

THE 4TH JAPANESE WATCH MARKET SURVEY

on Watch Sales in the period from January to June 1999

by WOSIC TOKYO

in cooperation with

Tokei Bijutsu Hoshoku Shinbun News

WOSIC TOKYO conducted the 4th market survey in July, in cooperation with a trade newspaper, Tokei Bijutsu Hoshoku Shinbun News, to see about the watch sales in the first semester (January - June) of 1999. This survey has been made every 6 month since January 1998. The survey was proceeded by sending questionnaire to watch retail companies by mail. The result was reported on the Tokei Bijutsu Hoshoku Shinbun News dated September 20 as well as in the website of FH-Tokyo.

The questionnaire was sent by mail to total 135 retail companies at the beginning of July, asking watch turnover in the period, sales quantity by watch brand, sales situation of each price range. Replies came back from 54 companies, which contains 71 retail shops, 70 shopping centers, 64 department stores, total 205 outlets.

Questionnaires sent to	135 companies
Replies submitted by	54 companies
Total number of shops owned by the 54 companies	205 shops Retail shops 71 Shopping center 70 Department store 64

Though the number of outlet covered is only a part of total outlets of all over Japan, we see the result as a clue to see the market.

RESULT OF THE QUESTIONNAIRE

Import watch sales is rather stable while domestic watch sales is slow, popular brands are limited, and sellable models and not sellable models are clearly separated - those situation has not changed since the last survey.

Consumers have critical eyes to select merchandises and good prices for that. Retailers have to know exactly what consumers are in need, and present demanded merchandises with attractive sales projects. That is a picture of watch market the survey shows.

The followings are the comments from retailers picked up from the replies; Consumers look for *“unique item that nobody has”, “very special watch”, “limited watch”*, but, on the other hand, they rush into certain popular models. They fix their desire to those popular models and when those models were not there, they never make another new selection. Retailers see consumers as *“they don’t mind to buy expensive watches if they are convinced of its quality and reliability”, “they know merchandises very well, and quality is a big factor of selection”*. However, retailers also see as *“many consumers follow the brand value or advertisement”*. The influences of magazines is likely to be strong.

“more women are concerned about watches, it is probably because more women’s magazine write about watches than before”, “more women purchase mechanical watches than before”, “many consumers name model or reference number to purchase with information from magazines”. Information given by magazines cannot be disregarded. And that is why some retailers think *“watch models taken up by magazines are easy to sell, but such a situation is not healthy for retail business”, “magazines should not give prices of parallel importers”*.

Concerning the opinion on what retailers should do, *“positive brands and merchandises which meet consumer’s needs have to be composed in collection at shop”, “retailers must be able to give consumers the pleasure of selecting watches”*. Attractive presentation of merchandises and sufficient knowledge of merchandises are necessary for retailers. Furthermore, complete after sales services, reliable relationship between

consumers, and flexibility to cope the market situation are mentioned as important.

The followings are also mentioned as requests or complaints to importers; *“parallel import dealers sell new models often earlier than official agents,”*, *“import agents must control sales channels more strictly”*, *“import agents often limit sales outlets and small retail shops can deal only a few brands”*, *“supply of merchandise is not smooth”*.

Concerning watch trends, stainless steel and white gold, mechanical models, chronograph have sold well and that is the same as the last survey. Popularity of limited models varies, i.e. some retailers commented it still good, and others said it is getting slow. Price-wise, around ¥300,000 - ¥500,000 is very active. But *“recent consumers request discount strongly”*, some retailers stated

New trend seen from the survey of this time, *“big size is favored, such as military type or German watch”*, *“jewelry watch is slow”*, *“rubber strap is gaining popularity”*.

As active brands, Omega, Rolex and Cartier are picked up, same as last survey. Many opinions on supply of Rolex are in replies, such as *“more volume should be imported by official import agent”*, *“if the supply was stable, the sales could have been bigger”*, *“supply of popular models is too limited”*, *“consumers are there, but cannot sell, because the merchandise are not supplied”*.

Other brands picked up as active brand are Breitling, Tag Heuer, Baume et Mercier, Patek Philippe, Piaget, Zenith.

Concerning domestic watches, licensed-brand watches are slow. *“designs are about the same and no individuality”* retailers stated.

1) Sales Quantity and Value

Questions: Total turnover and comparison to the same period of 1998
 Turnover of domestic watch and comparison to the same period of 1998
 Turnover of import watch and comparison to the same period of 1998

The situation is getting difficult in general. Majority of answers was “decreased”, except the value of import watch sales.

