

## ***BOOM IN THE NET***

**According to an analysis by Goldman Sachs, US citizens are spending more than 30 billion US dollars over the Internet between October 29 and December 23 – that's 30 percent more than the previous year. The forecast for the year 2006 is Euro 48 billion in online sales. With sales of 1.2 billion Swiss Franks, Swiss e-shoppers are also beginning to feel like splurging.**

Everyone is talking about the Internet. Sales via the Internet are increasingly important for the Swiss retail business, too. These are the findings of a new study by the Hergiswil market research institute IHA-GfK, which was presented at the fall seminar of the Swiss Mail Order Association (VSV). According to the study, online sales have increased by 15% to 1.033 billion Franks in 2005. According to forecasts this growth will continue in 2006 with a plus of 16% to 1.2 billion Franks. Thus online sales account for a market share of 1.2% in 2005 and 1.4% in 2006 of the entire retail sales of 86.9 billion Franks.

Both watch retailers as well as watch manufacturers have upgraded their websites. Although officially frowned upon, certain specialist stores generate 80% of their sales via the Internet. «95% of our sales are handled via the Internet, basically we could close our store», so a well-know Swiss watch retailer. For example, specialist stores that are strongly dependent on tourism have added an e-shop module to their website, where the tour operator can log in and order the products for his customers at special conditions from an official catalogue. Manufacturers like Breitling, Chopard or Rolex, for example, are strictly against selling their products online and go as far as cancelling the concession of any dealer who does.

The grey-market and/or parallel trade has an extremely bad image that was partly fuelled in public by the watch manufacturers and retailers themselves. The reason for this may be that the grey-market, politically correct the alternative market, still has no lobby today. But this is supposed to change in the near future. A so-called certification of online dealers is in the works. An association is currently being established to make the alternative market respectable.

The alternative market offers watches for less than the classical retailer, since the alternative market works with a «lean management», that is it doesn't require an expensive store in a prestigious location, no high personnel costs, personal security services or insurance.

### **Comments from the watch industry**

«We know that the luxury segment of Swiss watch brands is refusing to sell its products online», so Jean-Daniel Pasche, president of the Federation of the Swiss Watch Industry. «Selling via the Internet has never been a problem for our Federation and our members. This is regulated between the manufacturers and retailers, in that there is a directive prohibiting sales via the Internet. Any breach of the directive is punished with cancellation of the license», so André Hirschi, president of the Swiss Goldsmiths' and Watch Retailers' Association (VSGU). «Buying luxury watches via the Internet is sometimes cheaper by 20% or more. That's why more and more watches are being sold online by more and more suppliers», says Stefan Krummenacher, owner of First Swiss Luxury Watches and president of the association Haute Horlogerie sur Internet (HHSI).

### **Quality label for Internet sales**

The Swiss online supplier First Swiss Luxury Watches is establishing the first quality label for the online sale of Swiss luxury watches with «Haute Horlogerie sur Internet» In addition, First Swiss Luxury GmbH is also offering instalment credit terms for luxury watches, thus reacting to two mega-trends.

«The watches are sold for a good 20% less compared to conventional retail stores», so Stefan Krummenacher, managing director and owner of First Swiss Luxury Watches. «That's why more and more watches are being sold online by more and more suppliers. However, one definitely shouldn't save on service and warranty costs», Krummenacher goes on to say. What consumers needed, however, was orientation and security, which could only be offered with a quality label certification.

### **Gaining the customer's trust**

Stefan Krummenacher and his employees will establish an industry association by the name of «Haute Horlogerie sur Internet» Those suppliers observing and meeting quality specifications may become members: among other things they must offer personal consultation and the services and warranties that are customary in specialty stores. These services are central in gaining the customer's trust. The association represents the interests of its members to the outside and offers them a common Internet platform. The customers are also supposed to have a contact, an independent «ombudsman», available to them if problems with suppliers crop up.

## **New financing possibilities**

In addition to convenient online sales, where luxury watches can not only be bought at an average discount of 20 percent, the customers also have the option of paying in instalments. The industry association also guarantees the respectability of these suppliers, since only vetted suppliers are accepted. «Aside from online sales, instalment options will be the second big trend of the coming years», Krummenacher is convinced. More and more customers were choosing this financing option when buying a luxury watch – as has been commonplace for many years when buying a car.

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*First Swiss Luxury Watches sells Swiss luxury watches via the Internet at an average discount of 20 percent. The business was founded by Stefan Krummenacher in 2006 and has its head office in Zurich's Seefeld district. Customers all over the world can order watches online 24 hours a day every day, in addition to which First Swiss Luxury Watches offers on-site personal consultation including the usual «Service après Vente» (shortening watchstraps, changing batteries, providing replacement straps, warranty services).*

*Stefan Krummenacher was born in Lucerne in 1973. Krummenacher has been working as sales consultant, and most recently as deputy director in renowned watch and jewellery retail stores, among others in Zurich's Bahnhofstrasse. There he was able to make contacts with international watch manufacturers and customers.*