

Creation of an online vertical E-commerce/M-commerce niche marketplace for new luxury timepieces

Connecting offline luxury watch retail boutiques to the online world in order to reach wider audience



Online luxury market

- E-commerce sales channel for Luxury goods will continue to see strong growth : McKinsey & Company forecasts that online sales will constitute 18% of total luxury sales in 2025, up from 8% in 2016.
- Sales growth in the overall luxury goods sector will mainly be achieved through market share gains and online sales.
- The luxury sector was slow to expand into e-commerce, but now players are vying for a share of the fast-growing online market.
- Brick-and-Mortar Luxury Sector Is Struggling
- For people between 18 and 30 years old, social media is clearly becoming the most important marketing channel, and they have a high intention of buying watches online. (Deloitte study)

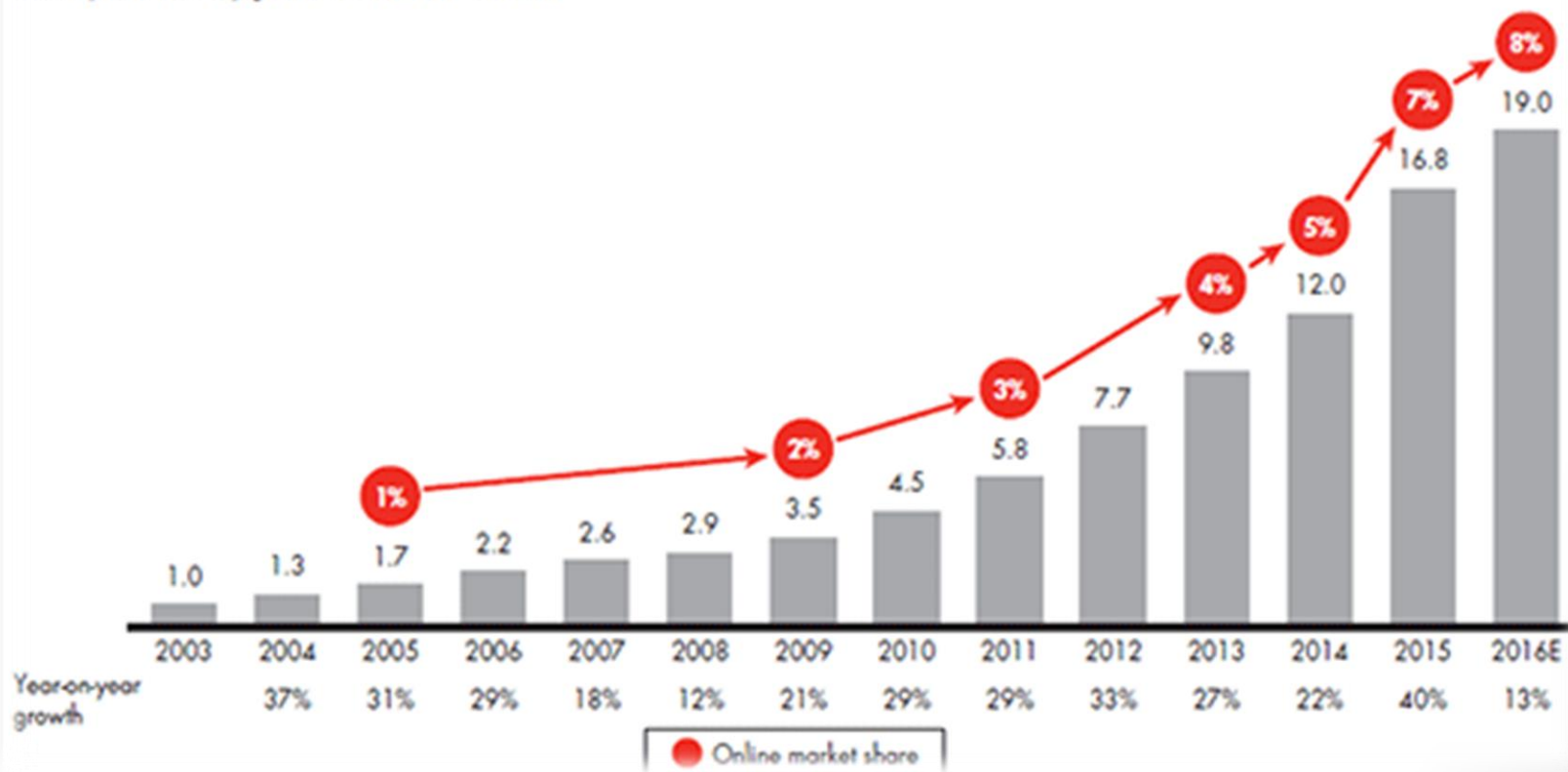
Major factors driving the demand for online luxury include :

