

ENTRY LEVEL MECHANICALS

Entrée into the Horological Lifestyle

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F For centuries, the mechanical watch was the only way to tell time. From when it was introduced in pocket watches until the 1950s and '60s, there was really no other choice (other than a water clock, an hour glass or a sundial). Then came the electric watch (remember the Hamilton Ventura?) and then quartz, which almost succeeded in killing the mechanical watch industry completely.

Luckily, some mechanical watch companies persevered, continuing to manufacture automatic and hand-wound movement watches in the face of the popularity of the quartz watch. Then, in the '90s, the pendulum swung around and mechanical watches became extremely popular once again. Certainly, quartz watches exceed mechanical watches in terms of volume, but when it comes to value and price point, mechanical watches are very much in the lead.

Though it doesn't get as much press as more expensive or complicated watches, one very important segment of the watch industry is the opening-price point, or entry-level, mechanical watch. This a very broad segment, because for some companies, like Fossil or Swatch, their opening price point for a mechanical watch might be just over \$100, while for other companies, like Jaeger-LeCoultre or Patek Philippe, the opening price point is in the thousands or tens of thousands of dollars. For this report, we are going to focus on watches that are often customers' first foray into mechanical watches.



DEFINITION OF A MECHANICAL WATCH

First off, let's define mechanical watch: some customers think a mechanical watch is a hand-wound watch, but in truth, a mechanical watch is any watch, hand-wound or automatic, that keeps time mechanically (not electronically, like a quartz watch).

FIRST MECHANICAL WATCHES

Most customers start their watch life with a quartz watch, then graduate to a mechanical watch. Some companies target this customer exclusively, while others have entry-level offerings then hope that their customers climb the ladder of their collection.

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Sylvain Dolla, president, Hamilton Worldwide



A company like **Tudor** has affordable high-quality Swiss-made mechanical watches as its core business - 100% of Tudor's offering is mechanical. On the other hand, **Baume & Mercier** has a mixture of mechanical and quartz, and the company strives to keep its prices affordable on the mechanical side.

“Baume and Mercier prides itself on offering a wide assortment of men's and ladies' mechanical timepieces that are luxury within reach,” says Rudy Chavez, president, Baume & Mercier North America. “This has always been our mission for we know that many of our watches are either given or received as gifts to commemorate

personal milestones, so the timepiece must be of the highest quality and yet accessible in terms of price point. Many customers learn to appreciate the finer points of mechanical timepieces at an early age and often build a watch wardrobe over time that can include special one-of-a-kind and more complicated timepieces. But all must start somewhere so offering this segment presents the consumer an opportunity to own a piece of history and technical know-how for a few thousand dollars.”

Hamilton, thanks to the power of the mighty Swatch Group, is a leader in mechanical watches priced 500 – 2,000 Swiss francs. “To us the entry level is important because we address a lot of first time buyers for traditional Swiss watches,” says Sylvain Dolla, president, Hamilton Worldwide. “Working on economies of scale and innovation are the key to maintaining prices at an affordable level for us at Hamilton.”

Certina, also in the Swatch Group, focuses on the entry level as well. “In order to use and to assure the capacity of the important industrial



PROMESSE by Baume & Mercier

base of our group, it's important to have brands which are in a volume price segment,” says Adrian Bosshard, president, Certina. “Additionally, it's a fact that especially in China and other Asian markets automatic watches are the main segment in the Swiss watch industry. Additionally we feel that in Europe as well, the automatic watch culture is growing more and more.”

◀ HERITAGE RANGER
by Tudor

▼ DS PODIUM
CHRONOGRAPH
by Certina



WHY THE INDUSTRY NEEDS ENTRY-LEVEL MECHANICAL WATCHES

Not everyone is going to jump right in, buying a Cartier or Vacheron Constantin timepiece. Very rarely is a high-end watch going to be a first watch purchase, so the industry has to provide affordable entries into the mechanical world.

Oris is a brand that has a reputation for value, and 100 per cent of its collection is mechanical. “Everyone has to start somewhere...not everyone is going to buy a \$10,000 watch right off the bat,” says V.J. Geronimo, CEO North America, Oris Watches. “There

are people who can afford nice things but also appreciate good value. We are many times the 'starter watch' for the collector or for that person who wants their first really nice watch."

Entry-level products are often the stepping stone to more expensive timepieces. "The entry-level segment represents a great opportunity for the entire watch industry," says Sascha Moeri, DEO, **Carl F. Bucherer**. "An attainable price point enables more people to become inspired by the fascinating qualities of mechanical watches. The more someone experiences the secrets of fine mechanical timepieces and the technological achievements within these masterpieces on the wrist, their interest and captivation grows."

"As a premium brand, Carl F. Bucherer is known for outstanding mechanical watches of the highest quality – in the high-end segment as well as in the entry level," Moeri continues. "For us, quality isn't a matter of price, but a crucial part of our brand DNA. We are one of very few watch manufacturers who have a diverse yet exquisite product and price portfolio. This means a customer could buy the beautiful Alacria Swan on one occasion, and later

▽ **BIG CROWN**
PRO PILOT Collection
by Oris

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V.J. Geronimo, CEO North America, Oris Watches

choose a Patravi ScubaTec sports watch in a totally different price range. Hence, the affordable mechanical watch segment is very important to us."

