

Luxury watch brands have long been hesitant to extend their carefully designed universe to windows designed by the likes of Microsoft and Mozilla. So how are watch companies and retailers tackling the digital world? *QP* chairs the debate.

Direct Selling Online





Jorn Werdelin, co-founder of luxury sports watch brand Linde Werdelin explains why the company decided to launch an e-boutique in 2009.



→ "Linde Werdelin began online sales at the end of 2007 and I really believe that it has been vital in helping the brand to survive the downturn - making our watches available through our website has certainly caused a significant improvement in turnover. But there is more to it than simply that: to start with, it is most definitely not about competing with retailers. Online selling is something that is good for everyone in the watch business and particularly good for small brands such as ours because it helps them to get going, to become established, to make a name that is recognised.

Trading online also means higher gross profits and that is money that we can spend on making better watches which directly benefits the customer, the 30 or so retailers we do have and, of course, the brand. We don't, for example, need to use money simply to produce large amounts of stock to fill windows. Instead, we can put profits back into the pieces themselves, which benefits the customer directly because it means we should always be able to offer fresh watches - and, importantly, there is less overhang when things go wrong as they did in 2008.

The original fear that retailers expressed when Internet selling started to become a possibility was, of course, that it would provide a direct source of competition. But, in many cases, the competition was already there in the form of the boutiques owned and run by many of the brands that retailers were selling. Yes, selling via the internet undoubtedly means we need fewer

retailers, but it also means that the ones we have we work with far more closely and, importantly, we are under no pressure to select a retailer simply to get our watches out there and available to the customer.

Besides, we have found that the large outlets are simply not interested in giving space to very small, niche watch brands such as Linde Werdelin because they are in the hands of the big groups. Many such retailers currently have huge amounts of stock that they want to concentrate on moving in order to pay off their debts to the large companies which means, of course, that the small names are overlooked on every front.

By selling online, we eliminate such problems and can concentrate on working only with independently-minded retailers who are genuinely interested in our watches, who understand what we are trying to achieve and who want to make it work as much as we do - in other words, people who are genuinely committed. These people we really like to work with and we will always need.

Realistically, we all have to accept that online watch retailing is here to stay but it will always be as a complement to the traditional shop. Watch enthusiasts began by using the internet as an information source and the next logical step after that was to use it for buying, especially for the type of customer who is well informed, who knows what he or she wants and who simply doesn't have the time or the inclination to travel to a shop to buy. These are people who have already

made up their minds - getting the watch on to their wrist is simply a formality that they want to get over and done with as quickly as possible.

But, having said that, we need to be clear that this is not just an easy option, a chance to sell watches all day long through the click of a mouse. Good customer service is possibly even more vital and requires more effort when selling online than when selling through a conventional shop. If a customer emails a question about a watch, for example, we always try to respond instantly and we are always there to take a call - but often such conversations can go on for weeks, even months. That is something that the average watch retailer simply would not be interested in getting involved in, but

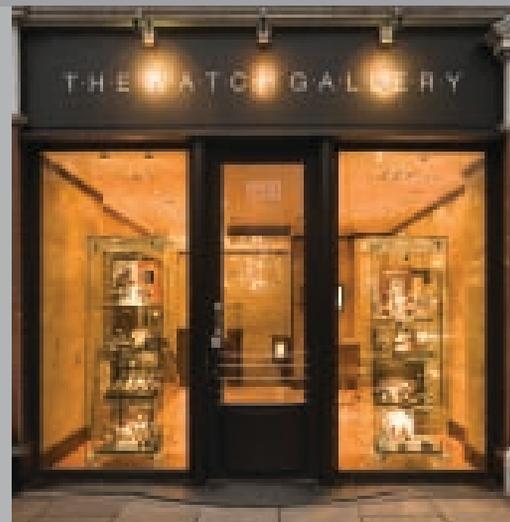
we're happy to do it because we believe we are the best people to sell our watches and that by being directly available to a potential buyer we will build-up a mutually beneficial relationship.

In fact, the internet presence enables us to be incredibly responsive to demand because we get comments directly from the very people who are using our products. That means that if we receive requests from five people asking for a watch with blue hands, then we can go ahead and make them on the basis that we know there is a demand. It also makes for faster servicing and repairs because the watch does not have to be sent via a third party - it remains exclusively within the Linde Werdelin network.