Value

Value	Effective replies	“increased”	“decreased”	“even”
Total turnover	48	17 (35.42%)	30 (62.50%)	1 (2.08%)
Domestic watch	37	4 (10.81%)	29 (78.38%)	4 (10.81%)
Import watch	39	19 (48.72%)	16 (41.02%)	4 (10.26%)

(% shows the ratio to effective replies)

The followings are the ratio to effective replies reported in the last survey;

1998 (Jan-Dec)	“increased”	“decreased”	“even”
Total turnover	55.88%	35.30%	8.82%
Domestic watch	32.14%	64.29%	3.57%
Import watch	83.33%	16.67%	0

Comparing the ratio of “increase” and “decrease” of total turnover in this survey and last survey, they reverse. The difficult situation can be seen. Seeing the ratio of domestic and import watch, the severer sales of domestic watch has been clearly revealed.

Quantity

Quantity	Effective replies	“increased”	“decreased”	“even”
Total turnover	41	8 (19.51%)	33 (80.49%)	0
Domestic watch	35	3 (8.57%)	30 (85.71%)	2 (5.72%)
Import watch	38	15 (39.47%)	22 (57.90%)	1 (2.63%)

(% shows the ratio to effective replies)

The followings are the ratio to effective replies reported in the last survey;

1998 (Jan-Dec)	“increased”	“decreased”	“even”
Total turnover	40.74%	55.56%	3.70%
Domestic watch	17.86%	82.14%	0
Import watch	63.33%	36.67%	0

As far as domestic watch concern, “decrease” is about 80% both in value and quantity. Even concerning import watches, “increase” and “decrease” are getting closer, and “decrease” is more than “increase” in quantity.

2) Observations at fixed point - Sales Quantity and Value

As a trial, we made a comparison of sales quantity and value on 27 companies who submitted complete figures of turnover both in this time of survey and in the past survey conducted for the same period of last year. The below shows the turnover in the first semester of this year compared to the same period of last year.

The number of outlet they have has decreased from 113 to 105.

Jan-June, 1999	Value	Quantity
Total watch sales	-10.31%	-17.15%
Domestic watch sales	-31.37%	-15.90%
Import watch sales	-0.58%	-20.68%

We should take into account that the above comparison is only on 27 companies (105 outlets) we could cover, but, figures are showing definite difficulties of the market. We notice that import watch sales in quantity has decreased a lot, while that in value is almost even. It can be explained as higher unit price. It is said in general that import watch is rather stable compared to domestic watch, but, as far as the above comparison concern, sales volume of import watch has decreased, though the value is even helped by higher unit price.

3) Result by Import Brand

Questions: Sales quantity and comparison to the same period of 1998 of the listed 49 import brands. (some companies did not answer the comparison, some are incomparable because of no-deal in either period)

The number of companies which deal the brand, and number of "increase" replies are as follows; (but not all dealing companies replied for the comparison)

Brand name	companies dealing the brand	"increased" out of effective replies
Audemars Piguet	19	7
Baume & Mercier	24	15
Blancpain	19	3
Breguet	19	4

Breitling	23	7
Calvin Klein	8	1
Cartier	21	11
Chanel	6	2
Chaumet	11	2
Chopard	19	9
Christian Dior	24	6
Concord	8	1
Corum	22	3
Ebel	26	9
Dunhill	15	6
Eterna	10	2
Fendi	16	5
Frank Muller	7	3
Girard Perregaux	16	5
Gucci	31	3
Hamilton	12	3
Hermes	26	8
Hugo Boss	11	2
International	19	11
Jaeger Lecoultre	23	7
Longines	29	8
Maurice Lacroix	11	1
Movado	11	4
Omega	36	19
Oris	16	6
Patek Philippe	18	10
Perrelet	7	0
Philippe Charriol	20	5
Piaget	19	13
Rado	29	7
Raymond Weil	13	3
Revue Thommen	17	4
Rolex	44	17

Sector	15	2
Swatch	6	2
Tag Heuer	36	15
Tiffany	8	2
Tissot	22	6
Ulysse Nardin	9	3
Universal	5	0
Van Cleef & Arpels	14	3
Vacheron Constantin	20	6
Waltham	17	4
Zenith	17	8
Others	29	6

“increase” occupies more than 50% of effective replies for following 16 brands; Baume & Mercier, Cartier, Chanel, Chopard, Dunhill, Fendi, Frank Muller, Hamilton, International, Movado, Omega, Patek Philippe, Piaget, Tag Heuer, Tiffany, and Zenith.

