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INHORGENTA
MUNICH

# German Watch Study 2021
## Measuring the pulse of consumers

MAKING AN IMPACT THAT MATTERS since 1845

# Introduction

For over a century, one of the most valuable pieces of real estate on the human body has been the wrist. Popularized as an essential tool for soldiers in the trenches and pilots in the air during World War One, wristwatches quickly moved from the battlefield to the civilian world to become a fashionable accessory prized as much for their beauty and craftmanship as for their precision.

Germany has a long and proud history of watchmaking, with the towns of Glashütte in Saxony and Pforzheim and Schwenningen in the Black Forest becoming renowned hubs for fine watches and horology innovation during the 18th century. That tradition continues today, with many German firms considered among the world's leading brands.

However, there is no denying that the German industry also faces challenges in terms of sales within Germany and abroad. The COVID-19 pandemic has also been difficult for the consumer goods industry, and the fashion and luxury goods sector in particular. Prolonged store closures meant deserted shopping malls, while the collapse in worldwide travel caused high-spending international tourists to stay home. The cancellation of trade fairs also limited the ability of firms to display new products. The impact on the German watch industry has been severe. According to the German Association of the jewellery and watch industry (BV Schmuck und Uhren), revenues dropped by 20 percent from 2019 to 2020. Exports follow a similar pattern: sales from German watch manufacturers declined by 15 percent - a dramatic fall caused predominantly by COVID-19, although it also tracked longer term developments.[1]

The question facing the German watch industry is how manufacturers can navigate the post-COVID world, given accelerated digital changes, shifts in customer behavior, and rising emphasis on sustainable and ethical manufacturing processes and supply chains.

This report, conducted by Deloitte in association with INHORGENTA MUNICH, Europe's leading platform for jewelry, watches and gemstones explores the topic. It also sheds light on the current challenges facing German watch manufacturers and what implications they have for the industry in terms of strategy and operation.

# About this report

This is the first time Deloitte publishes its German watch study, a spin-off of The Deloitte Swiss Watch Industry Study, now in its eighth edition[2]. Conducted with INHORGENTA MUNICH, it is based on an online survey of 500 German consumers in August 2021. The study also uses data from a broader online survey of 5,500 consumers in China, France, Germany, Hong Kong, Italy, Japan, Singapore, Switzerland, the United Arab Emirates, the United Kingdom, and the United States.

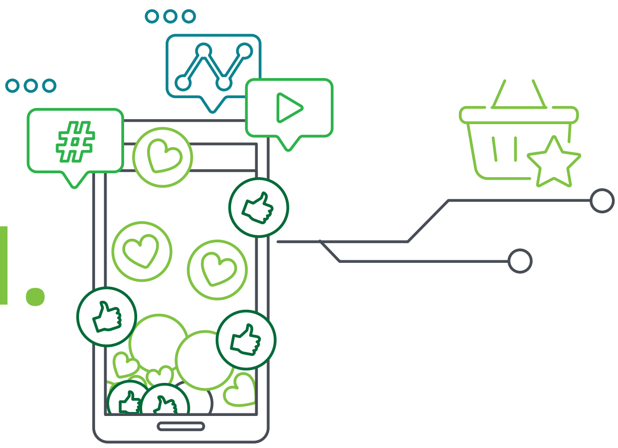
Of the respondents in the German survey, 51 percent were female and 48 percent male. The majority came either from large cities (36%) or urban areas with at least 10,000 inhabitants (38%), while 26 percent live in rural areas. The generation split was: Baby Boomers (born prior to 1964) 31 percent; Generation X (1965-1980) 34 percent; Millennials/Generation Y (1981-1996) 24 percent; and Generation Z (after 1997) 10 percent.

Deloitte conducted additional research and interviews with senior executives from the German watch industry to discuss developments and trends.

# Five challenges for the German watch industry

This study identifies five critical trends and drivers for the German watch industry that will determine its growth path over the coming decades.

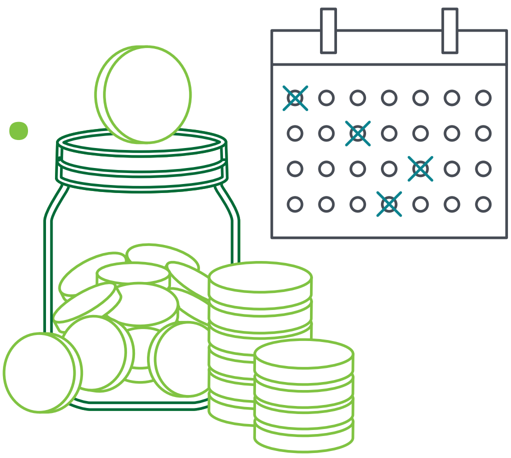
1.



**Bridging the online/offline chasm**

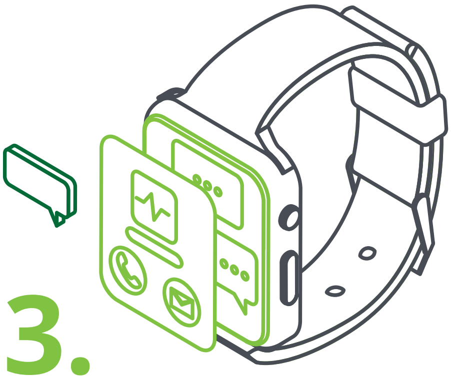
Social media and influencers are rapidly replacing traditional media as the channels with the most significant impact on consumers in terms of their watch purchases. Accompanying this development, a generational divide in purchasing behavior is emerging: younger consumers tend to buy online, whereas older generations prefer physical stores. To bridge this divide, firms need to develop omnichannel marketing and sales strategies.

2.



**Price-conscious consumers**

Compared to other countries, German consumers are highly price-sensitive. More than 60 percent of respondents were unwilling to pay more than €250 for a watch. A silver lining is that younger Germans tend to buy watches more frequently than older consumers.

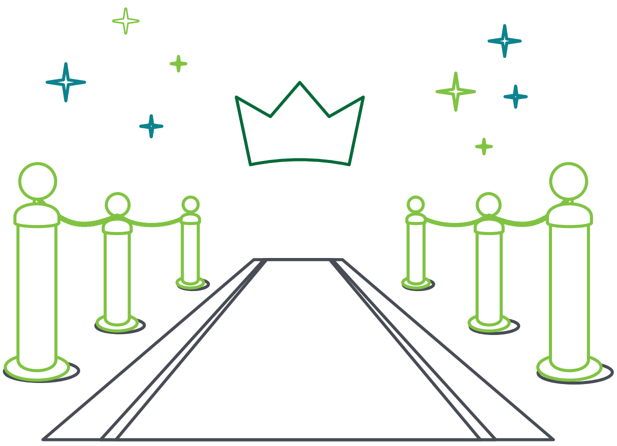


3.

