



## **JAPANESE WATCH MARKET SURVEY**

### **On Import Watches in 2004**

Federation of the Swiss Watch Industry FH, Tokyo Center conducted the watch market survey on import watches in Japanese market in this year.

The survey was carried out by Teikoku DataBank under control of FH-Tokyo.

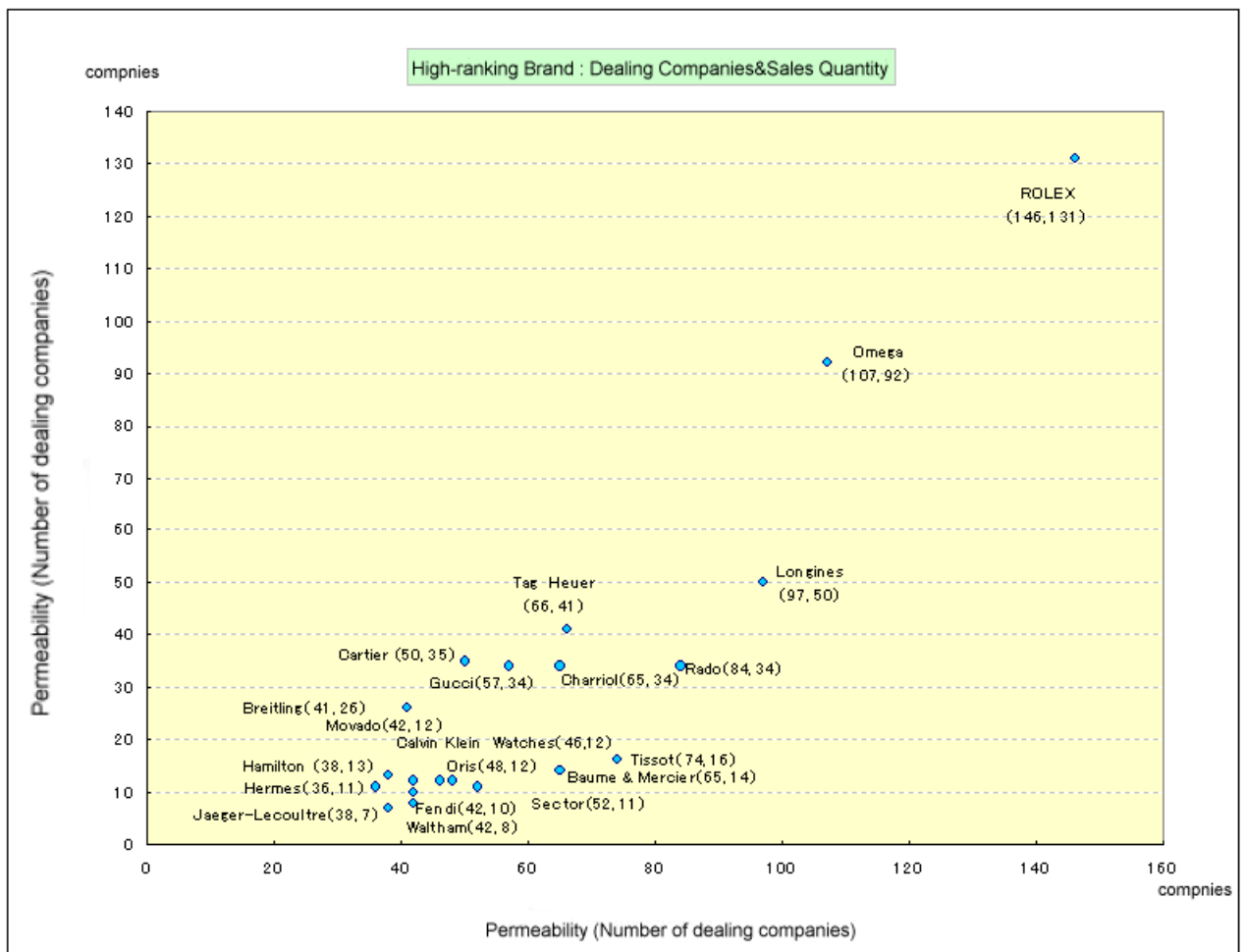
- Mailing out questionnaires to 534 companies (watch retailers/department stores) in January.
- 178 replies are back (33.3%)
- Original report is in Japanese. English translation is made by FH-Tokyo.



<Summary>

**Rolex is the most popular brand same as the last survey**

The graphic shows the number of dealing companies in ordinates and number of companies that selected the brand as their top 5 brands in sales quantity in abscissas. 146 companies deal Rolex and 131 companies picked up Rolex as one of their top 5 brands in sales quantity. Next is Omega and that was the same in the last survey also.



Figures in ( ) are dealing company, company selected the brand as top 5



**More than half replied Sales Value in 2004 was below ¥50 million**

51.7% of companies replied that the sales value in 2004 was below ¥50million, and 78.6% are below ¥300 million.

**60% companies sold less 300 pcs in 2004**

Majority replied that the sales quantity in 2004 was below 300 pcs and that occupied 59.6% of the total replies.

**Average unit price is between ¥100,000 and 300,000**

51.7% replied as “between ¥100,000 and 300,000”, 27.5% was “between ¥300,000 and 500,000”. It is that 79.2% of companies said the average unit price of import watches is between ¥100,000 and 500,000.

**The main advertisement activity is DM**

65.7% is using Direct Mail as their advertisement. That is followed by “flier” (35.4%) and “newspaper” (33.7%).

**More than 70% said ratio of repeaters is more than 10%**

76.3% of companies replied that more than 10% of their customers repeat purchases.

**Target of import watches in 2005 is “Thirties” and “Price range between ¥100,000 and 300,000**

Regarding their sales target as consumers generation and that as price range respectively, replies combined “thirties” and “¥100,000-300,000” was the most and occupied 17.1%.

**Forecast of import watches in 2005 is hard**

39.9% companies forecast that import watch business in 2005 will be worse, and 15.7% forecast it will be better. Compared to the last survey, positive forecast was decreased 13.2% and negative forecast increased 3.3%.



