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Times are changing: the case of Movado Group

Phuong Anh Nguyen and Wenting Pan

Introduction

“Consumer demand is good. The problem lies with the people who sell watches” (Hotten, 2019).

Movado Group, headquartered in Paramus, New Jersey, was recognized as a leading designer, marketer and distributor of high-quality watches and a fierce competitor in the middle and upper price segments of the global watch market. This history notwithstanding, Movado Group's net sales in fiscal 2021 decreased 27.8% to \$506.4m compared to net sales of \$701m in fiscal 2020. The company fell short in terms of sales because challenges intensified within the watch category and retail landscape. These challenges included (1) changes in consumer habits, especially the shift to buying from online retailers and platforms instead of brick-and-mortar stores; (2) the intense competition from wearable technology such as smartwatches; (3) the vulnerability of its supply chain, which relied on a limited number of partners; and (4) the social, economic and financial dislocations brought by the COVID-19 pandemic (Movado Group Inc, 2022).

These dilemmas required the development of a clear set of competencies collectively making Movado an innovative, digitally oriented organization, capable of efficiently reaching consumers in a radically changing market while handling intense competition from wearable technology. As a report by Morgan Stanley warned, Movado must confront a “disruptive and game-changing” few years (Hotten, 2019).

Will Movado be able to respond to the challenges ahead? Can the company make its supply chain more resilient without weakening its competitiveness and confront the technological and social changes that were inevitable but were vastly accelerated by the pandemic?

