

the main reason (52% of respondents) for purchasing at a brick-and-mortar store, and this was the number one answer across all age categories (Chart 13). This is also the most important reason for respondents in Japan (61%), Switzerland (56%) and China (55%) to purchase in-store.

In Japan, there is an expression, *omotenashi*, which emphasises exceptional hospitality and attention to detail. The concept also extends to retail, turning the shopping experience into one that is ceremonial, personalised and memorable. Longer lockdowns in China, and Hainan specifically, and the yen's depreciation against the yuan and US dollar have made the Land of the Rising Sun, and more specifically Tokyo's Ginza district, a popular luxury shopping destination for Chinese and South Korean consumers, as well as those from the US, Europe and the Middle East.

Personal connections and relationship building are important for 43% of respondents and most notable in Switzerland (51%), followed by France and the UAE (both 49%), and Italy and Germany (both 48%). Greubel Forsey focuses on the personal connection with its clients, which is one reason the independent brand is not pursuing an e-commerce strategy.¹⁵

Almost one-third of respondents favour the brand experience in-store and this motivates consumers particularly in Hong Kong (51%), China (49%) and the UAE (41%). Certain brands are investing significantly to create and transform spaces that go beyond traditional sales outlets, offering customers a captivating environment that personifies brand identity, redefines the in-store experience and creates a sense of exclusivity. Such lifestyle-driven boutiques are becoming destinations in their own right, they are immersive and imaginative

and offer a communal space to connect with the brand's unique personality.

This spring Tiffany & Co. reopened its flagship store in New York following a four year restoration. Appropriately named 'The Landmark', it spans 10 floors and offers exclusive pieces, one-of-a-kind haute joaillerie creations, 40 unique artworks and a homage to Audrey Hepburn and *Breakfast at Tiffany's*, in addition to luxury dining experiences.

In 2022, Audemars Piguet opened its first AP House in Zurich, a space that hosts art, cultural and culinary events alongside its boutique, and where the client experience takes centre stage. Since then, 15 AP Houses in total have been opened, mostly in Europe and Asia, and most recently in New York. This move has inspired other brands to do the same. The Corum Watch Club, is a new boutique concept for the La Chaux-de-Fonds-based brand. Based in Bangkok, this space is their first mono-brand boutique and more of a clubhouse than a traditional retail space. While their home in the metaverse is a Swiss chalet (see page 40), H. Moser & Cie., is going for a lounge look for its first Moserland space in New York City. Chanel's Ginza flagship with its LED façade, has been delighting visitors since 2004 with a light show of simulated tweed, and its iconic Chanel Cs and fashion shows. This ten storey building also houses Chanel's Nexus Hall, a venue hosting concerts and art exhibitions and BEIGE, a two Michelin starred restaurant by the venerable Alain Ducasse.



Audemars Piguet CODE 11.59 Ultra-Complication Universelle. Photo courtesy of Audemars Piguet.

Chart 14. Why do you keep purchasing on a digital platform?
Multiple selections possible.

Consumer view



Source: Deloitte research

Purchasing in-store to safeguard against counterfeit online products was most chosen by respondents in China (39%), Singapore (36%) and Hong Kong (29%).

The above contrast with the main benefits of digital platforms are shown in Chart 14 and include:

1. the ability to shop around from a price perspective (48%), is most preferred by respondents in India (62%), Italy (58%) and Germany (55%)
2. the convenience factor in terms of 24/7 availability (47%), which appeals to those most in India (65%), the UK (56%) and the US (52%)
3. better product selection and availability (34%) which motivates those in India (60%), China (39%) and Germany (38%).

Respondents in India (34%), Japan (27%) and the UAE (19%) were more likely to give in to

the 'see now, buy now' immediacy of online shopping. Nearly one quarter (24%) of Swiss respondents do not shop online, followed by those in France (19%) and Japan and Germany (both 14%).

Already in our 2021 study, we highlighted that e-commerce democratised luxury brands because in the virtual space there are no gilded doors flanked by security personnel to dissuade one from entering. Interestingly, one fifth of respondents said they prefer online shopping because of the perceived lack of barriers compared to going into a luxury store. Those surveyed in Hong Kong (34%), the UAE (32%) and the US (29%) were especially partial to e-commerce for this reason. There is perhaps a lesson for luxury boutique staff on approachability in the fact that respondents in Hong Kong (27%), the UAE (22%) and India (18%) were above the average in being fearful of salespeople and chose to shop online accordingly.

4.2 Let's get digital

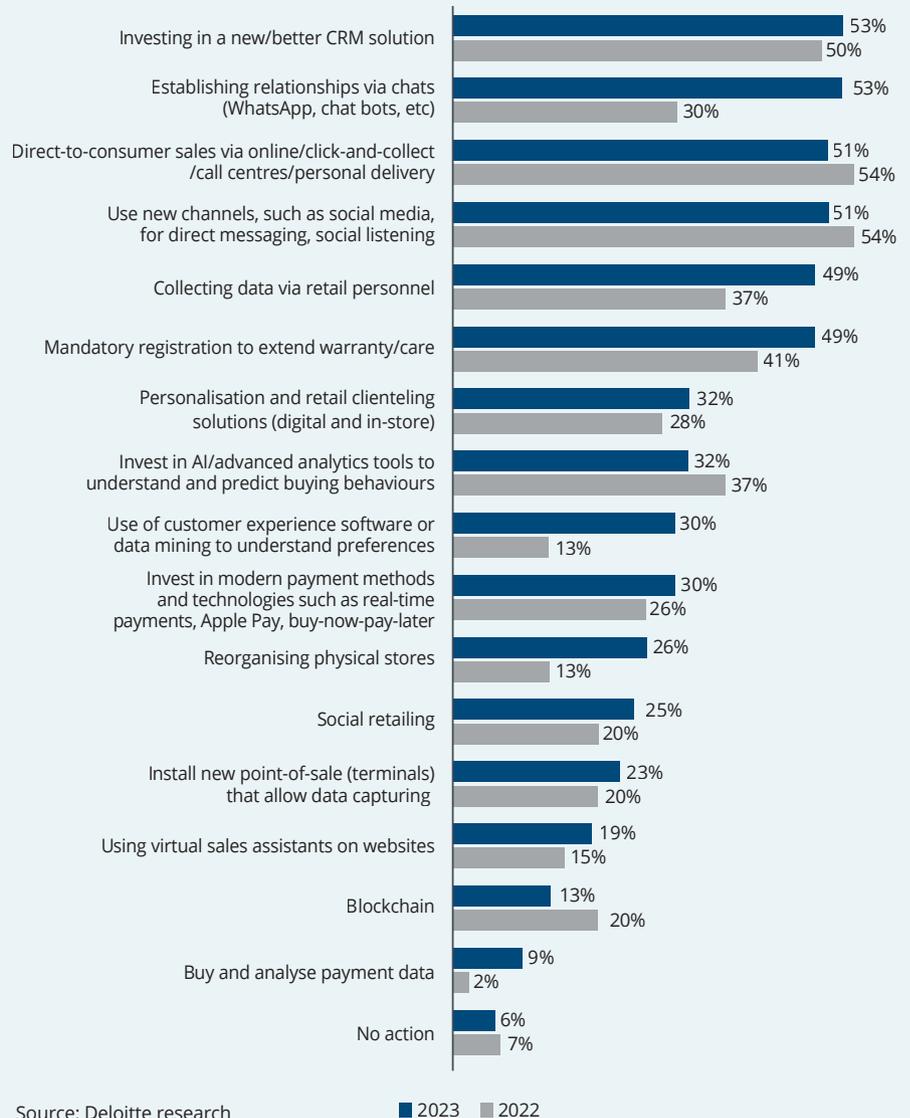
Understanding, adapting to and, ideally, anticipating consumer behaviours and preferences are both a science and an art. In our hyperconnected world it is often said that our data is the product, which gets commodified and used by companies and advertisers alike. Consumers are willing to share their information with brands if it is used to provide personalised recommendations and tailored offerings, and result in a better overall brand experience. Data-driven with the aim of being consumer-centric is welcomed.

Compared to our 2022 report, establishing relationships via chat bots (53%), collecting data via retail personnel (49%) and mandatory registration to extend warranties or service (49%) have become much more important for brands and retailers to better know their customers (Chart 15).

Over half of brands and retailers (51%) continue to see the benefit of investing in a new or better customer relationship system (CRM) system, selling directly to consumers and engaging with them through social media. Social media is key to helping brands introduce themselves to a broader audience because it breaks down the barriers of elitism and exclusivity. Although as a society we cannot escape the proliferation of artificial intelligence (AI), less than one third (32%) of brands and retailers are investing in AI and advanced analytics tools to understand and predict buying behaviour.

Chart 15. What actions have you taken to better know your customers?
Multiple selections possible.

Industry view

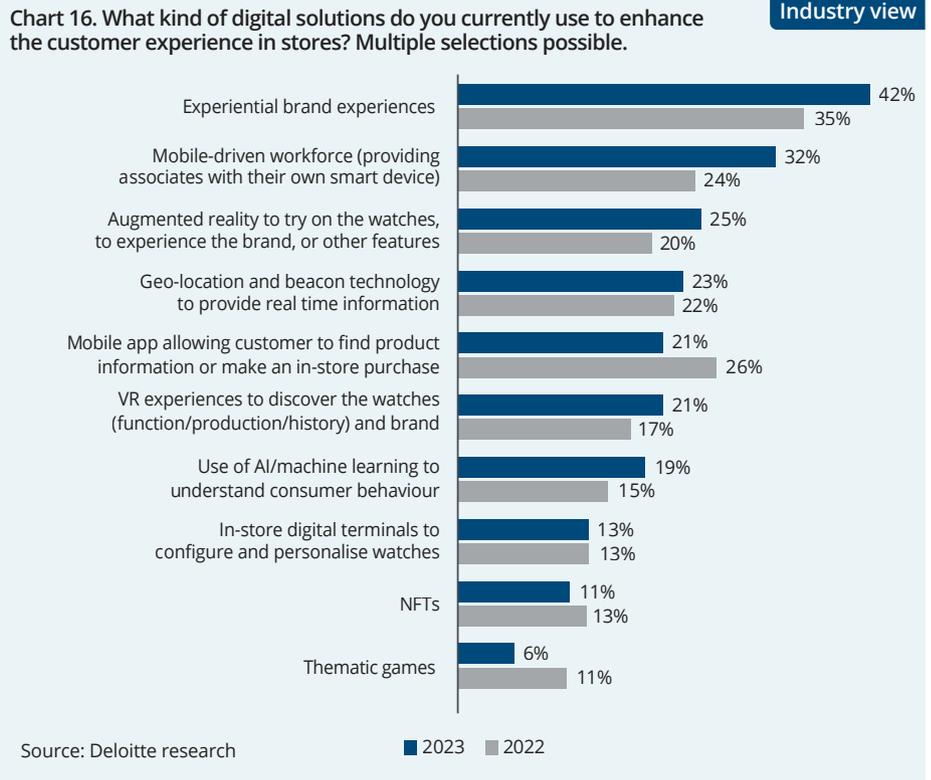


Source: Deloitte research

■ 2023 ■ 2022

As shown in Chart 16, experiential brand experiences remain important. They provide an opportunity to bring a brand's spirit, story and values to life. For luxury brands, owning the physical product is often secondary to the emotions, the journey and the brand association. Curating unique, thematic and memorable experiences helps brands connect with consumers, instils a sense of belonging and reinforces desirability. Jaeger-LeCoultre has created an immersive and sensory exhibition to celebrate more than 90 years of its iconic Reverso collection.¹⁶ At Watches and Wonders in Geneva, IWC Schaffhausen evoked nostalgia by transporting people back to the 1970s with the relaunch of their Ingenieur, complete with an era-appropriate marketing campaign and memorabilia. Audemars Piguet collaborated with Dreamscape Immersive, a leading virtual reality content creator, to introduce 'The Clockwork Forest.' Opened to the public in March 2023 for a limited time, this experience transported participants to a forest inspired by the Vallée de Joux. Donning virtual reality headsets and motion sensors, participants were tasked with restoring the flow of time before nature was irreversibly disrupted.¹⁷ Although not stemming from a watch brand, the luxury hotel chain Four Seasons developed a week-long luxury driving experience across Switzerland in Ferraris and vintage Mercedes, including a visit to Roger Dubuis' manufacturing centre so guests could tinker with watch components.¹⁸ Brands are also looking at the metaverse to create experiences in the virtual space - this will be covered in more detail in section 7.1.

