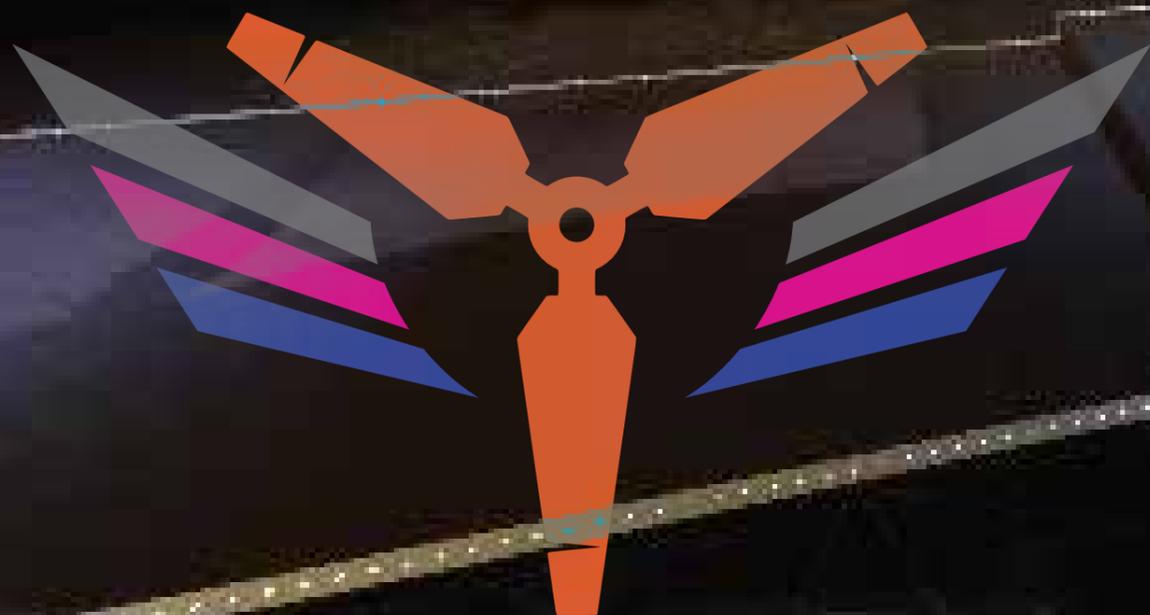


A Spitfire hangs from the ceiling of IWC Schaffhausen's space at this year's SIHH

THE PILOT OF SCHAFFHAUSEN



With a new manufacturing facility set to open in 2018, IWC is on track to expand movement production. CEO Georges Kern explains why this is important, and why lowering prices in 2016 is good for business.

BY SYL TANG

THERE ARE REASONS for the popularity of IWC's display at the Salon International de la Haute Horlogerie booth each year. Last January an all-day cocktail bar with slogans such as "you are seeing a double moon? That doesn't necessarily mean it's time to stop drinking" created a tongue-in-cheek atmosphere. This year, the company's hotly anticipated Pilot watch re-launch at SIHH included the installation of a Supermarine Spitfire airplane from the ceiling.

In other words, it's fun to be with IWC.

However there are also business reasons for keeping an eye on the company. Rumored to be the only Richemont brand unaffected by the current currency challenges, what IWC does could precipitate the holding company's overall direction.

"We are going to bring the average price down. It has been a mistake by the industry to raise prices," says Georges Kern, CEO of IWC Schaffhausen.

With the price of both the Pilot's Watch Mark XVIII and the Pilot's Watch Automatic 36, two of the completely new references, at just \$3,950, the just-launched Pilot's Watch collection will bring down the median price point for the brand. In fact, overall pricing on both of the company's accessible collections is being lowered. Prices on the IWC Portofinos also came down slightly from last year.

In December, I traveled to Schaffhausen, Switzerland, to chat with Kern about this and other aspects of the company's future. He told me that the industry as a whole has over-priced their pieces. "It is how about how you reach the local clientele," he mused. "You have to make it a reasonable offer."

The chief was not just thinking about being accessible at the entry-level, but how he could keep currency fluctuations from wreaking havoc on the worldwide pricing of IWC pieces. He wants to be sure local shoppers go to local authorized dealers and IWC boutiques.

EXPANSION

LOCAL ALSO INCLUDES the flagship boutique at IWC headquarters.

In 2005 IWC outgrew its landmark building on Baumgartenstrasse and added a state-of-the-art frosted-glass annex, which now houses restoration, various manufacturing, and a small museum. The watchmakers work in the west wing of the annex, which was completed in 2008. This extension also allowed the company to renovate and expand its Schaffhausen flagship boutique, which opened in 2007.

The company's presence feels very much woven into the fabric of the lives of the residents of Schaffhausen. A retiree who loves

Big Pilot's Watch Perpetual Calendar
Edition "Antoine de Saint Exupéry"



MANY OF IWC'S 2106 PILOT'S watches feature reduced case diameters, smoother case lines to increase wearer comfort and new materials to prevent aging of dial detail.