As mentioned before, the majority of brand communication is on the higher priced, more unique product, building a sense among non-watch people that mechanical watches are high priced and out of reach.

"High quality mechanical watches should not be reserved to an exclusive high net worth and ultra-high net worth clientele," says Dr. Renato A. Vanotti, CEO of Manufacture **Vulcain** and Chairman of the Excellence Holding. "This clientele – as nice as it is to have them – makes the producers as well as the retailers very vulnerable. What might be today a very strong buyer seg-





ment might disappear overnight – see the effect of the Chinese anti-corruption law. Establishing a broader base of clients which have the same appreciation for mechanical watches but might not have the same financial strength (or not yet) makes production capacity and cash flow more stable.”

Once customers get hooked on mechanical watches, a whole new world is opened up for them, and they begin to climb the price ladder to more to more sophisticated timepieces. Sometimes that continues within their brand of choice, or they step out into other brands.

“Once a customer gets to know our amazing mechanical watches, they become inspired by the mechanical details found under the beautiful surface,” says Carl F. Bucherer’s Moeri. “I believe that no one is immune to the fascination of mechanical timepieces.”

PRICING IS CRITICAL

Swiss mechanical movements are expensive and if the industry is not careful, entry-level mechanicals could be priced right out of business, according to André Bernheim of **Mondaine** and **Luminox**.

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Sascha Moeri, CEO, Carl F. Bucherer

“For credibility reasons, brand positioning and perception, it is important to carry automatic watches,” he says.

“However, to talk of entry price level in the same context as automatics is somehow odd - automatic watches have become so expensive in Switzerland over the last years, thanks to an almost-monopoly, that we should not talk of an entry price level when talking about automatic watches. In order to keep retail prices somehow reasonable, and to avoid being so much more expensive as brands that have their in-house movement factories, we are squeezing our margins on automatics.”

Keeping the price of entry-level mechanical watches down is a challenge for every company, but especially so for smaller companies.

“It is very, very difficult for a small brand to keep prices down,” says Vulcain’s Vanotti. “We do not have the advantage of leveraging production

cost as big brands do, nor can we use synergies. As we are facing continuous difficulties to get retail space as big groups are forcing the retailers indirectly not to use premium space for other brands than them, we not only have to offer better margins to the retailers but also invest more money into advertising and communication.” Price is a huge factor, especially at the entry level. Too high and customers won’t buy into mechanicals, sticking to their quartz watches, or, heaven forbid, their smart phones.

“If - and I do hope so - the Swiss movement industry gets more competition on these type of movements, I would hope to see more reasonable prices for movements going forward,” says Mondaine’s Bernheim. “Japan still is selling good quality automatic movements for a fraction of the Swiss prices, which shows that it can be done. For the time being, I am afraid that movement prices will continue to increase, and the lack of supply and increase of demand in a quasi-monopoly system will continue.”

▲ PATRAVI SCUBATEC
by Carl F. Bucherer

▼ AVIATOR INSTRUMENT
by Vulcain



With the right mixture of marketing and pricing, mechanical watches will continue to be the entrée to the fine watch industry, helping transition customers into wearing better watches.

“In my 16 years with the brand I have met many clients that own several Baume & Mercier timepieces, some of which still wear our brand and some that have amassed a collection of fine timepieces from various fine Swiss brands,” says Chavez from Baume & Mercier. “We will continue to focus on this segment given its importance for Baume & Mercier. Our goal is to continue to strengthen the opening price point mechanical segment by introducing both men’s and ladies’ timepieces that are true to our DNA – timeless and elegant watches that can be gifted or received to commemorate those special moments that mark our lives.”

Hamilton is doing all it can to invigorate the entry-level mechanical segment with innovative product, both in design and engineering. “In the past 10 years we have seen a drastic increase in the interest in mechanical watches at Hamilton,” says Hamilton’s Dolla. “At



△ From left to right:
**MODERN MARINER
AUTOMATIC 6500**
by **Luminor**
and
**OFFICIAL SWISS
RAILWAYS WATCH**
by **Mondaine**

▽ **JAZZMASTER
VIEWMATIC SKELETON**
by **Hamilton**



Hamilton we always go the extra mile to surprise our customer. This is reflected in the detailed decoration and the improvement of our typical power reserve of 80 hours this year. This year we launched four new exclusive Hamilton automatic movements: H-10, H-30, H-40 and H-22. The kinematic chain in the H-10, H-30 and H40 is refined to increase the typical power reserve to 80 hours. The new rotor, largely skeletonised, has an alternating

snailed and pearled pattern. The new Hamilton H-22 movement allowed us to play with its eye-catching design architecture by displays like the off-centre positioning of the small second, as mentioned above.”

EDUCATING CONSUMERS

Talking about companies keeping mechanical watch prices down and coming up with interesting products is nice, but it’s equally important for retailers to educate customers about the benefits of mechanical watches and to continue to cultivate interest in these timepieces. This takes some work, as someone who has been a quartz customer often doesn’t see the appeal straight away. When an entry-level mechanical watch is only a few hundred dollars/francs/Euros more than a high quality quartz, all it takes is a nudge in the right direction to get a customer hooked on mechanicals. The entry-level mechanical watch segment is a critical one for the future of the luxury watch industry. Interesting and affordable mechanical watches bring more customers into the fine watch world, helping to secure its future. ■