Creating experiences that mirror the in-person experience online allows brands



to connect with a diverse and global audience consistently. To enhance the customer experience online, most brands and retailers (64%) are working to redesign their websites to focus on storytelling and product visualisation (Chart 17). Since 1999 Patek Philippe has been promoting their women's collection of watches, Twenty~4, through the art of storytelling. Over 40% of brands and retailers are creating exclusive digital communities. Cartier has launched a new social media channel, Cartier Watch Community, a dedicated community where people send pictures of different Cartier watches adorning wrists.

While seasoned consumers, both in terms of age and their experience with

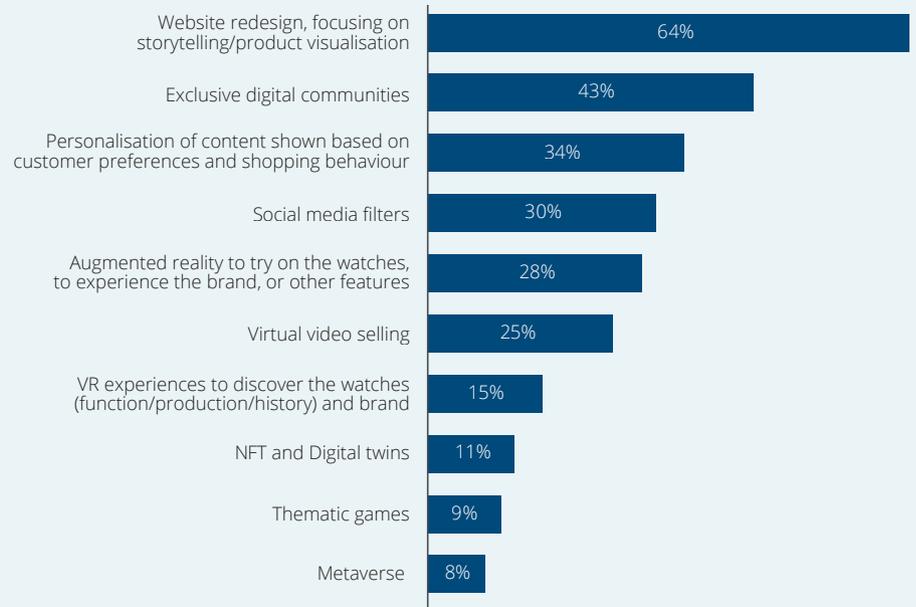
timepieces, may be drawn to the more serious attributes of a brand, it is a different story when trying to appeal to Gen Z and Gen Alpha. Creativity, a dose of fun and anything deemed shareable are the name of the game. Nearly one third of brands use social media filters to bring a bit of brand personality through augmented reality. During Geneva's Watches and Wonders in March, Panerai gave people the ability to channel their inner sea captain with their social media filter; and with IWC's retro social filter you could superimpose yourself in a boxy analogue television, a novelty for those born after the mid-1990s.

Augmented reality continues to play an important role in helping consumers

visualise how timepieces will look on their wrists. In March 2023, Cartier collaborated with Snap, makers of Snapchat, to target the next, or rather current, generation of luxury consumers, Gen Z. Going beyond the virtual try-on, the Cartier Tank experience used an AR filter to transport people to the Pont Alexandre III bridge in Paris, immersing them in the history of the iconic timepiece over its 106 year history.¹⁹ Cartier was able to showcase its brand heritage, create a visual connection between the Tank wearers of yesterday and today – a sort of horological kindred spirit throughout the ages – and demonstrate its authenticity.

Chart 17. What kind of digital solutions do you currently use to enhance the customer experience online? Multiple selections possible.

Industry view



Source: Deloitte research



Frederique Constant Classic Tourbillon Manufacture. Photo courtesy of Frederique Constant.

4.3 Where the industry mingles

After dusting off the final socially distanced remnants of the pandemic, Watches and Wonders was back, bigger than ever, from an attendance perspective, with 43,000 visitors descending on the Palexpo in Geneva in March 2023 for a week of all things horological. The 2023 edition also had the greatest number of brands present, 49, 13 of which came to Palexpo for the first time including Alpina, Charles Zuber, Charriol, Chronoswiss, Frederique Constant and several European brands.

From showcasing the latest collections and serving as a barometer for industry trends to providing networking opportunities and acting as a forum for knowledge-sharing, watch fairs play a pivotal role in strengthening connections among a global audience of retailers, distributors and enthusiasts. It was not only for the aficionados. Watches and Wonders Geneva was opened to the public for two days, both of which sold out, a resounding success for both the organisers and the brands. This showed the desire, from both brands and attendees, for more direct-to-consumer contact, also underscored by changes in brand strategy, with many moving away from historic wholesale models and finding other avenues to grow their audience base. Next year the organisers will extend the public days to three.

Nearly all executives surveyed (92%) confirm the importance of international watch fairs, a marked increase from our 2022 study where 76% thought them essential (Chart 18). Last year, 44% deemed a hybrid approach (physical and digital) as the way forward; this year, physical formats have gained ground.

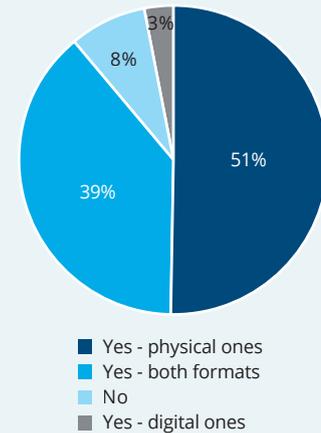
International watch fairs, such as Watches and Wonders, Geneva Watch Days, Dubai Watch Week and others, continue to play a key role. They have grown in size, attracting an increasing number of brands and are becoming more accessible by welcoming the public rather than solely industry professionals.

This year's Shanghai edition of Watches and Wonders saw a return to the in-person format following two virtual years and the fair also opened its doors to the public, as Geneva did earlier in the year. Geneva Watch Days was launched in response to the pandemic by eight brands, Breitling, Bulgari, De Bethune, Girard-Perregaux, H. Moser & Cie., MB&F, Ulysse Nardin and Urwerk. Its fourth edition, which took place in August and September 2023, attracted 8,000 visitors, 40 brands and 300 retailers.²⁰ Shortly after the publication of this report, watch enthusiasts will descend on New York for WatchTime. In its eighth year, the registration-only fair will see more than 30 brands exhibit, including Armin Strom, Bremont, Chronoswiss, Oris and Parmigiani Fleurier. For the more price conscious enthusiasts, The Windup Watch Fair will also take place in New York at the same time, with the emphasis on accessibility. Founded in 2015, the fair is open to the public. This year's edition will include brands like Alpina, FORTIS, Formex, Furlan Marri, Maurice Lacroix, Montaine and Oris, and have iterations in Chicago and San Francisco.

In February 2024 INHORGENTA will celebrate its 50th anniversary. This luxury jewellery, watch and gemstone fair takes place in Munich each year. The 2023 edition welcomed 800 exhibitors, such as

Industry view

Chart 18. Do you think international watch fairs will continue to be essential to the industry in the future?



Source: Deloitte research

Aerowatch, Jean Marcel and Raymond Weil, from around the world and 24,000 visitors from 90 countries.

Dubai Watch Week returns in November following its last exhibition in 2021, with 55 brands expected to attend. It is open to the public and visitors can expect limited edition Middle East releases, new collections and plenty of educational opportunities to learn about the watch industry. Another gathering with its fair share of special editions is the Salón Internacional de Alta Relojería (SIAR) in Mexico. One of the largest luxury watch fairs in the Americas, its 17th edition will welcome over 50 brands and independents this year, such as Bovet, Franck Muller, Hublot, Jaeger-LeCoultre and Vacheron Constantin.²¹

In the lead up the Grand Prix d'Horlogerie de Genève, the foundation is organising a luxury roadshow highlighting the nominated watches. Exhibitions will be taking place in Macao, Hong Kong, Kuala Lumpur, New York, Geneva, Dubai and Zurich before the awards ceremony on November 9th.



TAG Heuer Carrera. Photo courtesy of TAG Heuer.

4.4 The whole lot

In the thrilling world of watch auctions, a select few brands – perennial favourites like F.P. Journe, Patek Philippe and Rolex – reign supreme. While there has been a recent dip in prices, mirroring similar trends on the pre-owned market, record prices were still found in 2022 and 2023 for so-called grail watches. In May 2023, watch auctions in Geneva netted Phillips, Sotheby's, and Christie's auctions houses over CHF 100 million in sales.²²

While Daytona and Milgauss auction prices generate headlines – as does OMEGA's Frankenstein watch - there has been an interesting shift in the volume of watches showing up at auction, including more affordable and vintage watches from brands like Daniel Roth, Heuer and

Movado. More cost-accessible offerings usher in a more diverse audience, with watch auctions no longer the exclusive domain of seasoned collectors. Accessibility is further increased by the proliferation of online auctions that bring in a young, diverse crowd.

Sotheby's and Bucherer have joined forces to create the first luxury retail destination of its kind, the Sotheby's Salon at Bucherer. Located within Bucherer's Bahnhofstrasse flagship store in Zürich, the space combines traditional luxury retail with an auction experience. In addition to watches and jewellery, the retail space will offer an eclectic and curated mix of products, ranging from vintage handbags and fine art, to collectible sneakers and athletic

memorabilia, and wine and spirits. Customers can purchase items in-store or online, receive valuations and consign items for auction or retail. The Salon will be a destination for exclusive events like private auctions and wine tastings, while its laid-back yet luxurious atmosphere creates an environment that will bring collectors and enthusiasts together to connect year-round.

This collaboration marks the first permanent cross-category luxury destination by an auction house and builds upon previous partnerships between Sotheby's and Bucherer, reflecting their joint commitment to innovation and luxury retail.²³



The Sotheby's Salon at Bucherer in Zurich. Photo courtesy of Bucherer.

5. Trends and Trailblazers

5.1 A matter of taste

As in previous years most consumers we surveyed consider the price/value ratio to be the deciding factor when buying a luxury watch. Brand, design and the price/value ratio were most often selected across the surveyed markets, as shown below in

Chart 19; this has not changed since our studies in 2021 and 2022. Although not an option previously, a luxury watch's longevity and intrinsic circularity was the fourth most important aspect overall, followed closely by its environmental impact and

sustainability. In certain markets such aspects are increasingly important, most notably in France and Germany. In Chapter 9 we will dive deeper into how the industry is focusing on circularity and sustainability more broadly.



5.2 The future is female

As women's earning potential increases, they are buying watches as accessories and turning to them for investment. Of those female respondents who would buy a watch as an investment, 36% would do so for portfolio diversification. The untapped potential of the female watch buyer is significant. Vontobel, a private bank, predicts that 'womenomics' – women's economic advancement – will continue to grow, resulting in more luxury purchases of jewellery and watches.²⁴

As more women embrace the 'I can buy myself flowers' mindset à la Miley Cyrus, they buy their own watches. Two thirds are buying watches for their own use. There has also been a proliferation of female watch influencers making the watch industry more accessible to a female audience. These are not influencers in the usual guise: it's less about selfies and more about schooling inquisitive females on complications, sound investment decisions and which vintage pieces are worth considering.

In our 2022 study we found that 44% of females prefer female-specific watch designs while 26% favour unisex options. Brands said they were following suit, with nearly half expanding their range of designs tailored to women and one third looking to offer female-friendly sizes. But fashion is a matter of preference, and so the focus should be on accessibility rather than a delineation between what is female and what is male. Although certain brands, such as Chanel, may be more female-oriented when it comes to their timepieces, male admirers and owners of the J12 would disagree. Historically, brands

have marketed men's watches based on utility – piloting, diving, etc., whereas female watches are more about gemstones and precious metals. Thankfully, brands have become more inclusive in their advertising and are being thoughtful in their choice of ambassadors.

