

HARD LUXURY

# Can Gucci Sell High-End Watches To China?

Lisa Nan / May 28, 2021



Gucci has launched a new Haute Horlogerie line, with prices topping \$300,000. But who will be Gucci's high-end watch buyers? Photo: Courtesy of Gucci



## Key Takeaways:

- To celebrate its 100th anniversary, Gucci has launched its new Haute Horlogerie collection, unveiling 33 high-end models designed in Switzerland by Alessandro Michele.
- The global luxury watch market was valued at \$23.623 billion in 2020, registering a compound annual growth rate of 3.25 percent during the forecast period, 2021-2026.
- Luxury watch exports to China in 2020 until September increased by 11 percent compared to the corresponding period in the previous year, outpacing Hong Kong.

Many believe the luxury timepiece on your wrist speaks for you — a status symbol, investment piece, and family heirloom that will never go out of fashion.

Growing consumer preferences for high-end watches have made the sector much more resilient to crises, and high-net-worth individuals have continued to buy statement pieces despite pandemic uncertainties. Chinese shoppers led all countries during the pandemic and the country is now the world's largest market for Swiss watches.

From January to November of 2020, Swiss watches imported to the Mainland totaled \$2.39 billion, which was an increase of 17 percent over the same period in 2019.

Because of that demand, Gucci is now venturing into this lucrative market. But it faces fierce competition from already major players like Rolex, The Swatch Group, Richemont, Patek Philippe, Audemars Piguet, and Richard Mille, which together account for more than 50 percent of the total watch market.

This year, on the occasion of its 100th anniversary, Gucci has launched its Haute Horlogerie collection, featuring high-end movements designed by its creative director, Alessandro Michele.

Here, *Jing Daily* analyzes the strategies behind the brand's calculated expansion and whether local consumers will buy into it or not.

## Why is Gucci launching in the watch market?

This year's centenary, the brand's runway collaboration with Balenciaga, and its upcoming release of "House of Gucci" with Lady Gaga and Adam Driver have all created much online buzz. Gucci knows how to stay on consumer minds, surprising even digitally native fans.

However, after years of robust growth, its 2020 annual performance was disappointing. The brand reported a 10.3-percent decline year-on-year, despite strong demand from local millennial buyers.

Product expansion is an obvious way for it to beat its sales expectations. And while luxury brands such as Celine are turning their eyes to Haute Couture, Kering's star chose unexpectedly to collaborate with Balenciaga. This latest move into watches has, once again, surprised the industry.

Now, the unveiling of its 33 statement timepieces has become an additional way to celebrate the company's 100th anniversary. The watches, from their tourbillons and jumping-hour movements to their fully gem-set pieces and sapphire-crystal constructions, most reflect Alessandro Michele's eclectic romanticism, and several of them incorporate bees, stars, and other charming icons.

In fact, Oliver R. Müller, the founder of a luxury consulting agency for the watch industry called LuxeConsult, observes that "their aim is to develop a niche positioning. They want to complement what they are doing. It pushes their brand image."

Gucci did not collaborate with any high-end watchmakers but still took the daring initiative to expand directly into the sector. Although the Gen Z favourite is assembling the movements at Kering's prestigious Horlogerie manufacturer in Switzerland, the lack of heritage in the watch industry undermines its legitimacy to sell a \$300,000 watch. As such, the high price positioning may discourage local buyers from purchasing.

## Will Gucci find its buyers?

Despite the challenges of the market, according to watch analyst and industry expert Reginald Brack, Gucci will find its buyers, especially if they are young, local fans. "The designs are very young and will appeal to the brand's existing Millennial and Gen-Z buyers," Brack says. Indeed, Michele's unique, extravagant, and retro-inspired aesthetic has cultivated a loyal fan base of consumers.

However, are traditional timepieces still relevant to young, local spenders? According to Deloitte Millennials and Gen Zers are, in fact, showing stronger preferences toward smartwatches. In 2019, the Apple Watch outsold the entire watch industry in terms of volume at an estimated 30.7 million units shipped worldwide, while the Swiss watch industry in total shipped 20.6 million units.



