

A Business History of the Swatch Group

The Rebirth of Swiss Watchmaking and the Globalization of the Luxury Industry

Pierre-Yves Donzé

Graduate School of Economics, Kyoto University, Japan

palgrave
macmillan

Contents

<i>List of Figures</i>	vi
<i>List of Tables</i>	viii
<i>Preface and Acknowledgements</i>	ix
1 Introduction	1
2 The Watchmaking Crisis of 1975–1985	10
3 The Creation of the Swatch Group and the “Swatch Legend”	25
4 Rationalization and Globalization of the Production System (1985–1998)	38
5 A New Marketing Strategy (1985–1995)	63
6 The Major Move into Luxury (Since 1995)	72
7 Omega’s Choice	92
8 China: A New El Dorado	102
9 The Swatch Group’s Competitors	112
10 Conclusion	130
<i>Notes</i>	137
<i>References</i>	143
<i>Index</i>	149

List of Figures

0.1	Name changes for the Swatch Group	xii
1.1	Production and exports of the Swiss and Japanese watchmaking industries, in USD millions, 1960–2010	2
2.1	Swiss exports of watches and movements, volume as thousands of pieces, 1900–2000	11
2.2	National production of watches in Japan, volume, 1970–1985	15
2.3	Production of watches by Seiko and Omega, volume, 1945–1970	17
2.4	Imports of watches and clocks into Hong Kong, in HKD thousands, 1960–1980	19
2.5	Imports of complete watches into the United States, in USD thousands, 1965–1985 (logarithmic scale)	21
2.6	Exchange rate trends for the Swiss franc (CHF) and the Japanese yen (JPY) against the US dollar (1970 = 100), 1970–1990	22
3.1	Consolidated turnover of ASUAG, in CHF millions, 1970–1982	28
3.2	Consolidated turnover of SSIH, in CHF millions, and sales volume, in thousands of watches, 1970–1982	30
3.3	Gross sales for the Swatch Group, in CHF millions, and net profit, as a percentage, 1983–2011	33
3.4	Exports of non-metal watches, in CHF millions, 1983–2009	35
4.1	Global flow of watch movement parts, value in USD, around 1995	48
4.2	Productivity and net value added per employee, 1985–2010	60
6.1	Watch exports from China to Switzerland, in USD millions, 1995–2010	86
6.2	Watch exports from Hong Kong to Switzerland, in USD millions, 1997–2010	87

6.3	Watch exports from Thailand to Switzerland, in USD millions, 1998–2010	88
6.4	Shares of main Swatch Group markets, as a percentage of turnover, 1992–2012	91
7.1	Number of official chronometer rating certificates issued, 1961–2010	97
8.1	Number of wrist watches per 100 households in rural areas, 1980–1999	103
8.2	Swiss watch exports to Greater China, in CHF millions by region and as a percentage of turnover, 2001–2012	105
9.1	Turnover of the Richemont Group, in millions of euros and as a percentage, 1999–2012	118
9.2	Turnover of the LVMH Group's watch and jewellery division, in millions of euros and as a percentage of total group turnover, 2000–2012	120
9.3	Turnover of the Fossil Group, in USD millions, and share of sales abroad as a percentage, 1987–2012	125

List of Tables

1.1	Swiss watch and movement exports, 1980–2010	6
3.1	Board of Directors, 1985	32
4.1	The main watchmaking companies in China by turnover, in millions of yuan (RMB), 2005	45
4.2	Product sales of the Swatch Group, thousands of pieces, 1986–1987	50
4.3	Geographical breakdown of sales of complete watches and movements by the Swatch Group, as a percentage, 1986 and 1992	52
4.4	Watch and movement production by the Swatch Group, 1992–1998	53
6.1	Consolidated turnover for the various Swatch Group brands, 2006	77
6.2	Distribution and sales companies of the Swatch Group, 1998–2009	79
6.3	Largest watch factories in Thailand, 2011	90
8.1	Market shares of the top 15 watch brands in China, 2007	107
8.2	Turnover of the Hengdeli Group, in millions of yuan (RMB), 2004–2012	109
8.3	Flagships stores of the Swatch Group, 2010	110
9.1	Approximate turnover of the top 10 watch brands, in CHF millions, 2011	113
9.2	The world's main watchmaking groups, 2012	115
9.3	Examples of the use of the ETA 2892 calibre	128
9.4	Swiss mechanical movement makers, 2010	128