

# SWATCH GROUP (INDIA) PRIVATE LIMITED



*The Swatch Group Ltd. is the world's largest maker of finished watches, operating 156 production centres in seven countries and brand presence in over 50 countries*

## Global Overview of the Swatch Group Limited

The Swatch Group Ltd. is the world's largest maker of finished watches. It was formed from two of the largest watch concerns in Switzerland - SSIH and ASUAG. SSIH originated in 1930 with the merger of the Omega and Tissot companies, but in the late 1970s became insolvent partly due to a recession and in part due to heavy competition from inexpensive Asian made quartz crystal watches. These difficulties occurred even though it had become Switzerland's largest and the world's third largest producer of watches. ASUAG, formed in 1931, included the Longines and Rado brands among others, was the world's largest producer of watch movements but failed similarly in 1982. SSIH and ASUAG were reorganised and merged into ASUAG-SSIH Holding Company by Hayek Engineering in 1983, the majority taken over by Nicolas Hayek (the then Chairman of the Board) and a group of Swiss investors at the end of 1985. It was renamed SMH in 1986, and ultimately The Swatch Group in 1998.

The Group is mainly active in the manufacture and sale of finished watches, jewellery, watch movements and components. The Group supplies nearly all components required by its eighteen watch brands. Group companies also supply movements and components to third party watchmakers in Switzerland and around the world. It is a key player in the manufacture and sale of electronic systems used in watch making and other industries. Chairman Nicolas Hayek's family controls about 37 per cent of The Swatch Group.

The Swatch Group's brands straddle the entire spectrum of the watch market, with low-priced watches (Swatch, Flik Flak, Endura), mid-priced watches (Tissot, Calvin Klein, Certina, Mido, Hamilton, Balmain), high-priced watches (Longines, Rado, Union) and prestige watches (Blancpain, Breguet, Glashütte-Original, Jaquet Droz, Leon Hatot and Omega). Each of these brands has a leadership position in their respective market segments.

In 2001, The Swatch Group made great strides in consolidating its product distribution policy. To do this, it created a new company called The Swatch Group Les Boutiques, which succeeded in implementing the company's direct sales strategies. Numerous boutiques and shops were opened at the best sites in the luxury and fashion

Company	Mode of presence in India	Year of entry	Key business
Swatch Group India Private Limited	100 per cent subsidiary	1998	Watches

capitals of the world, though they represent a small part of the sales of Swatch Group watches. These boutiques are mainly of two types:

- **Monobrand Boutiques:** These stores sell products from one single brand. The advantage and strength of such a boutique lies in presenting the complete collections by each brand, thereby offering customers a broad choice of models and an optimal grasp of each brand environment. The stores come under the control of the brand Headquarters and the management of the country in which they are located.
- **The Tourbillon Boutiques:** Tourbillon is the name of the prestige multi-brand watch and jewellery boutique network, bringing all the prestige brands within The Swatch Group together under one roof as well as a selection of exclusive watches and jewellery from the Swatch brand. The Tourbillon network currently comprises of nine boutiques world-wide (Lugano, Lausanne, Montreux, St. Moritz, Baden-Baden, Hamburg, Portofino, Porto Cervo and Puerto Banus), with new ones soon taking shape.

In April 2000, The Swatch Group Ltd created its Dress Your Body Company, which designs and makes jewellery for the Group's brands. The brands of the Group, which availed of its services, include Breguet, Omega, and Swatch.

Sports timing and measurement technologies, although not a core business, play a key role in terms of brand visibility - a number of The Swatch Group companies serve as official timekeepers at a variety of international sports events, including the Olympic Games. In April 2006, Swatch launched an innovative platform as a meeting point not only for The Swatch Group brands but also other activities and exhibitions, in addition to being an advertising tool for the brands. It opened The Cité du Temps or the City of Time, a meeting and exhibition area, on the Pont de la Machine, one of Geneva's emblems since 1840. This is conceived to accommodate art exhibitions, events concerning culture and sport, national and international conferences, as well as emblematic works of contemporary cultural movements. The last floor of The Cité du Temps features the only permanent exhibition in the





world of the company's watches, introducing designer and artist creations from 1982 to the current date.