The #GUCCI25H, the touchstone of the House's high watchmaking debut, features a sleek, sporty and gender-neutral design fitted with #Gucci's first in-house calibre while its playfully symbolic name is inspired by @alessandro\_michele's favorite number. The collection can be discovered by appointment soon at Gucci's dedicated fine watch & jewelry boutique at Place Vendôme, Paris. #GucciHighWatchmaking #AlessandroMichele #GucciVendôme view all 313 comments

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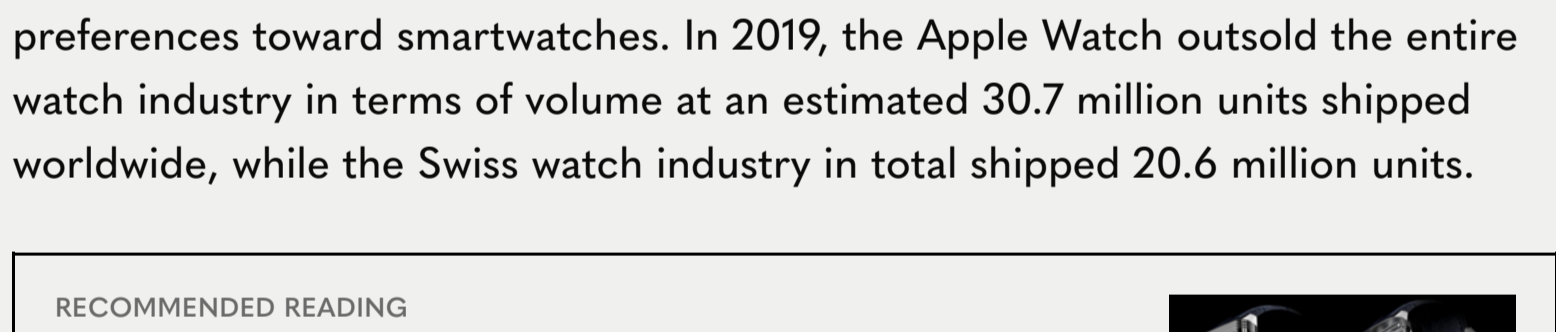
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In contrast, it will be very challenging for the brand to acquire new customers or take market shares from its Swiss competitors (Rolex, Patek Philippe, and Richard Mille). People see high-end watches as investment pieces, just like Chanel and Hermès handbags. Collectors expect it to increase the price on the resale market over time.

Brack explains: "There is a higher risk purchasing Gucci's expensive timepieces since it lacks a secondary market." And unlike fashion seasons, high-end timepieces are expected to last decades: their timeless aesthetic is key. While it will be hard for watch collectors to opt for the brand's movements, Gucci's hopes may rely on its deep-pocketed, cultured buyers.

## Will more luxury brands tap into the sector?

Many fashion luxury houses have already tapped into the high-end watch sector, from Louis Vuitton to Hermès and Chanel. But few have positioned themselves in Gucci's risky price range (\$10,000-\$306,000).



Pieces from the G-Timeless Dancing Bees (left) and Dionysus (right) collections are encrusted with diamonds and range from five to six figures. Photo: Gucci

"Even if you are Chanel and Hermès you need to be consistent with your brand image," notes Müller. For example, Chanel's J12 model had huge success by maintaining the brand's chic and clean aesthetic, priced between \$5,000 and 8,000.

To sell its high-end timepieces, Gucci will need to make significant efforts to build credibility by earning the respect of the watch industry's influential people and limiting its production quantity. For instance, Richard Mille makes among the most expensive and investment-worthy watches — not just because of its craftsmanship, but also because of its limited supply (it only produces five thousand pieces per year).

"Gucci's high-priced watches are lacking legitimacy. Real watch collectors will not buy," Müller concludes. In fact, the expansion into high-end watches may not help Gucci attract new clientele but will undoubtedly enhance the Italian maison's prestige. As the luxury entry barrier lowers, the brand is required to expand in the high-end sphere to retain its exclusivity and appeal to local high net worth buyers.

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