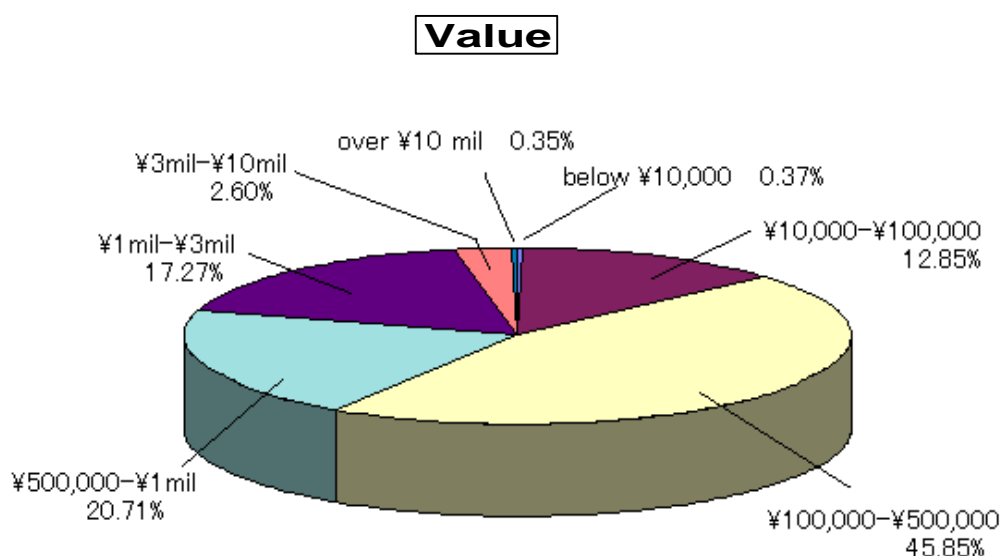
Above all, the followings gain notably many “increase” replies; Baume & Mercier, Cartier, Chopard, International, Omega, Patek Philippe, Piaget, and Zenith.

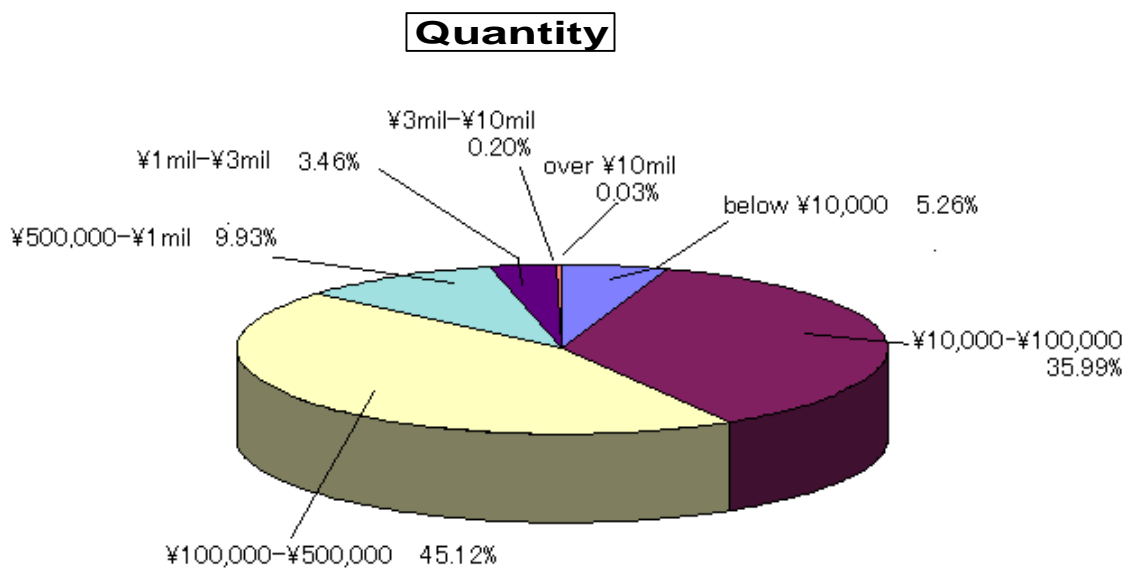
The brands of which sales quantity show big figure are Omega, Rolex, Gucci, Cartier, Longines and Tag Heuer. Those names are the same as last survey, though the ranking differs.

Besides the listed 49 brands, the following brands are stated as other main dealing brands, such as Panerai, Emile Peguignet, Timex, Victorinox, Alain Silberstein, etc.

4) Sales by Price Range

Compared to the same period of last year, “¥500,000 - ¥1mil” increased in value (from 14.03% to 20.71%) and quantity (7.82% to 9.93%), though the increase in quantity is slightly. On the other hand, “¥1mil - ¥3mil” decreased both in value (24.12% to 17.27%) and quantity (5.40% to 3.46%). The two price range comparison with the survey for whole 1998 also shows that “¥500,000 - ¥1 mil” increased both in value (from 18.37% to 20.71%) and quantity (7.90% to 9.93%), and “¥1 mil - ¥3 mil” decreased both in value (23.43% to 17.27%) and quantity (4.24% to 3.46%). It can be said that sellable watches used to be more than ¥1 mil are going to be absorbed into the price range below ¥1 mil.





5) Sales method and Discount

The 54 companies replied to the questionnaire own total 205 outlets, which are 71 retail shops, 70 shopping centers, 64 department stores. About 30% of the 54 companies (15 companies) perform sales only by over-the-counter. The rest of the companies trade also by door-to-door sales and by fairs. 3 companies sell watches also by mail order method. The average ratio of over-the-counter sales to the total turnover of shops is 77.14%. That of door-to-door sales is 20.01%, fair sales is 18.12%.

38 companies (76% of total replies) offer some discount, from 3% to 25%. The average discount rate was 11.57%.

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