That females like to accessorise is clear. Watches are either replacing or finding themselves alongside bracelets and bangles. In the spirit of accessibility, they are also finding themselves around necks and rings. At Watches and Wonders in March, Chanel, Jaeger-LeCoultre and Van Cleef & Arpels were some of the brands releasing new, or reinterpreted, 'secret' watches. Multi-hyphenate Rihanna was also photographed wearing a custom-made Jacob & Co. watch choker in a next-level interpretation of the pendant watch. Will ring watches catch on next? Fossil seems to think so having recently released a trio of them. There are also vintage ring watch options from the likes of Jaeger-LeCoultre and Rolex.

Many luxury brands offer haute joaillerie timepieces. Piaget is such a brand and their Extravagant Touch watch is a quintessential maximalist masterpiece.

All this goes to say that there are women who prefer dinner plate dimensions on their wrist and men who opt for the small vintage dress watches and more feminine colours, as Jeremy Strong, star of the drama, *Succession*, did when he wore Richard Mille's first women's sports watch, the candy-coloured RM 07-04, at this year's Met Gala, or Ryan Gosling sporting the TAG Heuer Carrera Date with a bold pink dial

in the Barbie movie and corresponding advertising campaigns. By increasing the range of dial sizes, as many brands are doing – lots of 36mm's out there – brands become more inclusive and accessible, without designating who should wear what. On the flip side, vintage watches can offer consumers this diversity in dial size since 40mm dials and larger have been a more recent (mid-90s and onward) design decision.



Solstice by Piaget - The Extravagant Touch. Photo courtesy of Piaget.

5.3 New kids on the block

Century-old brands characterise the Swiss watch industry with a rich history in crafting mechanical watches. These brands can point to their time-honoured craftsmanship, heritage and tradition, and reputation and collectability as indicators of trust, expertise and prestige. However, within the past decade or so, new independent watchmakers have disrupted the scene. Whether they have honed their skills as watchmakers at leading brands, as did Rexhep Rexhepi, or are following in the footsteps of their watchmaking family like, Stéphane von Gunten, or have worked in the industry, like Ben Küffer, they are doing things differently and unapologetically so.

In five years, NORQAIN has evolved from a startup to a recognised player, also managing to secure industry heavyweight Jean-Claude Biver as its advisor. Founded by Ben Küffer in 2019, his aim was getting younger people excited about Swiss watches by making accessible luxury watches that celebrate the history of Swiss watchmaking. The brand has an affinity for sports and the outdoors, and strategically pursues partnerships in this space to introduce NORQAIN to a wider audience, for example through their sponsorship of the Berlin Marathon this year. Although a digital first brand, growth ambitions are driving their retail expansion, with a focus on New York and Tokyo.

In 2012, Rexhep Rexhepi founded AKRIVIA after leaving his job at F.P. Journe. From his humble beginnings making movements in his apartment to winning the 2018 Men's Watch Prize at the Grand Prix d'Horlogerie de Genève, Rexhepi has come a long way.

AKRIVIA now has a 13-person team and collectors prize Rexhepi's timepieces for their craftsmanship and finishing.

Thomas Baillod founded BA1110D in 2019 to prove a point: that there was a better retail distribution model in the Swiss watch industry than the status quo. Dubbed we-commerce, BA1110D distributes its watches based on a digital community of 'afluendors,' a moniker for ambassadors, influencers and vendors. This community is responsible for bringing new prospective buyers into the fold, removing the need for costly marketing and disruption strategies and helping keep prices down. The brand's other claim to fame is manufacturing watches with affordable complications, such as its sub-CHF 5,000 tourbillon.

When your great-great-grandfather crafts a pocket watch for Pope Leo XIII in the 19th century, you could say your future in the industry is preordained. Inspired to set out on his own during the pandemic lockdown, Stéphane von Gunten, launched Haute-Rive in 2023, a watchmaking brand that blends traditional design with innovation. He sources his materials in La Chaux-de-Fonds, where he is from. Previously at Patek Philippe and Ulysse Nardin, the influence of the latter is evident in von Gunten's first watch, the Honoris I, which was unveiled at Geneva Watch Days.

Nicolas Commergnat, known for his restoration expertise, has worked with Christie's and Bacs & Russo in association with Phillips, and also interned at Patek Philippe. He co-founded Alliance Genève Sarl and GMTI SA, which specialise in high-

end movements and vintage restoration. It was important for him that his first ever watch, The Nicolas Commergnat Level One, embodied classic techniques, traditional materials and ease of repair. It's the first in a series, with Level Two, Three, Four, and Five watches to follow, available exclusively on the brand's website.

“NORQAIN being a young, family-owned and independent Swiss challenger brand, we believe that staying true to our long-term vision without any short-term profit pressure from external shareholders empowers us to make bold, strategic decisions that differentiate us in the market and boost innovation across all facets of the brand.”

Ben Küffer
Founder & CEO
NORQAIN

6. Growth market spotlight – India

When we asked industry executives which country they considered to be the next big growth market for the Swiss watch industry, the overwhelming majority said India. India has been mentioned as a response to this question for several years, but this is the first year it enjoyed such prevalence.

The consumer responses give some indication as to why. Of those surveyed, respondents in India are most likely to wear a watch, whether it's a traditional, smartwatch or both, with only six percent not wearing one (Chart 20). The UAE was the only country where respondents were as likely to wear a watch. For a country where jewellery, particularly gold, carries such symbolic importance wristwatches are another prized adornment.

From January to August 2023, the value of Swiss watches exported to India was CHF 133.7 million, an 18.5% increase on the same period last year and a nearly 60% increase on the first eight months of 2021.²⁵ This puts India 22nd in the world for Swiss watch exports by value.

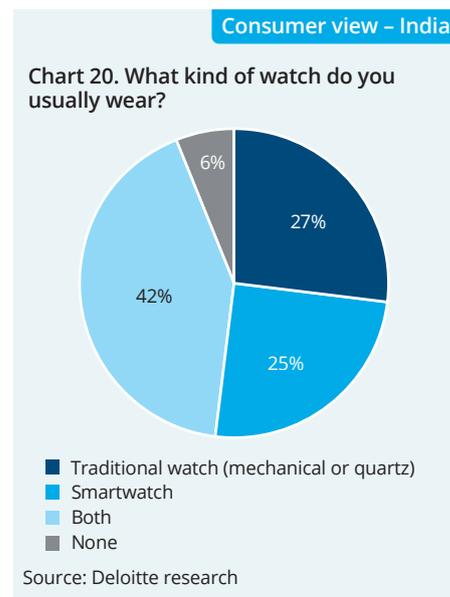
India's GDP has been on the rise in recent years, largely driven by consumption which is expected to more than double to US\$4.5 trillion by the end of 2030.²⁶ Consumer spending has and will continue to be driven by socioeconomic and demographic factors, including a growing middle class, urbanisation, and the majority of the population falling within the key consumer cohort of 18 to 55 years old.²⁷ According to Euromonitor, retail sales of luxury goods in India will likely be US\$6.6 billion in 2023

and are forecast to reach US\$10.9 billion by 2030, based on current exchange rates.²⁸ With 849,000 millionaires in the country as of 2022,²⁹ estimated to grow to over 1.6 million by 2026,³⁰ such growth projections look more than achievable.

Economically, India has become increasingly attractive and accessible in recent years due to events that have reshaped consumer behaviour and payment preferences. In November 2016 the Indian government pursued a demonetisation policy and declared that all 500-rupee and 1,000-rupee banknotes were no longer considered legal tender. These sums were equivalent to approximately CHF 5 and CHF 10 at the time. Demonetisation prompted a shift towards digital payment channels and restricted cash transactions, making it more convenient for consumers to consider high-value luxury purchases. The COVID-19 pandemic further accelerated this trend, as travel restrictions left consumers with money in hand and limited options to holiday abroad. This encouraged consumers to spend their disposable income domestically, including on status items. According to Deloitte's ConsumerSignals of August 2023, 75% of Indian consumers report improved financial situations over the past year, which is driving increased interest in luxury brands in the upcoming festive season. Also, 56% of those surveyed said they can afford to spend on things that bring them joy, a proportion that rises to 70% for high income respondents.³¹

“Swiss watch brands are looking at India as a strategic market in the long term. India is a growth story that many leading brands are waiting to tap into. We've witnessed more and more first-time buyers and existing clients upgrade their average purchase price for timepieces. We anticipate this growth momentum to continue in the coming years.”

Pratiek Kapoor
Head of Operations & Communication
Kapoor Watch Company



The Swiss watch industry has a long history in India with brands such as Favre-Leuba entering the market in the mid-1800s. All major Swiss watch brands, from all price points, are available to purchase on the subcontinent, primarily through a network of authorised dealers and third-party points of sale, such as Art of Time, Ethos Ltd., Helios, Kapoor Watch Company, and Zimson. In India setting up mono-brand stores and retailers obliges a brand to partner with a local business in the form of a wholly-owned subsidiary or joint venture; this creates barriers to direct entry.

Founded in 2003, Ethos Ltd. is a multi-brand watch retailer whose establishment played a role in slowing India's grey market. Ethos has 50 stores and has expanded beyond the major metropolises to second and third tier cities. Following its 2022 IPO, Ethos Ltd. is publicly listed on the Mumbai stock exchange and is experiencing more than 30% yearly growth.

Kapoor Watch Company, a family-owned watch retail chain, was established in 1967. Currently the company operates 11 showrooms in New Delhi, Gurgaon and Noida, three of which are mono-brand boutiques for Longines and Rado, and has a portfolio of 17 luxury brands. Their dedicated service centre in New Delhi

provides after-sale services for their portfolio of brands and others.

In May 2023 Timex Group announced its acquisition of Just Watches, giving the American manufacturer access to the Indian retailer's boutiques and e-commerce websites. This adds to the 35 franchises and 5,000 points of sale of Timex India, the local subsidiary.

With the launch of official channels to sell Swiss timepieces, brands saw the value of engaging in relationships with authorised dealers, and investors have followed suit. This has resulted in investment in brick and mortar retail space, e-commerce platforms and marketing campaigns. Organised brick and mortar retail in India, a considerable part of which are malls and shopping centres, is predicted to grow at approximately 17% on a compound annual growth rate (CAGR) between 2022-28, a rate faster than the overall retail market.³² More premium real estate options have become available to mainstream and luxury brands.

Scheduled to open later this year, the Jio World Plaza in Mumbai is the latest shopping mall that will count Cartier, Gucci and Louis Vuitton among its tenants, joining Bulgari and IWC Schaffhausen.³³

Longines, which has sold in India for over a century, opened its first company-owned mono-brand store in New Delhi in 2023, to add to its 80 third-party point-of-sales stores.

According to our respondents, although slightly over one fourth (27%) purchase a timepiece in-store with the top motivation being the ability to touch, test and try the watches, 70% of Indian consumers purchase watches online through a multi-brand online platform, a virtual marketplace, or a brand's website. The 24/7 convenience of e-commerce, price and availability are the top draws of online shopping. Over one third (34%) prefer the immediacy of 'see now, buy now' that such digital platforms provide.

This is why brands have embraced digital marketing and e-commerce to connect with tech-savvy Indian consumers. Current predictions indicate that there will be one billion Indian smartphone users by 2026,³⁴ demonstrating the reach and sheer potential of the online world on the subcontinent.

Nearly half (48%) of respondents would be willing to purchase an NFT version of a watch, even without being accompanied by the physical watch, significantly higher than the average surveyed (29%). As shown in Chart 21, their motivations for doing so are for investment, use in the metaverse and purposes of authentication. Indians are more aware of the metaverse than many of their peers globally, with 80% of respondents familiar with this virtual realm compared with 52% from the other 29 countries surveyed.³⁵

Chart 21. You have indicated that you would be willing to buy the NFT version of a watch. What would be your motivations for doing so? Multiple selections possible.