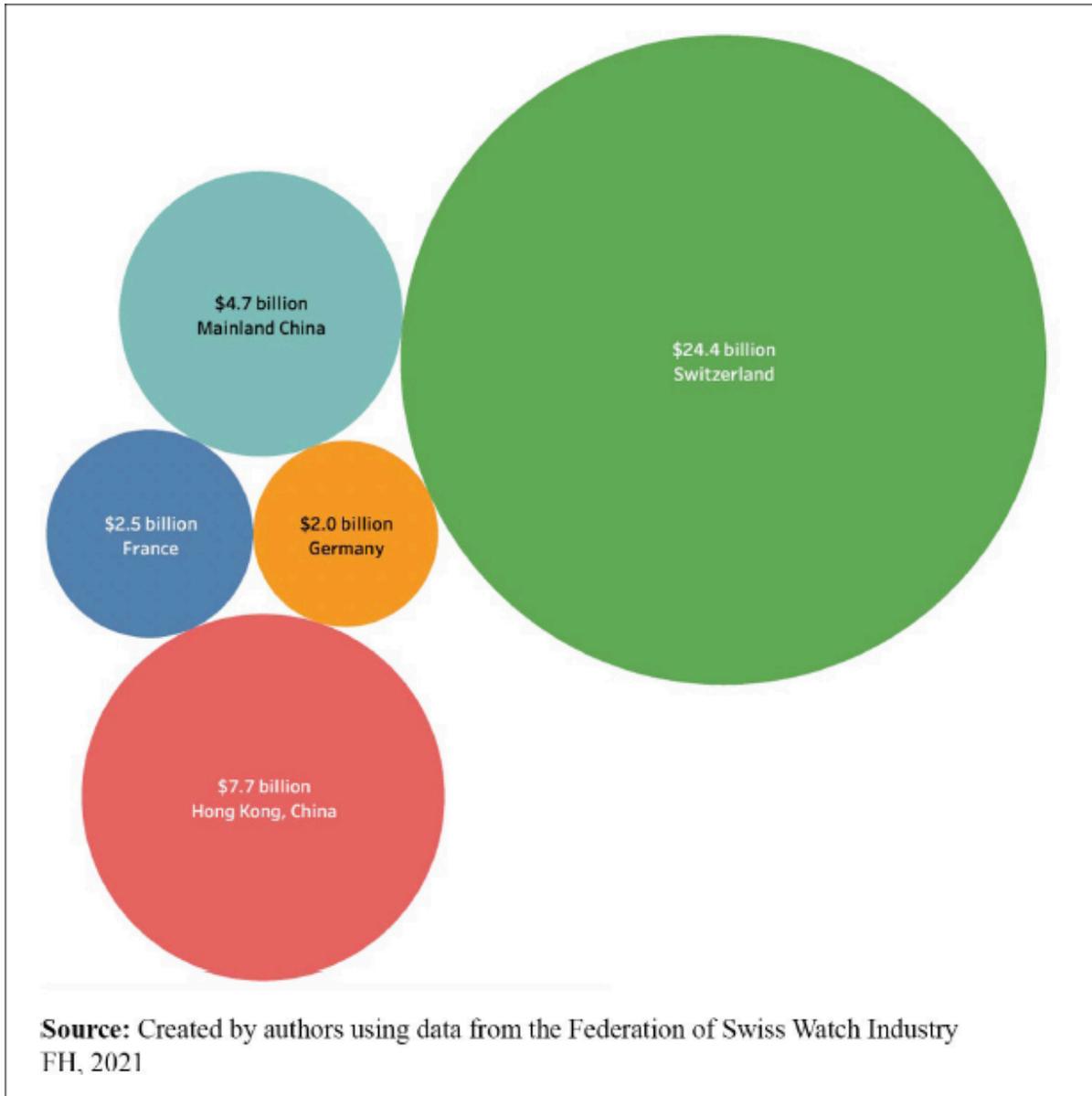
Global watch industry: an overview

The global watch market reached a value over \$66.7bn in 2021 and is expected to reach \$117.8bn by 2025 (GrandViewResearchInc, 2019). While more than one billion watches were produced annually in the world, the industry was dominated by only 10 players. Table 1 lists key competitors in the global watch market. The Swatch Group Ltd. was the only company that competed with Movado Group across all its brands. The three main wrist watch exporting markets in the world in terms of value were Switzerland (\$24.4bn, +2.7%), HongKong – a special administrative region of China (\$7.7bn, -6.9%), mainland China (\$4.7bn, -11.4%), followed by France (\$2.5bn, -24.1%) and Germany (\$2.0bn, +0.1%). The percentage variations are compared with 2019 values. Figure 1 shows the main wristwatch exporting markets. The five leading importing markets in terms of value in descending order were HongKong, China (\$8.4bn, +3.8%), the USA (\$6.2bn, +26.9%), mainland China (\$5.8bn, +30.9%),

Table 1: Key competitors in the global watch market

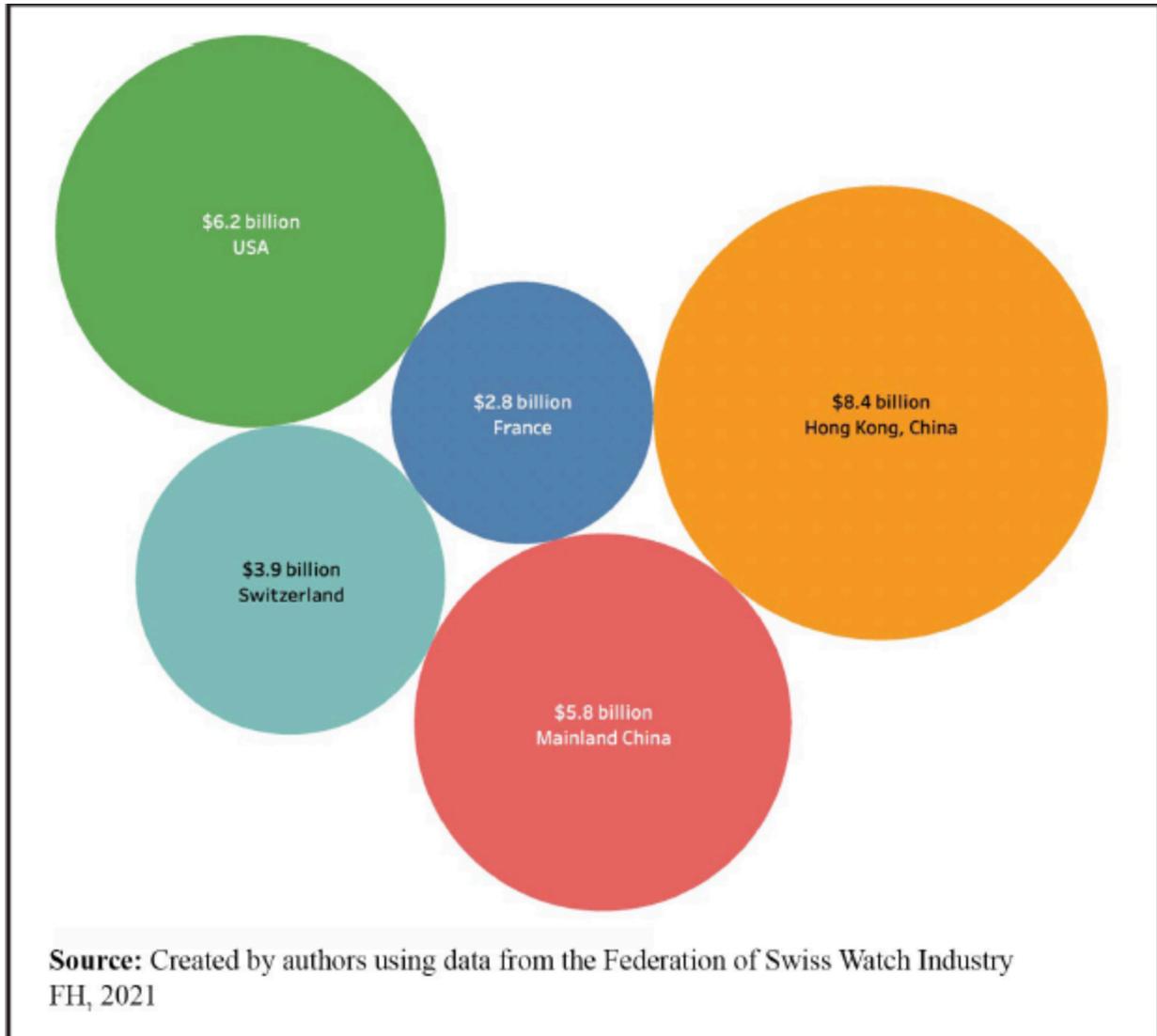
<i>Company</i>	<i>Headquarters</i>
Casio Computer Co.Ltd.	Japan
Citizen Watch Co.Ltd.	Japan
Compagnie Financiere Richemont SA	Switzerland
Fossil Group, Inc.	USA
LVMH Moet Hennessy – Louis Vuitton	France
Movado Group Inc.	USA
Ralph Lauren Corp.	USA
Rolex SA	Switzerland
Seiko Holdings Corp.	Japan
The Swatch Group Ltd.	Switzerland