### Smartwatches triumph

The global demand for smartwatches is growing exponentially, despite the impact of COVID-19. Younger consumers increasingly want digital wristwear with functions to track their fitness and health. Generation Y and Z, in particular, like the convenience of smartwatches for contactless payments.

4.



### Attracting new luxury customers

Innovative approaches are needed to expand the luxury market, including ideas such as offering financing plans, providing watch rentals, and participating in the pre-owned watch sector. These options all offer an entryway to the luxury market – especially for younger consumers.

5.

### Rising green pressure

Consumers are increasingly aware of sustainability and environmental impact issues and consider these factors when buying a watch. For Generation Z, this is a key factor in their purchasing decision. Watchmakers must ensure that raw materials are ethically sourced and that the carbon footprint of the production process is considered.

# 1. Bridging the online/offline chasm

**Social media is becoming more influential**

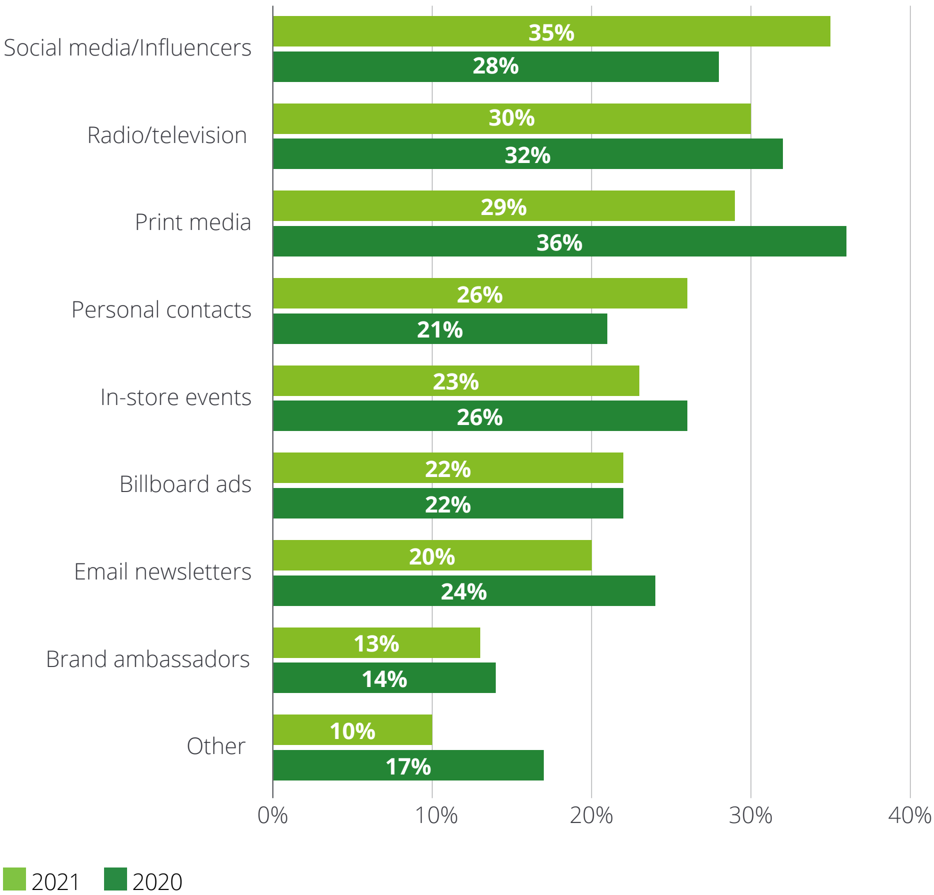
Consumer behavior is increasingly driven by social media, which surpassed traditional media in terms of influencing watch purchasing decisions in 2021.

In our survey, 35 percent of respondents selected social media/influencers as the key marketing channel in their decision to buy a watch. Radio and television (30%) and print media (29%) lagged behind. In particular, Millennials (40%) and Generation Z (54%) are strongly influenced by social media. Print remains the most influential channel for Baby Boomers (18%) and Generation X (25%).

**54%**

of Generation Z respondents pay attention to social media and influencers.

**Fig. 1 – In general, which marketing channels influence your decision to buy a watch the most? (You can choose multiple answers)**




Note: "Don't know" responses were excluded.

## Buying online will not replace physical stores

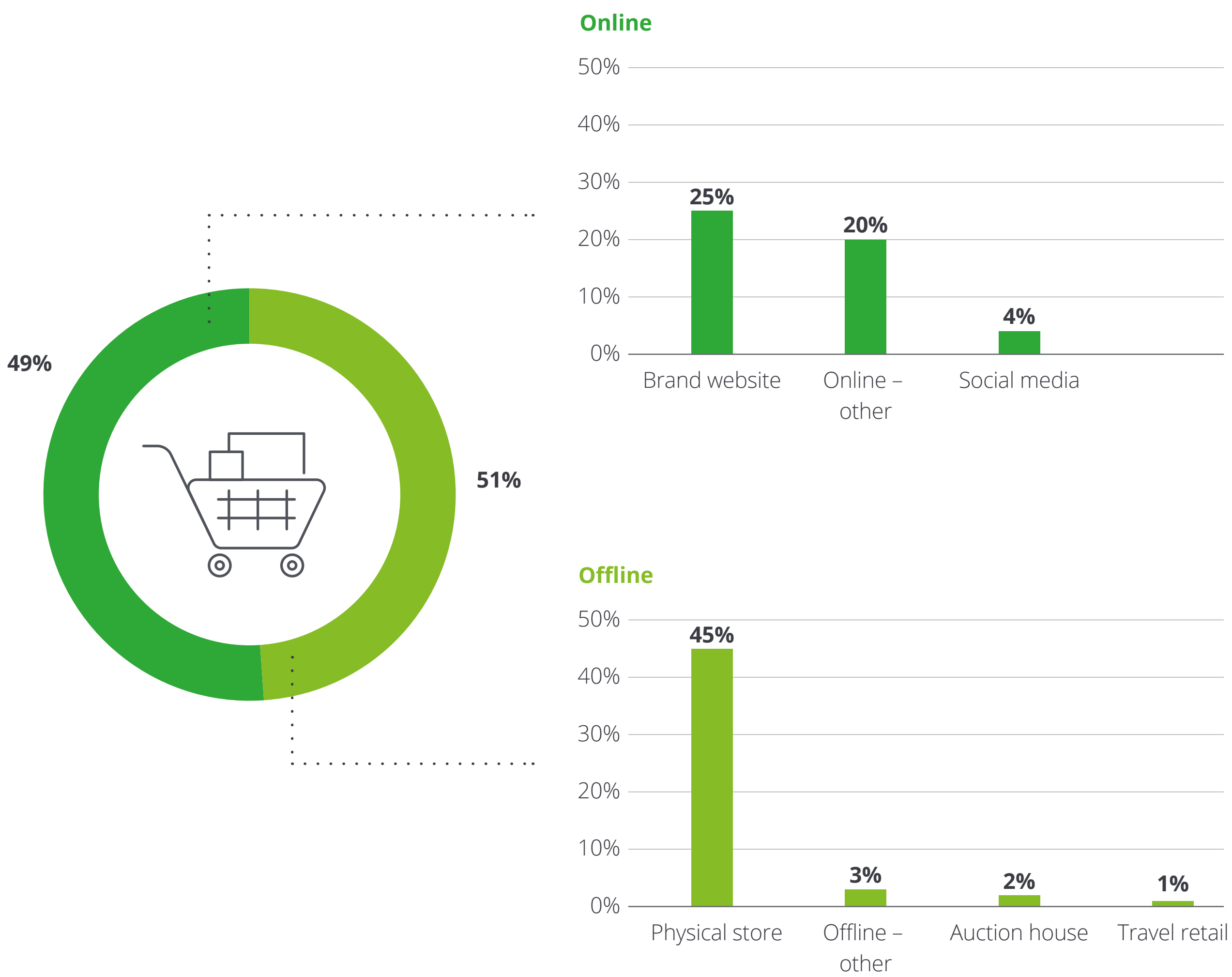
Digital sales have been making inroads for years, but are unlikely to ever replace high-street retail. Although consumers research watches online, half still prefer purchasing in store (see Fig. 2). The experience of seeing, touching, and trying on a watch before purchasing remains a powerful authentic experience, especially for high-end products.

