

# SWATCH GROUP LTD

## A PLAN FOR THE FUTURE

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Analysis

Alternatives

Implementation

Financials

## KEY ISSUE

How should Swatch compete in the smartwatch market?

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# STRATEGIC CHALLENGES

Rise of  
Apple  
Watch

Changing  
market  
trends

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## RECOMMENDATION

Redefine luxury watches  
by augmenting traditional  
product lines

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# STRATEGIC GOALS

Maintain  
brand  
heritage

Adapt to  
new trends

Grow  
luxury  
watch  
market  
share

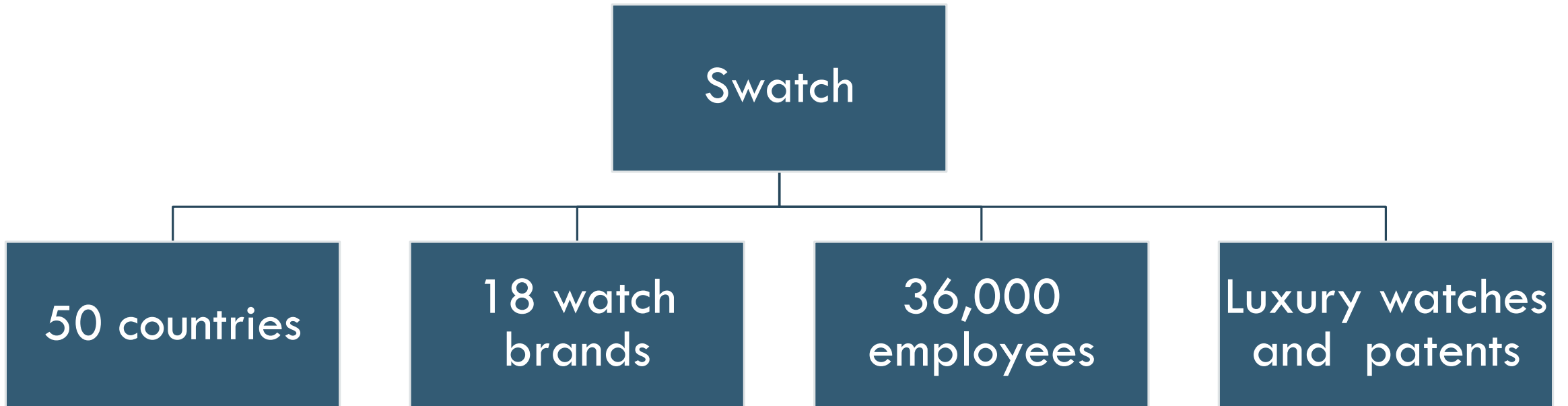
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# SWATCH GROUP LTD



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# SWATCH FINANCES

2015: CHF  
8.4 billion

Average of  
-23% year  
over year  
decrease

-10% in net  
income as %  
sales

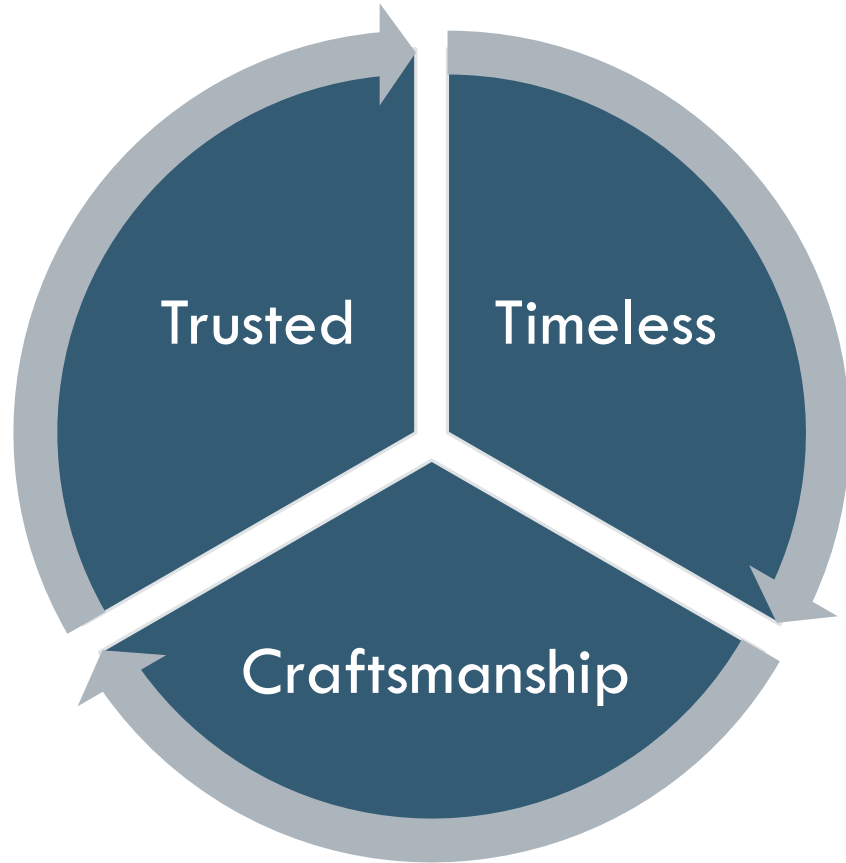
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# VALUE PROPOSITION



‘We don’t  
make  
computers for  
the wrist’

