

THE 3RD JAPANESE WATCH MARKET SURVEY
on Watch Sales in 1998

By WOSIC TOKYO
in cooperation with Tokei Bijutsu Hoshoku Shinbun News

WOSIC TOKYO conducted the 3rd market survey, in cooperation with a trade newspaper, Tokei Bijutsu Hoshoku Shinbun News (a trade newspaper), to see about the watch sales in 1998. The first survey was made for the year of 1997, and the 2nd was for the 6 months from January to June 1998. The survey was proceeded by sending questionnaire to watch retail companies by mail. The result of the 3rd survey was reported in the Tokei Bijutsu Hoshoku Shimbun News dated March 10, 1999.

The questionnaire was sent to total 127 retail companies at the beginning of January of this year, asking watch turnover in 1998, sales quantity by watch brand, sales situation of each price range, and about sales during Christmas sales, etc. Replies came back from 43 companies, containing 65 retail-shops, 71 shopping centers, 51 department stores, total 187 outlets.

Questionnaire sent to	127 companies
Replies submitted by	43 companies
Total number of shops owned by the 43 companies	187 shops Retail-shop 65 Shopping center 71 Department store 51

The number of replies submitted was still not sufficient to know the exact market situation. However, we believe it could be a lead to know the present Japanese watch market, and are going to continue the survey every 6 months.

RESULT OF THE QUESTIONNAIRE

Sellable items and unsalable items are clearly separated, and popularity is concentrated on brands or models of which concept presented is distinctive. Consumers have a lot of information and know exactly what they want. Retailers are requested to provide merchandises which meet their demands, and prepare their shop's image to induce those consumers. That is the picture of the market known from the survey.

Retailers commented about the Christmas sales as *"Strong brands are establishing the concrete position"; "All the brands were active in 1997, but in 1998, active brands were limited"; "Popularity is concentrated on particular models from particular brands"; and "Popular models are short in stock"*, consequently retailers often did not have merchandises consumers want to buy. Those tendency which was seen also in the first and the second surveys is likely to be stronger. *"Popular brand differs according to watch types"; "Some fashion brands which used to be popular among young consumers are losing popularity"; "Distributors are too much eager to introduce limited versions"; "Boom of limited versions is not so strong as before"* are also commented. The detailed report on the Christmas sales comes in the paragraph 4).

Concerning the consumers, retailers comment as *"Young ladies who buy mechanical watch are increasing"; "Young consumers do not mind even high price if it is really what they are looking for"; "Young maniac consumers want special models, special dials or limited version. Brands which those consumers back are expanding"*.

At the same time, they mentioned as *"Purchases for gift were not many even during the Christmas sales"; "Consumers are satiated and they don't rush to new models. They wait until they find out what they really want"*.

Critical opinions about the situation are *"Since the price was raised from high exchange rate, difference between overseas price became bigger and sales was taken by parallel import dealers"; "Appearance of mass-sales stores is making future sales planning difficult"*.

How retailers try to cope with these situation? They say as *“We have to prepare ourselves to meet the changing consumer’s trend”*; *“Consumers do not pay attention to watches which are at every shop”*; *“Watches just displayed in showcases cannot sell. It is absolutely necessary to present them together with the background such as original story of the watch”*; For example, *“Targeting young consumers’ purchasing-power, we develop sport watch collection”*; *“The turnover rate of merchandise is important. We emphasize brands with strong market policy”*; *“We plan sales fairs in original way”*; *“We start new brands”*. Retailers are trying to have something not the same as other shops.

There are also the following comments such as *“Some jewelry shops newly started to sell import watches to cover bad sales of jewelry, but they don’t have knowledge of watches and not giving necessary explanation to consumers”*; *“Import agency should select watch retailers to deal with, because damping sales at certain shops disturbs others to sell at fixed price”*; *“Number of sales channels should be less”*; *“Stable supply should be promised”*.

Each importer and Japanese manufacturer has announced positive plans towards the year 2000 lately. Under the present difficult situation, importers, manufacturers and retailers are all trying to find out ways to activate the market and trying to realize them to create new demands.

1) Sales Quantity and Value in 1998

Question: Total turnover and comparison to 1997
 Turnover of domestic watch and comparison to 1997
 Turnover of import watch and comparison to 1997
 (not all 43 companies answered to all the above questions)

Same as the previous survey, domestic watch was tough, and import watch was not so bad or rather good. This tendency appeared stronger than before.

