



Swatch Group Ltd

Turning the technology trend into an opportunity for Swatch

Presenting to

The Management board &
CEO Nick Hayek

Presenters

Andreas Lampeitl
Ermelinda Nici
Daniel Granath
Jenny Holmgren

Strategic Goal

Remain the position as a leading manufacturer of
timekeepers **for the next 100 years**

Challenge

How to **turn the growing smart watches trend into an opportunity** instead of a threat

Recommendation

Leverage on the core competence of manufacturing timekeepers & **incorporate Apple and Samsung's technologies** into our current watches & brand

Today's Agenda

Analysis

Alternatives

Recommendation

Implementation

Financial

Risks

External Business Environment

Political

Discussions of personal integrity in relation to smart watches & devices

Economic

Economies are on good way of recovering from the financial recessions of 2009

Social

The average population age is increasing. **Older generation** is becoming a target group with **increasing purchasing power**

Technological

Tremendous spread & growth in smart phones & devices

Environmental

Increased focus on sustainability

Legal

Swatch needs to focus on its core competence in creating timekeeping watches

Timekeepers

- Luxury
- Used as an accessory
- Used as a fashion statement

Smart Watches

- Innovative
- Used to keep track of daily activities & messages
- Used as a functionality accessory

Clear difference between product segments

The competitive environment is opening up a hybrid-opportunity

Smart watches

- Apple
- Fitbit
- Garmin
- Nike

Driving factors

- Innovation
- Price
- Functionality

Timekeepers

- Rolex
- Richmond
- Daniel Wellington
- Patek Philippe

Driving factors

- Heritage
- Quality
- Design and Craftsmanship

Swatch is a brand with great competitive advantage

- Swatch
- Swiss brand → Stands for excellent quality & design
- 18 Watch brands in the brand portfolio
- Operates in 50 Countries
- Well recognized brand with heritage & history
- Luxury segment position

Swatch has high competitive advantage to leverage one

Swatches customers should not compromise between craftsmanship and technology

Target Group

- Luxury watch consumers

Wants..

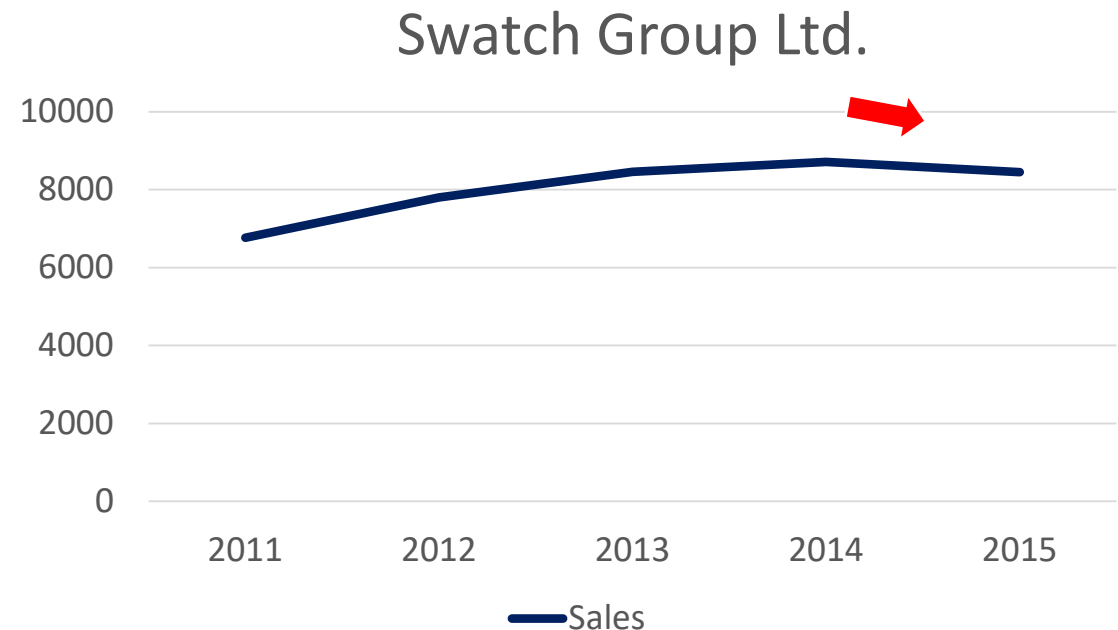
- 27 % of target group prefer smart watches over luxury watches
 - Only 15 % of customers consider an apple watch as a substitute for a luxury watch
- } Focused on Technology

Luxury watch buyers values timelessness & craftsmanship

Customers prefer timelessness & craftsmanship but do not want to compromise on technology