- Changing consumer behavior
- Improved technology and logistics
- UBS reports millennials could be worth up to \$24 trillion by 2020

Sources: McKinsey & Company, bain & company, UBS Wealth Management , Deloitte

The online luxury market has grown nearly 20-fold since 2003 rising to 8% market share

Online personal luxury goods market, 2003–16E (€B)



Source: Bain & company

Our mission

We aim at becoming the world's largest hyperlocal marketplace for high luxury watches. We want to combine the trust of local luxury watch retailers & benefits of online shopping to give customers a 'no compromise' luxury shopping experience.

We facilitate the sale of new luxury timepieces allowing brick and mortar watch stores to display their inventory on our marketplace and reach new customers through our marketplace. Thus customers can buy online from physical boutiques while choosing the best offer and either pick in store or get items delivered. Each individual watch store carries the timepieces in his physical retail store and is responsible for shipping directly to the customers. All in all, we are simultaneously global and hyperlocal and aspire to become the largest online store” for luxury watches without inventory.

Objectives of the marketplace

- 1) Reconnect retail watch stores to customers and allow customers to buy directly online from them through the marketplace and thus avoid buying counterfeits online. All in all, we will facilitate the sale of luxury timepieces online at best price while each physical boutique carries the merchandise and is responsible for shipping to customers. Flash sales could also for instance be implemented by vendors to get rid of stocks. The customer can also if desired “Click & Collect” his purchase in the closest retail watch store he bought the watch from.
- 2) Redefine the way end customers shop for new luxury timepieces reuniting the online & offline worlds. In the longer term the marketplace could also provide additional services offered by retail stores nearby such as watch pick-up for repair & service or watch insurance plans.
- 3) Help luxury brands define a coherent omni-channel presence to adapt to current market trends and reach millennials. Allow luxury watchmakers to keep control on watches sold online and have an easy way to interact without damaging their brand image ! “Click & Collect” option can also bring a new generation of customers to the traditional stores and interesting data on consumers will be collected.

Pain points we should solve

- As a millennial customer, it has become frustrating not being able to find a marketplace displaying all existing luxury watches and also not being able to purchase them online on a trustworthy legal marketplace. There are Luxury Fashion marketplaces connecting physical boutiques and online customers like Farfetch, Lyst,...However, there is no such marketplace for brand new luxury watches connecting physical watch stores to the online world.. This would allow to compare available watches among brands and get the best prices available from retail stores countrywide. It will also ensure watches are genuine as nowadays most luxury watches sold online are either pre-owned or fakes !
- From the brand point of view, it has become tricky to define a clear online strategy in order to protect luxury brand image and ensure a luxury experience for clients. Also many watch retail boutiques have surplus stock!
- **Our leading online niche close marketplace for new luxury timepieces will solve those issues by offering a marketplace in which clients buy directly online from the watch stores! This marketplace will work similarly as Farfetch with the focus on luxury timepieces ONLY ! It will allow watchmakers to manage their online presence through their retail stores, fix their own prices online, set up flash sales, control brand image and offer an unforgettable experience for their clients. In addition it will be a way to attract millennials and wider audience to their stores with (pick&collect service).**

(cf: Gucci and Farfetch : <https://www.youtube.com/watch?v=3unBWk3yp5Y>)

Luxury brands online strategy and implications

Luxury watchmakers have several strategic choices regarding online sales :

- **Pure brick and mortar** : very risky considering that online sales will constitute 18% of total luxury sales by 2025.
- **Selling online through own brand website** : interesting but definitely not perfect. It might be capital intensive, require huge investments, taking up loads of resources especially for luxury conglomerate like Richemont managing several brands.
- **Allowing niche e-commerce websites to sell products directly online** : Too risky as the brand doesn't keep control on prices, neither have any control over the website and brand image ! Also clients can't make sure they buy original items and brands can't differentiate client experience which is key in luxury. In addition, there would be too many websites selling the brand and it might be hard to control this channel for the brand. This will lead in an "oversupply sentiment" for consumers.. We are not talking about selling a commodity like petfood online, we are talking about luxury !
<https://www.montredo.com/fr/> is selling Richemont brands and they have no control over their activities!