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# APPLE

Connectivity & integration

Universal: \$234 billion revenue

Creating new market opportunity

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# LUXURY WATCH MARKET

94% of  
export sales

Average  
price: \$737

Switzerland,  
Hong Kong,  
China

\$24 billion  
in watch  
sales

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# PRODUCT SEGMENTS

Wearable devices: 16% of US

Timekeeping

Activity  
Tracker

Smartwatch

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# MARKET OPPORTUNITY

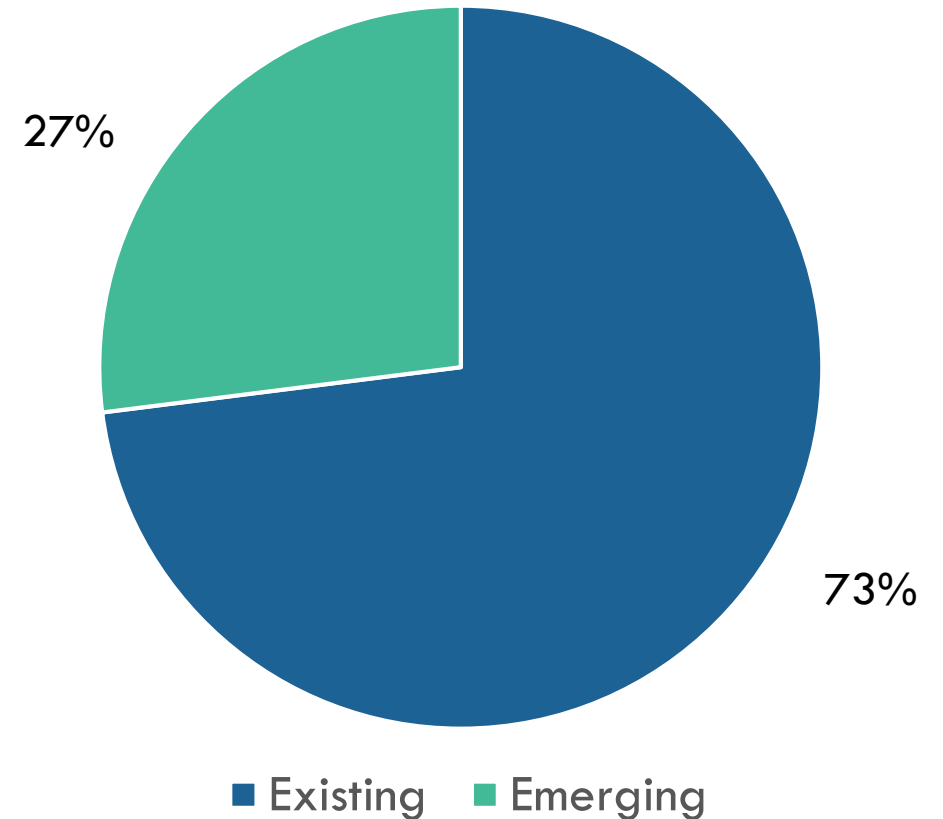
## Established market

- Traditional brands

## New market

- Technology focus

Luxury Watch Market Preferences



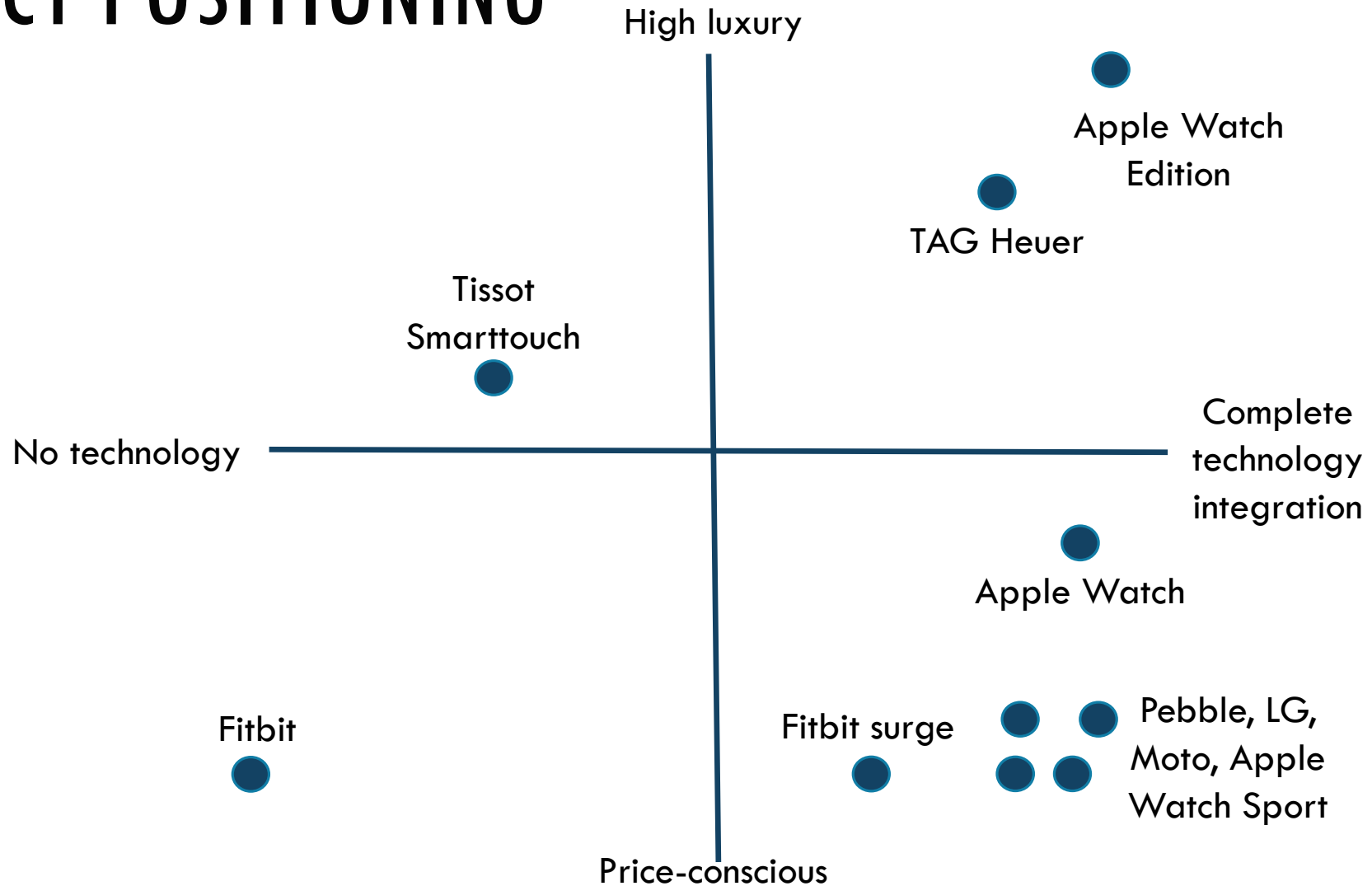
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# PRODUCT POSITIONING