Fig 2: Main wristwatch exporting markets



Switzerland (\$3.9bn, -13.5%) and France (\$2.8bn, -15.8%). The percentage variations are compared with 2019 values. Figure 2 shows the main wristwatch importing markets. The total world watch production was estimated at approximately 1.2 billion timepieces (Federation of the Swiss Watch Industry FH, 2020). China was the world's biggest watch producer in terms of total overall production. Ninety-nine percent of its production was

Figure 2: Main wristwatch importing markets



catered to the mass market. In the luxury and designer wrist watch market, Switzerland was the leading producer with exports worth \$21.8bn in 2019. The Swiss watch industry made up 53% of the global watch market in value with 2% of the total overall production of watches (Roulet, 2020). Movado competed in this industry with three of its company-owned brands: Movado, Ebeland Concord.

The fastest growing market segment was fitness watches because of the rising popularity of accessing body activities including cycling, footsteps, swimming laps, heart rate and sleeping pattern (Grand View Research Inc, 2019). Nevertheless, the luxury watch market remained resilient. The craftsmanship and artisanal pride that typified luxury watches attracted affluent millennials, who may have previously used smartwatches (The Watches of Switzerland Group, 2019). Arguing that smartwatches were “a gateway to luxury watches,” Ariel Adams, founder of the influential website a blog to watch.com, pointed out that by accustoming young people to wearing watches, they paved the way for the luxury watch

industry to reach a new generation of potential consumers (Hotten, 2019).

Disruptions in the fashion watch industry

In the USA, Fossil Inc. and Movado Group dominate the fashion watch industry. Movado Group battled intense competition not only from companies selling traditional watches but also from those selling the increasingly popular smartwatches. According to a Pew Research Center survey, approximately 21% of Americans used a smartwatch or wearable fitness tracker with the 18–49 age demographic driving the overall growth in the market (Vogels, 2020). Movado Group responded by introducing its second-generation smartwatch with increased functionality such as heart-rate monitoring, but it was still many years away from the products pioneered by market leaders such as Apple, Fitbit and Garmin. These firms frequently and successfully launched new models because they had greater financial, distribution, advertising and marketing resources (Movado Group Inc, 2020). According to a report by the research firm Strategy Analytics, in 2019, Apple Watch outsold the entire Swiss watch industry which dominated the luxury watch market. The report estimated that Apple shipped 30.7 million of its smartwatches (36% increase from 2018), while the Federation of the Swiss Watch Industry exported 21.1 million watches (13% decrease in the same period) (Dans, 2020; Federation of the Swiss Watch Industry FH, 2019). Apple watches continued to dominate the market with sales of 33.9 million units (+19.3%) in 2020 and 59.7 million units (+76.1%) in 2021.