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**Ladies watches and expensive watches are active**

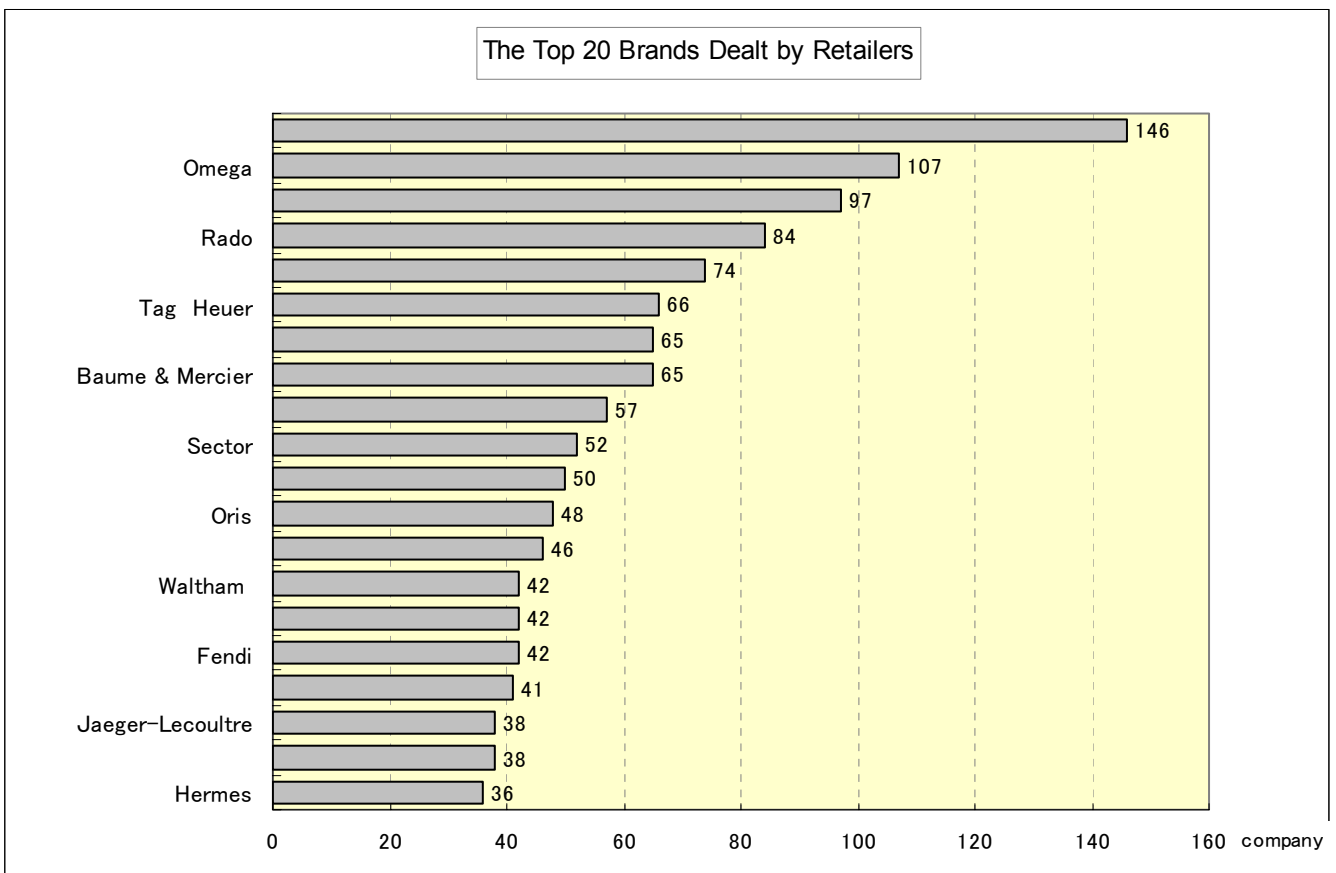
Consumers are still conscious to obtain “their own watch” by studying in detail with magazines or on internet. Ladies models are attracting purchasers as many new models were released by various brands. Also, expensive brands get strong popularity.



## <Results of Survey>

### The 20 Brands dealt by retailers most

Question : Select dealing brands from the list below (see next page)



n=174

146 companies, 83.9% of the total replies (174) are dealing Rolex. Rolex prevails widely in the market. Omega (107 companies) and Longines (97 companies) followed.

Compared to the last survey, the brand names until 6<sup>th</sup> remained the same. New name of this time is Movado which came the 15<sup>th</sup>.