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# ENVIRONMENTAL ANALYSIS

## Strengths:

- trusted, reputable brand
- market leader in luxury watches
- timeless craftsmanship

## Concerns:

- declining revenue and profit
- limited brand offerings
- low tech innovation

## Opportunities:

- incorporating new technology
- defending luxury market share
- new, emerging markets

## Threats:

- narrow market share
- obscelence
- rise of competitors

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# ALTERNATIVES

Compete directly with the Apple watch

Re-entrench within luxury markets

Redefine luxury watches by augmenting traditional product lines

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# ALTERNATIVE 1: COMPETE DIRECTLY WITH APPLE

Create a new smartwatch to engage with Apple's market segment

Strengths

Weaknesses

Market potential

Follows trends

Not core competency

Compromises brand integrity

Lack of integration

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# ALTERNATIVE 2: RE-ENTRENCH WITHIN LUXURY MARKETS

Create a robust marketing plan focusing on the luxury market

Strengths

Weaknesses

Defends luxury products

Brand integrity

Lacks growth opportunity

Fails to adapt to trends

Ignores market potential

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# ALTERNATIVE 3: REDEFINE LUXURY WATCHES BY AUGMENTING TRADITIONAL PRODUCT LINES

Enhance value proposition by introducing technology features into established and new product lines

Strengths

Weaknesses

Competes in emerging market

Growth opportunity

Protect market share

Fluid market

Capital intensive

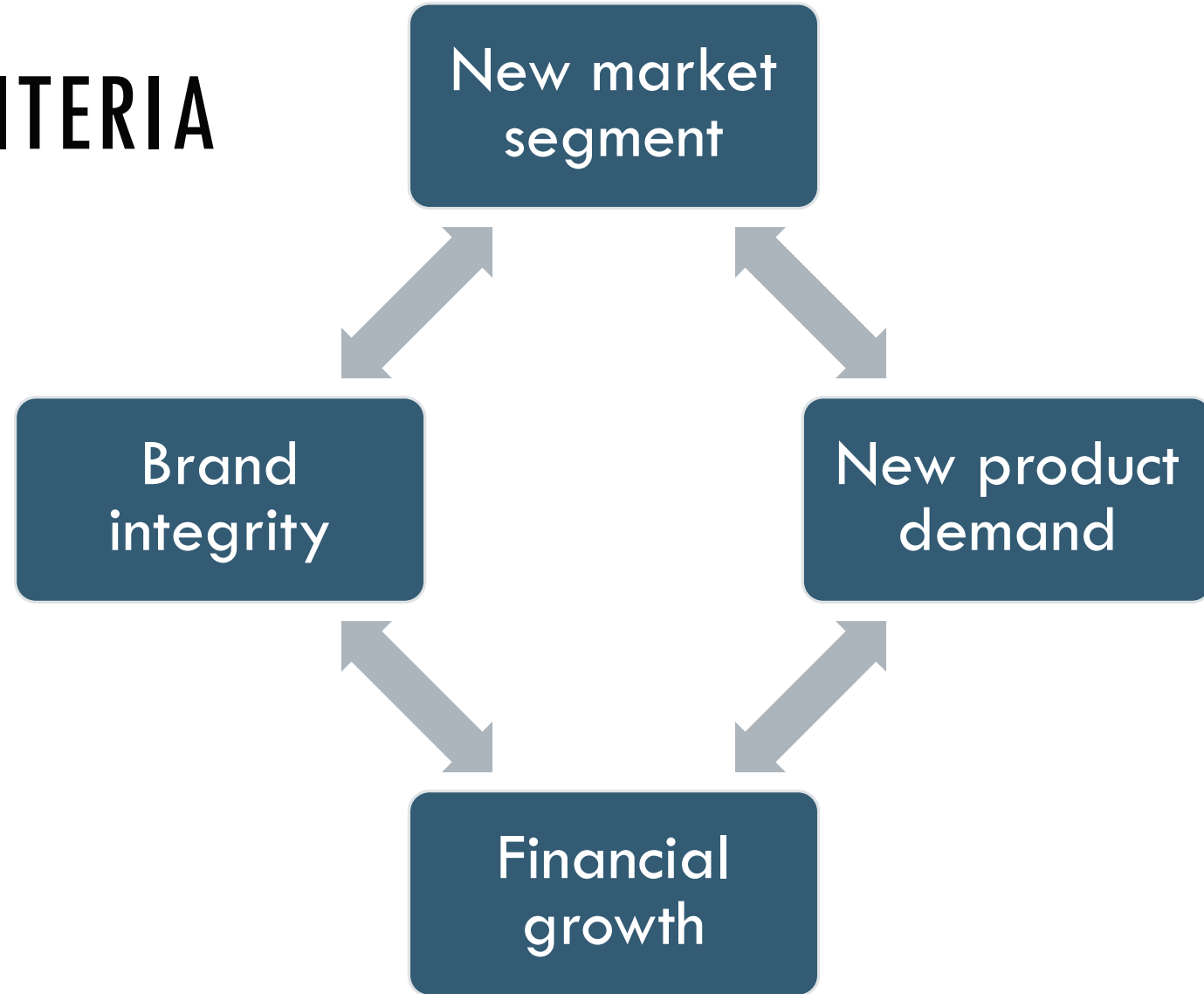
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# DECISION CRITERIA