Luxury brands online strategy and implications

- **Taking a skate in a large e-commerce website to sell products online (Richemont & YNAP)** : allow the brand to keep some control but still a risky move as it is a capital intensive business as the website manages its own inventory. Also, as competition intensifies among e-commerce niche websites “inventory based model”, the cost of client acquisition will substantially increase. In addition, as the watchmaker only has a stake in the website, it can’t fully control this channel.
- **Selling through a marketplace such as Amazon or eBay** : obviously bad idea for luxury products as it threatens brand image...
- **Create own marketplace for a group of brands** : Interesting short term strategy but definitely risky in the long run as ultimately a worldwide niche marketplace (like Farfetch.com for luxury fashion) will emerge as leader for luxury timepieces thus the marketplace made by the conglomerate will lose steam (strategy of LVMH through www.24sevres.com).

Luxury brands online strategy and implications

- **Allowing authorized multi brand Luxury Watch Retailers to sell online on their own website :** Interesting but the watchmaker loses control over this new promising distribution channel ! Also the multi brand authorized retailer will finally end up making a profit the watchmaker itself could have made through its official retail stores selling on our marketplace ! In addition getting rid of middlemen has become trendy in many industries...However it can be interesting in term of logistics to allow authorized multi brand Luxury Watch Retailers to sell on the marketplace in locations in which the watchmaker has no official boutiques to support orders from the marketplace ! For instance, Kapoor watches India could sell Piaget watches on behalf of Piaget on the marketplace if they have no Piaget boutique in India avoiding logistical hurdles in India.

BEST SOLUTION

Selling through our trustworthy online niche close marketplace for new luxury timepieces allowing clients to buy online directly from watchmakers retail stores! Watchmakers physical stores will manage their own “micro-boutique” on the marketplace, pricing and logistics (packaging, shipping). Indeed, each retail boutique carries watches and is responsible for shipping to customers. Our approach is thus simultaneously global and hyperlocal.

The Rise of Luxury Multibrand Online Pure Plays for fashion

Figure 1. Selected Luxury Multibrand Online Pure Plays

Name	Headquarters	Year Founded	Shipping Countries	Boutiques	Designers/ Brands	Annual Sales	Valuation
Yoox Net-A-Porter	Milan	2000	180	N/A	N/A	€1.9 Bil.	€2.9 Bil.
Matchesfashion.com	London	2000	190	N/A	450	£204 Mil.	£300 Mil.
Mytheresa.com	Munich	2006	120+	N/A	180	€129 Mil.*	N/A
Farfetch	London	2008	190+	500	1,600+	£302 Mil.**	\$1.5 Bil.
Garmentory	Seattle	2014	N/A	300+	2,000+	N/A	N/A
Lyst	London	2011	150+	11,500	11,500	\$150 Mil.	N/A

* At time of acquisition by Neiman Marcus in September 2014

** Gross merchandise value for fiscal year 2015, ended December 31, 2015

Source: S&P Capital IQ/company reports/Companies House/Financial Times/TechCrunch.com

2011 MrPorter, <https://www.mrporter.com>

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2017 : LVMH launches 24 Sèvres, LVMH's New Multi-Brand E-Commerce Play

...

Selling new luxury watches on a marketplace ? Really ?

“According to Hodinkee, watchmakers are going to need to devote a lot more time and energy toward the online space than they are currently doing. The Swiss watch industry is in a severe downturn, with total exports nearing levels saw during the "Quartz crisis" when cheap, battery-powered watches made in Asia threatened the traditional business.” Business Insider 15 Feb 2017, 14:51

- **2017 : Vacheron Constantin** Historiques Cornes De Vache 1955 Limited Edition sold on Hodinkee
- 2017 : PorscheDesign, Frederique Constant, DeMonaco, Benzinger, Moritz Grossmann, Linde Werdelin started selling online their timepieces on <http://www.chrono24.fr/moritzgrossmann/benu-tourbillon-white-gold--id5716810.htm>
- IWC Schaffhausen became the first luxury watch brand selling online at Mr Porter and Net-a-Porter
- ...

Selling on those platforms (www.chrono24.fr, www.hodinkee.com) is risky & not compatible in term of brand image as those websites mostly sell pre owned high end timepieces! Thus it is the right time to launch a niche marketplace that connects physical retail stores with the online world and reach a younger audience.