Swatch is a leading manufacturer but face a drop in top line growth

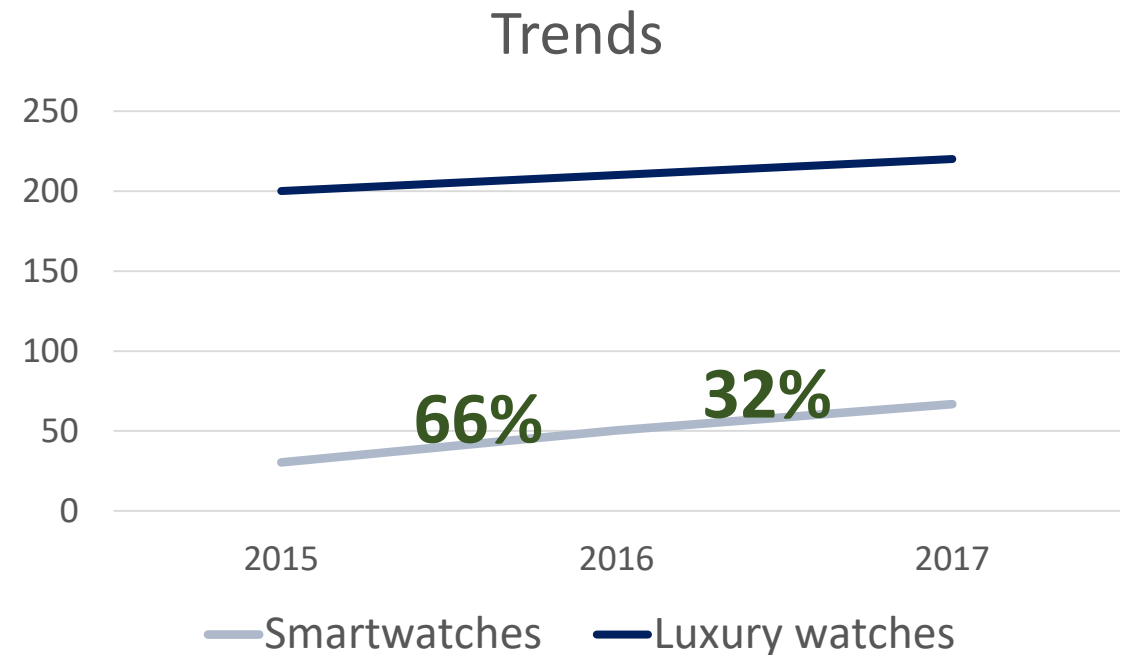
- Top luxury brand worldwide
- 95% of revenues from luxury segment
- **21 %** decrease in net income = dealing with higher costs



Decline in exports have led to the decreased revenues

Upcoming segments show high growth but Swatch Group current one is larger

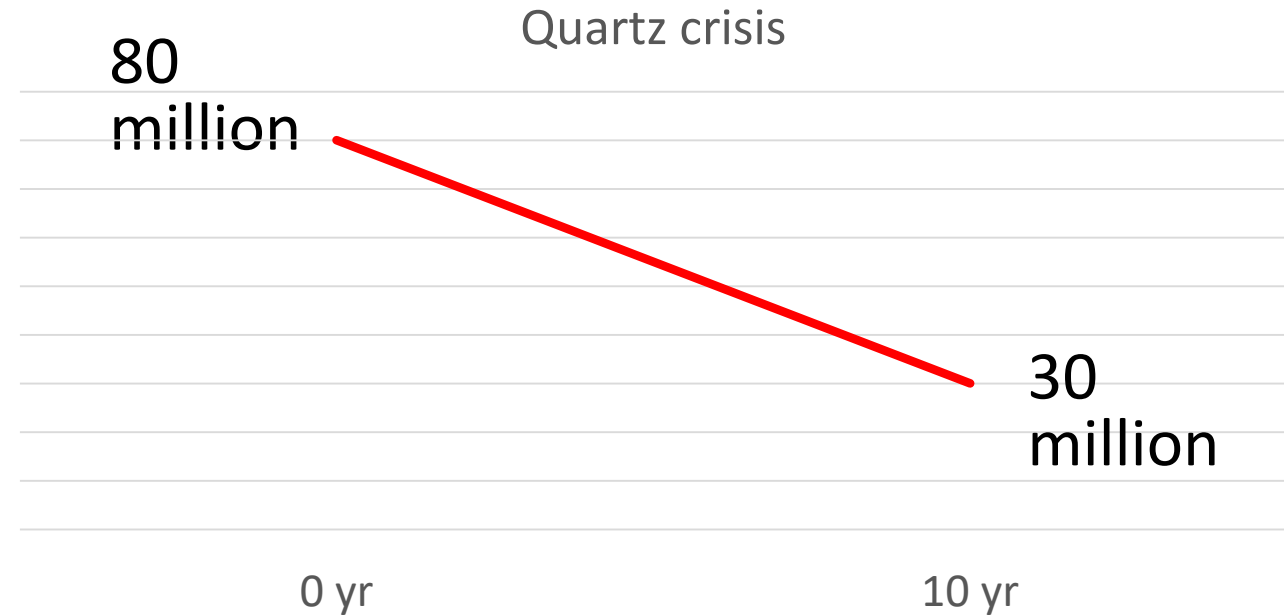
- Smartwatches shows high annual growth
- Luxury segment has a steady demand but is larger