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# ANALYSIS OF ALTERNATIVES

	Alternative 1: Smartwatch	Alternative 2: Traditional focus	Alternative 3: Redefine luxury
New market segment	●	●	●
New product demand	●	●	●
Financial growth	●	●	●
Brand integrity	●	●	●

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# RECOMMENDATION

Redefine luxury watches  
by augmenting traditional  
product lines

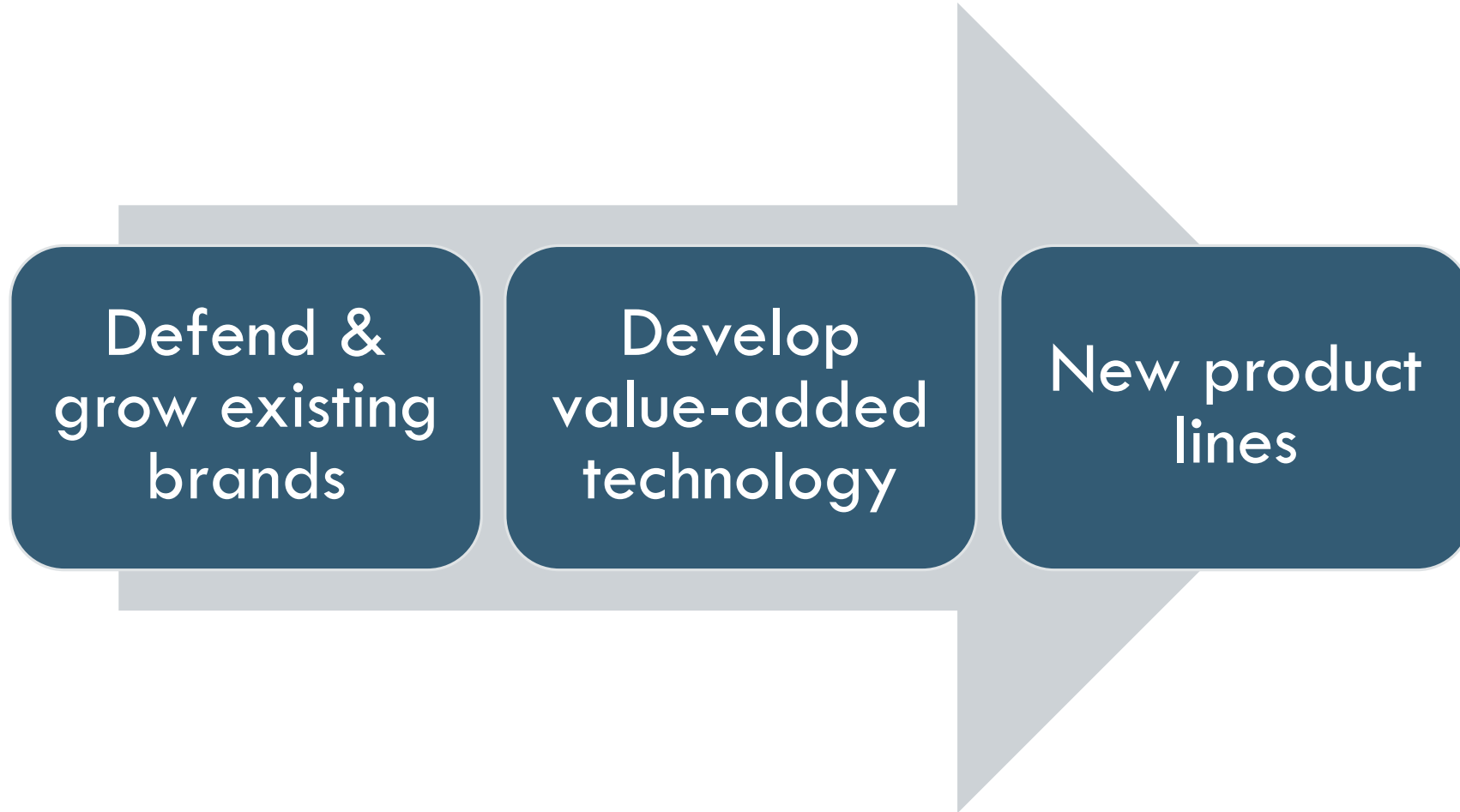
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# THE PATH TO SWATCH'S SUCCESS