Smartwatches were predicted to continue to take market share from the traditional mechanical and quartz products. Summarizing this trend Dans (2020) wrote:

[S]uccessive generations of smart watches will provide increasingly attractive features watching over our health, overcoming the limitations of previous versions, and winning over more and more people. If you still don't believe it, if you think that the sales figures are just a blip or you think that the Swiss watch industry is in a bunker in the Alps planning its revenge [. . .] don't worry, it will pass in time. You'll get tired of waiting.

The watch industry was no stranger to disruptions. In the 1970s, high-precision quartz watches were not only the new technology standard, but they made high-quality mechanical watches obsolete. This “quartz revolution” occurred in a historical context characterized by the gradual establishment of the Japanese watch industry in world markets through the implementation of a system for mass-producing high-quality mechanical and quartz watches. This radical innovation disrupted the bases of competition (Donze, 2019).

One recent high-profile example of a market-changing innovation was the Apple Watch. Apple created a market where none existed – targeted people who never wore wristwatches and turned them into consumers. Younger people en masse simply stopped wearing old-style watches. Ironically, this trend created an enormous opportunity for Apple to serve two primary market segments. By designing watches that appealed to the tech-savvy younger generations who demanded an easy way to connect with the digital world, Apple also attracted the older generations, who valued smart watch health and safety

features such as fitness tracking and fall detection. Thus, the idea of wearing a wristwatch was no longer simply about telling time but rather about making something happen (Codrea-Rado,2018).

Movado Group

The Movado brand was founded in 1881, incorporated as North American Watch Corporation in 1967, then renamed as Movado Group Inc. in 1996. Movado developed its brand-building reputation and distinctive image across an expanding number of brands and geographic markets. “Strategic acquisitions of watch brands and their subsequent growth, along with license agreements, have played an important role in the expansion of the company’s brand portfolio” (Movado Group Inc, 2022).

Movado Group divided its business into two categories: (1) owned brands including Concord, Ebel, MVMT, Movado and Olivia Burton; and (2) licensed brands including Coach, HUGO BOSS, Lacoste, Scuderia Ferrari, Tommy Hilfiger and Calvin Klein. Table 2 shows a complete list of owned and licensed brands.

For each licensed brand, Movado Group had an exclusive license agreement to carry out a Combination of the following: design, manufacture, distribute, merchandise, advertise,

Table 2: Summary of owned and licensed brands

<i>Owned Brands</i>	<i>Owned/Licensed Brands</i>	<i>Year acquired/Launched</i>
Concord	Owned	1970
Movado	Owned	1983
Ebel	Owned	2004
Olivia Burton	Owned	2017
MVMT	Owned	2018
Coach	Licensed	1999
Tommy Hilfiger	Licensed	2001
HUGO BOSS	Licensed	2006
Lacoste	Licensed	2007
Scuderia Ferrari	Licenses	2013
Calvin Klein	Licensed	2022

promote, market and sell their watches. These licensed brand represented 50.3% of the company’s net sales for fiscal year ending 2022 (Movado Group Inc, 2022). Figure 3 shows net sales of licensed brands versus owned brands in 2022.

Movado Group divided the global watch market into five categories – exclusive, luxury, accessible luxury, moderate fashion and mass market. Table 3 provides categories of the global watch market.

Movado competed only in the luxury, accessible luxury and moderate and fashion categories. The company owned three Swiss brands including Concord and Ebel which competed in the luxury category, and Movado which competed in the accessible luxury