In other words, stores will remain an important sales channel. This works in favor of brands that prefer talking to their customers and building face-to-face relationships.

However, the generation gap evident in media channel influence is also apparent in purchasing preferences. While 55 percent of Baby Boomers prefer buying watches in a physical store, Generation X (29%), Millennials (30%) and Generation Z (33%) increasingly opt for online purchases via brand websites. Only 15 percent of Baby Boomers purchase through brand websites.

Stores remain a strong channel for Generation X, with 42 percent preferring to buy over the counter. Only 23 percent of Generation Z are likely to purchase in a store, which may indicate further disruptions for brick-and-mortar stores ahead as the population ages.

**Fig. 2 – When you buy a new watch, where are you most likely to make your purchase?**



The watch industry has historically been slow to embrace change, and distribution models are no exception. Many companies still rely on a network of trusted retailers and physical stores to build a loyal customer base.

However, companies need to develop digitalization and omnichannel strategies to complement the in-store experience. This will help bridge the widening chasm in preferences between generations. The experience during COVID-19, when stores were closed for prolonged periods, reinforces the need to develop strong, resilient e-commerce channels.

Even though stores are likely to remain an essential part of the customer journey, brands and retailers must find creative ways to bring their stories and products to life in the digital realm. While the fundamental values and principles of storytelling remain unchanged, how stories are told is evolving to fit the digital world. Brands need to connect the heritage and emotional experience of their name and products to consumers online, which is where purchase decisions are increasingly made.

Companies should also consider new direct-to-consumer approaches as a further enhancement to their distribution models. Social media, such as Instagram, is becoming a key customer engagement and sales channel, particularly for reaching the digital native and digitally savvy generations. Livestream is another modern form of teleshopping that is gaining momentum, particularly in Asia where it has evolved into a conduit for selling hard luxury products[3]. Watch manufacturers and retailers should keep an eye on the trend as it spills over into Europe.

# 2. Price-conscious consumers

**Germans are big on value**

Germans are reluctant to spend much on watches. Over 60 percent of survey respondents are unwilling to outlay more than €250 for a new timepiece. Only a small segment (8%) seems willing to spend more than €1,000, which is low in international comparison (see Fig. 4).

German consumers tend to see watches as a long-term investment and purchase one every five to ten years. This behaviour is particularly evident among Baby Boomers and Generation X, with 77 percent and 64 percent respectively purchasing a new watch every five to ten years.

However, Millennials and Generation Z buy watches far more frequently, with around 50 percent of both cohorts purchasing one or more every one to two years. For them, the lower price preference means they tend to see watches more as a fashion accessory that can change to match their look. Older consumers view watches as a long-term purchase more prized for their craftmanship, functionality, and the status they convey.

**Fig. 3 – How much are you willing to spend on a watch?**

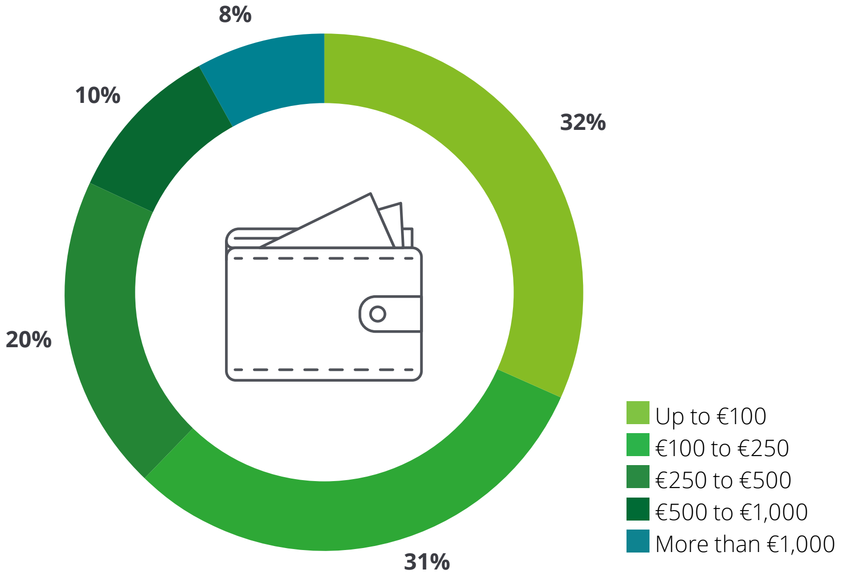
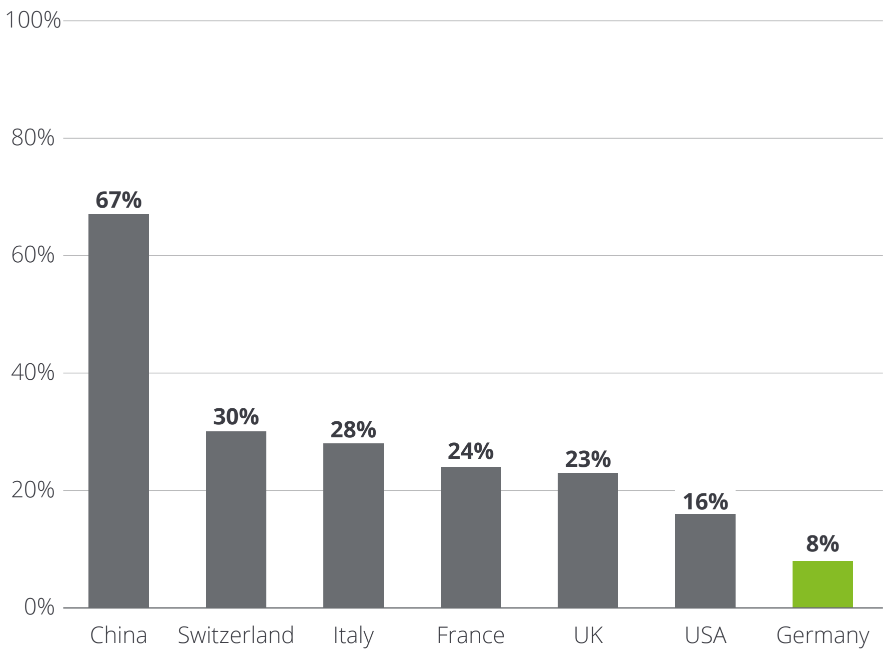