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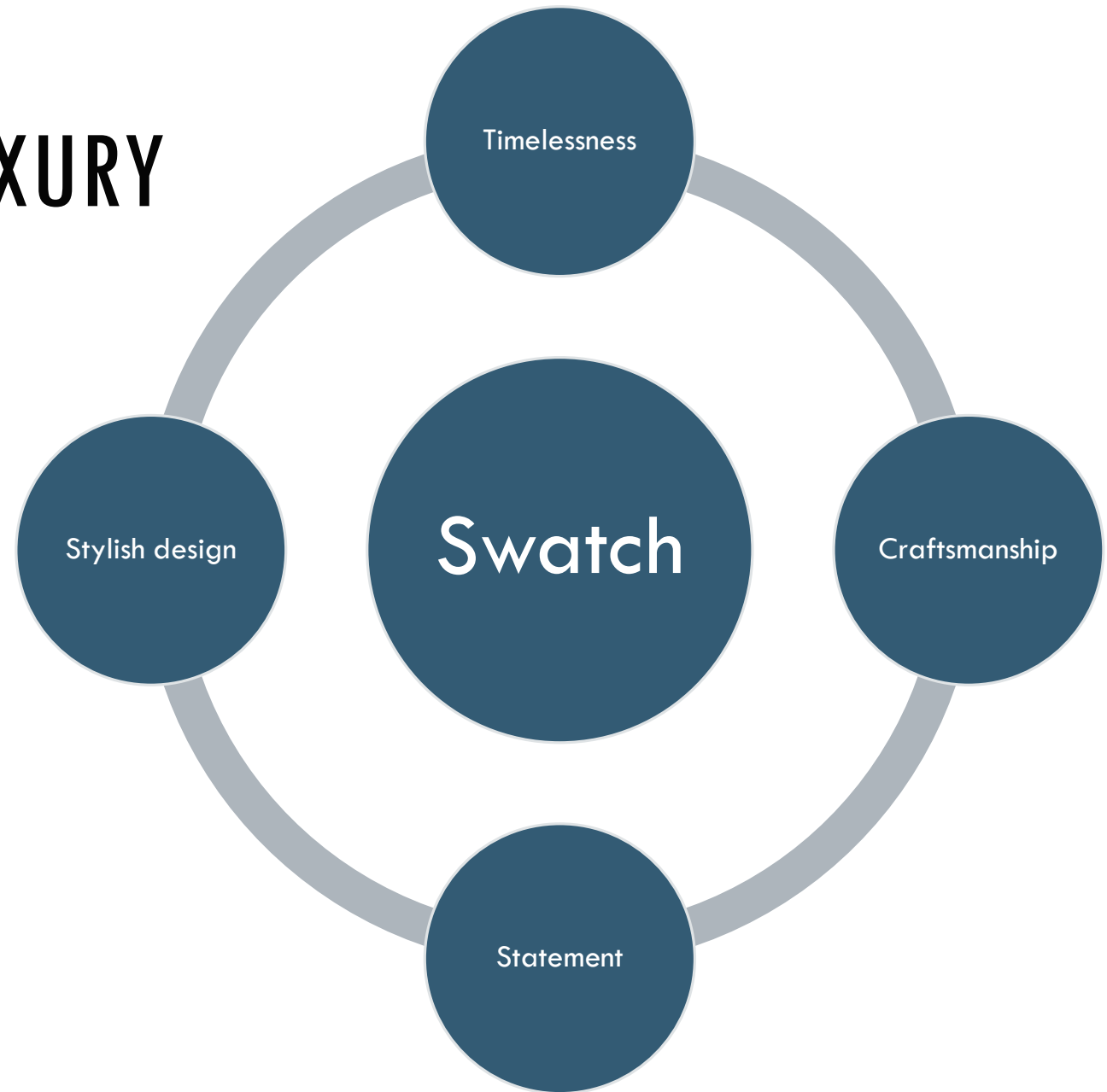
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# INCORPORATING LUXURY