Swatch has an opportunity to leverage the trend while maintaining current trend

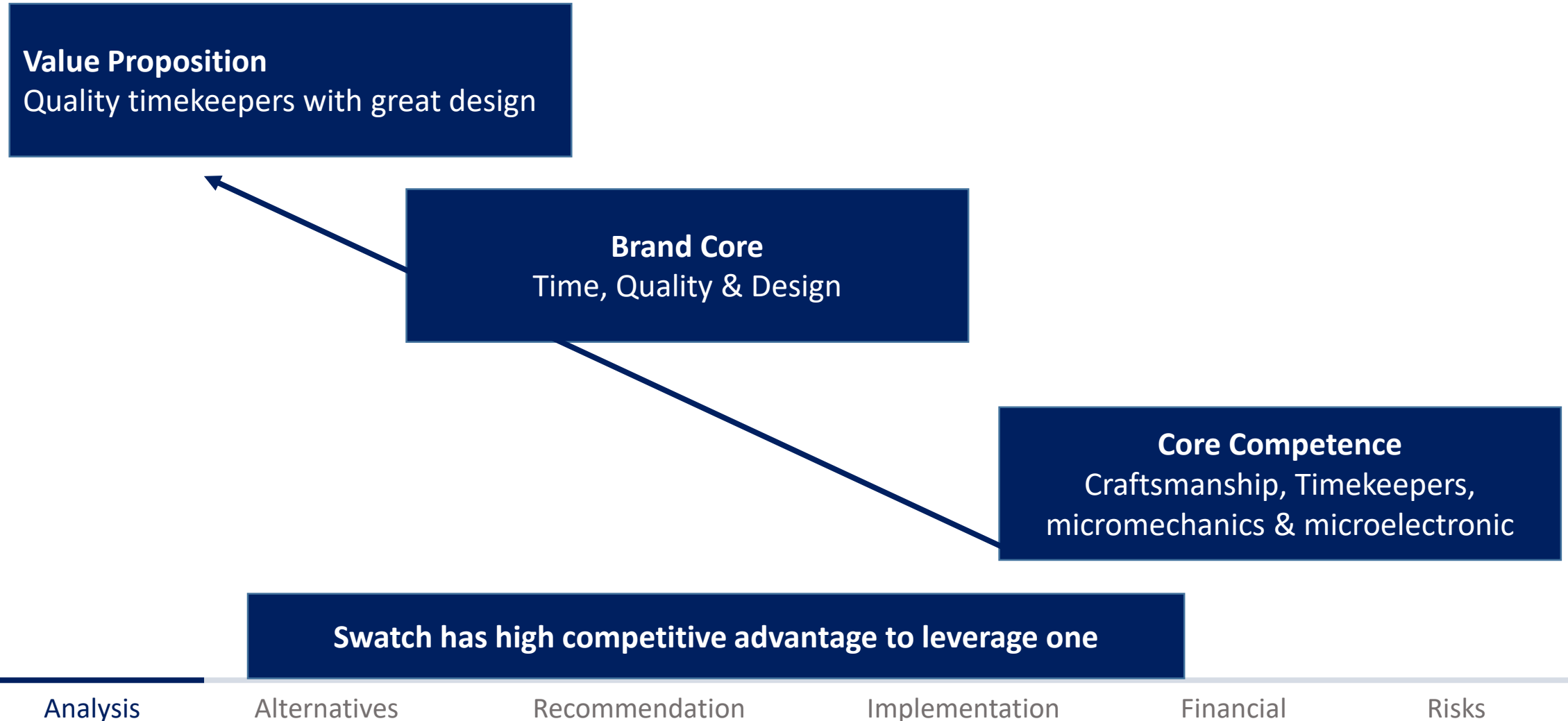
History shows that new competitors can impose great impact on Swiss quality manufacturing

- China developed cheaper watches
- Price focused segment chose cheaper watches over quality Swiss

