

WATCHES AND JEWELRY

Borders reopen, but will China's luxury watch buyers return to old habits?

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Narrowing cross-border price differentials and increasing efforts by brands to engage watch aficionados are boosting China's demand for luxury timepieces to new highs. Image credit: Jaeger-LeCoultre

By **Shilpa Dhamija**

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Despite long pandemic-induced lockdowns, mainland China and Hong Kong together were the world's leading importers of Swiss watches last year, according to the Federation of the Swiss Watch Industry.

The two markets imported some \$4.9 billion (CHF 4.47 billion) worth of Swiss timepieces in total, eclipsing the next biggest importer, the United States, at \$4.4 billion (CHF 3.9 billion).

Travel restrictions did not deter personal luxury buyers in China from spending, but they did force them to purchase domestically.

Bulgari's watch division saw sales climb in mainland China over the intermittent lockdowns, Antoine Pin, global managing director of LVMH-owned Bulgari's watch division, told *Jing Daily*.

"We had our inland networks already in place," he said. "Domestic purchases clearly counterbalanced (overseas) travel retail losses. It wasn't one for one, but there was a clear shift."

Watch prices converging

Consumers in China are used to shopping abroad and assessing price differentials, which are the result of taxes and companies' pricing strategies. But now, they are motivated to purchase domestically in part due to the globalization of watch prices.

"Right now, globally, we have a consistent price strategy if you buy a watch outside of China, the only difference is the tax," said Vanessa Yuan, managing director for China at Jaeger-LeCoultre, a luxury watch brand under the Richemont umbrella.

"In the past, one of the obvious advantages for Chinese buyers buying outside the country was the price difference," she said.

Not only are companies aligning prices, the tax burden is falling.

"In the last few years, China's import tax on luxury watches has gradually fallen from 35 percent to 8-12 percent," said Nicolas Luchsinger, Hong Kong-based president of Van Cleef & Arpels for Asia-Pacific.

"Ten years ago, the price difference between China and Paris was very high," he said. "Now, it isn't."

Localization in motion

But now that borders are open, will buyers return to their past purchase patterns, even if the price gap has narrowed?

"We don't have a strategy to encourage the Chinese to buy in China or abroad," Mr. Luchsinger said.

"The reality is that Chinese consumers are dreaming of traveling and will travel," he said. "But with the network that we have built in China, our business will still grow here."

Still, brands are keen to better engage Chinese consumers on their home turf and have rolled out initiatives such as specialized boutiques and enhanced client engagement functions to do just that.

Jaeger-LeCoultre opened its first flagship in China at Shanghai's K11 mall in January 2022 with an eye on improving consumer engagement and creating experiences that resonate with Chinese shoppers.

"The store is no longer just a point of sales, but also a point of experience for our clients to deep dive into the fine-watch-making spirit and education," Ms. Yuan said.

These localization efforts include soon-to-be-launched special limited edition (non-zodiac) watches, exclusively for the brand's China boutiques.

Over the past three years, luxury watch brands have striven to build deeper, on-the-ground relationships with their mainland China customers efforts that will benefit not just the brands, but also mainland-based horology connoisseurs, Mr. Luchsinger said.

"If a Chinese buyer wants a limited-edition piece, there is a better chance of the buyer getting that watch in China than in Paris, because they have a relationship with the sales associate here," he said. "If the buyer goes to Paris to a store where no one knows him or her, there is little chance of them obtaining the desired watch."

Wooing China globally

As international travel retail businesses welcome the return of China's big spenders, luxury watch brands are pulling out the stops to amplify their reach and improve their merchandising there.

Jaeger-LeCoultre, for one, plans to open another boutique in the mainland in the near future.

"The majority of our business is new clients," Ms. Yuan said. "So, it's important to continue building the desirability of the brand within China."

Meanwhile, Bulgari aims to expand and balance its footprint in the mainland so that it is akin to the brand's footprint in the U.S., as both countries have a comparable coverage area.

"We cannot have 100 stores in China, but we are trying to find a balance in the development of our footprint," Mr. Pin said.

"If you look at the dimensions of the country, we'll reach a distribution structure that will be quite similar to the U.S., i.e.. the same density or footprint of stores between the two markets, the same distance to the stores for average people in these markets," he said.

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