Consumer view
India



Source: Deloitte research

“We offer a retail experience that introduces the horological heritage of Swiss watches in a contemporary way. Indian consumers are increasingly sophisticated in terms of their brand preferences and keen to enhance their knowledge about Swiss watches. We are here to advise and accompany them on their purchasing journey. Beyond our boutiques, this experience extends seamlessly to our digital channels and offers our clients a consistent and elevated omnichannel experience.”

Yashovardhan Saboo
Founder and Chairman
Ethos Ltd.

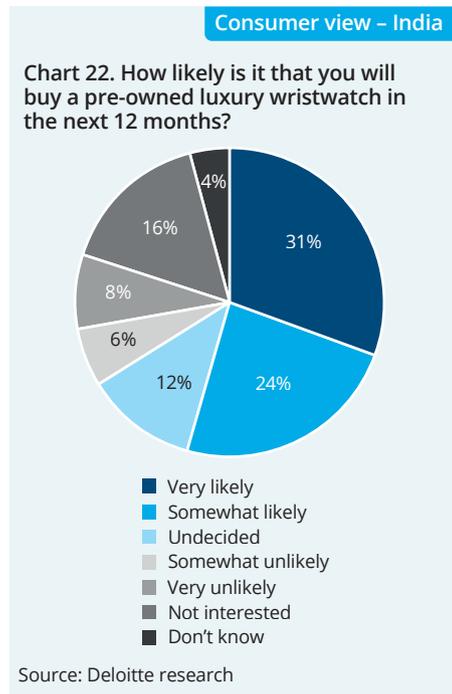
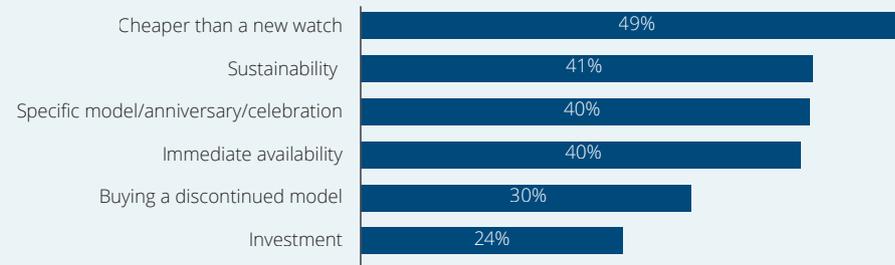


Chart 23. What would motivate you to buy a pre-owned watch? Multiple selections possible.

Consumer view – India



Source: Deloitte research

In recent years the pre-owned market for Swiss watches has grown in importance in India. A deeper appreciation for the craftsmanship and collectability of Swiss watches has emerged. As illustrated in Chart 22, over half (55%) of respondents indicated they were likely to buy a pre-owned watch in the next year compared to less than one in four (38%) overall respondents.

Many enthusiasts understand the investment opportunities and value retention and appreciation that Swiss watches provide, especially when the original box and papers accompany these watches. Buying a pre-owned watch for investment purposes was the motivation for nearly one quarter (24%) of respondents (Chart 23). A greater proportion look to the pre-owned market for more cost-effective purchasing options, sustainability considerations and immediate availability.

Those respondents who would buy a watch for investment purposes were motivated primarily by a desire to hedge against inflation (36%), which was over seven percent in July 2023, followed by the goal of diversifying their investment portfolio (33%).

The availability of reliable servicing options within the country has played a pivotal role. Access to expert watchmakers and service centres has instilled confidence in potential buyers of pre-owned watches. The shift in perception has led to the emergence of a more robust collectors market, attracting both seasoned collectors and newcomers alike.

While a growing middle class in India is interested in luxury, this market is nascent compared to some of its Asian counterparts. The purchasing power of the middle class varies widely, with household income ranging from US\$6,700 to US\$40,000 deemed middle class.³⁶ One in four respondents would be willing to spend up to CHF 500 on a pre-owned watch, with 18% ready to spend CHF 500 – CHF 1,500. A markedly higher proportion (30%) would be willing to buy at this higher price point if the watch was new.

Although consumers are price conscious, as the economy continues to progress and these consumers experience professional growth, their purchasing power will increase, leading to greater willingness to invest in premium products. Respondents in India were most likely to consider brand



Photo courtesy of Kapoor Watch Company.

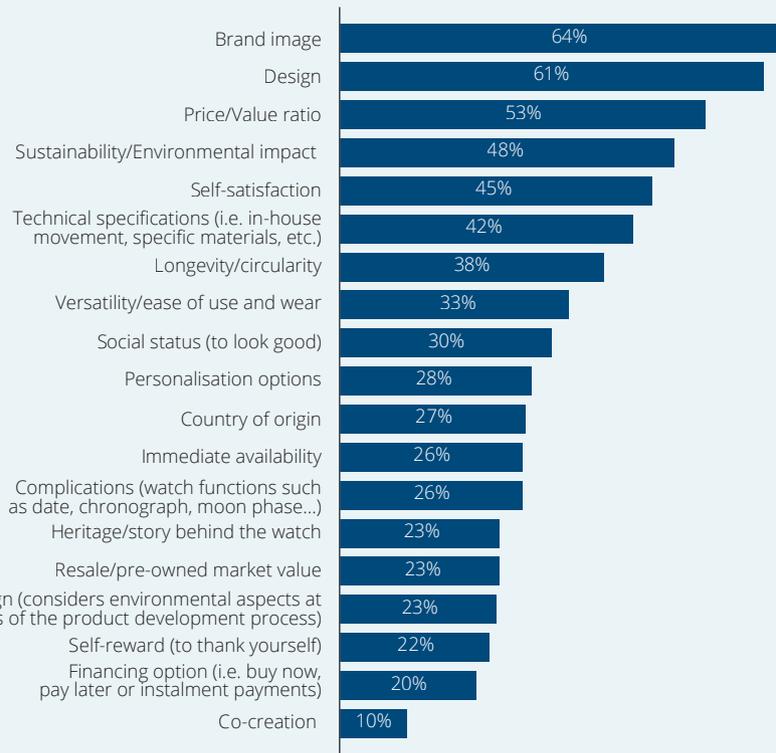
image (64%) when purchasing a luxury watch, the highest of all markets we surveyed (Chart 24). Respondents were also more likely than the overall average to purchase a luxury watch to satisfy themselves (45% vs 23% overall) and were more mindful of a brand’s sustainability impact (48% vs 29% overall).

Over half of respondents in India (52%) deemed sustainability more important than brand image when choosing between two watches, one of which lauded its sustainability credentials and the other its brand image. Ethical sourcing of materials and human rights are the most important sustainability aspects when buying a watch, followed by a brand reporting on its sustainability progress, and minimal packaging. In a region of the world impacted by rising temperatures, erratic monsoons and increased pollution, it is no small wonder that consumers in India show a growing concern for sustainability.

India’s importance for the Swiss watch industry, now and in the future, is evident. India is set to become the third-largest economy by 2027.³⁷ But the country is attractive not just because of the sheer quantity of potential consumers, but also because of the quality of these consumers. Increasingly aspirational, with evolving lifestyle preferences and a desire for luxury products that mirror their personal identity and values, Indian consumers have risen into the luxury segment. By 2028 we predict that export sales of Swiss watches in India will reach over CHF 400 million. We think that India will be in the top 10 of Swiss export markets within a decade.

Chart 24. What are the most important factors you consider when deciding to buy a luxury watch? Multiple selections possible.

**Consumer view
India**



Source: Deloitte research

7. Pre-owned

7.1 Growth potential

Last year, we estimated the pre-owned market was likely to grow to CHF 35 billion by 2030, comprising more than half of the primary market. We based this prediction on current growth figures, brands launching new pre-owned offerings, the expansion of existing channels, and consumers looking for discounted and discontinued timepieces.

The pre-owned market has been volatile recently, with values reaching meteoric heights during the pandemic. Prices normalised in 2022 and have continued to fall due to inflation, economic slowdowns in many countries and an increase in supply as those who took part in the pandemic buying frenzy look to offload their timepieces. The Subdial50, an index compiling prices of the 50 most traded watches by value and WatchCharts, a platform tracking 60 watches from the top 10 luxury watch brands, have dropped approximately 15% over the past year for watches sold on the secondary market.

Not only buyers and so-called flippers felt the effects of the secondary market slowdown. During the pandemic, pre-owned marketplaces could hardly keep up with demand. With a rightsizing of the market, cooler prices and less demand resulted in redundancies at Chronext, Chrono24 and Hodinkee, which cut nearly 30%, 13% and almost 20% of their staff, respectively. But confidence in pre-owned remains strong, even footballer Cristiano Ronaldo is placing his bets and putting his money behind the pre-owned market

by investing into Chrono24 via his CR7 investment company with an undisclosed sum.³⁸

As in previous years, most industry executives (71%) see the pre-owned market as positively influencing brand perception and value. Additionally, 63% consider the secondary market as a welcome source of awareness and visibility for the industry and 64% think it enables a new type of clientele to experience a brand. That being said, 34% of brands and retailers surveyed have no plan to move into the certified pre-owned market, while 36% are investing in their platform.

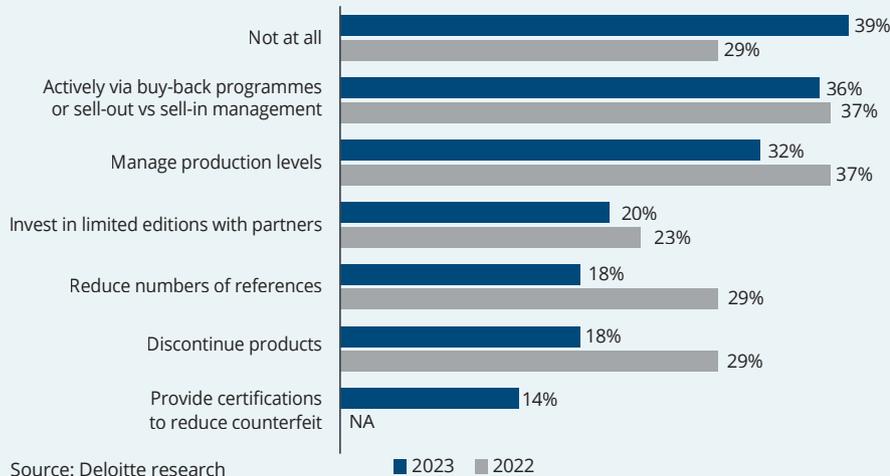
In a move that many feel will help regulate the market, in December 2022 Rolex introduced its Certified Pre-Owned programme, marking a significant shift for the luxury brand as it adapts to a changing landscape. Initially available at Bucherer boutiques in Austria, Denmark, France, Germany, Switzerland and the UK,³⁹ it has since expanded to other countries, including the US. This programme allows buyers to acquire authenticated second-hand Rolex watches directly from the company. These watches must be at least three years old, undergo a thorough examination by Rolex experts to certify their authenticity and then come with a



Tim Stracke, CEO and Founder of Chrono24 and Cristiano Ronaldo. Photo courtesy of Chrono24.

Chart 25. How consciously do you manage the value of your watches on the pre-owned market? Multiple selections possible.

Industry view



Source: Deloitte research

'Certified Pre-Owned Rolex' seal and a two-year international guarantee. This programme aims to assure customers of the authenticity and quality of pre-owned watches through its global network of experts. Watches of Switzerland initiated its rollout of the brand's Certified Pre-Owned programme in the US, and most recently the UK.

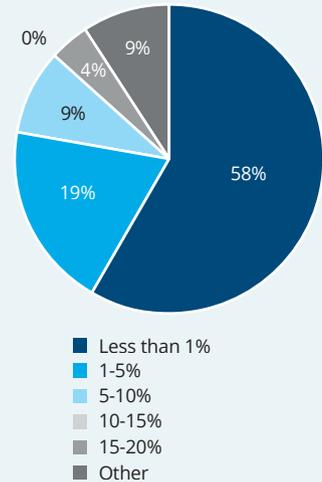
In 2021, Longines launched its 'Collector's Corner,' a Certified Pre-Owned programme for its vintage timepieces manufactured over 30 years ago with in-house movements.