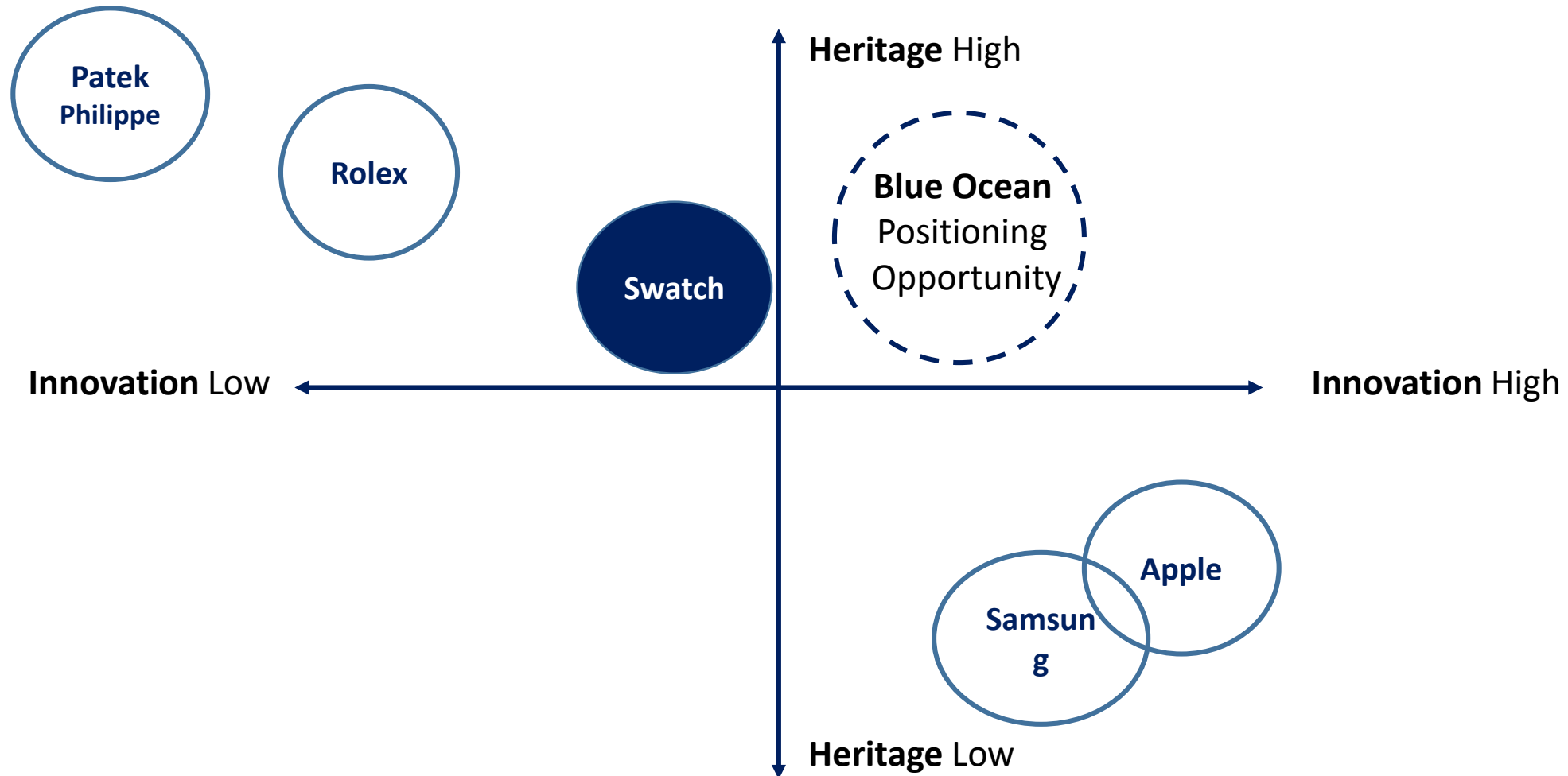


Swatch Group needs to pay attention to avoid a new crisis

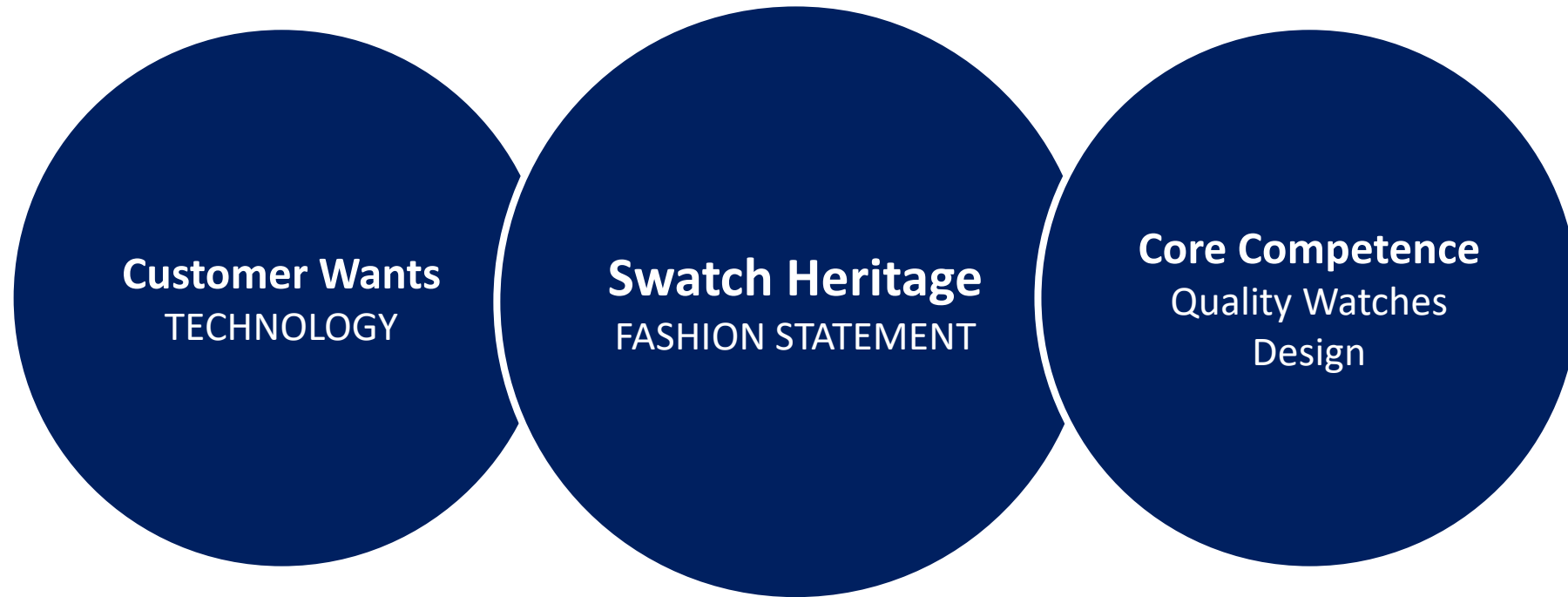
Leverage on the core competence & brands core values sets a firm value proposition



Blue ocean opportunity combining heritage & innovation



Key success factors for the Watch brand



Analysis

Alternatives

Recommendation

Implementation

Financial

Risks

Key success factors for the Watch brand

1

Continue develop Smart Watches & Challenge Apple and other smartwatch brands

2

Focus on traditional watches & time pieces, exit the smart watches segment

3

Leverage on core competence by **incorporate Apple & Samsungs technologies** into the Swatch brands timekeepers

Key success factors for the Watch brand

		Customer Wants	Brand Heritage	Core Competence
1	Continue develop Smart Watches & Challenge Apple and other smartwatch brands	Excellent	Alarming	Alarming
2	Focus on traditional watches & time pieces, exit the smart watches segment	Alarming	Excellent	Excellent
3	Leverage on core competence by incorporate Apple & Samsung technologies into the Swatch brands timekeepers	Excellent	Excellent	Excellent

3

Leverage on core competence by **incorporate smart watches technologies** into the Swatch brands timekeepers

Beautiful Technology

Analysis

Alternatives

Recommendation

Implementation

Financial

Risks

Key success factors for the Watch brand



Meet customer wants on Swatch homefield

1. Wristbands & accessories for smart watches
2. Display Screen

1. Wristbands & Accessories

- Short term revenues → High Margins
- Use existing market trends to advantage
- Customize Apple Watch with Swiss fashion design
- Communicate through traditional marketing
 - Magazines billboards & Point of Sales
- Models for Apple & Samsung