**Fig.4 – Share of respondents willing to pay more than €1,000 for a watch (by country)**



# 3. Smartwatches triumph

**Traditional watches are losing ground to smartwatches**

The survey shows that while many respondents still wear traditional watches (with mechanical or quartz movements), there is an ongoing decline in ownership. In 2020, 46 percent of respondents said they wear classic wristwatches; by 2021, this fell to 39 percent.

In contrast, smartwatches experienced immense growth during 2021. This surge is likely due to the savings households accumulated during the pandemic and the desire to track fitness levels during a time when group sport was prohibited and fitness studios were closed.

**Fig. 5 – What kind of watch do you usually wear? (By generation, 2020)**

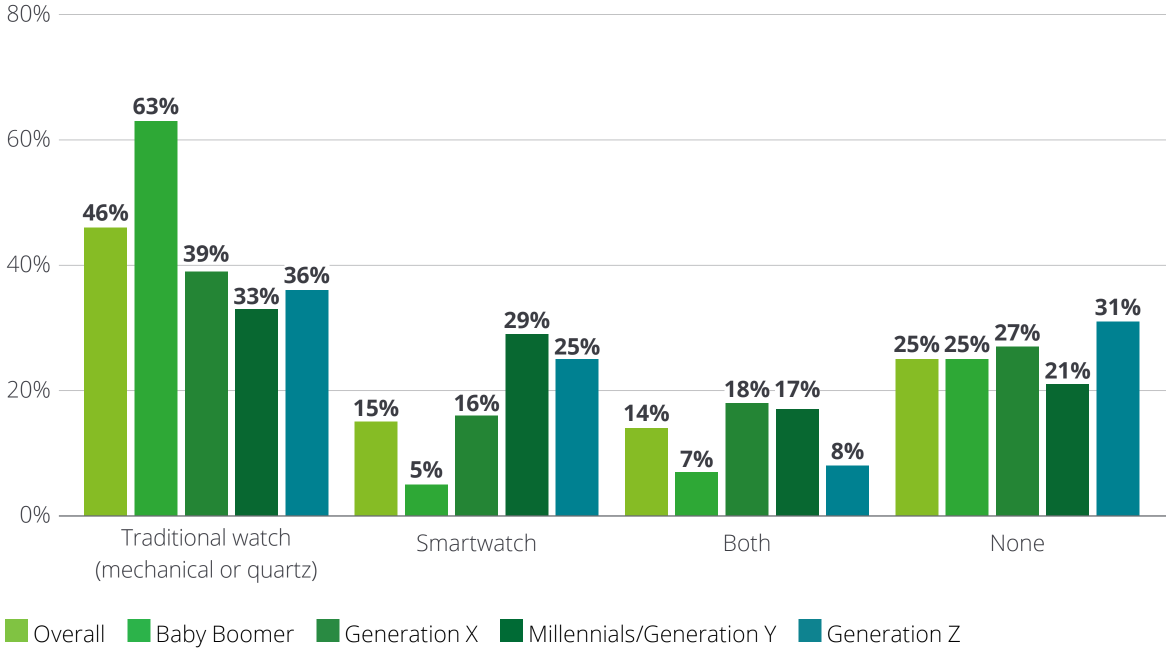
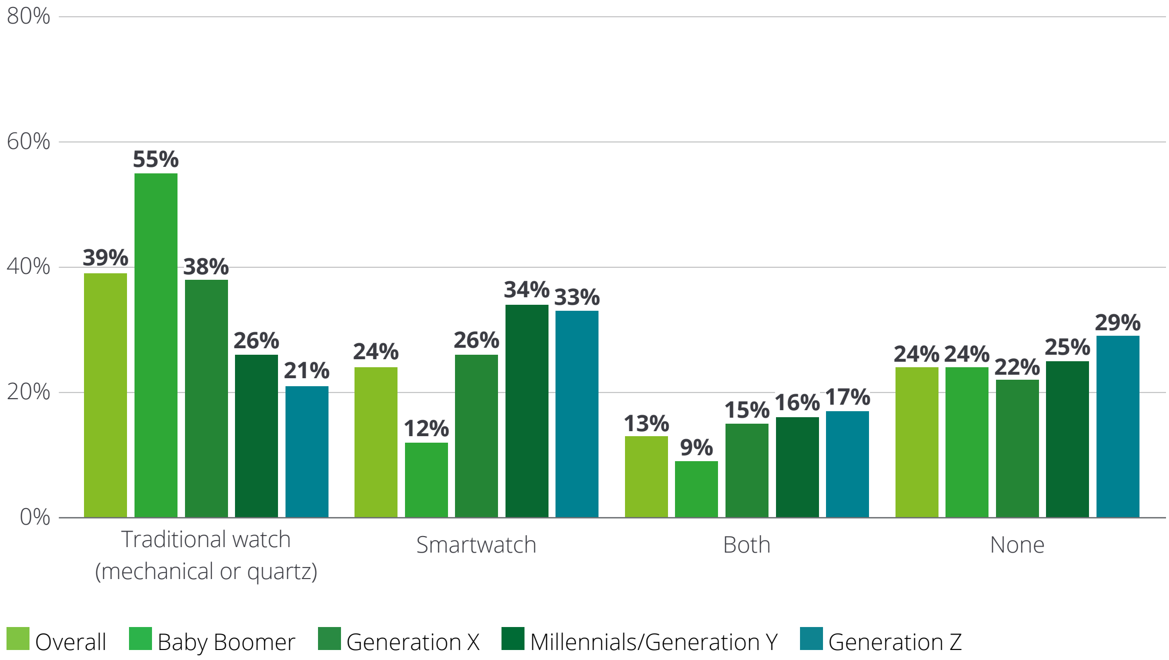