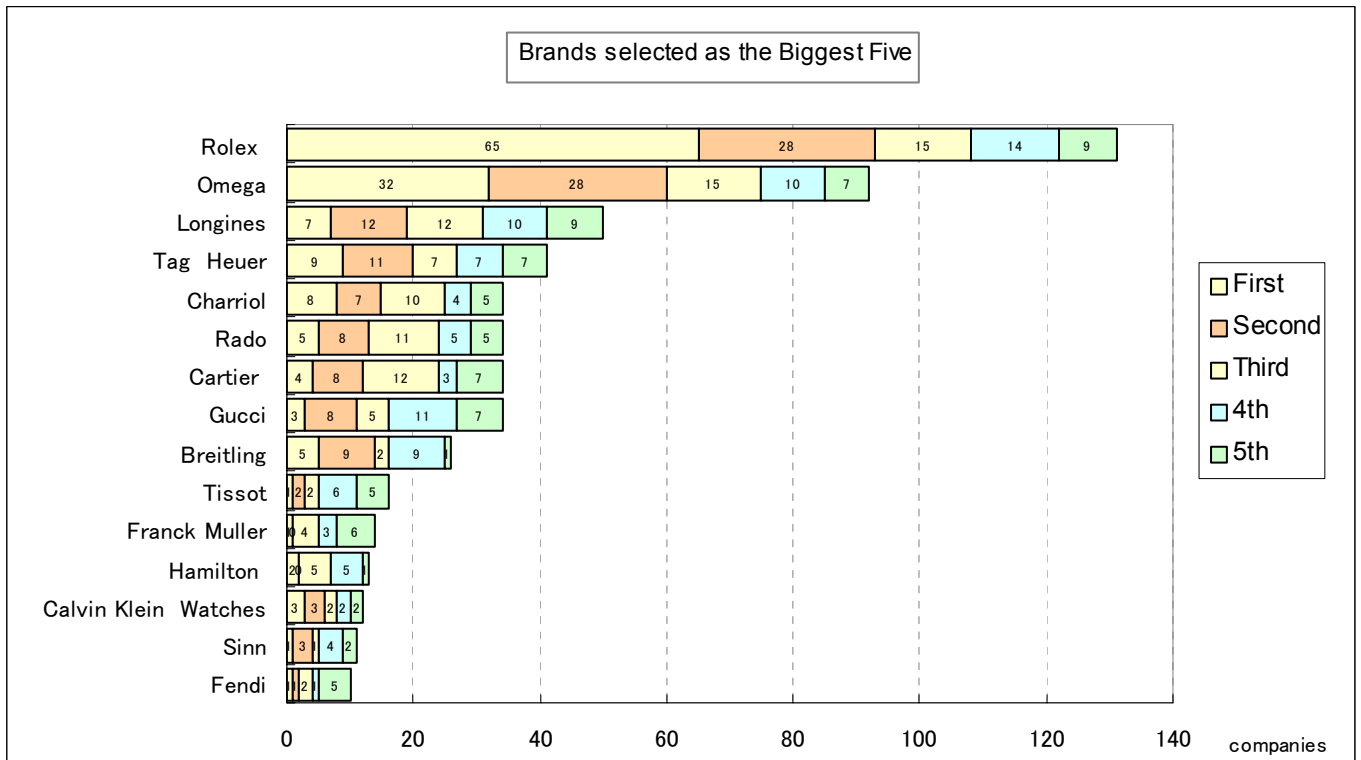


<List of Brands>

A.Lange&Sohne, Audemars Piguet, Baume&Mercier, Bertlucci, Blancpain, Breguet, Breitling, Bvlgari, Calvin Klein Watches, Cartier, Chanel, Charriol, Chopard, Christian Dior, Chronoswiss, Corum, Dunhill, Ebel, Fendi, Franck Muller, Girard-Perregaux, Gucci, Hamilton, Hermes, Ikepod, IWC, Jaeger-Lecoultre, Jaquet Droz, Longines, Maurice Lacroix, Montblanc, Movado, Omega, Oris, Panerai, Patek Philippe, Piaget, Rado, Roger Dubuis, Rolex, Sector, Sinn, Tag Heuer, Tiffany, Tissot, Ulysse Nardin, Vacheron Constantin, Van Cleef&Arpels, Waltham, Zenith, others

**Selling Brands**

Question : Select 5 brands which were sold most in quantity during 2004



n=163



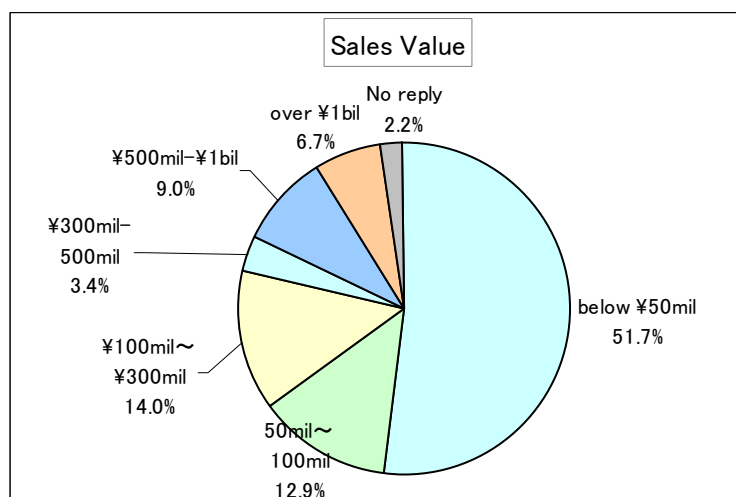
Rolex was the most listed among the top 5. 131 companies (80.4% of the total) selected this name as the top five, and 65 companies ranked Rolex as the top, and they are 49.6% of the companies dealing this brand.

Companies selected Omega among the top 5 was 92 companies, 56.4%. Out of the 92 companies, 32 companies ranked Omega as the top. Companies who ranked Rolex as top and Omega as the second were 18 companies, 11.0% of the total replies.

### Sales Value in 2004

Question : Select the sales value in 2004 from the followings

below ¥50mil / ¥50mil - ¥100mil / ¥100mil - ¥300mil /  
¥300mil - ¥500mil / ¥500mil - ¥1bil / over ¥1bil



Sales Value	n	%
below ¥50mil	92	51.7
¥50mil - ¥100mil	23	12.9
¥100mil - ¥300mil	25	14.0
¥300mil - ¥500mil	6	3.4
¥500mil - ¥1bil	16	9.0
over ¥1bil	12	6.7
no reply	4	2.2
Total	178	100.0

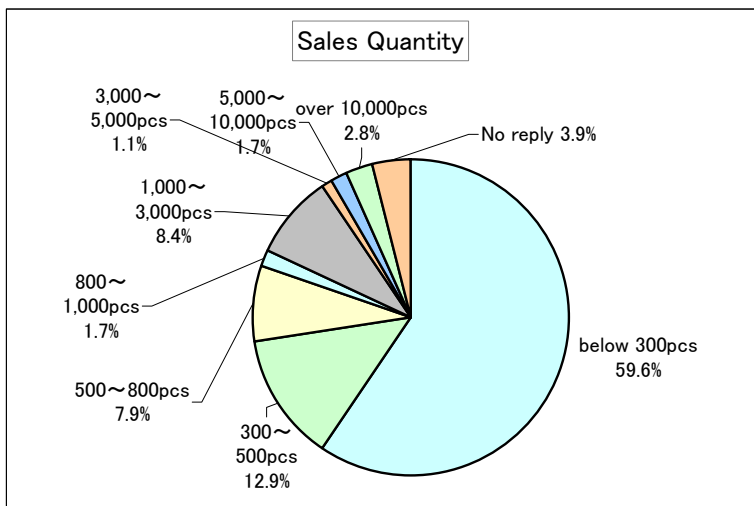
92 companies (51.7%) replied for “below ¥50 million as sales value in 2004. Companies with sales value below ¥100 million was 115 companies (64.6%).



### Sales Quantity in 2004

Question : Select the sales quantity in 2004 from the followings

below 300 pcs / 300 pcs-500 pcs / 500 pcs-800 pcs / 800 pcs-1,000 pcs /  
1,000 pcs-3,000 pcs / 3,000 pcs-5,000 pcs / 5,000 pcs-10,000 pcs /  
over 10,000 pcs



Sales Quantity	no	%
below 300 pcs	106	59.6
300 pcs-500 pcs	23	12.9
500 pcs-800 pcs	14	7.9
800 pcs-1,000 pcs	3	1.7
1,000 pcs-3,000 pcs	15	8.4
3,000 pcs-5,000 pcs	2	1.1
5,000 pcs-10,000 pcs	3	1.7
over 10,000 pcs	5	2.8
no reply	7	3.9
Total	178	100.0

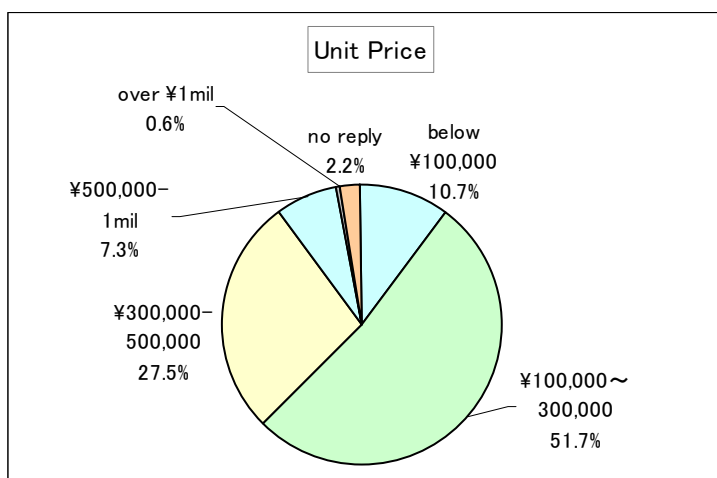
Replies for “below 300 pcs” was the most and occupied 59.6% (106 companies).