Capitalize on smartwatch success

Analysis

Alternatives

Recommendation

Implementation

Financial

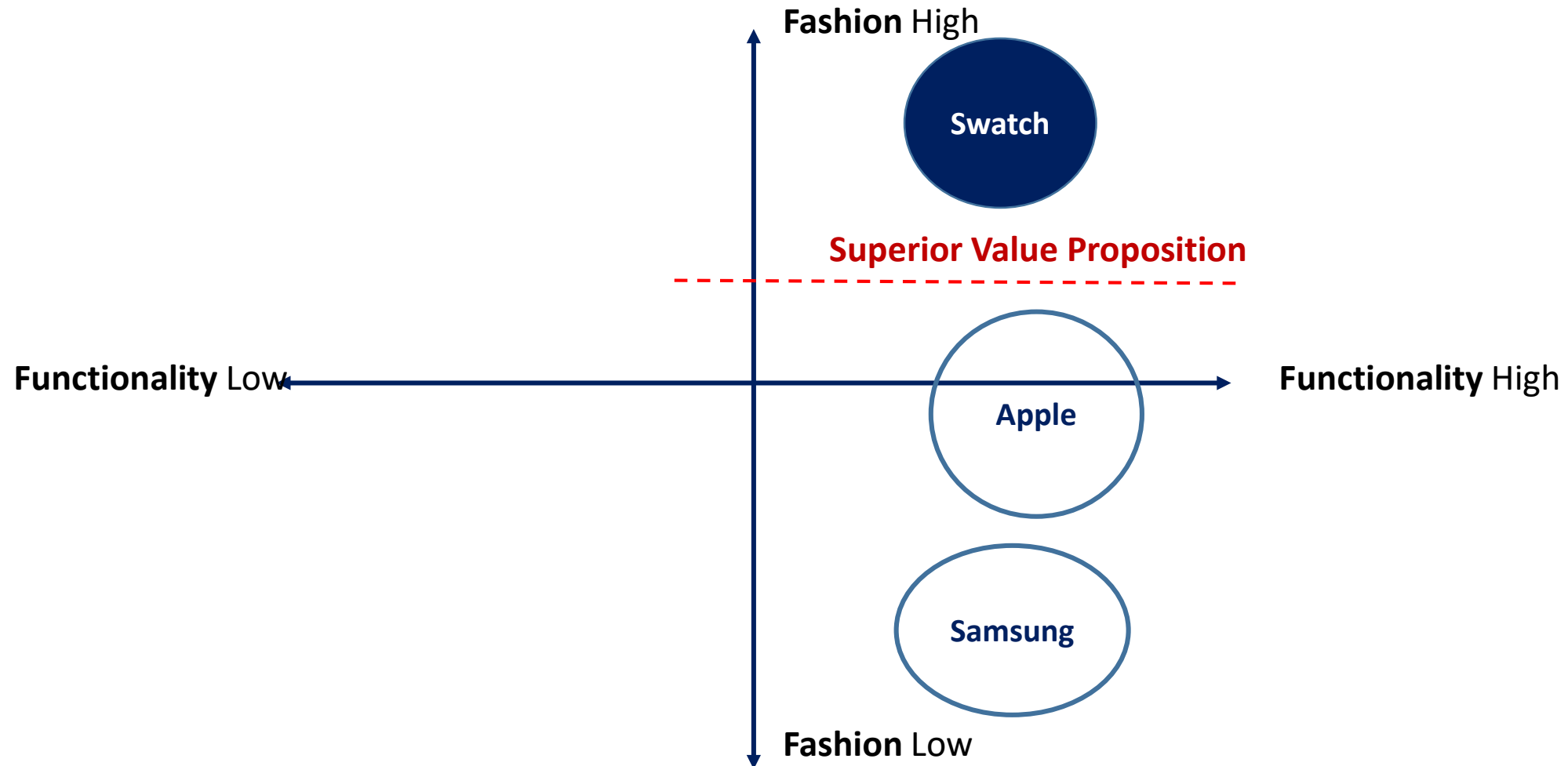
Risks

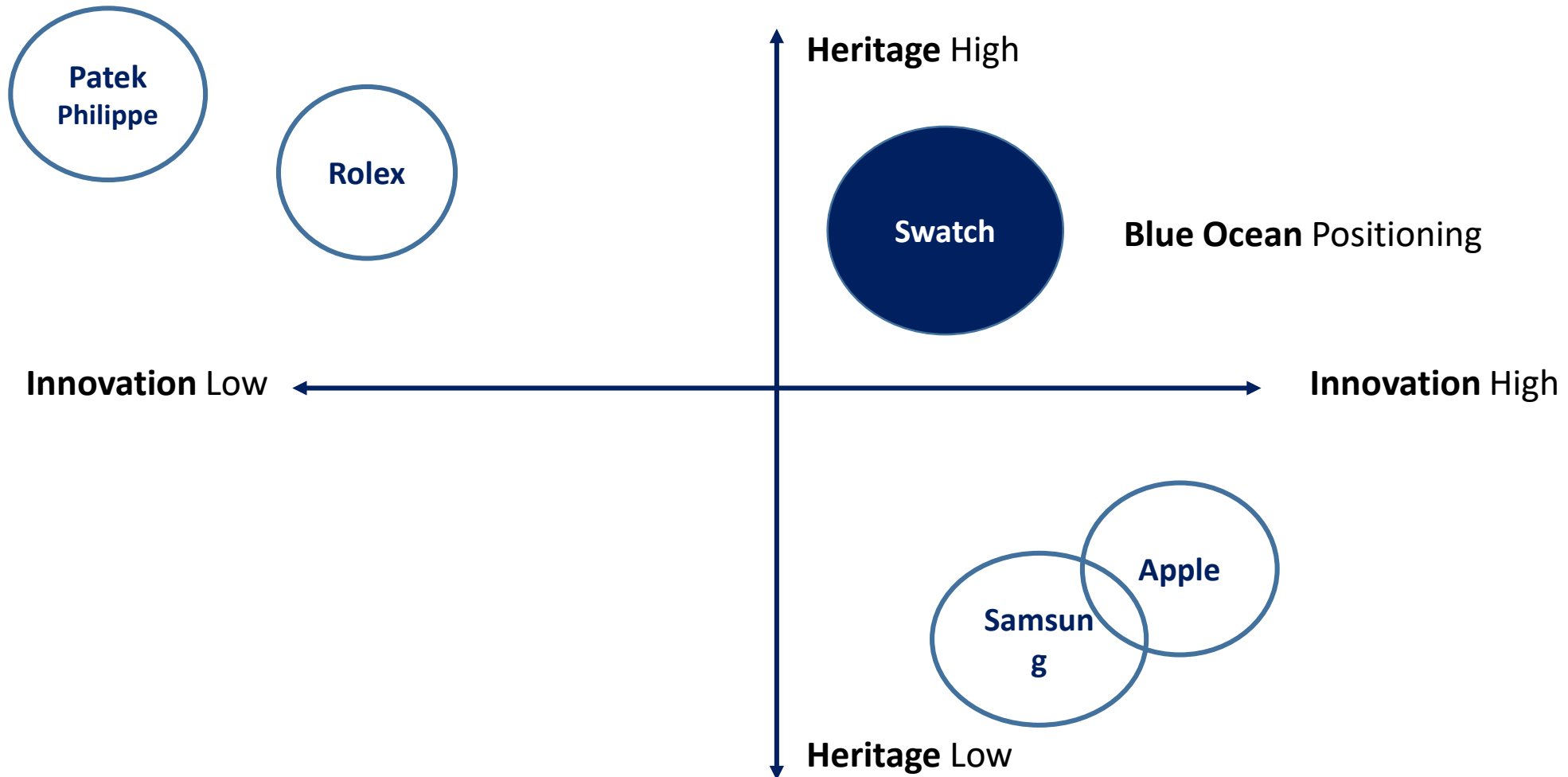
2. Display Screen

- Make a innovative screen-glass that is transparent but can become a screen for smart watch technologies such as iOS and Android
- Can be incorporated on existing models of timekeepers
- Let your luxury Swiss watch incorporate smartwatch technology
- Customers come first – Craftsmanship & Technology

Best of 2 worlds – Meet customer demands in the 21st century

Combining Fashion and technological Functionality will **create a competitive advantage** through the value proposition





Analysis

Alternatives

Recommendation

Implementation

Financial

Risks

Implementation schedule

	2016	2017	2018	2019	2020
Wristbands					
- Design & develop					
- Launch					
Display Screen					
- Plan & Develop					
- Roll out on selected models					
Marketing					

The development of technology will cost but will also pay off

Investments

Develop Screen	\$10 million
Develop Wristbands	\$5 million
Marketing	\$2 million

- Wristband price: approx. \$150
- Screen price: approx. \$750

17 million equals around 18% of revenues

To be financed with assets & small loan

Swatch has an opportunity to leverage the trend while maintaining current trend

The complementing accessories will gain profits due to large market segments

	2017	2018	2019
Smartwatches sold (000 000')	13.5	23.8	32
Wristbands sold	0.7	1.67	3.2
<i>% of total market</i>	5%	7%	10%
Revenues	101	249.9	480
COGS 40%	41	99.96	192
Profit	61	149.9	288

	2017	2018	2019
Swiss watches sold (000 000')	29.3	31	33
Screens	0.000	0.155	0.495
<i>% of total market</i>	0.00%	0.5%	1.5%
Revenues	0	116.3	371.3
COGS 60%	0	69.75	222.8
Profit	0	46.5	148.5

