

## A CUT ABOVE WATCHES



**Time runs out on innovation**

BY VICTORIA GOMELSKY

When the luxury watch industry first began to embrace e-commerce, it was a bold move. But now, as the industry's entrenched views on distribution, and the Internet's place in it, are changing,

Hermès was the first to introduce an e-commerce-enabled site, in 2008. While it is restricted to the U.S. market and has a limited selection, the site points to a future in which luxury watches may be accessible 24/7.

"It responds primarily to the need of convenience for buyers who are located far from a shop, so it's particularly appropriate for countries with large geography like the U.S.A. or China," said Luc Perramond, chief executive of La Montre Hermès.

TAG Heuer followed about six months ago with the roll-out of its e-tailing program, a portal that directs online shoppers to retail partner sites that are constructed and maintained by the brand for a fee. A sign that TAG Heuer is considering additional online models is the December introduction of Tagheuerboutique.com, where the brand sells eyewear, leather goods and accessories directly to consumers.

"Accessories is the ideal category for us to start in because we have no other channel to retail them," said Jean-Christophe Babin, TAG Heuer's chief executive. "If we see they are successful, we might be tempted to sell watches online for a simple reason: to grow the market."

In the meantime, only one major player in the watch space has been bold enough to go direct with its timepieces. In December, Bell & Ross intro-

duced its European e-boutique, which offers the French-Swiss brand's entire watch collection, of about 300 models, to online customers in Europe. They can buy through the site directly or have watches shipped to authorized points of sale. In the latter instance, credit would go to the retailer.

"We felt it was more important to take a stand in the e-commerce world than to build the ideal conceptual store online," Roberto Passariello, Bell & Ross's director of marketing and communication, said. "Retailers are doing it, and have for a while. This is a way to control our brand image."

The move has put pressure on other Swiss brands to address the issue. Although scores of them have flirted with Internet customers through expensive Web site redesigns, Facebook fan pages and iPhone applications — and a few, including Cartier, have introduced pilot e-commerce projects in discrete markets like Japan — most high-end watchmakers are missing a tremendous opportunity by not selling online, luxury goods strategists say.

"The future belongs to companies who have relationships with customers directly," said Milton Pedraza, chief executive of the Luxury Institute, a marketing firm. "Not only does the Internet not cannibalize the retailer very much, it will probably drive business to the retailer."

Mr. Pedraza's conviction rests on the notion that luxury shoppers fall into one of two broad categories, the status-driven and the pragmatists, and that brick-and-mortar retailers will always appeal to the former. David Sadigh, managing partner of the IC-Agency, a digital marketing firm based in Geneva, said, "Most haute horlogerie consumers would prefer to buy offline — that is the current pattern. But there is a segment more open to buy online. They would like to put their American Express card down and get their product as soon as possible."

As Internet retailing continues to outperform other retail channels, both Mr. Pedraza and Mr. Sadigh are confident that more Swiss brands will embrace e-commerce, though, by the latter's reckoning, they will primarily come from the mid-range segment.

Raymond Weil, for example, is preparing to start an e-commerce initiative in the second quarter of 2010, but the brand, its chief executive, Olivier Bernheim, said, "will never sell direct."

"We have grown with our retailers and we will never put a knife in their back," he said.



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## Signing up, uneasily, for e-tailing

Luxury brands address question of how, and whether, to offer a tactile sales experience online

BY VICTORIA GOMELSKY

TheWatchAvenue.com is a virtual arcade of posh boutiques representing some of Switzerland's finest timepiece brands. Using ambient street sounds, digital clips of walking, talking salespeople and cyberkiosks brimming with product information, the site attempts to recreate the chic ambience of the real-world salons where luxury watches are typically sold.

Unlike those salons, however, WatchAvenue's boutiques are not equipped to sell anything. Among its 12 tenants, just one, TAG Heuer, sells its timepieces online — and even then only through links to the sites of its brick-and-mortar partners.

The luxury watch business is committed to offering a deluxe, tactile shopping experience. But as latecomers to Web 2.0, most brands have struggled with translating that to the Internet. Compounding their reluctance to sell online is the Web's tainted reputation as a breeding ground for counterfeits.

The arguments deflect attention from a more pressing concern about e-commerce: the threat it poses to a brand's traditional distribution network.

Recent developments, however, suggest that the industry's entrenched views on distribution, and the Internet's place in it, are changing.

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The Internet's ability to disrupt a brand's traditional distribution remains a touchy subject. Not only does e-commerce potentially undermine the same retailers who have been Switzerland's bread and butter over the past two decades, it seems to belie the image most watch brands hope to cultivate as providers of products that are rarefied.