Compared to our 2022 study, fewer brands are consciously managing the value of their watches on the secondary market (Chart 25). Most brands and retailers surveyed (58%) are investing less than one percent of their marketing budget for certified pre-owned watches (Chart 26). Currently, the pre-owned market is being serviced by: marketplaces, such as

Chrono24, Watchbox or Watchfinder & Co; retailers, such as Bucherer, Hodinkee, Tourneau or Watches of Switzerland; or auction houses Christie's, Phillips and Sotheby's, primarily for exceptional vintage timepieces. Bucherer is also collaborating with Mytheresa, a Germany-based global luxury e-commerce platform, to sell select Bucherer Certified Pre-Owned timepieces to European customers initially.

Industry view

Chart 26. What percentage of your marketing budget do you invest for certified pre-owned watches?



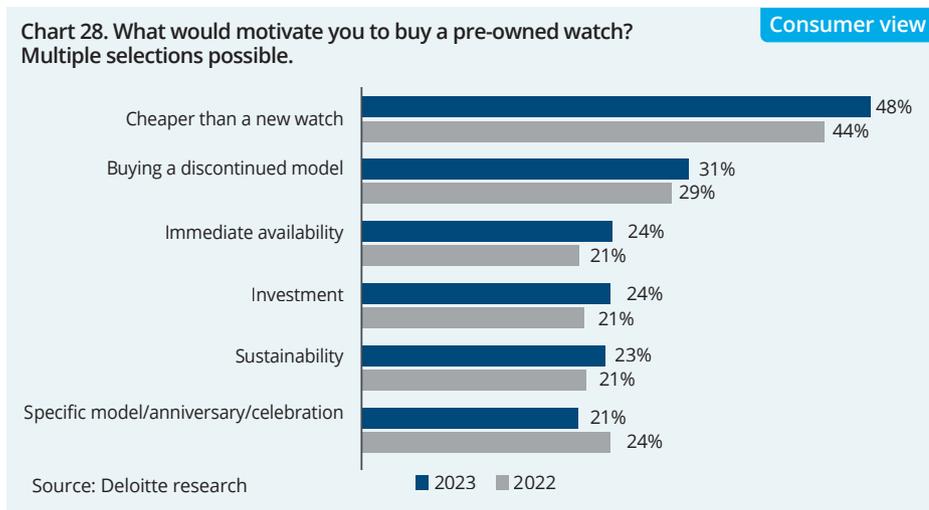
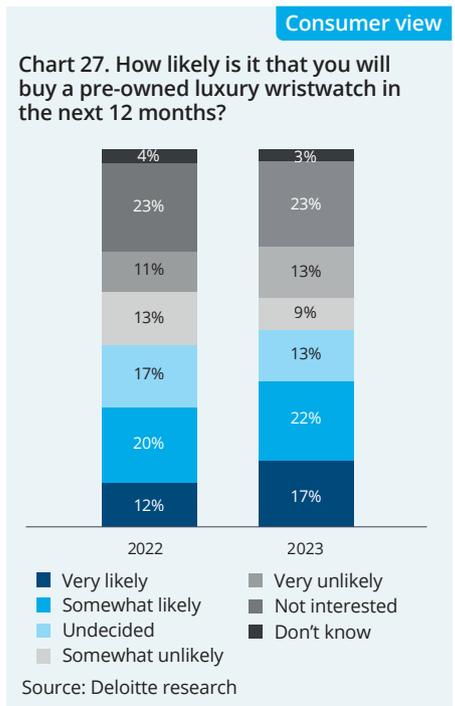
Source: Deloitte research

Based on the consumers we surveyed, consumers are more likely to buy a pre-owned luxury watch in the next 12 months (39% vs 32%) than last year, as shown in Chart 27. According to our survey, consumers in Hong Kong (67%), the UAE (66%), China and India (both 55%), the US (54%) and Singapore (50%) are somewhat or very likely to buy a pre-owned watch. This contrasts with Japan (49%), France (46%) and Germany (39%), where respondents are not interested in buying a pre-owned watch. Japanese consumers still prize 'newness'. Pre-owned goods have not taken hold in the country; this is also the case with the car industry.

Millennials (59%), Gen Z (45%) and Gen Alpha (41%) are also more inclined to

purchase pre-owned, which is not the case for Baby Boomers who at 39% are unlikely to purchase pre-owned timepieces.

Price remains the main motivator to buy a pre-owned timepiece, with 48% of consumers looking to the secondary market for a cheaper watch, as shown in Chart 28. Other reasons consumers buy pre-owned are access to discontinued models (31%) and immediate availability and investment (24%). Immediate availability seems to be a contradiction in terms with extensive waiting lists for the most desired models in 2023. Lovers of Daytona, Nautilus or Royal Oak watches will need to pay well over retail price to get their watch on their wrist in much shorter time.

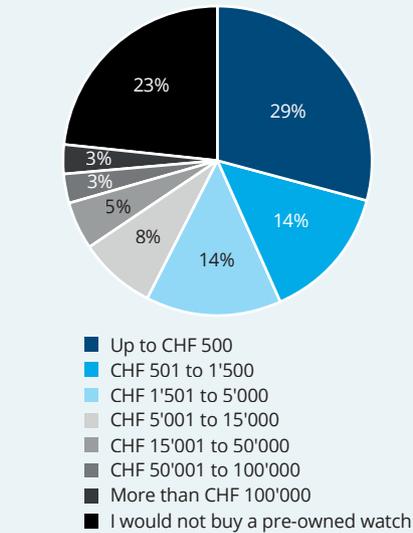


As illustrated in Chart 29, 29% of consumers are willing to spend up to CHF 500 on a pre-owned watch and 14% between CHF 501 to 1,500. A maximum of CHF 500 is the top answer in all markets we surveyed, except China and Hong Kong, where the highest proportion answered between CHF 1,500 and CHF 5,000. In what would seem to be wishful thinking, or perhaps manifestation, 19% of respondents in the US would be willing to spend over CHF 100,000 on a pre-owned timepiece.

In the same vein, while most, if not all, watch fairs focus on the latest collections, ReLuxury has a decidedly different approach: to focus on the re-commerce of luxury goods and to draw attention to the tenets of circularity. During its inaugural event in November 2022 in Geneva, the event welcomed over 40 exhibitors and 4,000 participants. Brands ranging from Chronoswiss, ID Genève and Richard Mille were in attendance, as were WatchBox, and Watchfinder & Co. The event welcomed the public and industry professionals and there will be a second event in early 2024.

Consumer view

Chart 29. How much are you willing to spend on a pre-owned watch?



Source: Deloitte research

“Circularity is no longer an option. I strongly believe that the future of luxury is circular and it’s an immense opportunity for the industry. Luxury must be exemplary given its intrinsic values of quality, repairability, durability and longevity. That’s why I started ReLuxury, the first trade show dedicated to the second life of luxury goods and collectibles.”

Fabienne Lupo
Founder & CEO
ReLuxury SA, LuXpo Sarl



KIF Parechoc and Décovi oscillating weight. Photo courtesy of Acrotec Group.

7.2 Beyond the hype

Our 2022 study noted that wealthy consumers had more disposable income during the pandemic due to less spent on travel and other related expenses. They pivoted from other high-ticket items such as art or gold to so-called hard luxury goods, further solidifying the shift towards watches as an asset class. Digitalisation also opened up more price transparency, new avenues for purchase, and new audiences for the world of watches. The resounding media attention on the March 2022 MoonSwatch release further shone a spotlight on the Swiss watch industry piquing the interest of consumers not previously interested in timepieces. There were also the 'crypto-bros' responsible for driving up the prices on the secondary market to unsustainable heights; that bubble is now very much deflating.

All of this helped to draw attention to the fact that Swiss watches can be an attractive investment and asset class due to their unique blend of craftsmanship, heritage and longevity, as well as their ease of transport and safe-keeping, and their potential as a store of value. This craftsmanship, limited production of certain models and popularity among collectors globally lends Swiss watches a

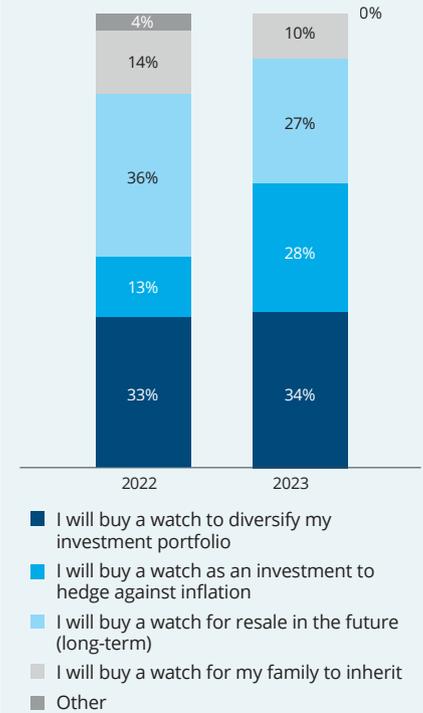
scarcity value that can lead to significant price appreciation over time and contributes to their resilience in the luxury market.

Of the consumers we surveyed, more than one fifth (21%) planned to buy a watch for investment purposes during the next 12 months as shown in Chart 30. If consumers buy a watch as an investment, the main motivation is still to diversify their investment portfolio (34% of respondents). Respondents in China (44%), Italy (38%) and Singapore (37%) are keen to diversify. Compared to last year, buying a watch as an investment to hedge against inflation has significantly increased (28% vs 13%), and is very pronounced in the US (40%), India (36%) and Hong Kong and the UAE (both 32%).

Now that secondary market prices have cooled off, buying a watch for resale in the future (long-term) is now less a motivation than last year (27% vs 36%), but reselling is still attractive to respondents in the UK (36%), Italy (35%) and Singapore (33%). Respondents in Japan were the most likely to see the generational value of buying a Swiss watch, with 23% purchasing for their family to inherit.

Consumer view

Chart 30. You've indicated that you will buy a watch in the next 12 months as an investment. Which of these statements best describes your motivation?



Source: Deloitte research

7.3 Safety net

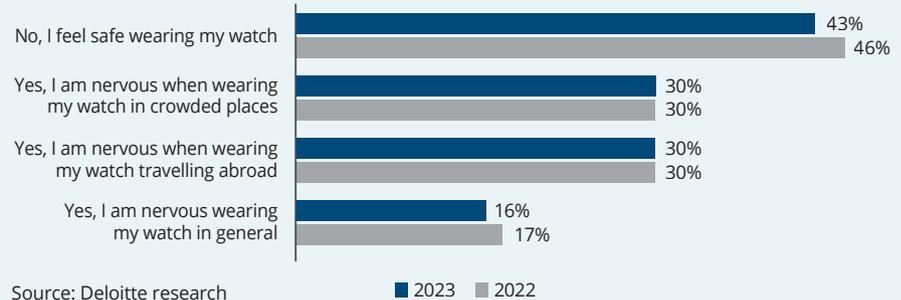
When answering our open-ended question, ‘What issue related to the Swiss watch industry keeps you awake at night?’ several executives mentioned the increased insecurity felt by watch owners linked to a steady rise in attacks on watch wearers, particularly those sporting well-known brands and pricey models. Last year we first discussed the growing phenomenon of watch theft, which is becoming more prevalent and violent. Smash and grab mobs are wreaking havoc on shopping malls and high streets, especially in the US. Luxury brands are often the target and must absorb rising losses and a drop in consumer confidence related to security, not the economy. Place Vendôme in Paris has been in the spotlight for the wrong reasons in recent years following armed robberies of Piaget, Bulgari, Chanel and Chaumet boutiques. Even Japan, with its famously low crime rates, has not been immune to armed robbery. In May 2023, Quark, a multi-brand luxury retailer, saw its Rolex specialty boutique in Tokyo’s Ginza district targeted in an early evening robbery in which more than one hundred watches were stolen.

According to the National Retail Federation, US retailers’ losses totalled \$112.1 billion in 2022.⁴⁰ The Watch Register, a global database of lost and stolen watches founded by Christie’s, Lloyd’s of London and Sotheby’s, recently reported that US\$1.3 billion worth of luxury watches were stolen in 2022, with the majority (44%) being Rolexes.⁴¹

Watch thefts are on the rise in London, with the Metropolitan Police launching a special operation this summer to address

Chart 31. If you wear a luxury watch, do you consider safety an issue?
Multiple selections possible.