**Fig. 6 – What kind of watch do you usually wear? (By generation, 2021)**

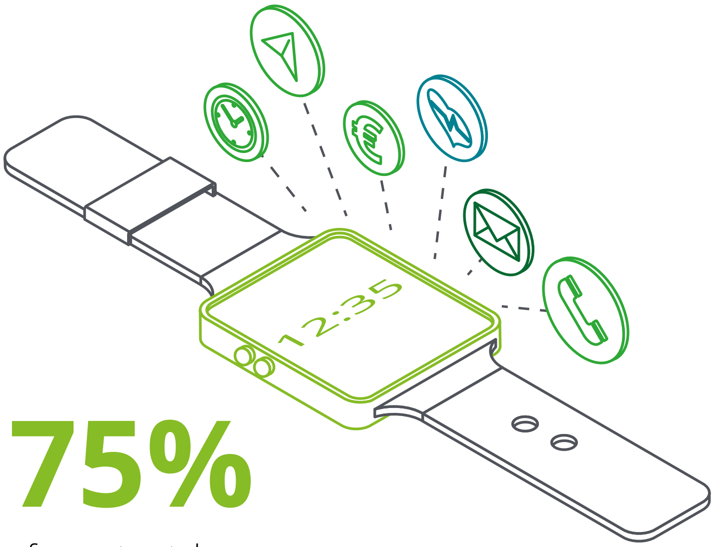


Ownership of smartwatches is skewed towards younger generations. More than 30 percent of Millennial and Generation Z respondents said that they owned one in 2021 (see Fig. 6). Smartwatch ownership also increased significantly among Baby Boomers (from 5% to 12%) and Generation X (from 16% to 26%)

Regardless of the generation, smartwatch owners tend to wear them daily, with tracking fitness and health levels or answering calls or messages given as top reasons. Contactless payment is not yet a feature widely used by Germans, although around 10 percent of Millennials and Generation Z do use the option.

However, the rise of the smartwatch is likely to trouble the entry-price watch segment rather than the luxury segment. Luxury watches serve purposes beyond telling the time. The allure is the tactile experience, precise engineering and beauty of craftsmanship, as well as the status it signals to others.

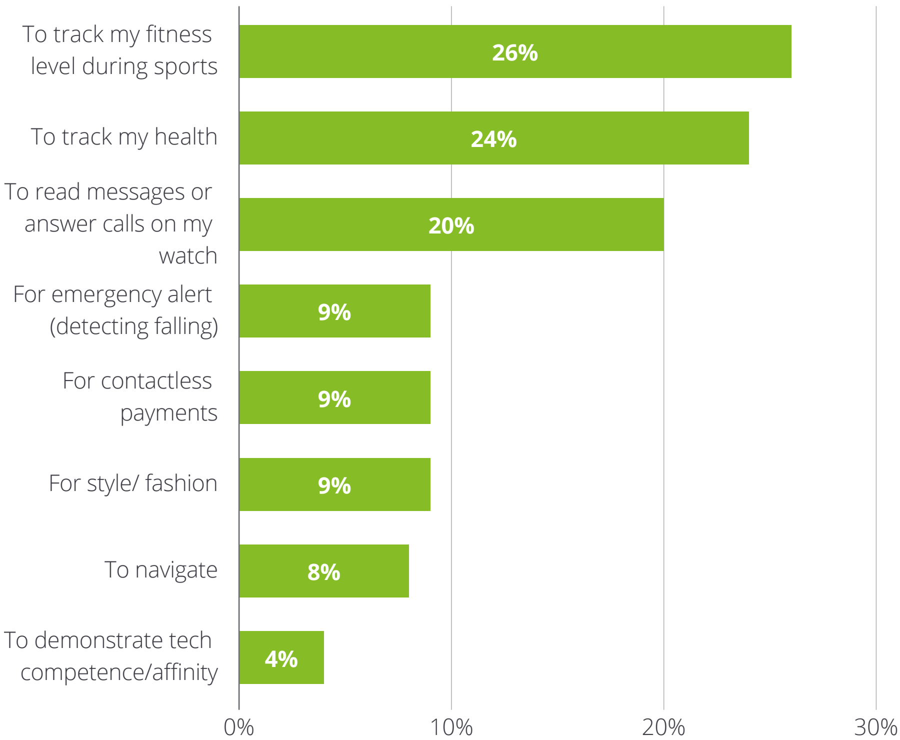
Smartwatches are not the only threat to traditional watches. Some 24 percent of respondents said that owning a watch has become less important to them, an attitude particularly prevalent among the young. The main reasons given for the indifference is that people can reach for their smartphone to know the time (75%), while 24 percent no longer see a watch as a status symbol. The lockdowns and remote work in 2020 potentially played a role in this attitude, as they meant fewer occasions to wear a wristwatch.




**75%**

of smartwatch owners wear them daily.

**Fig. 7 – What are your reasons for wearing a smartwatch? (You can choose multiple answers)**



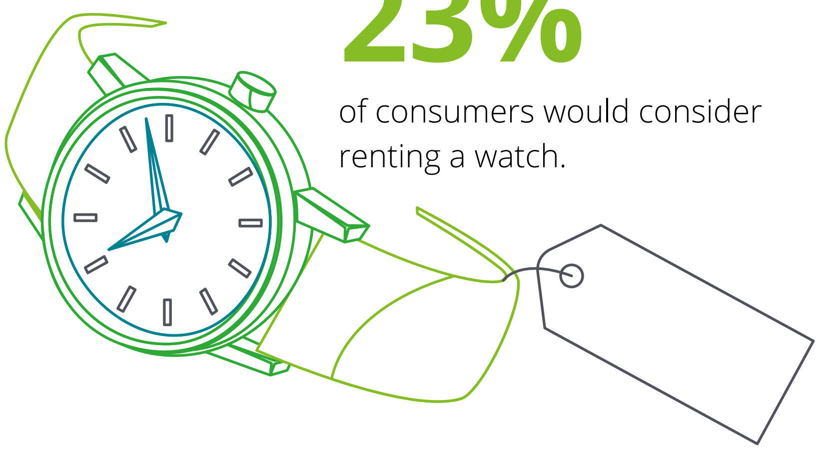
# 4. Attracting new luxury customers

**Stimulating future growth**
Few people buy a luxury watch solely to tell the time. Wearing one is as much about status or the love of craftmanship as about functionality. The challenge for the industry is to extend their traditional customer group by connecting to a new audience (Generations Y and Z) with meaningful stories of heritage and tradition, stories of desire, and stories of artisanship and beauty.