### Average Unit Price in 2004

Question : Select the average unit price in 2004 from the followings

below ¥100,000 / ¥100,000-300,000 / ¥300,000-500,000 / ¥500,000-1mil / over ¥1mil



Average Unit Price	n	%
below ¥100,000	19	10.7
¥100,000-300,000	92	51.7
¥300,000-500,000	49	27.5
¥500,000-1mil	13	7.3
over ¥1mil	1	0.6
no reply	4	2.2
Total	178	100.0

Same as the last survey, the biggest zone was the between ¥100,000 and ¥300,000, and they were 92 companies, 51.7%.

### Sales Value and Unit Price

Combining the result of sales value and unit price as the table below, it shows that 62.0% of companies of which sales value is in “below 50 million”, and 78.3% of companies of which sales value is in “¥50mil - ¥100mil” are selling watches in price range “between ¥100,000 and 300,000”.

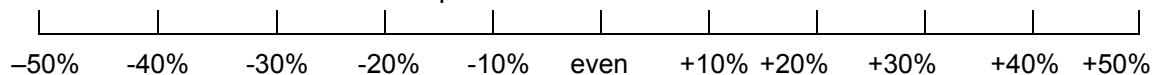
All companies of which sales value is in “below 50 million” are in the price zone below ¥500,000. Companies with bigger sales value are in higher price range.

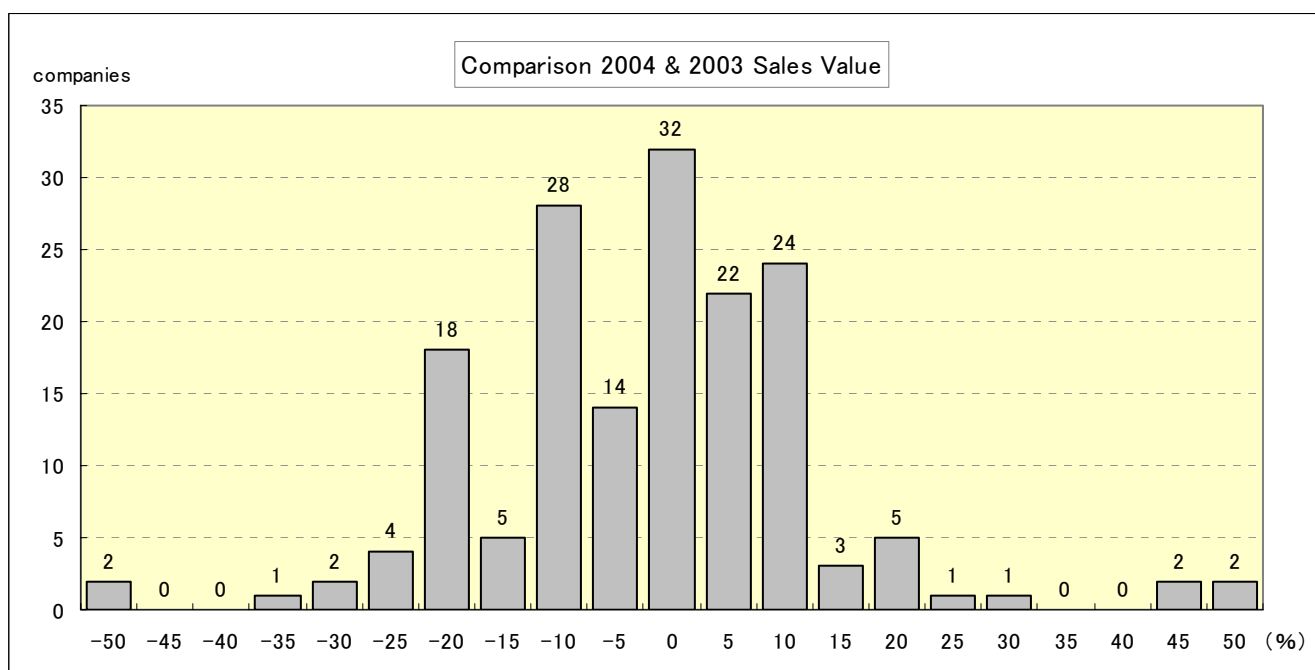


		TOTAL	Average Unit Price					no reply
			below ¥100,000	¥100,000 - 300,000	¥300,000 - 500,000	¥500,000 - ¥1mil	over ¥1mil	
TOTAL		178 companies	19	92	49	13	1	4
		100.0%	10.9%	52. %9	28.2%	7.5%	0.6%	
SALES AMOUNT	Bbelow ¥50mil	92 companies	14	57	21	0	0	0
		100.0%	15.2%	62.0%	22.8%	0.0%	0.0%	
	¥50mil - ¥100mil	23 companies	1	18	2	2	0	0
		100.0%	4.3%	78.3%	8.7%	8.7%	0.0%	
	¥100mil - ¥300mil	25 companies	0	12	12	1	0	0
		100.0%	0.0%	48.0%	48.0%	4.0%	0.0%	
	¥30mil - ¥500mil	6 companies	1	0	3	1	1	0
		100.0%	16.7%	0.0%	50.0%	16.7%	16.7%	
	¥500mil - ¥1bil	16 companies	2	4	4	5	0	1
		100.0%	13.3%	26.7%	26.7%	33.3%	0.0%	
	over 1bil	12 companies	1	1	7	3	0	0
		100.0%	8.3%	8.3%	58.3%	25.0%	0.0%	

### Comparison of Sales Value 2004 and 2003

Question : Which was the comparisons ratio of the 2004 sales value to 2003





n=166

The most was the “0%”. They were 32 companies, 19.3%.

Companies in “minus” was 74 (44.6%), and in “plus” was 60 companies (36.1%).

