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Q&A

Jewelers may need "rehab" after years of China addiction, says former exec

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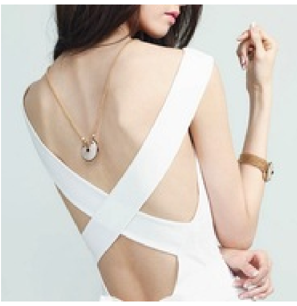


Image from Cartier's Tumblr

By JEN KING

Despite market slowdowns, the jewelry industry has been presented with an opportunity to prove itself in the face of the smartwatch boom.

Fabrice Paget, founder of The Luxury Brand Agency, has spent more than two decades deep within the luxury jewelry industry at Cartier, De Beers and Faberg. During his tenure at his previous positions and in his current role, Mr. Paget has worked to set the standard in high-jewelry marketing by working with jewelers on campaign initiatives rooted in storytelling, product reinvention and digital Web technologies.

"[Brands] can achieve [a balance of heritage and modernity] by looking at the digital space as media channels and applying the same care, screening, editorial and creative policy as they do on the other channels," said Fabrice Paget, founder of The Luxury Brand Agency, London.

"For example, ask yourself if your client is your friend: for some brands, it will be, for most, it may not," he said.

Fabrice Paget, founder of The Luxury Brand Agency

In this Q&A, Mr. Paget discusses the rise of the smartwatch, how and why jewelers may be struggling and where the industry itself is headed as the luxury sphere enters uncertainty. Here is the dialogue:

Where do you think the luxury jewelry and watch industry is headed?
I think that the luxury jewelry and watch industry is headed to a period of consolidation and slower growth. Most brands have been relying heavily on China for growth for the last 15-20 years, just as they had been relying on Japan before that.

As China matures, brands who are over-exposed and have compromised their heritage and product integrity will be shunned, and some will certainly fail or have to enter a generation-long "hibernation."

The industry will also find that growth harder to come by, and brands should be more proactive in developing new growth strategies. The recent push of Apple into watches is interesting and is probably putting watches on the wrists of people who don't wear watches regularly, which is a huge opportunity for the watch industry to assert its role.

In which strategic areas do you think jewelry and watch brands need to improve?
The watch industry should work on strategically claiming the left wrist as the place that demonstrates your personal status and taste.

Jewelry owns the left hand's third finger (which we all refer to as the "ring' finger") and no one would dream of putting anything other than a wedding or engagement ring on that finger. The watch industry needs to do something similar for the left wrist and push wearables to the right wrist.

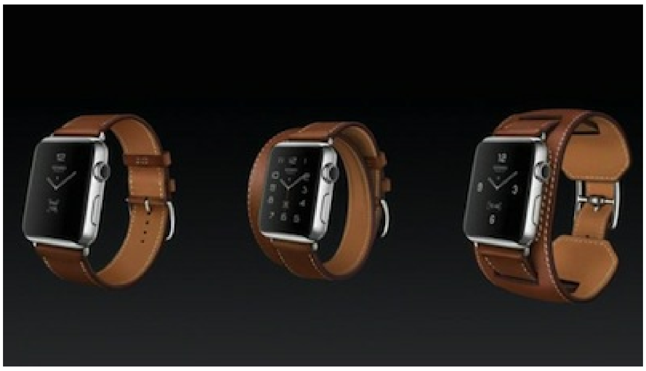
Also, the brands, and certainly the large groups that own them, need to be more proactive about growth, and that should start by going through rehab for their addiction to China.

Many brands in the sector struggle with ecommerce, do you think this is on pace to change?
I think that things are changing, albeit slowly.

The instinctive rejection of ecommerce from some years back is now gone. Luxury products are sold and bought online, and some companies, such as Blue Nile and Net-A-Porter, are successful.

That being said, ecommerce has not yet been able to fulfill the relational needs that most clients have and that are so well fulfilled in a store. Back in 2009, we had demonstrated at Faberg that these needs can be met online. I am surprised that so few followed our lead.

Despite conflicting reports of Apple Watch's impact on the watch industry, can you share your opinion of wearables?
Wearables and watches provide very different benefits: wearables provide health benefits and some improvement in the ease of using mobile phones. However, they do not provide what the watches provide: markers of success, status and taste.