Value	Effective replies	“increased”	“decreased”	“even”
Total turnover	34	19 (55.88%)	12 (35.30%)	3 (8.82%)
Domestic watch	28	9 (32.14%)	18 (64.29%)	1 (3.57%)
Import Watch	30	25 (83.33%)	5 (16.67%)	0 (-)

Quantity	Effective replies	“increased”	“decreased”	“even”
Total turnover	27	11 (40.74%)	15 (55.56%)	1 (3.70%)
Domestic watch	28	5 (17.86%)	23 (82.14%)	0 (-)
Import watch	30	19 (63.33%)	11 (36.67%)	0 (-)

(% shows the ratio to the number of effective reply)

2) Result by Import Watch Brand

Question: Sales quantity and comparison to 1997 of the listed 49 import watch brands .(Some companies did not answer to the comparison, some are incomparable because of no-deal in 1997)

Brand name	Number of companies who deal the brand	“increased” out of effective replies
Audemars Piguet	14	1
Baume & Mercier	24	12
Blancpain	14	4
Breguet	15	5
Breitling	17	4
Calvin Klein	7	1
Cartier	25	12
Chanel	6	0
Chaumet	9	3
Chopard	17	8
Christian Dior	19	6

Concord	7	4
Corum	18	3
Ebel	20	4
Dunhill	17	5
Eterna	10	4
Fendi	12	3
Frank Muller	7	1
Girard Perregaux	14	5
Gucci	28	8
Hamilton	10	1
Hermes	22	3
Hugo Boss	11	2
International	16	11
Jaeger Lecoultre	19	6
Longines	25	6
Maurice Lacroix	7	2
Movado	9	1
Omega	34	24
Oris	15	3
Patek Philippe	18	8
Perrelet	6	0
Philippe Charriol	22	2
Piaget	16	4
Rado	21	6
Raymond Weil	11	3
Revue Thommen	15	3
Rolex	35	21
Sector	13	1
Swatch	8	2
Tag Heuer	33	11
Tiffany	11	1
Tissot	17	5
Ulysse Nardin	9	0
Universal	6	2

Van Cleef & Arpels	11	5
Vacheron Constantin	19	8
Waltham	16	4
Zenith	11	3
Others	28	7

Brands that “increased” and “even” occupies more than half of effective replies are Baume&Mercier, Breguet, Cartier, Chopard, Christian Dior, Concord, Fendi, Hugo Boss, International, Jaeger Lecoultre, Omega, Patek Philippe, Rolex, Vacheron Constantin, Van Cleef&Arpels, Zenith.

Brands that “increased” occupies most of effective replies are Cartier, Chopard, Christian Dior, International, Omega, Patek Philippe, Rolex, Vacheron Constantin and Zenith.

According to the result in paragraph 1), more than 80% of retailers (effective replies) answered as “increased” in value, and more than 60% answered as “increased” in quantity, however, according to the result by brand, 16 brands out of 49 are picked up as “increased”/”even” is more than half, and 9 brands are picked up as mostly “increased”.

Brands of which sales quantity shows big figure in the survey are Cartier, Gucci, Longines, Omega, Rolex and Tag Heuer.

Cartier, Omega and Rolex are cited as active brands during the Christmas sales as well.

“Favorite brands and disfavorite brands are distinctly separated”; *“Sellable model is very limited”;* *“Popular models are fixed and often short in stock”;* *“Active models are short supplied and that causes unpleasant turnover”;* The situation that popularity focused on specific models or specific brands and they are short in stock has not changed since the last survey, and it appeared stronger than before.