Augment with  
technology  
without staying  
deviating from  
your brand



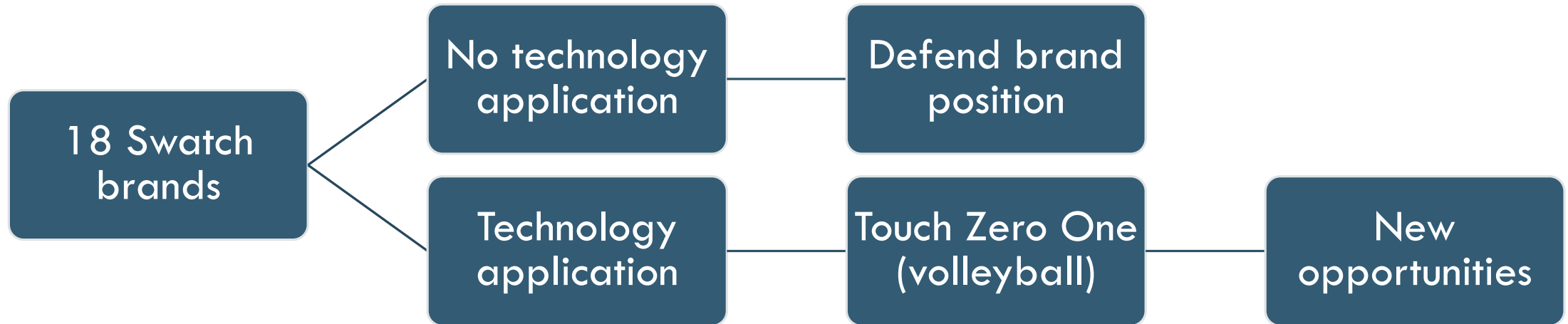
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# EXISTING BRANDS



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# GROW TOUCH ZERO ONE MODEL

Affordable, high quality watches personalized to consumer profile

Office wear:  
productivity  
assistant

Athletic wear:  
fitness monitor  
and coach

Outdoor wear:  
weather  
tracker and  
GPS

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# RESEARCH AND DEVELOPMENT

## Minimal software running time

- Prolong battery life, decrease charging time

## Proprietary technology development

- Patent software wherever possible
- License and protect

## High-demand software application

- Build value-added apps consumers want & will use

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# BUILDING NEW PRODUCT BRANDS

## Lifestyle Luxury brand

- \$250-\$550 Swiss francs
- Build watch around new technology

## Luxury+ brand

- \$2,000+ Swiss francs
- Augment existing brands with new technology

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# REACHING YOUR TARGET CONSUMERS

## Lifestyle Luxury

- Focus on under-45 demographic – early tech adopters, price conscious
- Brand: modern, stylish, fashionable
- Celebrity promoters: Ariana Grande, Jenner sister, Drake

## Luxury+

- Focus on 40+ demographic: disposable income, seeking status, late tech adopters
- Brand: stylish design, augmented value
- Celebrity promoters: Daniel Craig, George Clooney

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# MARKETING OUTREACH

## Targeted advertising

- Urban
- Modern
- Middle class and above
- Bringing luxury into the modern age

## Direct outreach

- Personalized to fit lifestyle
- Tech as added value
- Film festivals, A-list celebrity award ceremonies

## Tech reviews & endorsements

- Gizmodo
- Wired
- CNET
- E3
- Tech bloggers

## Contrast with Apple

- Apple as generalists (“part of who you are”)
- Focus on specific demographics

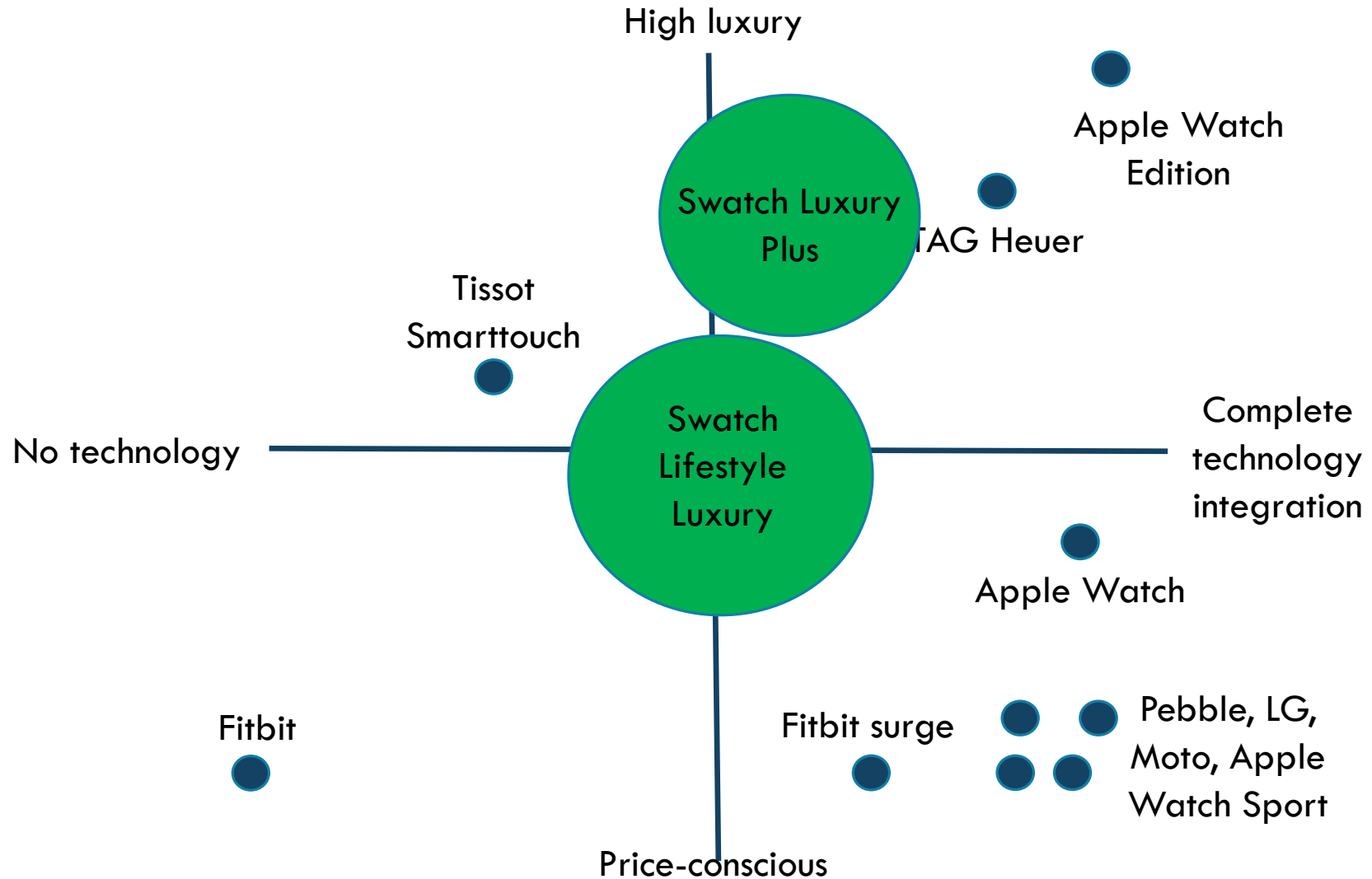
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# CLAIMING YOUR OPPORTUNITY