Because of all this, I actually see online sales as being a return to the true definition of luxury manufacture. When we look back in history, we see that people who bought high-end goods invariably went straight to the maker, discussed what they wanted, ordered the product and had it delivered direct - which is exactly what we are doing by offering sales via the internet. We have even adopted the old-fashioned idea of taking something on approval through our 'Try It' programme which enables potential buyers to see watches first-hand in the comfort of their own homes before making a decision.

Sooner or later, I believe every brand will be selling via the internet. Why? Because that's what customers want." ☺

Alastair Laidlaw is a founder of the innovative Mayfair retailer, Jura Watches. The company has also now acquired Chelsea's renowned Watch Gallery. He believes brands need to be smarter in their approach.



→ "By 2006 broadband internet had become ubiquitous and ecommerce had, for millions, become a trusted, reliable and convenient channel for the sale and purchase of a wide range of goods and services. One sector however was conspicuous by its absence - the world's leading international watch brands.

At this time, when we first suggested setting up a boutique with serious e-commerce capabilities our proposals were met with considerable scepticism. While luxury brands were comfortable using the internet as a vehicle for advertising and promotion, selling online was felt to be dangerously associated

with discounting. The general view being that the retail experience of a luxury boutique was vital. Until very recently it seemed highly unlikely that the internet would be engaged any time soon as a strategic sales channel for luxury brands; either directly or indirectly.

Four years on, however, and the e-commerce dilemma for luxury brands is still unresolved. According to *Retail Week*, in December 2009 online retail sales in the UK hit £5.46 billion and in January this year, e-commerce accounted for just over 20 per cent of all retail sales. It is clear the online environment must be embraced, but I would argue that it has to be done very carefully indeed.

Luxury brands opting to sell online directly via their own e-boutiques obviously control issues such as brand identity, commercial factors and overall customer experience, such as it is. But with universal reach and control, the brands are in danger of losing the sales and after sales care that real-world retailers supply on their behalf. The sales cycle for luxury watches is often surprisingly long and complex and I'm always surprised by how little impulse purchasing goes on. Whether in single brand boutiques or via third-party retailers, the experience buyers have is determined by the store environment and the skill and knowledge of the sales staff. Their direct knowledge of and relationship with the customers is a value not to be discarded lightly, both in terms of after-sales service and future sales.

It is commonplace for a customer to spend significant time choosing their watch in a store before buying the watch online at a later date. Retailers will naturally move away from brands that carry this risk for them and so those brands will lose out on building the solid network of support that the retailers supply. And with this will come all the expected implications for future sales - when spending a considerable amount of money on a timepiece, it is only natural that end-users want the reassurance of expert after-sales support, available on a local and face-to-face basis.

Watch retailers are, after all looking for brands that they can sell profitably. Aside from likely demand, one of the keys is selective and reasonably limited distribution. Clearly e-commerce is incompatible with that need. Cutting out the retailer is not the

future for either buyer or brand. But e-commerce is here to stay, so how should it work to the benefit of all concerned? I think watch brands should continue to concentrate on designing and producing the most incredible timepieces - that is what they're good at. Perhaps though they should leave online selling to the few competent retailers who have the expertise and ability to present the brand and offer a customer experience that is equitable with the taxing needs of luxury brands.

'E-tailing' is completely different to high street retailing and when done badly, can potentially damage a brand. There is already evidence that buyers prefer to deal with a local store both before and long after the purchase. A good retail website provides for an even stronger relationship between the customer and the physical store. The ideal scenario would see brands operating with experienced e-commerce retailers who can deliver the online sales and the relationship building value of real world stores. As with traditional channels the brands need to work on who their partners should be, how they present the brand (physical store location, design, usability, price point, adjacencies and so on) and how they operate commercially (including stock levels, finance, after-sales service) in a manner that befits their brand.

As a buyer you should be looking for a quick response via the medium you choose and fast delivery of the watch you order, experiences that traditional retail or e-commerce operations that are based in another country, may struggle to provide. We at Jura and the Watch Gallery are developing ways of making the experience richer and more engaging, we are both an internet company and a watch specialist with a luxury retail store (as opposed to a manufacturer or traditional high street retailer) so we believe that we are well positioned to continue to develop our offering in ways that will work for both customers and the brands. The investment we put into fulfilling these ambitions is not, we think, likely to be replicated by most brands and those brands trying to manage without the service levels we aim for are likely to get found out, whether through card-fraud, loss of contact with buyers or inefficient after-sales.

I think the future lies in ensuring that everyone is doing what they are best at in a way that is sustainable, profitable and enjoyable." ☺

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