As to the reasons for the result, following comments were mentioned;

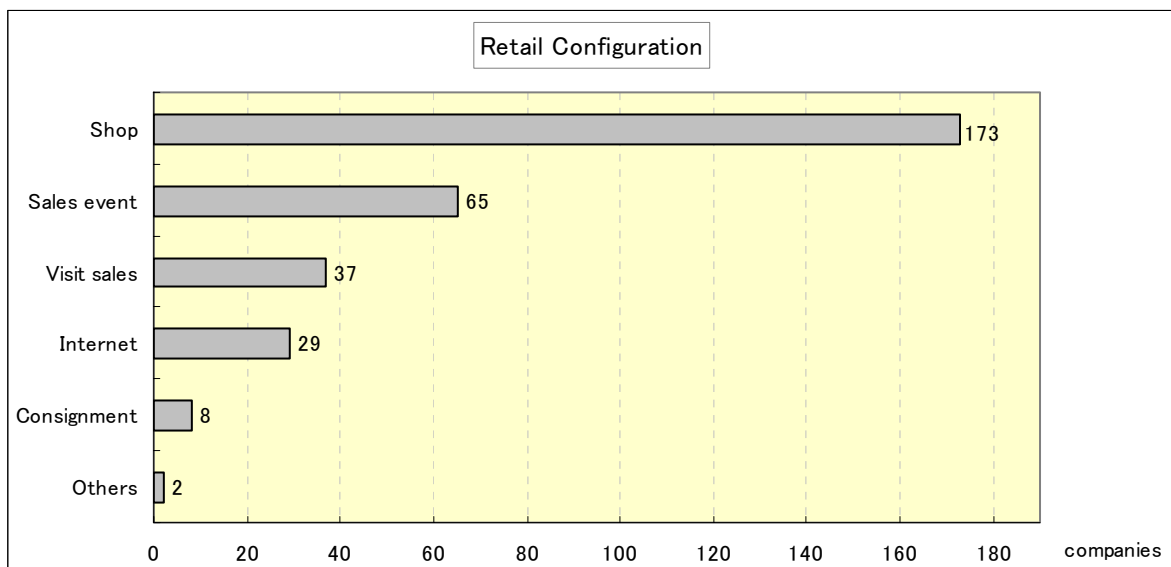
Reasons for their "Good" sales	No	Reasons for their "Even"& "Bad" sales	No
Unit prices were higher	14	Slow consumption in the depression	17
Active sales promotion	14	Competition with discounters, parallel importers	6
Improved collection	7	Sales promotion was not enough	6
Started new brands	3	Higher unit price	5
Good sales of Rolex	3	Slow consumers' mentality	5



Good sales of expensive watches	2	Less customer	5
Strict stock management	2	Slow sales of expensive watches	4
Young consumers were increased	2	Sales of Rolex was not like before	4
Popularity of mechanical watches	2	Less popularity of super brands	3
Provided specialists of import watches	2	Lower unit price	3
Efficient after sales services	2	Influence by brand flag shops	3
Strong somen's consumption	1	No supply of popular brands	3
Renewal of shop	1	Cannot be the authorized distributor of big brands	3
		Watch boom is down	2
		Less hitmodels	2
		Radio-controlled watch by domestic producers	2
		Slow sales of volume zone	2
		Selling is only Rolex	1
		Stagnant watch industry in general	1
		Mobile phones	1
		cannot meet consumers needs	1
		Consumers are much careful to spend money	1
		Consumers have already expensive watches	1
		Reduced sales space	1
		Men's watches are getting slow	1
		Ladies watch sales is not active	1



## Retail Configuration



Retail Configuration	n	%
Shop	173	97.2
Sales event	65	36.5
Visit sales	37	20.8
Internet sales	29	16.3
Consignment	8	4.5
Others	2	1.1
Total of replied	178	100.0

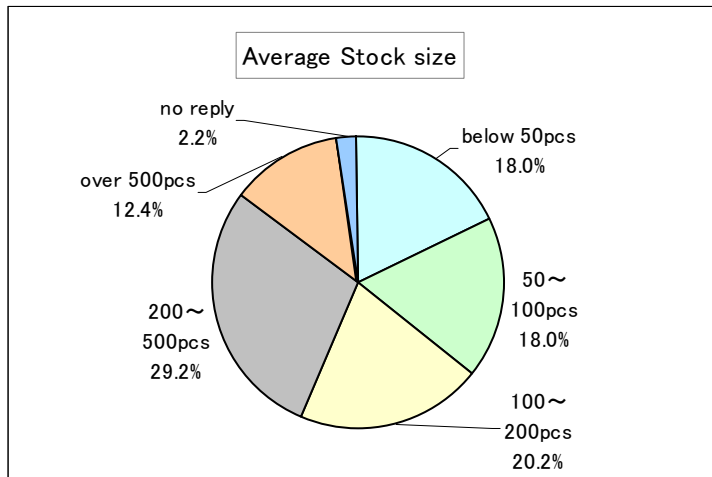
Total (n)	Total (%)
314	176.4

Retail at shops was the most and occupied 97.2% (173 companies), followed by sales events or sales fairs, which was 36.5% (65 companies). Internet sales was increased 5.9% from the previous survey and occupied 16.3%.



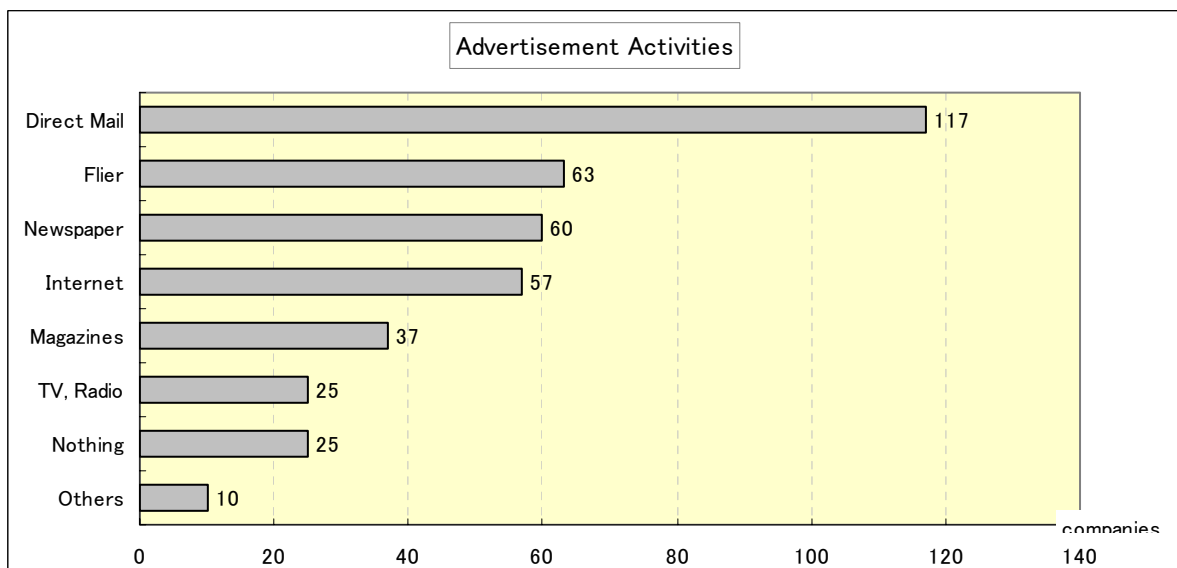
### Average Size of Stock

Concerning the average quantity of stocks, 52 companies (29.2%) replied “200-500pcs”.