Consumer view



the 60% surge in robberies between May and June. Paris has a dedicated 30-strong police taskforce focused specifically on combatting watch theft. During the first 11 months of 2022, Los Angeles police saw a 30% increase in watch robberies in which at least one watch was valued at US\$5,000 compared to the previous year.

Among the consumers we surveyed, perceived levels of safety remain similar as in the previous year, with more than one in four of respondents (43%) feeling safe wearing their watches, as shown in Chart 31. Respondents in China (50%), the US (42%) and India (35%) felt most safe. Only 30% of consumers are nervous when wearing their watches in crowded places or while travelling abroad. Safety during travel is most concerning for those in the UAE (35%), Hong Kong (34%) and Singapore (33%), while crowded places are worrying for watch wearers in India (42%), the UAE (34%) and Hong Kong (27%).

Audemars Piguet is the first luxury brand to guarantee their watches in case of theft or damage as part of their AP Service

Coverage, as part of a trial offering. For watches bought in 2022 or 2023 the Le Brassus-based brand has offered to replace or refund any stolen watch or repair any damage to watches for up to two years from the purchase date. Customers must provide proof that they bought and still own the watch in question, as well as a picture, its serial number and a valid police report. Hodinkee has been offering their own coverage, called Hodinkee Insurance, since 2020. Underwritten by a third party insurer, the policy covers theft, loss and damage, with compensation based on market value.

The age of Enquirus

In March 2023 Richemont officially unveiled Enquirus, a global, open-source, digital platform aimed at tackling and deterring watch and jewellery-related crime. Free for users, this secure platform enables the confidential sharing, uploading and searching of watch and jewellery information, all while safeguarding a user's identity. The primary goal is to aid in the identification of lost and stolen items, making it harder for them to be traded or sold.

It is not the only database of stolen watches. The UK-based The Watch Register and Singapore-based MyStolenWatch offer similar solutions with slightly different business models.

Enquirus features a minimalist user-friendly interface with an easy three-step process to register, declare and search for lost and

stolen watches. Users can register their valuables on the platform pre-emptively by providing the brand and serial numbers. Potential buyers of pre-owned watches or jewellery can also search the platform to make sure they are not about to buy a stolen item. This centralised hub fosters collaboration between law enforcement agencies, insurance companies, luxury brands and the pre-owned market thereby improving the chances of recovery.

Enquirus has over 175 luxury watch brands, including Richemont Maisons, and several top jewellery brands already pre-loaded into the system, further simplifying the registration process. Over 31,000 watches and jewellery pieces have already been registered as lost or stolen, underlining the platform's growing importance in addressing the issue of theft in the luxury watch and jewellery industry.

“We’re collaborating across our industry and with a diverse network of stakeholders including law enforcement agencies, insurance companies, pre-owned market and clients, to create the largest international database of lost and stolen watches and jewellery. We have listened to our customers and developed a suite of customer services, to help them protect their watches and jewellery. Enquirus is a testament to that commitment.”

Frank Vivier
Group Chief Transformation Officer
Richemont



Vacheron Constantin Overseas. Photo courtesy of Vacheron Constantin.

8. Technology and Innovation

8.1 Losing its virtual lustre

After much enthusiasm, it seems that adopting and implementing the metaverse is slowing for many brands. High implementation costs, challenges to create a differentiated experience and moderate user adoption have brought the hype around this virtual channel back down to earth.

This aligns with our survey findings, as shown in Chart 32, with more than half (57%) of the surveyed brands not interested in launching the metaverse in the coming year and almost one quarter (23%) not believing in it. A minority (16%) see this virtual world as beneficial from a brand experience perspective.

According to our Global Marketing Trends 2023 – A Swiss Perspective, where we surveyed Chief Marketing Officers in Switzerland, the main reason why their brands are not currently participating in the metaverse is the complexity of technology implementation (55%) followed by scepticism about the long-term relevance (35%) and insufficient talent to execute the strategy (32%). Uncertainty remains about the potential of such a space to drive traffic and build a community among their customers or clients, negatively impacting organisational buy-in.⁴²

In our 2022 study we highlighted those brands that had entered the virtual real estate space, like Frederique Constant's Metacube and IWC Schaffhausen's Diamond Hand Club. Ahead of last year's World Cup in Qatar, Hublot, the Official

Timekeeper for FIFA and the Premier League, teamed up with stadium architects MEIS and metaverse developer Spatial to create the 'Hublot Loves Football Metaverse Stadium.' This virtual venue was designed to accommodate 90,000 spectators, could be accessed by visitors from their phones, desktops, or Oculus headsets, and marked Hublot's entrance into the metaverse.⁴³

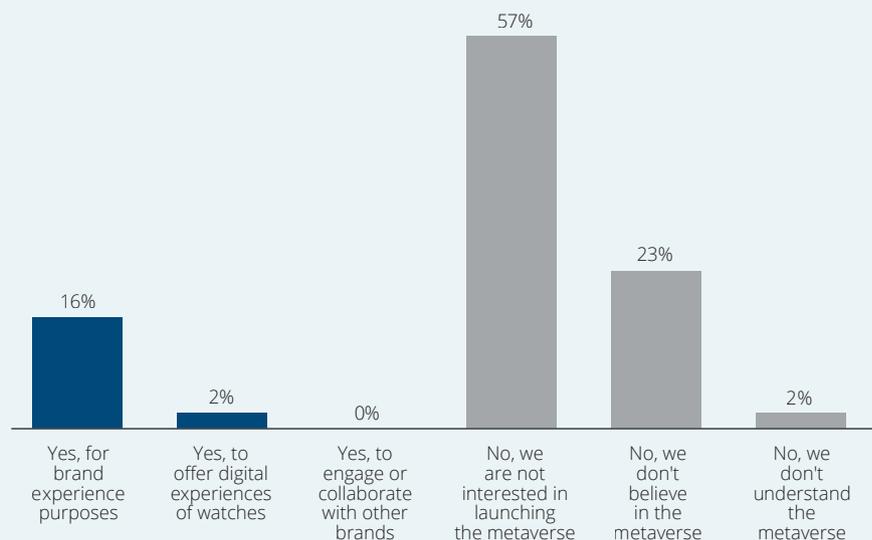
In late October 2022 Gucci launched an experimental, time limited, virtual space called Gucci Vault Land where visitors could experience the brand's history through a series of games, avatar-appropriate apparel, and digital collectibles. H. Moser

& Cie. created a metaverse space, in the form of a virtual Swiss chalet to serve as an exclusive gathering spot for Moser watch owners. Community members can explore Moser's history, go behind the scenes of its manufacturing operations and discover new timepieces.

There are still benefits to be gleaned from this virtual world. It helps brands expand their horizons, and consumer base, bringing their craftsmanship and story to life in a digital landscape. They connect with a younger, digitally-inclined demographic, creating engagement with younger consumers intrigued by digital collectibles and virtual goods. According to

Chart 32. Do you want to launch an experience in the metaverse in the next 12 months? Multiple selections possible.

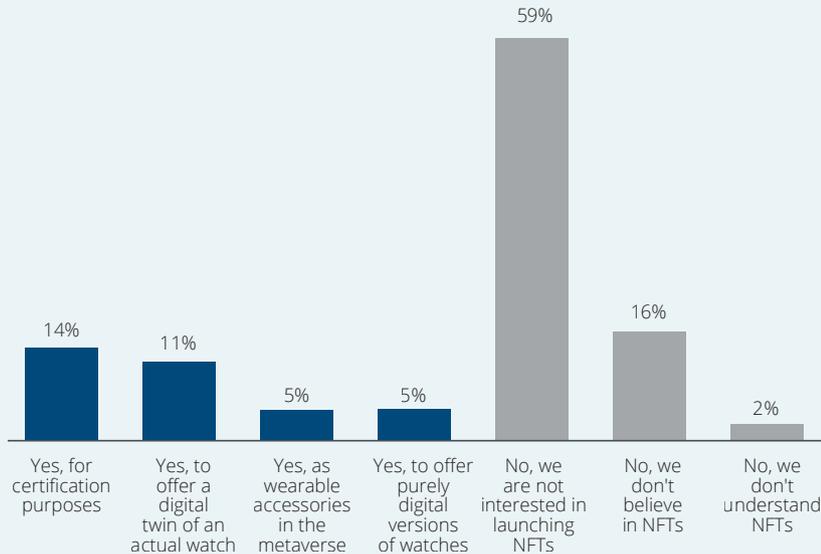
Industry view



Source: Deloitte research

Chart 33. Do you intend to launch NFTs (non-fungible tokens) in the next 12 months? Multiple selections possible.

Industry view



Source: Deloitte research

our Global Powers of Luxury Goods 2022, the metaverse offers the potential to luxury brands to reach a growing community of Gen Z and Gen Alpha consumers with no geographical, gender, or cultural barriers, who are highly interested in buying digital goods.⁴⁴

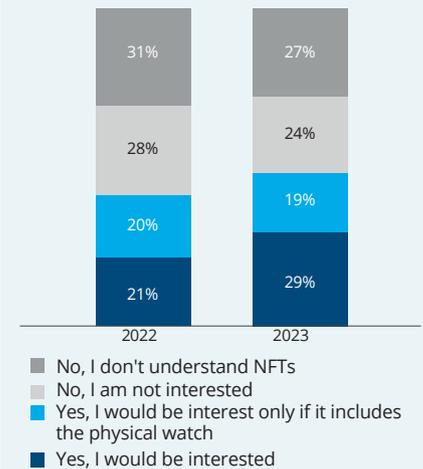
The metaverse helps to bridge luxury and digital culture bringing a fresh perspective on more traditional brands. Luxury watch brands can engage this new audience by offering virtual collectibles that tap into the culture of rarity and exclusivity synonymous with watch collecting and non-fungible token (NFT) trading. Brands considering a foray into this virtual landscape need to approach the metaverse differently, with a defined strategy rather than dabbling. Because engagement in the metaverse works differently and can

be lower than for conventional digital channels, traditional metrics such as impressions, CTR (Click-Through-Rate) and CPM (Cost-Per-Mille), will not be of much use. Instead brands should set a goal for each element in the metaverse and accept that the cost of designing and developing metaverse experiences will initially exceed the return on investment.⁴⁵

A similar proportion of brands and groups (59%) are also not interested in these NFTs. Where interest exists, it is mainly for certification purposes or to offer a digital twin of a physical watch (Chart 33). This tepid response to NFTs contrasts with consumers who are beginning to warm up to these digital assets. Compared to our 2022 study, more respondents are interested in NFT versions (digital twins) of a watch, up eight percentage points as

Consumer view

Chart 34. Watch brands have introduced NFTs (non-fungible tokens) for watches. Would you be interested in the NFT version of a watch?



Source: Deloitte research

shown in Chart 34. Millennials are most interested in NFTs (47%), followed by over one third (34%) of Gen Z and Gen Alpha respondents, even without the physical watch.

Industry executives have a better grasp of NFTs than the lay consumer, with only two percent not understanding NFTs compared to over one fourth (27%) of consumers, who do not understand this digital asset. The industry has experimented with NFTs in the past. Our 2021 and 2022 studies referenced several brands that launched either digital twins of a physical watch or purely digital timepieces.

As we saw last year and in Chart 35, the main motivation for consumers to buy the NFT version of a watch remains for investment purposes (61% of respondents) and to use as an accessory in the metaverse. Christie's has launched an on-chain auction platform, called Christie's 3.0, dedicated to NFT art and curated drops.⁴⁶ Several other platforms tailored to the luxury goods industry aim to create a marketplace for such virtual assets, such as 4K, Altr and The Artisan.

Panerai has used NFTs to add to the experience of its 'Experience' collection of watches. For example, upon purchasing the Panerai Submersible Navy Seals Experience limited edition watch, owners received the NFT artwork of the watch and got to spend time with Navy Seals to experience the

demands of their training. Both the limited edition Radiomir Eilean Experience Edition and the Luminor Goldtech Calendario Perpetuo came with their respective digital artwork which unlocked additional experience-related content. The Eilean Experience was yachting along the Amalfi Coast while the Luminor owners were invited to discover the brand's history in Florence.