Georges Kern,
CEO of IWC
Schaffhausen



IWC so much that he started a second career by taking visitors through the company gives a private tour of the headquarters. The notion of 'time' itself has played a large role in the city. A mechanical clock with a revolving moon phase feature, built in 1564, is prominent at the top of a building in the town square.

The company is also a big local employer. A few years ago, the brand outgrew even the new extension and took a temporary lease in nearby Neuhausen for some staff and manufacturing, such as guilloché and crystal work. The facility, a former guns and farming equipment factory, has enough space for approximately 120 of the IWC staff, with 626 remaining in the original building. But the situation is less than ideal, with the staff shuttling the fifteen minutes between locations.

In 2015, the company broke ground at Grüne Wiese, the name of the site that will be a new headquarters and manufacture for IWC, approximately 45 minutes west

of Baumgartenstrasse. Planning for the construction of the production and technology facility took place throughout 2015 and building will recommence this year.

The Grüne Wiese facility has other purposes beyond centralizing operations and staff however. With an anticipated opening date of 2018, the new facility's chief focus will be to make the company's three new in-house movements, including the 69000 chronograph movement and the 42000 automatic movement, both announced by IWC's production team at SIHH 2015 but not yet in production.

BEING BETTER

THE NEW MOVEMENTS are, in fact, central to the company's overall future direction. The 69000 will be incorporated into the Pilots collection, and is part of the brand's efforts to "be better" as described by Christian Knoop, IWC Creative Director, when I saw him in Schaffhausen.

What does better mean to IWC? Design changes include reducing case diameters, improving lines to increase wearer comfort, refined finishing, using different materials to prevent the aging of dial detail (something that occurred in the original Pilots) and bringing back the single date window at the 3 o'clock position. "People on the forums freaked out," says Knoop. "Fans wanted the single date back."

An in-house movement would be part of the shift to easier-to-replace parts that is part of a long-term vision for the new Pilot's watches. The original issued pieces for the Royal Air Force's inner case and anti-magnetic aspects depended on an outside alloy supplier.

There is also a philosophical change that is being embraced by the company. "We want to change some things from being functional to luxury everyday," says Knoop. Continuing the Santoni (strap) partnership, which began in 2011 in the Portofino collection, was

The IWC Pilot's Watch Automatic 36 debuted at SIHH this year.



expanded to Portugieser last year, and this year to Pilots. The change reflects this shift from function to, in Kern's word, 'aspirational'. Of the twenty-nine Pilots models, fully eighteen received a style change this year, and eleven are entirely new.

"It is okay to be highly commercial. We want to push the concept of the gentleman pilot. You have people loving the idea of the volleyball-playing pilot, getting the blond girls. None of these specialty watches are used in the specialties," says Kern, acknowledging that, as with most modern aviation-inspired designs, actual pilots may not be the only people wearing these models.

SMALLER CASES

TO THAT END, the Pilot's watches may not need the over-sized utility of, say, an airman flying a Junkers 52 back in the day. Thus, this year they are smaller. In a number of the styles, the case diameter of the watches will come down. For example, the ceramic models will shrink 2mm from a 46 mm to a 44mm, the automatic from 41mm to 40mm and so forth. Even the Big Pilot, originally 48mm, will be a friendly 46mm.

However the lowering of the price point brings IWC's collection well into affordable luxury, and more than one pilot, aspiring to his father's watch, may take a second look at the brand. During the 2011 Top Gun launch, the



Christian Knoop, Creative Director for IWC, has been unafraid to implement customer feedback.

company collaborated with Cockpit, a military and consumer outfitter run by a family of Air Force pilots. The son wore a Breitling, but the father wore the original vintage IWC Big Pilot, the very watch IWC is re-issuing this year. "Sometimes I get to borrow it," joked Scott Clyman, the younger pilot, "(the vintage one is) a bit out of my budget."

Back at SIHH, the buzz around IWC is unmistakable. Since the Richemont takeover Kern has more than trebled the revenues of the brand and more than one insider believes he will be the heir-apparent to Richemont chairman Johann Rupert. Who attends what dinner during the fair is noted and Rupert

once again attended the IWC dinner. Not a far leap therefore to that IWC's recalibration of watch prices will have a reverberant impact across the industry's mid-priced (\$5,000-\$10,000) watches.

"[Staying relevant] can be through the story, through the customer relationship," Kern summarizes. "Look, just don't become irrelevant, old, dusty, passé. It's a huge danger in the market." With Kern so attuned to today's marketplace, such dangers seem unlikely at IWC.

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The new 40mm IWC Pilot's Watch Mark XVIII returns the historic single date, the 9 digit and the dial-top triangle to the Mark dial.

FANS WANTED the single date back.