



181°

**CASE STUDIES ON SUCCESSFUL
BRAND LICENSE PARTNERSHIPS**

No. 2

Bugatti Automobiles SAS

and

Parmigiani Fleurier SA

for

Luxury Watches

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VOLKSWAGEN'S RELAUNCH OF BUGATTI



Bugatti Automobiles SAS is a subsidiary of the Volkswagen Group based in Molsheim, France. In 1998, Volkswagen had acquired the heritage of the Bugatti brand which was once famous for the high performance and beautiful designs of their cars in the 20ies and 30ies of the last century. In fact, Bugatti dominated car races held during that period at famous circuits like Le Mans, Targa Florio, Monza, Le Mans, Stiges-Terramar. However, Bugatti never really recovered after world war II.

Volkswagen's idea was to revive the brand in the luxury super sports car segment, by building on both its rich heritage and on technological concepts ahead of its time. In late 1999, Volkswagen presented the concept car "Bugatti Veyron EB 18.4" based on a three-bank W 18-cylincer engine, named in honour of Pierre Veyron, a Bugatti development engineer, test driver and company race driver who won the 1939 Le Mans race on a Bugatti Type 57.

Volkswagen decided to start production of the car in 2001. The concept was so advanced that it took until 2003 to complete the first roadworthy prototype, and even until late 2005 to start series production. The Veyron featured an 8l 1.001 hp engine, a torque of 1.250 Nm, and a top speed of 410 km/h. With this features, the Bugatti was—and still is—the fastest street-legal production car in the world. The base version of the Veyron had a price tag of 1.225 m€, and as such was aimed at a very small target audience of luxury car collectors and amateurs. The production premises in Molsheim resemble more a sophisticated Formula 1 studio than a car assembly factory. Since launch, Volkswagen communicated sales of the Veyron to be limited to a total of 300 pieces, representing a sales and production cycle of approx. 6 years. As of 2011, the initially announced 300 units of the Veyron coupé were sold out.

The Veyron model cycle was later extended by adding variants whose production number was not to exceed additional 150 cars, including the Veyron Grand Sport in 2009 (a targa top version), the Veyron Super Sport in 2010 (with an upgraded engine of 1.200 hp and a top speed of 431 km/h, and the SuperVeyron in 2013 (a light-weight version of the Super Sport with 1.600 hp and top speed of 460 km/h). These additional variants prolong

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the Veyron model cycle until approx. 2014/2015.



For the time after Veyron, Volkswagen presented in 2009 the Bugatti 16C Galibier concept, a 1000 hp 5-door fastback sedan. The Galibier will be available from 2015, with little less than 1.000 hp, at a price of 1,1 m€ plus tax, and limited to a maximum of 3.000 pieces.



Since the acquisition of the Bugatti brand name in 1998, Volkswagen successfully managed to establish and position the brand at the very top of the luxury car market, clearly above other brands like Maybach, Ferrari, Lamborghini, Rolls Royce, Bentley and Aston Martin.

PARMIGIANI FLEURIER SA

Parmigiani Fleurier is a relatively young Swiss watchmaker which was founded in 1996 by Michel Parmigiani, a renowned expert in haute horlogerie, and the Sandoz family. By 2000, they had acquired a number of companies specializing in different watchmaking components and assembly and became a fully integrated watchmaker independent from other suppliers and from the large Swiss watchmaking groups (Swatch/SMH, Richemont).



The vision of Parmigiani Fleurier was to create handcrafted luxury watches in precious metals which are not only unique in their inimitable design and styles, but also in their mechanical components. All parts are developed and manufactured inhouse. 10 proprietary calibres form the technological basis of Parmigiani watches. With only 5.500 watches produced and sold every year, and an average price of 80.000 CHF, Parmigiani is one of the smaller players among the Swiss watchmakers positioned at the very top price level of the market.



THE LICENSE PARTNERSHIP

Since the foundation of Parmigiani Fleurier, Michel Parmigiani had researched the idea of a revolutionary transversal watch movement. Parmigiani wanted to be the first to launch a watch based on such movement. By around 2000, he came up with a prototype where the five main plates were positioned on a horizontal axis offering an unhindered view of the bridges and train wheels. At around the same time, Bugatti announced its plans to launch the fastest street-legal car ever produced. The final decision to launch the car was taken in 2001.

Throughout history, there was always a strong connection between cars and timing instruments. It was all natural that Parmigiani with his visionary watch idea approached Bugatti for a brand license partnership. Both companies shared the vision of „being the first and best“, and of supplying true luxury products to collectors. Parmigiani’s transversal watch would have the benefit for drivers to see the dial without taking the left hand off the wheel, or by somehow distorting the left wrist. The license agreement was signed in 2001, the launch of the watch anticipated for 2004. Like the car, the watch should be positioned in the top luxury segment of the market at a price of 185.000 EUR and limited to 100 pieces per each of three dial colours which corresponds exactly to the limitation of the car. Ideally, the buyers of a Bugatti Veyron would also buy a watch.

THE PARMIGIANI BUGATTI 370 WATCH



The Parmigiani Bugatti Type 370 is a perfect example for brand and design alignment between different product categories. Developed from an entirely revolutionary concept for watch-making, taken directly from automotive technology, the Bugatti Type 370 imposes its aesthetic with parts arranged like a transversal engine. “An engine block on the wrist that also tells the time“ Michel Parmigiani’s original idea at the start of the Parmigiani Fleurier Bugatti adventure appealed to the auto company right away.