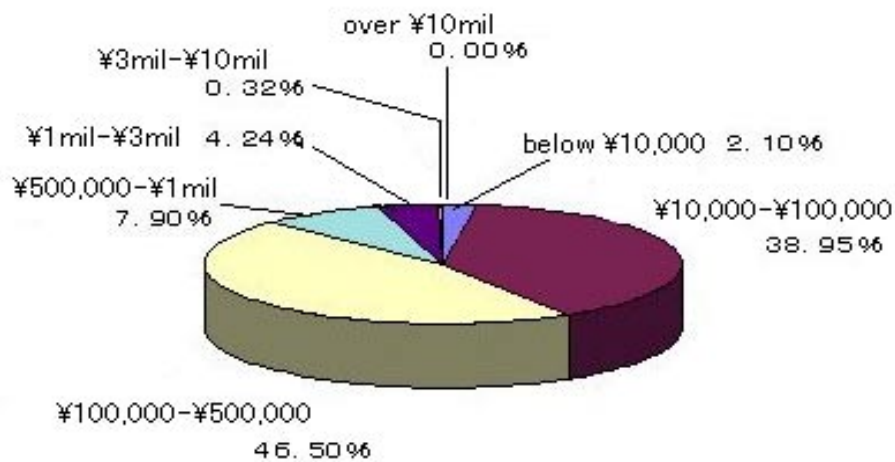
Besides the listed 49 brands, retailers listed followings as dealing brands; Pequignet, Daniel Roth, Bvlgari, Vivienne Westwood, Ritmo Latino, Montblanc, Timex, Panerai, etc.

3) Sales by Price Range

VALUE



QUANTITY



Compared to 1997 in value (see below), it is noted that “below ¥500,000”

increased and “over ¥500,000” decreased. While “¥100,000-¥500,000” increased from 27.26% to 42.65%, “¥500,000-¥1mil” decreased from 40.24% to 18.37%. This change can be explained by the fact that steel watch has been getting popularity in these years. “White” is preferred by consumers, that is, steel, white gold or platinum than gold or bi-color.

Price range	1998	1997
below ¥10,000	0.39%	0.10%
¥10,000 - ¥100,000	11.89%	6.27%
¥100,000 - ¥500,000	42.65%	27.26%
¥500,000 - ¥1mil	18.37%	40.24%
¥1mil - ¥3mil	23.43%	22.44%
¥3mil - ¥10mil	2.64%	3.11%
over ¥10mil	0.63%	0.58%

4) Christmas Sales 1998

More than 40% of replies was “bad” compared to 25% of 1997. The result shows hard sales situation.

Concerning Total Sales	Number of replies & ratio to effective replies	
	1998	1997 (only ratio)
Very good	1 (2.4%)	(18%)
Good	7 (16.7%)	(18%)
Good but not satisfactorily as Christmas sales	8 (19.0%)	(6%)
Ordinary	9 (21.4%)	(28%)
Bad	17 (40.5%)	(25%)

Having a look into the total sales dividing domestic watch and import

watch, 50% replied “good” or “good but not satisfactorily as Christmas sales” for import watch, while 62.5% replied “bad” for domestic watch, big increase from 46% of 1997. Tough sales of domestic watch is clearly appeared.

Concerning Domestic Watch	Number of replies & ratio to effective replies	
	1998	1997 (only ratio)
Very good	0	(6%)
Good	4 (10.0%)	(3%)
Good but not satisfactorily as Christmas sales	4 (10.0%)	(9%)
Ordinary	7 (17.5%)	(21%)
Bad	25 (62.5%)	(46%)

Concerning Domestic Watch	Number of replies & ratio to effective replies	
	1998	1997 (only ratio)
Very good	1 (2.5%)	(3%)
Good	10 (25.0%)	(40%)
Good but not satisfactorily as Christmas sales	11 (27.5%)	(12%)
Ordinary	12 (30.0%)	(24%)
Bad	6 (15.0%)	(18%)

Additional comments about Christmas sales are as follows;

Concerning the price range, many retailers stated as “*most active range was from ¥100,000 and ¥500,000*”; and inactive range compared to the past was “*below ¥100,000*”; “*more than ¥500,000*”; or “*more than ¥1mil*”. Concerning watch-type, mechanical watch and sport type were active. Those types were preferred also by young ladies. Stainless models were also good, as well as ladies stainless bracelet models. In high price category, whitegold was quick. In general, “*limited versions*”; “*watches*

with clear and strong feature in function or in design" were active.

On the other hand, yellow gold or bi-color and jewelry watches were inactive. Bracelet type has got popularity while leather strap watches were slow.

By brand, the picture was similar to the whole year result, i.e. Cartier, Omega and Rolex came to the top. Some of boutique brands are likely to be loosing their popularity of these few years.



March 10, 1999

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