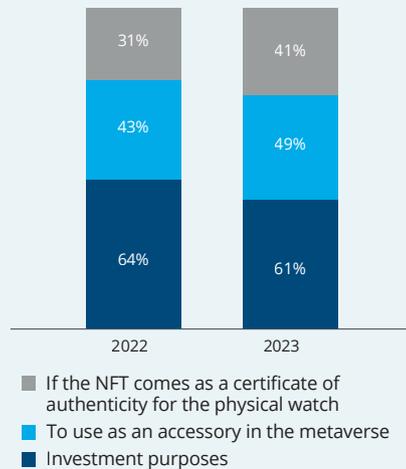
A new report by Watchfinder & Co. estimates that over 40 million counterfeit watches are sold worldwide each year and has urged the industry, especially those operating in the pre-owned space, to be transparent about their approach to authentication. Many brands, including Breitling and Vacheron Constantin, use NFTs and blockchain technology for

authentication purposes in the form of a digital passport. Most recently, Panerai worked with Ariane, a blockchain alliance, to launch, PAM.GUARD, a blockchain-powered digital passport for its watches, which acts as proof of authenticity and can be transferred upon reselling.⁴⁷

Such incorruptible virtual identity cards are becoming a priority for brands to demonstrate material traceability and supply chain transparency, and also in anticipation of the European Union's (EU) Digital Product Passport that will affect all products sold within the EU and which takes effect in 2026-27.

Consumer view

Chart 35. You have indicated that you would be willing to buy the NFT version of a watch. What would be your motivations for doing so? Multiple selections possible.



Source: Deloitte research



NORQAIN Wild ONE Skeleton. Photo courtesy of NORQAIN.

8.2 Nothing artificial about it

Generative AI (Gen AI) is a type of technology, powered by artificial intelligence, that uses algorithms to produce content such as text, images and audio. Fun fact: we used Midjourney, a Generative AI platform to create the base image used for the cover for this year's study, which was subsequently edited. AI also helps support systems such as chatbots and virtual assistants to improve customer engagement and provide more personalised service and support.

We asked brands if they were planning to use Gen AI in the coming year and over half (52%) of those surveyed planned to do so for content creation for publications and reports, whereas one fourth (25%) are planning to use predictive tool for brand campaigns and marketing (Chart 36). One executive specifically mentioned Gen AI as the next big trend for the industry for brands, their value chains and to reimagine the customer journey. Although only

20% of brands said they were planning to use Gen AI to support the creative process, there are already inklings as to how this technology could be used to hyper-personalise watch design. Codatic is an IT company using data to disrupt the watch industry. WATCH512 is one such software. It uses Generative AI to create timepieces that do not actually exist but have been inspired by the characteristics of thousands of watches inputted into the software. It caused quite a stir when its capabilities were shown at EPHJ's trade show last year.⁴⁸

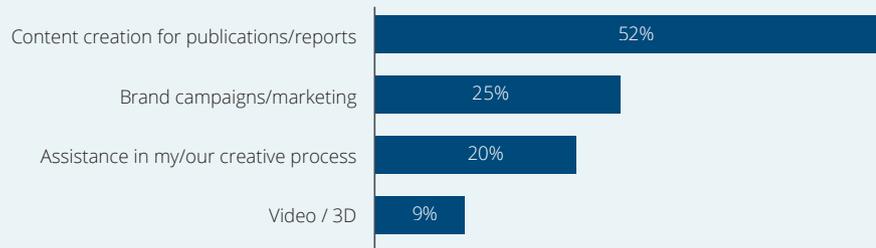
While Generative AI excites many with its creative potential and often dramatic renditions, it will never replace the time-honoured skill of crafting mechanical watches. AI may inspire innovation and push boundaries, but the precision and know-how of trained artisans remain irreplaceable.



BA1110D CHPTR_A. Photo courtesy of BA1110D.

Chart 36. I am planning to use Generative AI in the next 12 months for...
Multiple selections possible.

Industry view



Source: Deloitte research

8.3 Spotlight – Project Genesis

Independent watchmaker, H. Moser & Cie., wanted to use digital technologies to enhance the customer experience and preserve the value of their watches in the pre-owned market. Genesis aimed to usher in a new era of watch ownership, offering value-added services while fostering a tight-knit community of watch enthusiasts.¹

An ecosystem of industry leaders came together to make this project a reality. Zurich Insurance contributed a hybrid insurance product, safeguarding both the physical watch and its associated NFT. Salesforce launched a Web3 management suite that enabled creating and tracking digital tokens within the Genesis app. The

Aura Blockchain Consortium provided blockchain technology for e-certificates, e-warranties and Zurich's innovative e-insurance. Genesis introduced one of the first-ever integrations of a Web3 wallet into a mobile app, and Crossmint, a development platform, controls the custody of tokens in this wallet.

Genesis owners scanned the watch's QR code to activate the Genesis app and wallet. Owners authenticated and protected their timepiece through an e-certificate, an e-guarantee and e-insurance. They were also given access to NFTs ranging from digital art to video content about their watch. Genesis owners

have priority to purchase Moser's next two watches, also limited to 50 pieces; the releases will launch in Moser's Swiss chalet metaverse lounge.

As the pre-owned market goes from strength to strength, Genesis provides solid assurance of authenticity and provenance, both for primary and secondary owners. Blockchain certification ensures Moser controls ownership details, deterring theft and unauthorised resale. Genesis has reimagined watch ownership. It blended tradition with cutting-edge technology to offer worldwide security, transparency and engagement for watch enthusiasts.

1. Deloitte collaborated with H. Moser & Cie. to bring Project Genesis to life.



H. Moser & Cie. Endeavour Centre Seconds Genesis. Photo courtesy of H. Moser & Cie.

9. Sustainability

9.1 Greening priorities

Sustainability has moved beyond being a trend or slick slogan to becoming a business imperative. In addition to preserving the environment, focusing on sustainability enhances the watch industry's reputation, aligns with consumers' values and ensures resilience in a time-honoured, yet ever-evolving industry. This shift towards sustainability is not only reshaping how timepieces are made, but the essence of watchmaking itself.

We have witnessed a change this year. Whereas in previous years brands have been investing in sustainability in response to external pressures – consumer behaviour and considerations about brand image – our results this year show a positive shift in motivation. And it comes from within.

Sustainability has been integrated into brands' and retailers' corporate strategy, thereby becoming a catalyst for further investment. They are investing in making their manufacturing facilities and boutiques more carbon neutral. They are investing in R&D to make materials more circular and be less reliant on extracting raw materials. They are investing in their governance structures and in dedicated sustainability functions.

In February 2023, Richemont announced that it was appointing Dr Bérangère Ruchat, the Group's Chief Sustainability Officer (CSO), to its Senior Executive Committee, one year after she was appointed the

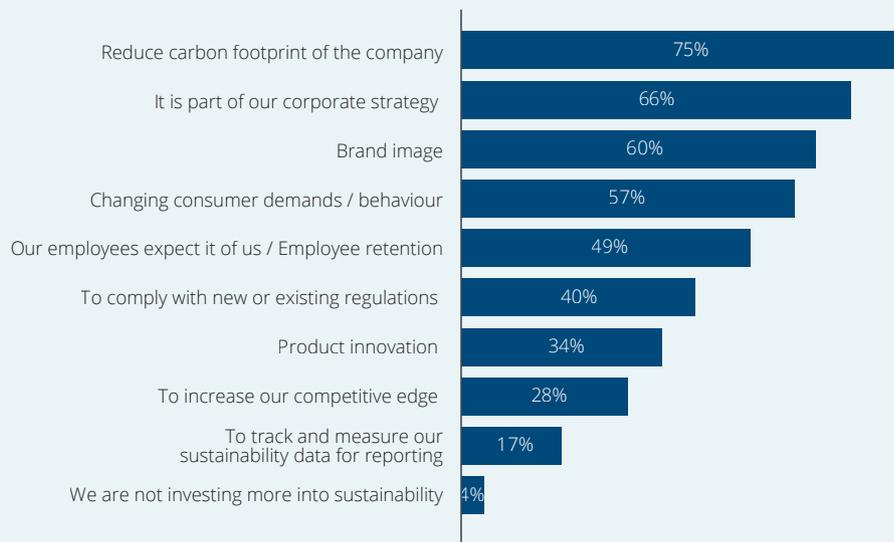
Group's CSO.⁴⁹ Kering's Marie-Claire Daveu, the Group's Chief Sustainability and Institutional Affairs Officer, is also a Group's Executive Committee member. This shows that sustainability is strategically aligned with the broader objectives and values of the groups.

Consumers expect transparency and the industry is following suit. Sustainability reporting among brands and retailers is on the rise, with more than half (51%) of respondents already publishing a sustainability report because they either must or want to. More than one third (34%) would like to publish a report but are probably facing challenges, such as knowing which reporting standard to align with? How much detail to provide? What

targets to set? Where to source the data from? How often do we report? Only a minority of those surveyed (15%) saw no need to publish a sustainability report. New sustainability reporting regulations in Switzerland (effective from financial year 2023) and the EU (effective from financial year 2024) require companies to report on significant environmental, social and governance (ESG) topics across their value chains. This reporting must cover the impact of these topics on the companies as well as the impact a company's activities have on the environment and society. While the Swiss regulation (Art. 964 SCO) does not require external assurance on the full ESG report yet, the EU's Corporate Sustainability Reporting Directive (CSRD) mandates external assurance for ESG reporting.

Chart 37. What are your primary reasons for investing more into sustainability? Multiple selections possible.

Industry view



Source: Deloitte research

The EU's Carbon Border Adjustment Mechanism (CBAM), which came into force for certain products on October 1, 2023, will impact brands and component manufacturers. Importers of aluminium, iron and steel, materials used by the industry, will need to pay a tax to offset emissions that occurred during extraction in third countries. The Swiss watchmaking industry uses nearly 9,000 tonnes of steel per year.⁵⁰

As mentioned on page 42, the European Union's Digital Product Passports (DPPs) will affect all products entering the EU market. It will require companies to share comprehensive product information for every product, including details on use of raw materials, production processes and recycling.



Hublot Big Bang Unico Nespresso Origin. Photo courtesy of Hublot.

9.2 Of material importance

When it comes to materials, industry executives believe that certified ethical gold, recycled packaging and upcycled materials will be the most important in the next five years as shown in Chart 38. However, all materials that decrease the carbon footprint of a watch are deemed important at some level.