However, as highlighted in previous sections (see page 13), German consumers are price-sensitive when purchasing a watch, and this holds true for purchases of luxury watches. When asked, design (52%) and brand image (33%) are only the second and third most crucial factors for consumers when thinking about buying a luxury watch. The price/value ratio is overwhelmingly the primary consideration (see Fig. 8). How can manufacturers overcome this value-conscious mentality and connect with new consumers to increase the level of awareness, knowledge, and appreciation of their products?

Three emerging business models allow manufacturers to offer consumers an entry path to the luxury segment.

**1. Buy now, pay later – financing plans for watches**
A growing trend among luxury shoppers is to finance online purchases with Buy Now Pay Later (BNPL) plans[4]. Luxury brands increasingly include payment providers like PayPal and Klarna as options, enabling luxury goods to be paid in instalments. Watchfinder & Co., a popular platform where premium pre-owned watches are bought and sold, also offers BNPL. This is attractive to younger generations. Offering financing options for luxury watches could attract more of them as new customer groups. Some 20 percent of respondents said they would be encouraged to purchase a luxury watch if brands offered financing with low or zero interest rates. Advertising and testing could encourage more debt-averse Germans to consider BNPL purchases of luxury watches.



**23%**

of consumers would consider renting a watch.

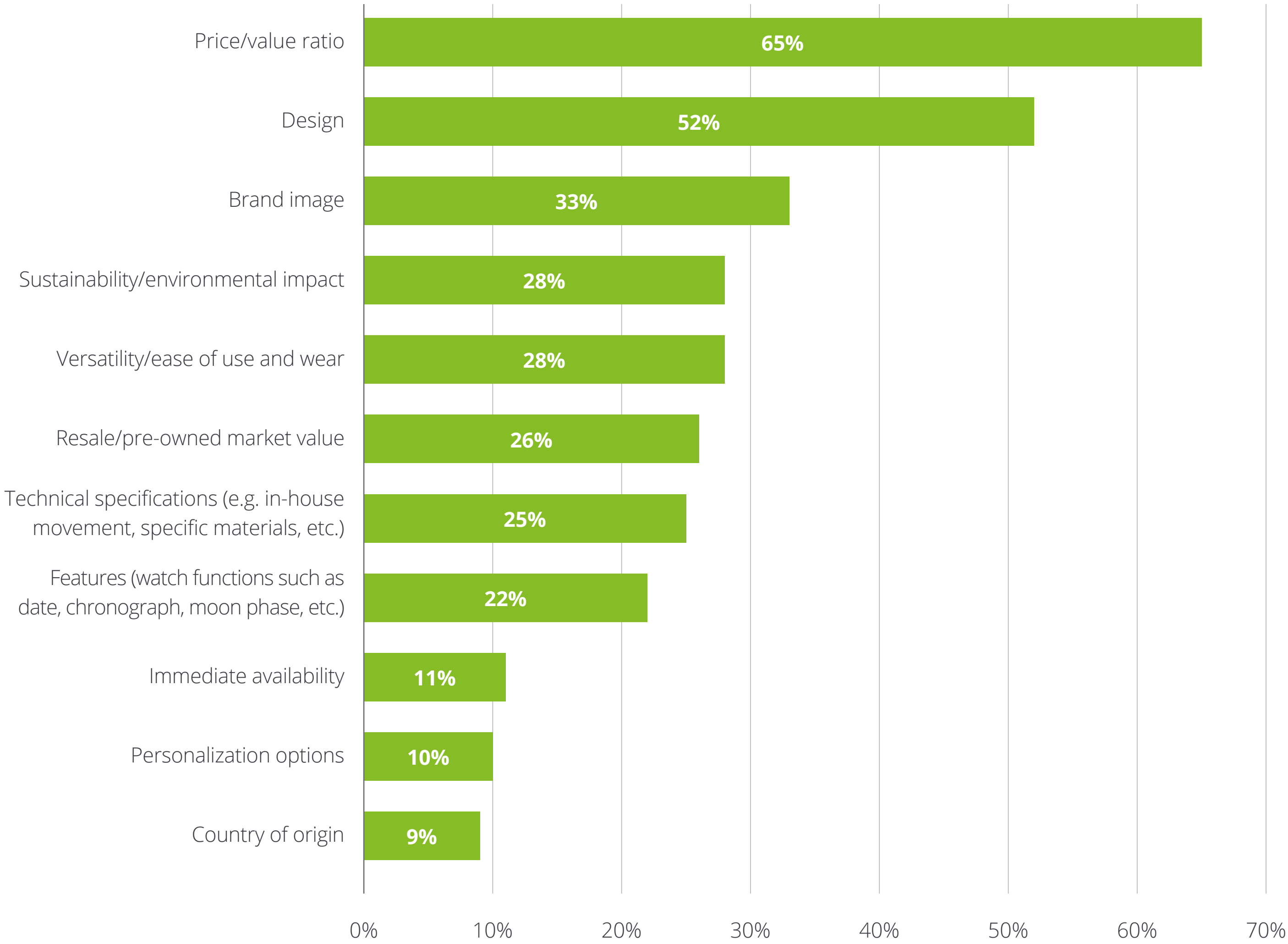
**2. Watch rentals**
Consumers don't need to buy a luxury watch to wear one. Some vendors offer one-off rentals for a set period, while others provide membership programmes with a fixed price per month that allow members to rent several watches per year. Breitling, for example, recently added a watch subscription programme[5]. This is part of a global trend toward a sharing and subscription economy.

One in four survey respondents would consider renting a watch (both new models and pre-owned). With greater promotion and awareness of watch rental offerings, this number is likely to grow, especially as it is highly attractive to younger generations.

**3. Pre-owned luxury watches**
Watch manufacturers have long kept the second-hand luxury watch market at arm's length, but this attitude is shifting. The growing pre-owned market is now too important for brands to ignore[6]. Connoisseurs increasingly enter the market to find exceptional value or a grail collectable, such as a discontinued model or a rare item from a special edition or year.