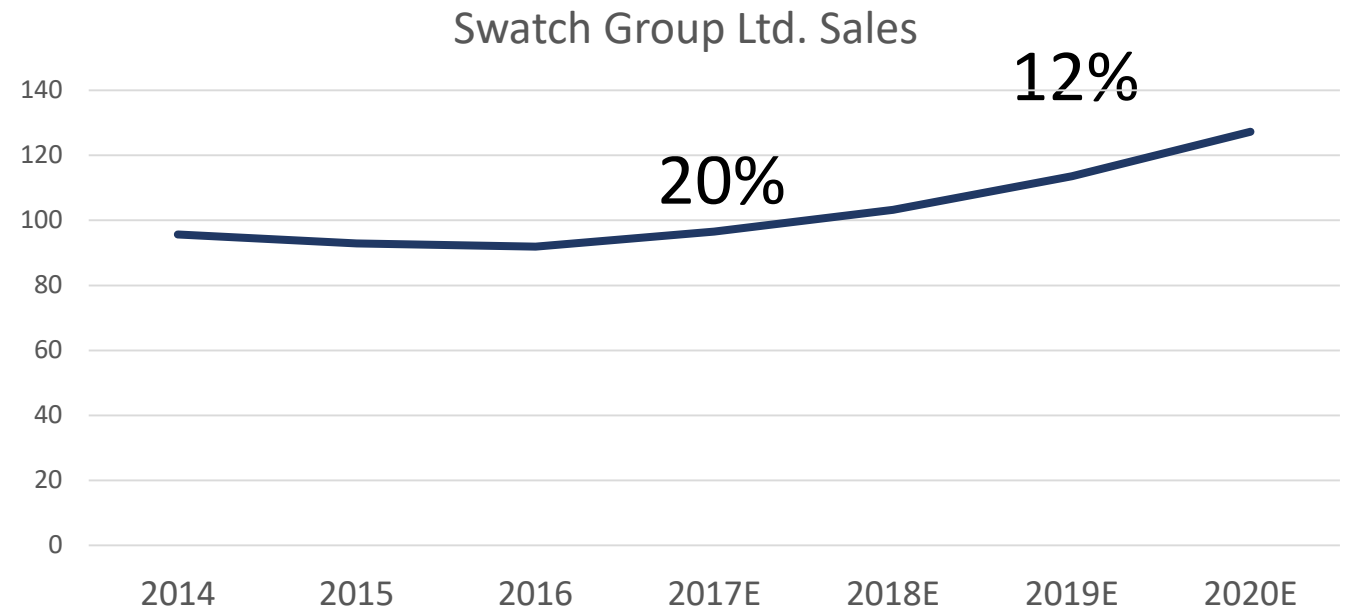
We currently sell 120 000 Swatch watches/year

The accessories complement other brands

Swatch can leverage trends but still maintain core Luxury segment watches

The new revenues will increase Swatch Group Ltd.s top line growth again

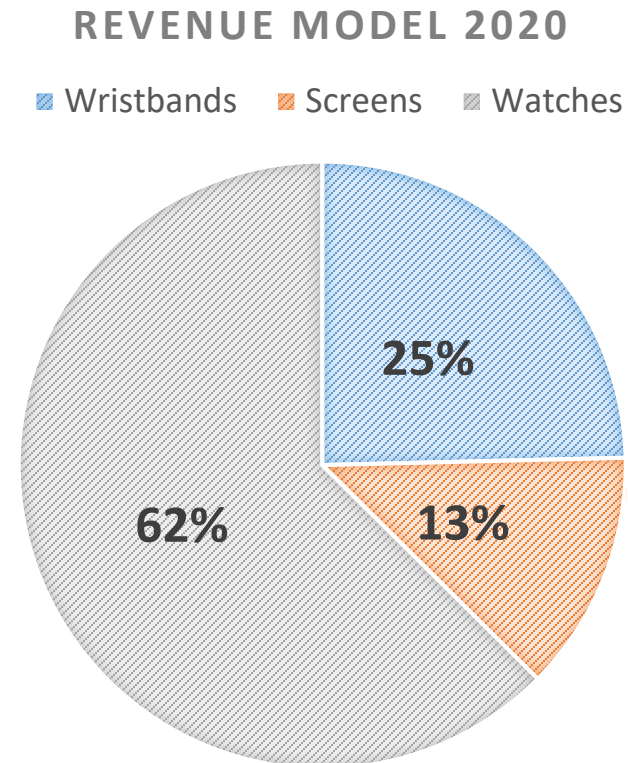
- Will reach sales of **100 million dollars** in 2018
- Investment will be paid of from est. 6 months sales



The trend will be turned around again due to export of accessories

Swatch's new revenue streams are multiple

- To increase the demand of Swatch products
- Increase export again
- Enable growth in several segments



By going in to accessories Swatch will have multiple ways to grow

There are risks but they can be mitigated

Risk

1. Losing brand identity by introducing technology
2. Losing market shares by not develop direct Apple watch fighter
3. Too difficult or expensive to develop screen

Mitigation

1. Not compromising core products or product reputation
2. Compete by adding value from Swatch core competences
3. Technology exists and wristbands will add extra revenue

Turn the opportunity of smart watches into a blue ocean strategy positioning