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# TIMELINE

	2017				2018				2019				2020				Investment Swiss Francs
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Design Lifestyle Luxury	■				■				■				■				1,500,000
Develop Lifestyle Tech-Wear					■				■				■				1,700,000
Luxury+ Integration	■								■								3,400,000
Software Development	■																4,800,000
<b>Marketing Launch Lifestyle Lux.</b>																	50,000,000
United States					■												
China					■												
Europe					■												
Global									■								
<b>Marketing Launch Lifestyle Tech.</b>																	17,000,000
United States									■								
China									■								
Europe													■				
Global													■				
<b>Marketing Launch Luxury+</b>																	100,000,000
United States					■												
China					■												
Europe					■												
Global					■												

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# INVESTMENTS

Swiss Francs	2017	2018	2019	2020	2021
Design Lifestyle Lux.	600,000	300,000	200,000	200,000	200,000
Design Lifestyle Tech	-	800,000	500,000	200,000	200,000
Design Luxury+	2,000,000	500,000	500,000	200,000	200,000
Software Development	2,000,000	1,500,000	500,000	400,000	400,000
Production Investment	3,000,000	2,000,000	1,000,000	-	-
Marketing Lifestyle Lux	5,000,000	10,000,000	15,000,000	10,000,000	10,000,000
Marketing Lifestyle Tech	-	3,000,000	4,000,000	5,000,000	5,000,000
Marketing Luxury+	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
	32,600,000	38,100,000	41,700,000	36,000,000	36,000,000

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# SALES

Product Line	Retail Price	Swiss Francs
Lifestyle Luxury	250 - 550	
Lifestyle Tech-Wear	200 - 300	
Luxury+	2000+	

Sales Volumes Increases	2017	2018	2019	2020	2021
Lifestyle Luxury	100,000	400,000	600,000	800,000	1,000,000
Lifestyle Tech-Wear	-	100,000	350,000	500,000	650,000
Luxury Plus	5,000	35,000	60,000	95,000	105,000
	105,000	535,000	1,010,000	1,395,000	1,755,000

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# REVENUE

Revenue Increase	2017	2018	2019	2020	2021
Lifestyle Luxury	35,000,000	140,000,000	210,000,000	280,000,000	350,000,000
Lifestyle Tech-Wear	-	25,000,000	87,500,000	125,000,000	162,500,000
Luxury Plus	10,000,000	70,000,000	120,000,000	190,000,000	210,000,000
Increased Revenue	45,000,000	235,000,000	417,500,000	595,000,000	722,500,000
Net Income	7,141,540	37,294,710	66,257,623	94,427,032	114,661,396
<b>NPV Net income</b>	<b>83,389,909</b>				

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# PERFORMANCE METRICS

	2017	2018	2019	2020	2021
<b>Additional Sales Volume</b>					
Lifestyle Luxury	90,000	350,000	500,000	700,000	900,000
Lifestyle Tech-Wear	-	90,000	300,000	450,000	600,000
Luxury Plus	4,000	30,000	55,000	90,000	100,000
	94,000	470,000	855,000	1,240,000	1,600,000
New Market Segment Share		>70%			
Industry Review Average		>80%			

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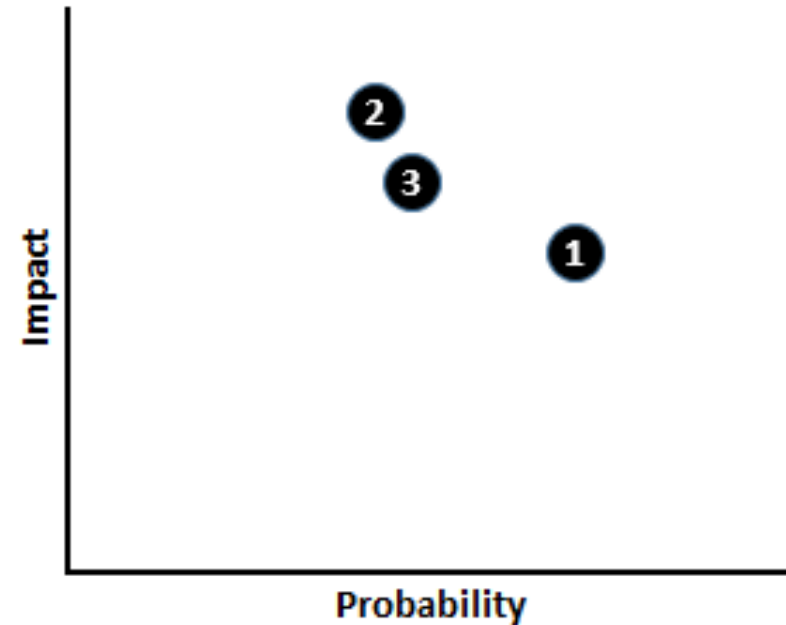
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# RISK EXPOSURE AND MITIGATION