Importantly, pre-owned watches provide an entry point for new consumers as it makes desirable vintage timepieces financially accessible. Some 40 percent of German consumers would consider purchasing a pre-owned watch primarily because it is cheaper than a new luxury watch. The second-hand market also corresponds to the preference among younger buyers for sustainable consumption.

**Fig. 8 – What are the most important factors you consider when deciding to buy a luxury watch? (You can choose multiple answers)**



# 5. Rising green pressure

### Products are expected to be sustainable

Like other industries, watchmaking is under scrutiny for its environmental impact and ethics. Almost half of German consumers say they consider sustainability and environmental aspects when purchasing a watch (see Fig. 9). When it comes to purchasing a sustainable watch and paying a premium for it, the reality is that this number is likely to be lower, but the responses do indicate sustainability is no longer a niche consideration in watch purchases.

Unfortunately, extraction of the high-quality raw materials used in watch manufacturing, such as bronze, gold, stainless steel, and titanium, can cause environmental damage, including air and water pollution, soil degradation, and deforestation, which all contribute to destroying ecosystems.

For example, the 2018 World Wildlife Fund report, 'A precious transition', notes that the watch and jewellery sector uses over 50 percent of the annual gold extracted globally. "In most cases the companies are not able to demonstrate where their raw materials come from and that they were not responsible for dramatic environmental degradation."[7]

However, the environment is becoming an increasingly important concern in the industry. Numerous companies in the luxury watch sector already engage in sustainable watch production and are committed to the responsible use of resources. For example, Breitling has created a watch strap recycled from ocean plastic and introduced a reusable watch box made from upcycled plastic bottles[8]. The Richemont Group[9] and Chopard[10] have committed to minimizing environmental impacts during production.

Apart from sustainability, there is the issue of sourcing. Aware of the reputational damage that can arise from unethically sourced diamonds, manufacturers increasingly ensure their supply chain and production processes match standards concerning the origin and mining of diamonds. Companies are also looking at innovations such as laboratory-created diamonds that replicate the natural diamond-sourcing process as a way of avoiding potential issues.

### Generational differences

There is a highlevel of awareness concerning sustainability and environmental impact among consumers. More than 40 percent in every age cohort are likely to consider these issues when purchasing a watch.

Compared to older generations, Generation Z (52%) is more likely to consider sustainability when making a purchasing decision. For them, it is important that raw materials are sourced ethically in terms of the working conditions during extraction and the impact on the environment. Generation X and Millennials are most concerned with the overall carbon footprint of the watch (see Fig. 10). In any case, awareness is strongly represented across the generations.

**Fig. 9 – How likely are you to consider sustainability/environmental impact when purchasing a watch? (By generation)**

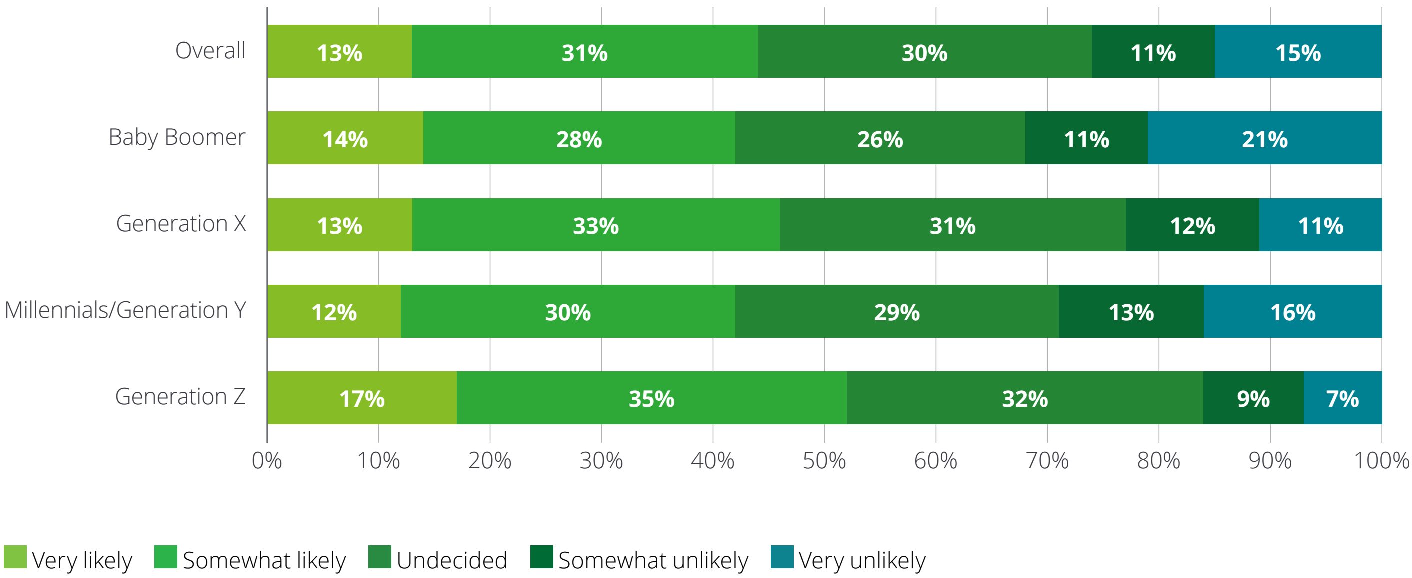
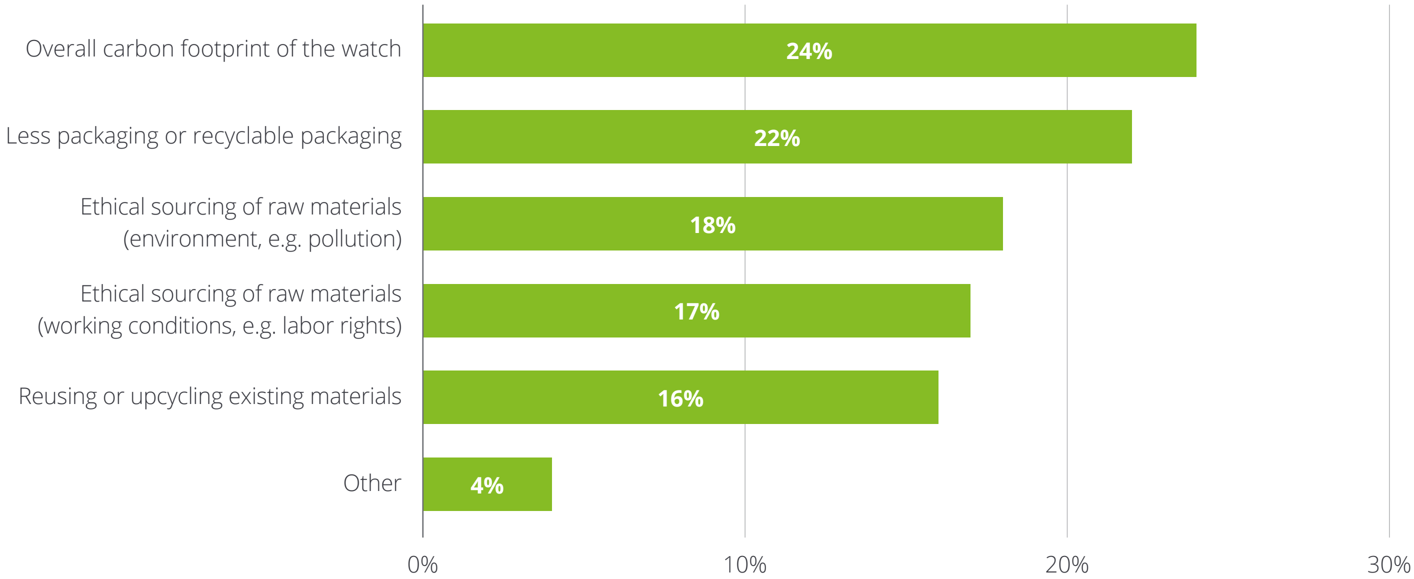
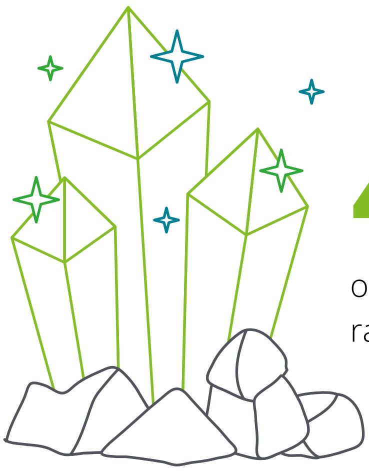