At Watches and Wonders in Geneva in March, Chopard announced its commitment to using Lucent Steel™ for all its steel watches, including bracelets and cases, with the goal of using 80% recycled steel by the end of 2023, with a minimum target of 90% by 2025. Made from manufacturing scraps, Lucent Steel™ minimises raw material extraction

and is sourced from suppliers within a 1,000 km radius to reduce transportation emissions.⁵¹

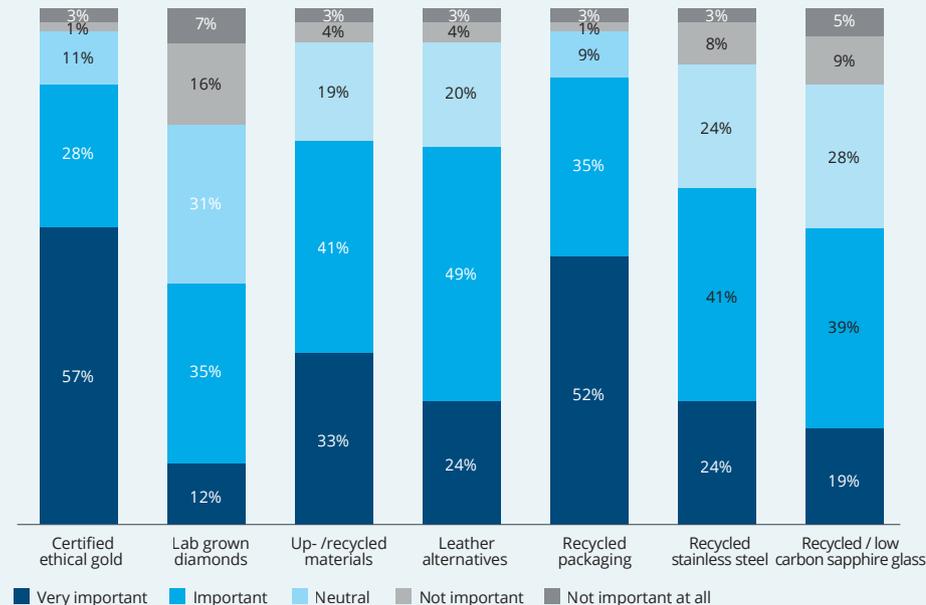
An unlikely duo, Hublot and Nespresso, collaborated to create the Hublot Big Bang Unico Nespresso Origin watch. Comprising only 200 pieces, this limited edition watch uses recycled Nespresso coffee capsules to partially craft its case, bezel, crown and pushers. A creative collaboration in circular design, the watch is the first of its kind to use recycled Nespresso coffee grounds and capsules, even incorporating them in its rubber and fabric straps.⁵²

In October 2022 Breitling unveiled its Super Chronomat Origins watch, made

from ethically sourced gold and lab-grown diamonds. Since then, the Grenchen-based brand has launched its Origins Label, which signifies those watches made from precious materials that can be traced to their source and are detailed on the watches' blockchain-backed NFT and public-facing Sourcemap documentation. Breitling aims to provide this level of traceability for all their watches by 2025.⁵³ The brand also says that as of 2024, they will only use lab-grown diamonds for their watches.

Chart 38. How important will each of the following materials be in the next 5 years?

Industry view



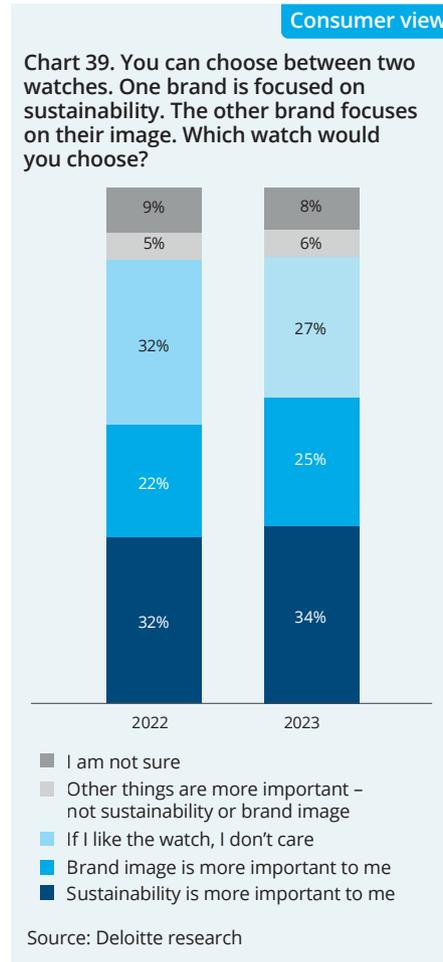
Source: Deloitte research

Last year, we introduced a question asking consumers to choose between a brand that focuses on sustainability and one that focuses on its brand image. Unsurprisingly, it prompted discussion within the team, the industry and the media. We asked the question again this year and the results are shown in Chart 39.

Over one third of respondents (34%) would choose the brand focused on sustainability, whereas one quarter found brand image to be more important. While both responses increased slightly compared to last year, fewer respondents were indifferent this year, with only 27% not caring about either option, provided the watch caught their eye. As was the case last year, younger generations care more about a watch's sustainability impact, with Gen Alpha (41%), Gen Z and Millennials (both 40%), placing more weight on a brand's sustainability credentials. According to Deloitte's 2023 Gen Z and Millennial Survey, six in 10 Gen Zs and Millennials are willing to pay more for sustainable products and services.⁵⁴ Although Baby Boomers were most likely to buy a watch if they liked it (33%), sustainability was nearly as important (30%), with brand image a distant third (17%). Millennials and Gen Z, your parents and grandparents ARE listening.

Sustainability was more important than brand image for respondents in the US (51% vs. 19%) and the UAE (38% vs 29%), whereas brand image was a bigger draw than sustainability in China (43% vs. 35%) and Hong Kong (40% vs. 33%), where watches and jewellery remain an important status symbol. Despite being recognised for their climate activism and push for green initiatives, respondents in European countries were the most likely not to care

about sustainability nor brand image if they liked the watch, which was the case in Germany (40%), Italy and Switzerland (both 38%), and the UK (35%). Over one fifth of respondents (29%) in Japan were undecided.

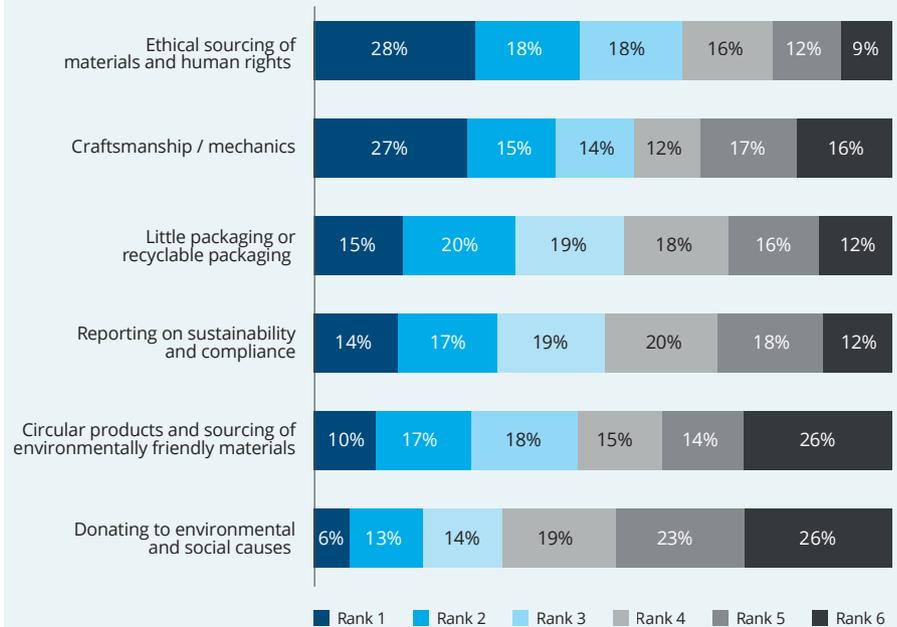


Parmigiani Fleurier Tonda. Photo courtesy of Parmigiani Fleurier.

Sustainability can often be an ambiguous term, frequently interchanged with ESG. But ESG is concerned with evaluating performance, while the former relates to a company's overall approach. We asked both the industry and consumers what the most important aspect of sustainability was for them, and ethical sourcing and human rights were considered top for both. As seen in Chart 40, consumers considered craftsmanship a key aspect, underscoring the often repeated sentiment that mechanical watches are sustainable by design. Eco-design is considered important by 27% of industry executives. Eco-design is when the environmental impact is considered during each stage of the product's entire lifecycle, from design and materials to production and transportation.

Chart 40. When buying a "sustainable" watch, what do you consider the most important aspect of sustainability? Rank from 1-6

Consumer view



Source: Deloitte research



Oris ProPilot X Kermit Edition. Photo courtesy of Oris.

9.3 Circle of life

To reduce the impact of sourcing raw materials from the environment and to reduce the overall carbon footprint of a watch, the industry has been embracing the principles of the circular economy. According to Switzerland's first Circularity Gap Report, the country is only 6.9% circular, meaning that most material inputs coming into the Swiss economy are extracted from virgin resources and materials.⁵⁵

However, Swiss mechanical watches, in their very essence, are circular by default. They are crafted to last and to be handed down, for generations. They can be serviced, often indefinitely. The proliferation of the pre-owned market taps into this strategy of 'using longer and using again', giving second, third and fourth leases on life for timepieces. Nearly one third (31%) of Millennials and one quarter (24%) of Gen Zs are motivated to purchase a pre-owned watch for its sustainability credentials.

Brands are sourcing more recycled metals, such as gold, steel and titanium, and upcycled materials like fishing nets (Oris and Ulysse Nardin), ocean plastic (Alpina, Luminor and Titoni) and PET bottles (Panerai and Breitling in the case of their flat pack packaging) have become

commonly used in cases and straps. Zenith has been sourcing deadstock fabric from LVMH's Nona Source for their DEFY Midnight collection straps. Brands are also looking cross-industry to upcycle waste materials, most notably from the automotive and aviation industries. Ulysse Nardin has sourced waste from both for the case and bezel of its Diver: The Ocean Race watch.

"As a company, we're changing our behaviour and we want to encourage consumers to do the same. By using upcycled 'ghost' fishing nets in our watches and recycled cardboard for our packaging, we show that we're making thoughtful and responsible choices. If that sets an example or gets consumers thinking about how to lead a more eco-conscious lifestyle, then we're making a difference."

Rolf Studer
Co-CEO
Oris SA

10. Conclusion

Last year we saw the Swiss watch industry recalibrating for the future, with pandemic pivots such as the shift to e-commerce, supplier reshoring and a dominant US market embedded into corporate strategies. In 2023 the industry is experiencing growth. The US market remains strong, underscored by a plethora of new store openings or recent refurbishments, but hopes for other regions are also high. Brands are focusing on introducing new products and further developing their omnichannel approach. Component manufacturers are trying to keep up with high demand by expanding their production capacity and increasing staff numbers in Switzerland.

The industry is investing in online tools to gain better insights into customer preferences and provide personalised content. However, the in-person experience remains unparalleled when it comes to building relationships and bringing the brand and its values to life. Social selling is poised to gain in significance and is already a key sub-channel in Asia and frequently used by younger consumers.

India is stepping into the spotlight as the next growth market. A resilient economy, a growing consumer base with a desire for

luxury products and robust omnichannel infrastructure makes us confident in our prediction that India will be in the top 10 of Swiss export markets within a decade.

Web 3.0, in the form of the metaverse and NFTs, has created a new way of interacting with consumers. But widespread adoption is lagging behind and brands are less enthusiastic than in previous years. Beyond their social role, technologies like blockchain and NFTs are integral to traceability and authentication. It remains to be seen how Generative AI will be used in the future but many in the Swiss watch industry are quick to embrace the latest innovations.

An increasing number of consumers are interested in the pre-owned market in which they are able to procure timepieces more cost effectively. Many consumers see the investment potential of luxury timepieces and seek out brands that are likely to hold on to their value or, better still, appreciate.

A noticeable shift has taken place in the industry: sustainability has become an intrinsic part of corporate strategy rather than a response to consumer demands. Investments are being made in materials with a lower carbon footprint,

in production processes that enhance circularity and in manufacturing centres where energy efficiency and waste reduction are embedded into every aspect of their operations.

The Swiss watch industry celebrates its past while shaping its future. The industry continues to evolve, gradually transforming while preserving the foundations that have made it thrive for generations. Around the world Swiss watches are symbols of craftsmanship, precision and quality. This solid reputation, coupled with the industry's strong contribution to the Swiss economy, have made the industry a source of national pride. And it's because of this that the Swiss watch industry remains in a calibre of its own.

11. Authors, Contacts and Contributors

Co-authors



Karine Szegedi
Managing Partner
Consumer Industry and
Fashion & Luxury
kszegedi@deloitte.ch
+41 58 279 8258



Kristi Egerth
Content Lead
kaegerth@deloitte.ch
+41 58 279 7652

Contacts



Dr. Michael Grampp
Chief Economist
mgrampp@deloitte.ch
+41 58 279 6817



Ashley Mueller
Consumer Marketing lead
ajmueller@deloitte.ch
+41 58 279 81 41



Kevin Capellini
External Communications lead
kcapellini@deloitte.ch
+41 58 279 59 74

Contributors

Coline Astoul
Anca Balling
Silvio Jobin
Fabien Lopez
Konstantin Meier

Uday Mehta
Benjamin Morin
Frederic Pili
Nishant Sinha
Rajat Wahi

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