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## **ARTICLE** **COMPETITION**

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*by Ryan Raffaelli*

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# Why the Apple Watch Is a Gift to the Swiss Watch Industry

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The launch of the Apple Watch this week has raised questions about its impact on the Swiss watch industry. Contrary to [Apple designer Jony Ive's remarks](#) that the Swiss watch could be in trouble, there are several reasons why the Swiss have nothing to fear from Apple's success.

First, the Apple Watch makes wearing a watch relevant to a new generation of future watch collectors. I often ask other professors around the world how many of their students wear watches. The answer is always the same: "very few." For many young adults who have grown up using their cell phone to tell time, the idea of wearing a watch is the equivalent of sending a telegraph or storing data on a floppy disk.

The Apple Watch introduces the concept of wearing a watch to many of Apple's 18 to 35 target market. If it takes off, it is likely that these buyers will eventually consider purchasing other types of watches for events later in life. Talk to any Swiss watch executive today and they will tell you many of their best clients started out collecting Swatches in the 1980s, but eventually started purchasing more expensive brands such as Rolex, Blancpain, Breguet, or Audemars Piguet later in life. Like the Swatch, it is quite possible that the Apple Watch could spark a new generation of watch aficionados and collectors.

A similar phenomenon has recently occurred in the book industry. When Amazon introduced its Kindle eBook reader in 2007, many analysts predicted it marked the end of traditional bookselling. However, over the last five years independent bookstores have seen a resurgence in sales and in the number of stores, all the while selling traditional printed books. One of many reasons for this revival is that booksellers have benefited from continued demand for children's books, which remain near

the top of the fastest growing segments in the publishing industry. When parents and grandparents buy books to read to children at bedtime, they introduce the printed book to a new generation of potential users. As these children have grown up, [data show](#) they have been less likely to abandon the printed book in favor of the Kindle. In fact, most readers are happy to read both.

Second, the Apple Watch is likely to be a complement rather than a competitor to the Swiss watch. The Apple Watch is chock full of technological wonders that would be the envy of Dick Tracy, while Swiss watches are primarily luxury goods and status symbols. Apple is confident it will be able to reinvent its core technology every 6 to 12 months before competitors like Samsung attempt to render it obsolete. Swiss watchmakers, on the other hand, see themselves as craftspeople producing wearable art meant to be passed down from generation to generation.

The Swiss stopped competing for technological watchmaking supremacy in the 1980s when Japanese watch manufacturers like Casio and Seiko began producing far cheaper and more accurate quartz watches compared to their handmade mechanical timepieces. Within a decade of inventing the first quartz watch, the Swiss saw their export volume decrease from 45% to 10% of watches produced globally. By 1983, two-thirds of all watch industry jobs in Switzerland had vanished and over half of all watchmaking companies in Switzerland had gone bankrupt.

Thanks to the efforts of individuals like former Swatch Group chairman Nicolas G. Hayek and LVMH watch president Jean-Claude Biver (who oversees Hublot, Tag Heuer and Zenith), the Swiss watch industry [cleverly repositioned its mechanical wonders as luxury goods](#). Unlike the \$350 price tag suggested for a new Apple Watch, most of the Swiss watch industry's meteoric growth over the last two decades has come from watches priced well over \$10,000. The Swiss watch industry no longer competes on the same dimensions that will drive Apple Watch sales.

Third, Apple and Swiss watchmakers have this in common: they are deeply committed to connecting their product with the consumer on a personal level. During Tuesday's launch event, Apple CEO Tim Cook touted the Apple Watch as the "most personal device we've ever created." The beauty of the Apple Watch is that it can track people's micro-movements and provide instant data to help wearers make sense of how they engage with the world around them. Similarly, while [conducting research](#) on the re-emergence of the Swiss watch industry, I interviewed a prominent Swiss watch CEO who said, "Your watch is part of you. The watch is you. It shows the type of personality you have: Are you elegant?, unique?, rich?, arrogant?, sporty?... all these elements are transmitted through your watch."

The Swiss watch industry can be confident that a sufficient number of well-to-do and tech-savvy Apple Watch wearers will continue to pine for the highest end handmade timepieces.

The Apple Watch may keep perfect time, but it is not timeless.

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