	Risks	Mitigation
1	Competitor Replication	<ul style="list-style-type: none"><li>- First Mover</li><li>- Brand Recognition</li><li>- Brand Reputation</li></ul>
2	Customer Adoption Lags	<ul style="list-style-type: none"><li>- Existing Unserviced Market</li><li>- Roll Out Markets</li><li>- Synergy with Apple Market Development</li></ul>
3	Currency Fluctuations On Revenues	<ul style="list-style-type: none"><li>- Futures Contracts</li><li>- US Economy Growth</li><li>- Chinese Economy Strength</li></ul>



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# SCENARIO ANALYSIS

Revenue	2017	2018	2019	2020	2021
Highly Conservative	35,000,000	100,000,000	280,000,000	400,000,000	550,000,000
Optimistic Adoption	60,000,000	310,000,000	550,000,000	800,000,000	1,000,000,000
Expected Adoption	45,000,000	235,000,000	417,500,000	595,000,000	722,500,000

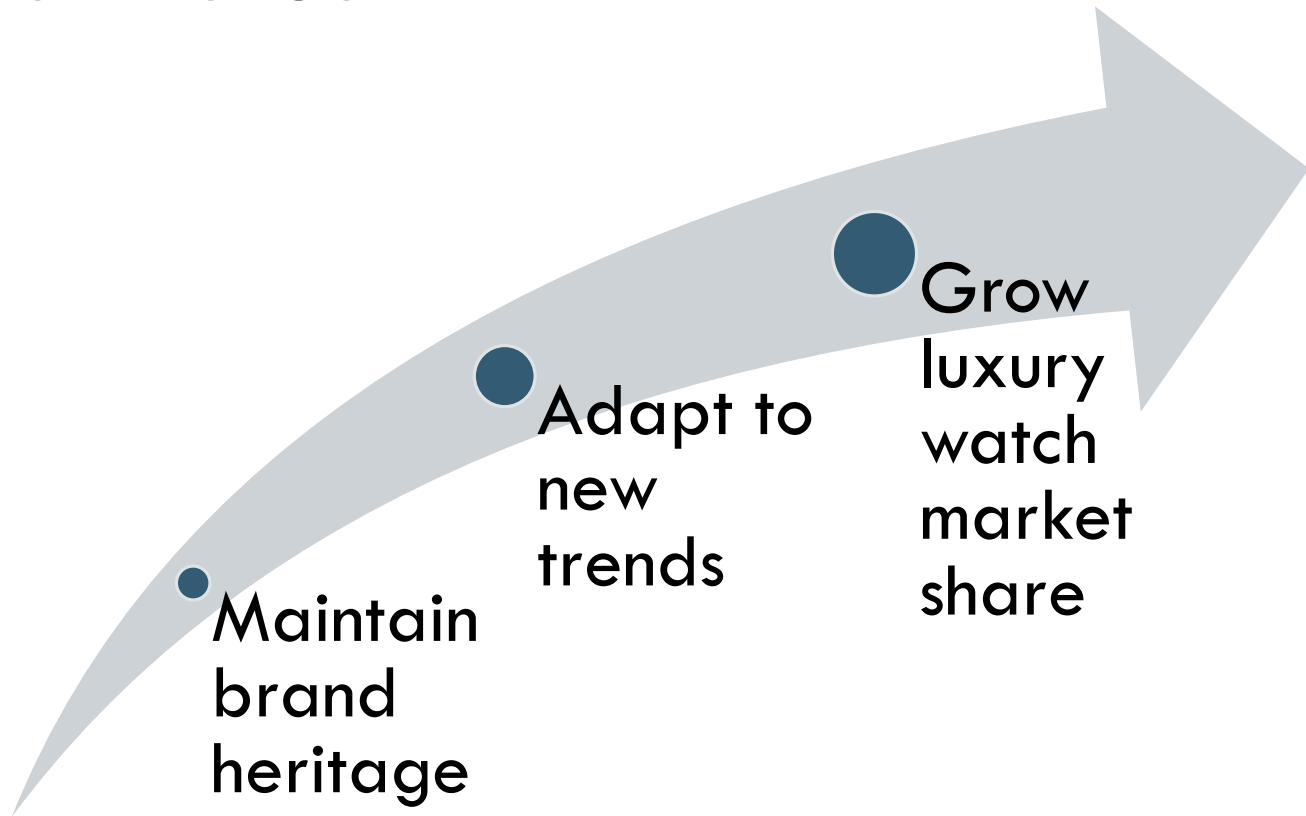
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# CONCLUSION



Redefine luxury watches by augmenting traditional product lines