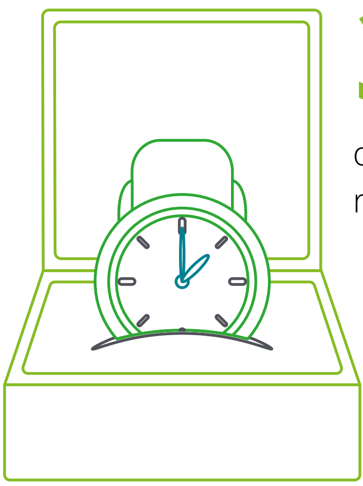
**Fig. 10 – When buying a 'sustainable' watch, what do you consider the most important aspect of sustainability?**



**48%**

of Generation Z is concerned that raw materials are ethically sourced.



**32%**

of Baby Boomers prefer less or recycled packaging.

# Conclusion

The German watch industry is no different from many other sectors where transformation was underway well before COVID-19 struck. However, the pandemic hyper-accelerated underlying trends, highlighted the need for agility and adaptability, and pushed the adoption of digital technologies forward by several years. This was evident in the way consumers moved dramatically to online channels, forcing watch manufacturers that traditionally steered away from such platforms to follow.

To ensure future growth, German watch manufacturers will need to respond further to this changing commercial landscape and expectations arising from a new generation of consumers. Companies will need to bridge the widening chasm in preferences and purchasing behaviors between generations to ensure future prosperity. Brands should consider how to fulfil these varying expectations through a seamless marketing and sales experience across all offline and online touchpoints. An innovative omnichannel approach combined with data analytics insights into customer behavior can help brands engage with customers, reach a larger audience, and boost sales. In order to achieve that, a clear understanding of customers is vital to enable personalized communication and offerings with the distinctively different consumer groups.

This is no easy task as the media landscape is changing with social media and influencers replacing traditional media channels in terms of impact on buying decisions. Brands will have to find a way to leverage traditional storytelling tools to creatively bring their stories and products to life in the digital realm and connect with consumers. At the same time, they need to continue establishing personal relationships with consumers offline where the experience of seeing, touching, and trying on a watch remains a powerful and authentic experience.

The price-conscious attitude of German consumers is a hurdle for manufacturers. One way to address this may require watchmakers to review their existing portfolios and consider expanding to new segments, such as smartwatches or different price categories. Luxury watches could also be made accessible to a broader consumer audience by adopting new business models like offering financing plans, providing watch rentals, and participating in the pre-owned market.

Attention will also need to be paid to the production and value chain. Manufacturers need to consider how raw materials are sourced and the overall environmental impact. They can look at innovative methods, such as using recycled materials and packaging to lower their carbon footprint. Some watch executives explained that they already consider high-quality mechanical wristwatches a sustainable product. After all, traditional watchmaking strives for longevity, with classic watches crafted for enduring quality to be handed down through generations.

While the shifting distribution landscape and changing consumer behavior and attitudes present challenges to the German watch industry, they also create new opportunities. The response during the pandemic shows that vitality and creativity remain a foundation of the industry. Therefore, German watchmakers and retailers should continue to be agile and innovative, putting customers at the center of their strategy and operations to seize the potential offered by this phase of accelerated transformation.

**Endnotes**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About INHORGENTA MUNICH
INHORGENTA MUNICH, Europe's leading platform for jewelry, watches and gemstones is the order and communications platform for the industry and reflects the market in all its diversity. Spread over six halls at Messe München, exhibitors from across the globe will present their latest creations. Through its extensive supporting program, comprising the INHORGENTA AWARD and the TRENDFACTORY MUNICH, the trade fair offers an in-depth overview of international trends and developments. In 2020, the trade fair brought 1,055 exhibitors from 44 countries and around 26,000 visitors from 85 countries to Munich. The next INHORGENTA MUNICH will be held from February 11 to 14, 2022.

Messe München
Messe München is one of the world's leading networking platforms. In a reflection of the slogan "Connecting Global Competence", Messe München serves as a global networking platform and brings together decision makers from all parts of the world. Messe München's portfolio comprises more than 50 trade fairs for capital and consumer goods as well as new technologies that focus on the latest social issues. These trade fairs include the world-leading trade fairs bauma, BAU, IFAT and ISPO Munich. The roughly 200 events organized by Messe München each year attract about 50,000 exhibitors and 3 million visitors. Messe München has one of the most modern exhibition grounds in the world and with its four locations in Riem, the ICM – Internationales Congress Center München, the MOC Veranstaltungscenter München, and the Conference Center Nord, it is able to fulfill all its customers' requirements individually. Messe München is very successful in its domestic market in Munich as well as in other countries. It is active in all important growth markets: China, India, South Africa, Brazil, Russia and Turkey. Overall, Messe München, with its network of associated companies and foreign agencies, is present in more than 100 countries.

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