Average stock size	n	%
below 50pcs	32	18.0
50 pcs-100 pcs	32	18.0
100pcs-200pcs	36	20.2
200pcs-500pcs	52	29.2
over 500pcs	22	12.4
no shop sales	0	0.0
no reply	4	2.2
<b>Total</b>	<b>178</b>	<b>100.0</b>

### Advertisement Activity





Advertisement	n	%
Direct Mail	117	65.7
Flier	63	35.4
Newspaper	60	33.7
Internet	57	32.0
Magazine	37	20.8
TV, Radio	25	14.0
Nothing	25	14.0
Others	10	5.6
Total	178	100.0

Total (n)	Total (%)
394	221.3

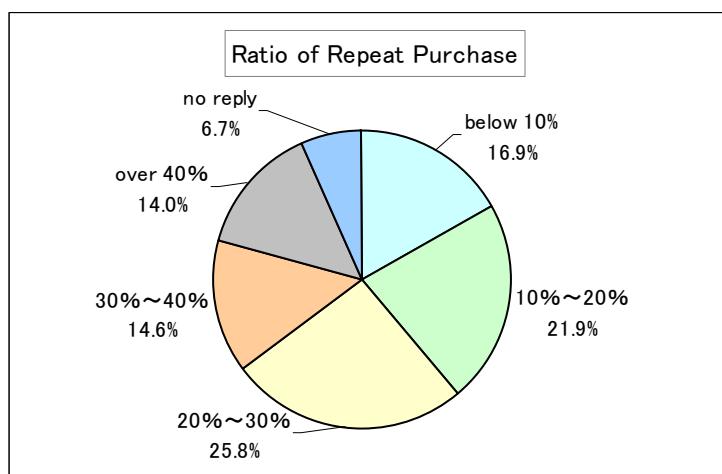
Name of Magazines	No
Leaflet of the town	9
TokeiBegin (by Sekai Bunka Publishing)	6
Ladies Magazines (CREA, BAIRA, ef, MORE, JJ, Cancam, MISS, MarieClaire, SWEET, etc)	5
World Wrist Watch (by World Photo Press)	3
ENGIN (by Shinchosha Publishing)	3
Xexi (by Recruit Inc)	2
Monthly M	2
Nile's Nile (by NILE's Basics Co)	1
TIME SCENE	1
Diamond (by Diamond Inc)	1
Brutus (by Magazine House Ltd)	1
UdeTokeiO (by KK Best Sellers Co)	1
Watch Beat (by Seibido Publishing)	1
Kyushu Waler	1
Watch Navi (by Gakken Co.Ltd)	1
Saizo	1
Takarajima (by Takarajima Publishing)	1

Others	No
Leaflet of the town	2
Members magazine of the shop	1
Mail Magazine	1
Information leaflet	1
Free Paper	1
Advertisement at train station	1
Poster within the shop	1



DM is used most as advertisement, and 117 companies (65.7%). “Flier” follows and 63 companies (35.4%). Newspapers is used by 60 companies (33.7%). Magazines used most was town-magazine (9 companies) and Tokei Begin by by Sekai Bunka Publishing was used by 6 companies.

### Ratio of Repeat Purchase



Ratio of repeaters	n	%
below 10%	30	16.9
10% - 20%	39	21.9
20% - 30%	46	25.8
30% - 40%	26	14.6
over 40%	25	14.0
no reply	12	6.7
Total	178	100.0

Concerning the ratio of repeat purchasers, 46 companies (25.8%) replied “between 20% and 30%”. “Between 10% and 20%” was 39 companies (21.9%). This shows that 97 companies (54.4%) replied that more than 20% of their customers repeat purchases.



**Sales Value and Ratio of Repeat Purchase**

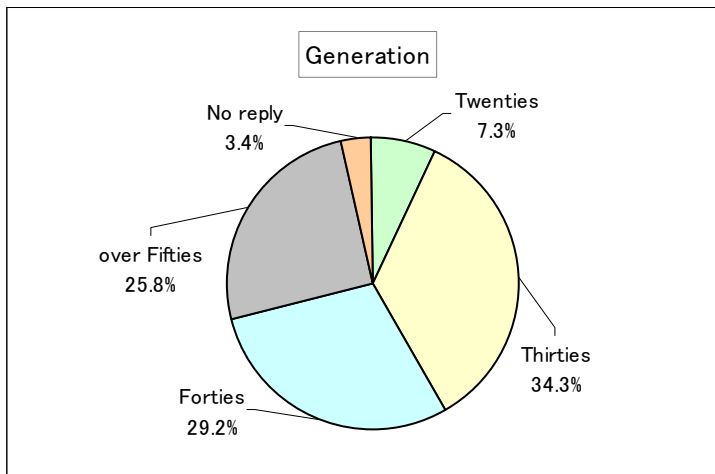
		TOTAL	Ratio of Repeat Purchase					no reply
			below 10%	10% - 20%	20% - 30%	30% - 40%	over 40%	
TOTAL		178	30	39	46	26	25	12
		100.0%	18.1%	23.5%	27.7%	15.7%	15.1%	
Comparison	between -50%" and -30%	3	0	2	0	0	1	0
		100.0%	0.0%	66.7%	0.0%	0.0%	33.3%	
	between -30% and -10%	29	8	6	5	4	5	1
		100.0%	28.6%	21.4%	17.9%	14.3%	17.9%	
	between -10% and 0%	42	6	10	14	7	4	1
		100.0%	14.6%	24.4%	34.1%	17.1%	9.8%	
	between 0%and +10%	54	9	8	14	8	11	4
	100.0%	18.0%	16.0%	28.0%	16.0%	22.0%		
between +10% and +30%	33	4	9	13	4	3	0	
	100.0%	12.1%	27.3%	39.4%	12.1%	9.1%		
over +30%	3	1	2	0	0	0	0	
	100.0%	33.3%	66.7%	0.0%	0.0%	0.0%		

