

WATCHES

Can Gucci sell high-end watches to China?

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

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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 2020, Swiss watches imported to the Chinese 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 such as Rolex, 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 Gucci's **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. Miller, 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 favorite 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," Mr. Brack said.

Indeed, Mr. 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.

In contrast, it will be very challenging for the brand to acquire new customers or take market shares from its Swiss competitors such as Rolex, Patek Philippe and Richard Mille.

Consumers see high-end watches as **investment pieces**, just like Chanel and Herms handbags. Collectors expect it to increase the price on the **resale market** over time.

"There is a higher risk purchasing Gucci's expensive timepieces since it lacks a secondary market," Mr. Brack said.

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 Herms 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. Image credit: Gucci

"Even if you are Chanel and Herms, you need to be consistent with your brand image," Mr. Miller said.

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," Mr. Miller said. "Real watch collectors will not buy."

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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