Advantages for a watchmaker to reach customers on our trustworthy niche marketplace

- Manage the number of products listed, prices and description of products through their physical retail stores and/or authorized multi-brand retailers
- Reach new customers (millennials)
- Reduce investments while implementing online strategy
- Manage your online boutique on the website and personalize the client experience from competition
- Manage client support if desired (personalized telephone help support)
- Manage logistics and choose the best possible last mile delivery partner to ensure an incredible luxury experience to end consumer.
- Allow customers to click&buy&collect their purchase in physical retail stores
- Set up Flash sales to reduce physical boutiques surplus stock and avoid grey markets
- Ensure clients don't buy fake products as physical boutiques directly ship the product to the client
- Increase brand awareness, brand salience and ensure sales growth in the overall luxury goods sector through market share gains and online sales.

Key to success

- **1** Create a trustworthy marketplace : focus on creating a close marketplace as opposed to an open market place model that Amazon is ! Offer best possible client service in which watchmakers retail stores manage their own store on the marketplace.
- **2** Find the right technology to operate the marketplace; a lot goes to operating the marketplace, from price information to sending orders to sellers and enforcing quality of service. Solutions offered by MIRAKL or IZBERG should suit the needs. Also a challenge faced by Farfetch was synchronizing stocks from boutiques but nowadays some solutions exist. We should indeed set up an efficient geolocalized inventory management system that feeds on updates from independent retail boutiques running the same or compatible software.
- **3** Have a clear strategy when inviting third-party sellers (luxury watchmakers retail boutiques) to join the marketplace. Most of the business rely on third party sellers and we are charging them a commission so we should best serve their interests. Some watchmakers might only allow their official boutiques to sell online on our marketplace nor their authorized multibrand retailers !

Added value of shopping on a marketplace for the end customer:

- Improved customer experience (transparent pricing, on-demand education, videos, phone support, customer reviews, all existing luxury products available in the market, click&buy&deliver or click&buy&collect)
- Offering clients click-to-buy capability : home shopping is comfortable and convenient and it allows you to find the physical boutique selling at best price countrywide
- Largest amount of products and reviews online
- Watchmakers retail stores directly ship the products ensuring authenticity of products
- Delivery should allow luxury watchmakers to maintain a “special” experience to clients. Clients could also pick different watches, get a delivery, try watches at home and choose the one he finally wants to buy !

Advantage of launching a marketplace for the entrepreneur:

- More than 50% of online sales occurs through marketplaces
- No stock, No logistic
- Fully focus on offering curated products and onboarding qualified sellers (luxury watchmakers retail stores and/or authorized multi-brand retailers)
- Strong business model based on sales commission
- Providing the best customer experience to achieve long term success
- Worldwide scalability once the model works countrywide

MARKETPLACE STRATEGY

Best products

Offer a vast array of the best products, test and feature new products according to market trends. Without taking on the inventory risk, buying, warehousing, and shipping costs as we rely on watchmakers retail stores.

Transparent & coherent prices

With a wide offering from retail stores and no middleman, transparent prices on the marketplace will drive incremental traffic and improve customer loyalty, generating more revenue and better profit margins.

Best customer service

One of our main focus as a marketplace operator is ensuring customers are 100% satisfied. In order for them to enjoy a luxury shopping experience, we will act as a trusted third party. By aggregating a community of reliable and high quality watchmakers retail boutiques on the marketplace we drive customer satisfaction and customer loyalty. Delivery will be offered within short time in big metros benefiting from many luxury watch boutiques partnering with us. Click & collect option will also be offered and might attract a new category of customers to traditional retail “watch boutiques”.



Investments required

- Around xxx K EUR required to set up the marketplace, work on SEO & UX design and set up an efficient inventory management system that feeds on updates from independent retail boutiques running the same or compatible software + xxx K EUR to build a qualified, sustainable and experienced team. Already 50K EUR available.

Men's Watches



FREDERIQUE CONSTANT
CLASSICS CHRONOGRAPH

\$1,037



FREDERIQUE CONSTANT
SLIMLINE MIDSIZE DATE

\$921



FREDERIQUE CONSTANT
SLIMLINE AUTOMATIC

\$1,732



FREDERIQUE CONSTANT
SLIMLINE GENTS SMALL SECONDS

\$997



FREDERIQUE CONSTANT
MANUFACTURE WORLDTIMER

\$4,114

Who am I ?

- Graduate from Grenoble Ecole de Management, ranked TOP 30 in Europe by the Financial times,
- Attended International Management Institute in Delhi, INDIA and Loughborough School of business and Economics
- Interned in large international Private Banks in Switzerland and Monaco



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your feedbacks
Charles GAILLARD

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Thank you for your time and interest.