Herms' Apple Watch collaboration

This is probably why I see a lot of people conflicted by wearables because they prevent people from wearing their watch. They don't want to replace one set of benefits with another, and I would argue (at least in the upper strata of the market), that they do not want a two-in-one approach.

In my opinion, for both the wearables and the watch industry's benefits, they should try to live together rather than try to replace each other.

Do you think it's a good idea for these houses, such as Tag Heuer, to produce their own smartwatch versions?
If you look at the functions that wearables and traditional watches perform, especially for men, I think that brands should first and foremost defend their territory and function as markers of status and taste.

That may include adding some technological content to their products, but I am not sure that a "smartwatch" is the only or best way to do that.

How can brands balance preserving heritage while maintaining modernity in the digital space?
They can achieve this by looking at the digital space as media channels and applying the same care, screening, editorial and creative policy as they do on the other channels.

For example, ask yourself if your client is your friend: for some brands, it will be, for most, it may not.

In your experience, does an omnichannel approach work for brands in this sector?
I firmly believe that the client should have the choice of where, when and how to engage with a brand.

As long as brands are aware of their identity and maintain integrity across channels, there is no reason why not.

With reports of a slowdown in China, a huge market for luxury watches and jewelry, how can brands weather this?
For those who can afford to do so, sit tight. When brands seek growth at all costs, they can destroy their hard-earned equity and brand value.

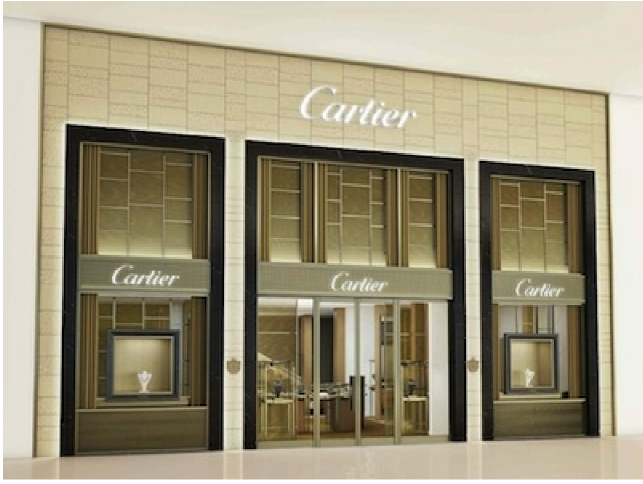
I have seen it happen to seemingly strong brands in Japan before, and it takes at least one generation to overcome.
For those who cannot afford to sit tight (maybe because they have promised strong growth for the next 10 years to their shareholders,) they will have to find new growth vectors that are not linked to the economic rise of a given country.

We have a pretty clear idea of what that can be, but I cannot share it publicly.

Do you think that any of the other emerging markets, Brazil or African nations for instance, could be the next hotbed for luxury jewelry and watches?
First, let me say that the Chinese market is not going to disappear.

That being said, just by looking at the scale of China, I do not believe that any one single country will be able to replace it in the coming decade. There is some very interesting activity in Brazil and also in Africa, but even with spectacular growth there, it seems very unlikely that they will reach the scale of China.

Only India could become as big a market as China, but that is quite a few generations away, at least.



Cartier flagship at Iguatemi So Paulo shopping center in Brazil

Can you speak to your past roles and how they have helped to form The Luxury Brand Agency? Where do you hope to see The Luxury Brand Agency in five years' time?
When I was in charge of worldwide product development, marketing and communications for brands such as Cartier and De Beers, I noticed that when we were the client working with agencies, what was almost second nature for us in terms of how to create products or communication for our brands, was very difficult for the vast majority of the agencies that worked for us.

It is a bit like visiting or living in a new country: if you only spend a few days in a city, you cannot understand the culture and subtleties that a long-term resident will understand and rely on to meaningfully live there.

I know how luxury brands work - I have managed large ones before - and, more importantly, I also know how high-end luxury clients behave and think. That is what makes our creative work so effective.

Final Take
Jen King, lead reporter on Luxury Daily, New York