Figures show number of companies



**Sales Target <Generation>**

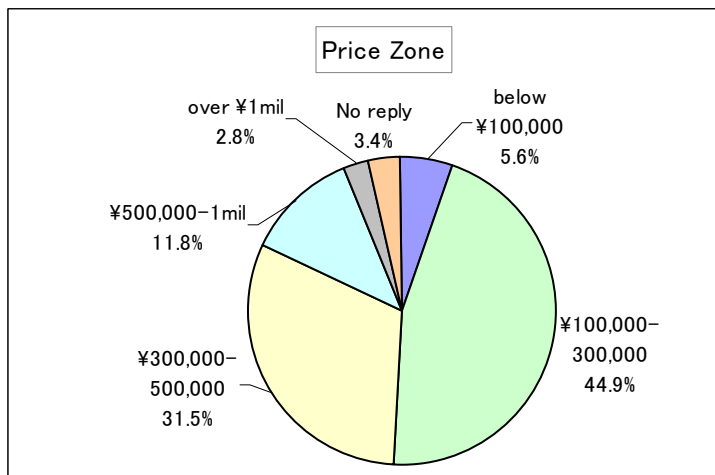
Question : Select customers generation as your main sales target



Generation	n	%
Teens	0	0.0
Twenties	13	7.3
Thirties	61	34.3
Forties	52	29.2
over Fifties	46	25.8
No reply	6	3.4
Total	178	100.0

**Sales Target <Price Zone>**

Question : Select price zone as your main sales target



Price Zone	n	%
below ¥100,000	10	5.6
¥100,000 - 300,000	80	44.9
¥300,000 - 500,000	56	31.5
¥500,000 - 1mil	21	11.8
over ¥1mil	5	2.8
No reply	6	3.4
Total	178	100.0



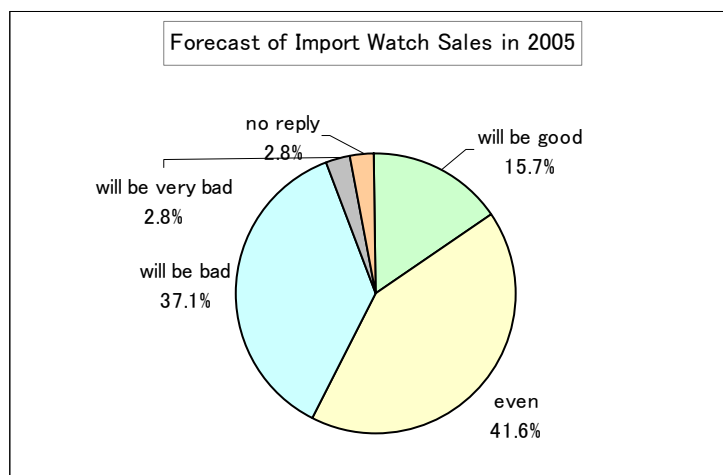
### Generation and Price Zone

Combining the generation and price zone as main sales target as the table below, it shows that 29 companies (17.1%) selected “Thirties” and “Price zone between ¥100,000 and 300,000”. The next was “Thirties” and “Price zone between ¥300,000 and 500,000”.

		TOTAL	Price Zone					no reply
			below ¥100,000	¥100,000 - ¥300,000	¥300,000 - ¥500,000	¥500,000 - ¥1mil	over ¥1mil	
TOTAL		170	10	80	54	21	5	2
		100.0%	5.9%	47.1%	31.8%	12.4%	2.9%	
Generation	Teens	0	0	0	0	0	0	0
		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Twenties	13	3	5	3	1	1	0
		7.6%	1.8%	2.9%	1.8%	0.6%	0.6%	
	Thirties	61	1	29	25	6	0	0
	35.9%	0.6%	17.1%	14.7%	3.5%	0.0%		
Forties	51	4	23	15	8	1	1	
	30.0%	2.4%	13.5%	8.8%	4.7%	0.6%		
over Fifties	45	2	23	11	6	3	1	
	26.5%	1.2%	13.5%	6.5%	3.5%	1.8%		



**Forecast Sales in 2005 <Import Watch>**



Forecast	n	%
will be very good	0	0.0
will be good	28	15.7
Even	74	41.6
will be bad	66	37.1
will be very bad	5	2.8
No reply	5	2.8
<b>Total</b>	<b>178</b>	<b>100.0</b>

Companies that forecast “even” was 41.6% (74 companies) and it was the most. The next was “will be bad” by 66 companies (37.1%). The total of “will be bad” and “will be very bad” was 71 companies (39.9%), while total of “will be good” and “will be very good” was 28 companies (15.7%). More companies think that import watch sales will go difficult. Compared to the last survey, “Good” decreased 13.2%, and “Bad” increased 3.3%.

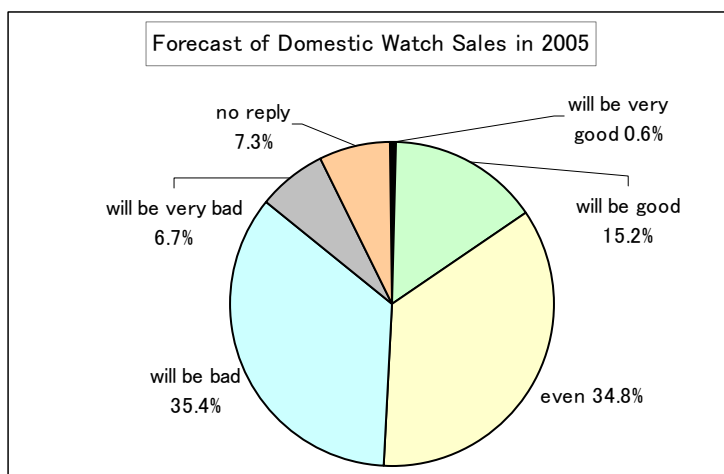
Reasons of their forecast are as follows;

Reasons for "Good" Forecast	No	Reasons for "Even" and "Bad" Forecast	No
Planning efficient sales promotion	5	Depression	12
Popularity of mechanical watches	3	Competition with discounters, parallel importers	9
New models released by big brands	3	Slow consumption	8
Consumption will be improved	3	Watch boom is over	7
Introduction of new brands	2	No positive factor	5
Expensive watches will sell	2	Condition to be authorized by agent is getting severe	5



Stock management and strengthen of popular models	2	Slow slaes of Rolex	4
Consumers on their thirties will increase	1	Suply of popular models is not stable	3
Watch enthusiasits will increase	1	Not enough attractive brands	3
Consumers needs will be more polarized	1	Internet sales	2
Brand power is getting stronger	1	Less interests by young consumers	2
Making selection of dealing brands	1	Bad sales of price range of ¥300,000-500,000	2
Watch fan is increasing	1	More consumers stick details of watches	2
Supply of popular models will get stable	1	Too much higher unit price	2
Good sales of ladies watch	1	Consumers are brand conscious	1
Influenced by magazines, more women have moe interest in watches	1	Sellable brands are not many	1
		Ratio-controlled watches by domestic manufacturers	1
		Influence by flag shop by agent	1
		Less clients	1

**Forecast Sales in 2005 <Domestic Watch>**



Forecast	n	%
will be very good	1	0.6
will be good	27	15.2
even	62	34.8
will be bad	63	35.4
will be very bad	12	6.7
No reply	13	7.3
<b>Total</b>	<b>178</b>	<b>100.0</b>



Forecast as “will be bad” was 63 companies (35.4%) and the most. “Even” was the next by 62 companies (34.8%). Total of “will be bad” and “will be very bad” was 75 companies (42.1%), and it is 2.2% higher than that for import watches.