The Swatch Group operates 156 production centres, primarily in Switzerland, but also in France, Germany, Italy, Thailand, Malaysia and China. It employs more than 20,000 persons in over 50 countries. Gross sales in 2006 increased by 12.3 per cent from the previous year to over US\$ 4.1 billion. Mono-brand shops have been created by the luxury and prestige brands of the Group, at the best addresses of the capitals of the world. Rado, Longines and Tissot have created a few exclusive shops also.

### Swatch in India

The Swatch Group entered the Indian market in the year 1998, by importing its watches and distributing them in India through multi-brand outlets as well as its own shops. Currently it is present in the country through its 100 per cent subsidiary, Swatch Group (India) Private Limited, set up in 2002 and headquartered in New Delhi. It has already introduced seven of its 19 international brands in the country - Swatch in the basic segment, Tissot in the middle segment, Longines and Rado in the luxury segment and Omega, Breguet and Blancpain in the prestige segment.

The prestige brand Breguet, comprising of mechanical watches, was launched in Delhi in October 2005 and later in cities like Bangalore and Mumbai. Within six months of its launch, India had entered Breguet's top 20 markets world-wide. Indian customers, who were buying this brand from Europe or the Middle East, are now buying it in India.

Some Swatch Group brands like Omega, Rado and Longines have their own flagship stores in key cities of the country. These stores are set up in partnership with local retailers, wherein the retailers own the real estate and manage the stores, with the brand providing the support for interiors, stocks, training and marketing. The Swatch Group currently retails through roughly 150 points of sales across 53 towns in the country. It also has a Service Centre in New Delhi to provide after sales service.

### Key Success Factors in India

#### Large consumer market

The luxury watch market in India is one of the most attractive markets internationally. The segment is about US\$ 10-11 million in size and is pegged to grow at 20-25 per cent annually, fuelled by rising family incomes, greater exposure to foreign markets and fashion-conscious youth. The Indian consumer has matured and there has

been a phenomenal increase in the demand for luxury products. The Indian economy has shown consistent and robust growth over the past few years and has significantly spiked disposable income. Luxury products, which were the preserve of only rich business families earlier, are now increasingly affordable with easy availability of credit and plastic money.

Consumers in the high net-worth individuals' category in India are growing fast. The Merrill Lynch/Capgemini World Wealth Report had put India in the fastest growing high net-worth individuals' category, with 70,000 millionaires in 2004. According to a survey released by American Express, titled "Inside the Affluent Space: Changing Lifestyle Expectations of the Affluent in India", the affluent population in the country is growing rapidly. Going forward the cumulative liquid wealth of affluent Indians is projected to grow from US\$ 203 billion currently to US\$ 322 billion by 2009. This is expected to drive consumption of high-end luxury brands, ranging from wines and cars to watches and electronics. Currently there are 711,000 individuals, each with liquid wealth of US\$ 100,000 or more. This number is expected to reach 1.1 million by 2009. In 2005, India had about 83,000 millionaires (with assets of over US\$ 1 million).

### **Aggressive marketing**

The Swatch Group is a good spender on advertising and sales promotions. Various celebrities from the Indian film industry have been hired to endorse its brands like Longines, Omega and Rado. Besides spending on its celebrity brand ambassadors, the company has also strategically invested in print advertisements, points of sale, merchandise and event promotions.

### **Future Plans**

In the future, The Swatch Group plans to set up a watch making school in India. This is the first time a Swiss watch brand is setting up such a facility in India. The purpose of the school will be to impart watch making, assembling and repairing skills to its students. Similar schools exist in Switzerland, Germany and USA. In the emerging markets, The Swatch Group already has one school in China while a school is coming up in Kuala Lumpur in Malaysia. Students from this school are expected to be absorbed by The Swatch Group's after sales service.

Moreover, going forward, with 51 per cent foreign direct investment being allowed in single brand retail ventures, the scope for The Swatch Group to grow through its own exclusive retail chain is immense.

#### **Swatch Group's India operations**

- *Imports its watches and distributes them in India through multi-brand outlets as well as its own shops*
- *Seven of its 19 international brands present in India*
  - *Swatch in basic segment,*
  - *Tissot in middle segment,*
  - *Longines and Rado in luxury segment, and*
  - *Omega, Breguet and Blancpain in the prestige segment*
- *Swatch Group brands like Omega, Rado and Longines have their own flagship stores in key cities of the country*
- *Retails through roughly 150 points of sales across 53 towns in the country, supported by a Service Centre in New Delhi to provide after sales service*