The concept of the transversal movement gave birth to a highly complicated assembly, which highlighted the revolutionary mechanism’s beauty. To protect the transversal movement and guarantee optimum shock absorption, the Parmigiani Fleurier production shops perfected a system comparable to an automobile chassis. The watch houses a nickel-finished 37 jewelled lever movement, with 10 day power reserve indicator on a wheel, spread between five plates arranged along a horizontal axis. It features a vertically set red dial with the Parmigiani and Bugatti logos and applied baton numerals on silvered chapter ring, luminous delta hands. The cylindrical 18 carat white gold case of oval outline is set onto a curved rectangular backplate with crescent-shaped sides. The movement is

visible through five sapphire crystals at the top, sides, back and reverse.

The result was a masterpiece of watchmaking and haute horlogerie. After the commercial launch in 2005, the luxury watch market was so excited about the new Parmigiani Bugatti Type 370 that it was voted “International Watch of the Year 2006”.



GOING HAND IN HAND

By 2009, the limitation declared prior to the launch of the Type 370 was exhausted. To put an end to the Type 370 line, Parmigiani offered two variants in 2009. In tribute to a special version of the car, the Bugatti Veyron 16.4 Fbg par Hermès, which was designed in cooperation with Hermès, Parmigiani launched a special makeup of the watch, the Bugatti Faubourg Type 370, which was limited to 10 pieces in each of two colours. The Faubourg type was available in typical Hermès colourways, one in brushed white-gold with a black dial or a rose gold model and a coffee brown dial, combined with genuine Hermès leather strap.



Also in 2009, the Type 370 was crowned with the Bugatti Type 370 Centenaire, a variant limited to 2 pieces only and in honour of the 100th anniversary of Bugatti. Parmigiani entrusted these two anniversary models in 18 carat rose gold and platinum 950 to an exceptional artisan engraver, Philippe Bodenmann, who designed the pattern and dedicated 300 hours of manual work to complete each piece.

By late 2007 it was clear that Parmigiani needed new models to succeed the successful Bugatti Type 370 watch. However, Bugatti Automobiles was still in the middle of its cycle to sell the 300 Veyrons, and no successor car was decided yet. In this situation, Parmigiani decided to adopt two different routes.

THE TYPE 372 SUPER SPORT AND VITESSE

First, Parmigiani developed a new vertical watch to follow the Bugatti Veyron Super Sport with 1.200 hp announced for 2010. This new watch should be more sportive, even “racing”, in honour of the fastest car of the world. To achieve this, Parmigiani developed the 372 calibre where all the mechanical components would be flipped onto a vertical axis, retaining the vertical time display so appreciated by car drivers. The dial is positioned perpendicular to the display axis (hours/minutes) – by integrating a system of double pinions with bevel gearing. Again, this system





was completely new in watchmaking. The new 372 was flatter overall, allowing to develop a new casing which would follow the form of a car, instead of an engine block. The new Bugatti Super Sport would be limited to 200 pieces overall, and priced at 259.000 USD.

The first Super Sport was launched in 2010 in white gold and limited to 30 pieces. In 2012, a rose gold version was added, also limited to 30 pieces. Also in 2012, when Bugatti Automobiles launched the Bugatti Grand Sport Vitesse, the targa version of the Super Sport, Parmigiani launched the Bugatti Vitesse Titanium which is an adaption of the Super Sport with different materials from lightweight cars (titanium, texalium). The Vitesse came out in orange and blue.



THE ATALANTE

Already in 2007, Bugatti Automobiles initiated discussion what would come after the Veyron. Early discussions included an extension of the brand into the USD 250k-500k segment. It was only later when the idea of the Bugatti Galibier was born and decided. At that time, Parmigiani was open to follow Bugatti's direction with a watch priced between CHF 50 and 100k. Parmigiani's success with Bugatti iwatches in the haute horlogerie segment was stunning, and the publicity they got from the collaboration with Bugatti Automobiles helped them a lot to estab-

lish their young company in the luxury watch market. As a watch brand, Bugatti was now strong enough to address a slightly broader audience.

Parmigiani devoted its first flyback chronograph calibre to the next range of Bugatti watches which would have a “normal” (round and horizontal) shape. These watches would be named Parmigiani Bugatti Atalante, in honour of the Bugatti Type 57 S Atalante car produced between 1936 and 1938. The openwork dial’s vertical embrasures, inspired by the Bugatti Atalante 57S Sport grill, offer glimpses of the mechanism below. The chronograph pushers are located on the left. Once the chronograph hand is moving, a single press resets it instantly to zero and restarts the chronograph immediately. In addition to the chronograph’s 30-minute counter and small seconds, the Atalante features two separate tachymetric displays. One on the bezel allows high speed events from 60-200 km/h to be timed, and the other on the 30-minute counter can be used for slower events such as walking or running. The Atalante Flyback was launched in 2010. Its models come in white or red gold, with or without diamonds. It is available for men and women. A limited edition of 17 pieces in platinum reminds the 17 Type 57S Atalante cars ever produced. Prices range from CHF 65-95k.



Remains to be seen what new ideas Parmigiani will come up with for the Bugatti Galibier.

Resuming, this is a perfect example for alignment over distant categories. The positioning of the brand in both segment is identical—at the very top of the market, in all the high-income places globally. The target audience is very similar, even if not exactly the same. Wherever possible, the watch takes up features, details, looks etc. from the car. Both partners benefit from the tremendous publicity generated by the other. Even if the annual royalty income of ~ 0,5 m€ seems to be little for a company like Volkswagen Group, and even if the turnover of Parmigiani is limited due to the high price and limitation of the watches, the publicity value for both partners is invaluable.

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