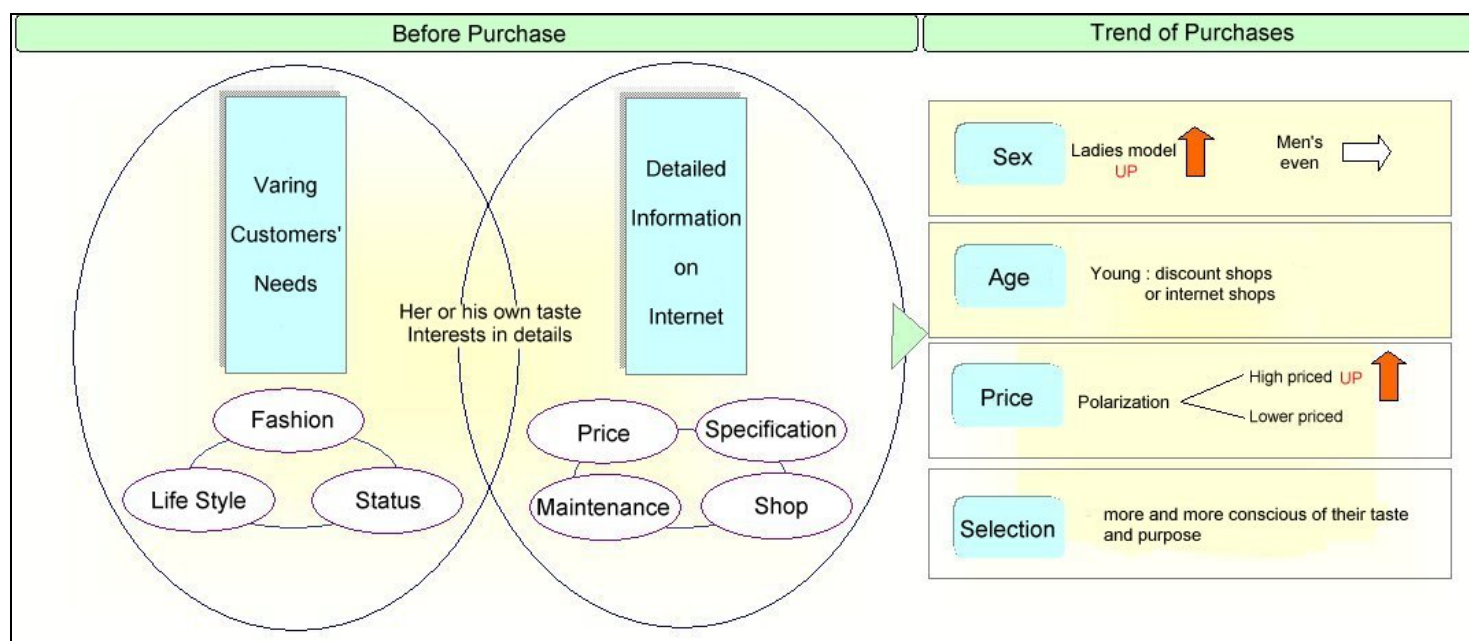
“Will be good” and “will be very good” was 28 companies (15.7%), and it is the same as that for import watches which was also 28 companies (15.7%).

The reasons for the forecast are as follows;

Reasons for "Good" forecast	No	Reasons for "Even"& "Bad" forecast	No
Radio-controlled watches sell well	17	Radio-controlled watches sell well	19
Active sales of Grand Seiko	4	Not many attractive models	9
Expensive models are recognized	1	Competition of discounters	5
Good merchandise	1	Mobile phone	5
igoing to enrich collection	1	Sales of radio-controlled is to a pause	4
		Import watches are favored more	3
		Below ¥100,000 is not attractive	1
		More than ¥50,000 is difficult	1
		Young people are away from watches	1
		Stagnant watch sales in general	1
		Slow consumption	1
		Collection is not rich	1
		Depression	1
		No topical model	1



## Watch Market Trend



Same as the last survey, consumers are conscious of their taste and try to find what they really have in their mind. Before purchases, there are two key-words, “varied needs” and “to compare and study with information from internet”. They look for their watches according to their fashion, life style and status to enjoy their own watches. They stick to their taste and demands. Information through internet supports those consumers. They compare price, specification, available shops and maintenance before decision of purchase. But that often makes consumers rush to specific brands or models and brings difficulties to retailers. Consumers are influenced by information not only through internet but also by magazines, and inclination toward big brands or expensive brands is strong.

At the same time, prices can be compared easily and widely from those information, retailers are “*requested to explain about price difference between discount shops*”, “*requested to offer the same price as parallel importers*”. They are suffered severely by discounters, parallel importers and mass-retailers. “*Retailers in watch business will disappear like camera and electric appliance business*”, “*only department stores*”



*and limited retailers dealing expensive brands and mass-retailers will be survivors”, “retailers which do not sell parallel imported watches have less customers”, many retailers fear for the future.*

Purchases on internet is prevailing and expanding. But, there are certain consumers who check information on internet in advance and go to watch shop for purchase. Retailers should have professional services that is only available at retailers.

Disaffections concerning the distribution system taken by agents were many in the survey as last time. *“Customers appoint reference number of a brand, but cannot sell because it is not possible to be an authorized shop”, “cannot sell popular brands”, “sales is centralized at department stores and limited retailers in big cities, and retailers in local cities have a lot of difficulties”, they said.*

Also, retailers concern about the openings of flag shops by agents or importers as they are not *“antenna-shop” as they used to be but being new competitors.*

Concerning favorable sales of ladies watches followed by various new models from various brands, some retailers expect more interests will be created among women by frequent advertisements in ladies magazines, while some commented that *“effects by sales promotion and development by agents is not yet satisfactory”, “sales is active but unit price is low”.*

Concerning design trend, some retailers doubt if consumers can have wide choice because *“most of brands have similar face”, “most of brands are in the same design-trend such as big size or thick model”.*

Young consumers seem to be away from watches because of mobile phones.

Polarization of price is getting stronger, and expensive price range was active in 2004. 2005 will go same, but, some opinion is that prices are getting too high.

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