Figure 3: Net sales of licensed brands versus owned brands 2022

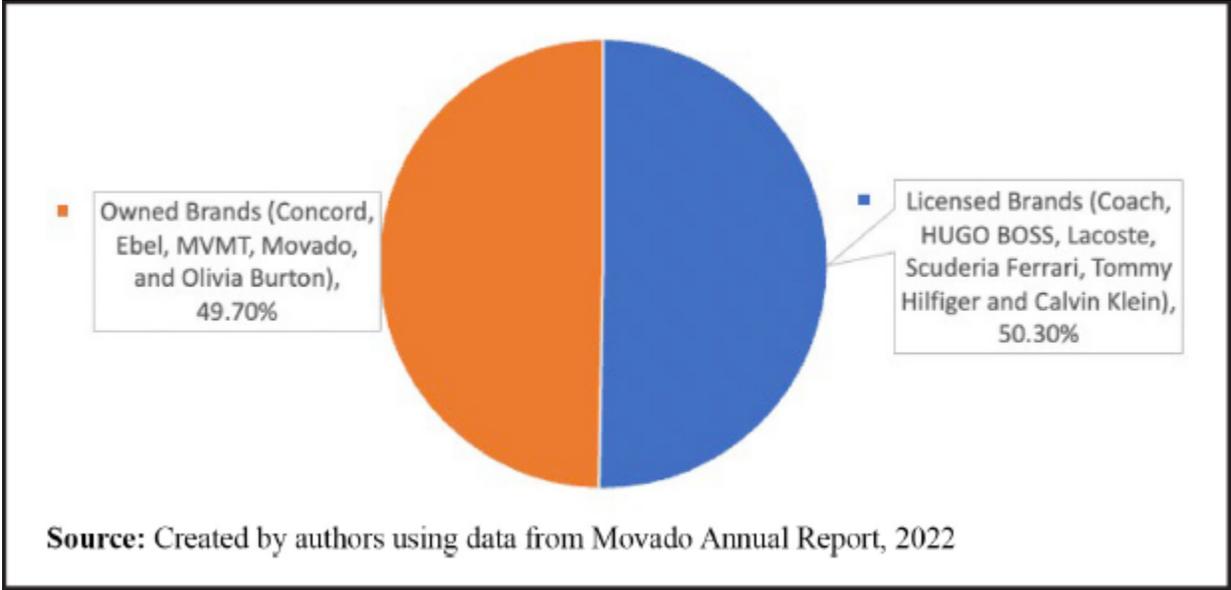


Table 3: Categories of the global watch market

<i>Category</i>	<i>Price Range</i>
Exclusive	\$10,000 and above
Luxury	\$1,300–\$9,900
Accessible luxury	\$500–\$2,499
Moderate and fashion	\$75–\$500

Mass market	under \$75
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category. At the moderate and fashion category, the company competed with brands such as Coach, HUGO BOSS, Lacoste, Olivia Burton, MVMT, Scuderia Ferrari, Tommy Hilfiger and Calvin Klein. Table 4 shows a market overview of the categories.

Movado divided its business into two operating segments: Watch and Accessory Brands (formerly named Wholesale) and Company Stores (formerly named Retail). The Watch and Accessory Brands segment was responsible for the design, manufacture and distribution of owned and licensed brands watches plus after-sales service activities and shipping. Movado primarily sold its brands in the USA to (1) major jewelry store chains such as Signet Jewelers Ltd .and Helzberg Diamonds Corporation; (2) department stores such as Macy’s and Nordstrom; (3) independent jewelers; (4) online retailers such as Amazon; and (5) Movado Group’s e-commerce platforms such as www.movado.com and www.mvmtwatches.com (Movado Group Inc, 2022).

The Company Stores segment handled direct-to-consumer sales through retail locations. Movado Retail Group Inc., a subsidiary, operated 42 outlet stores located in outlet centers Across the USA. These stores were effective vehicles for selling discontinued or Overstocked models of all the company's watch brands.

Movado Group did not manufacture any of its products in-house. Rather it used a flexible manufacturing model that relied entirely on independent manufacturers and allowed the company to respond quickly to shifts in marketplace demand or changes in consumer preferences. Movado worked with independent contractors in Asia to produce Coach, HUGO BOSS, Lacoste, Olivia Burton, MVMT, Scuderia Ferrari, Tommy Hilfiger and Calvin Klein watches. The company also worked with independent third-party assemblers in Switzerland to manufacture Movado (except for certain collections including Movado BOLD), Ebeland Concord watches. Furthermore, all products were manufactured using components and technology obtained from third parties, including connected technology that provided end users with the necessary applications and cloud services in smartwatches. By outsourcing a significant portion of its components and assembly, the company improved its productivity and controlled overhead costs.

While challenges in the global wristwatch industry began long before the COVID-19 pandemic struck the world, the pandemic unleashed a cascade of new problems. From creating a global health crisis to adversely affecting the economies of countries around the world, the pandemic forced lockdowns and border closures causing changes in consumer behavior and spending habits that have undermined the demand for watches. In addition,

Table 4: Market overview of watch categories

<i>Market category</i>	<i>Manufacturing location</i>	<i>Brands competing in the category</i>
Exclusive	Almost entirely in Switzerland	Movado Group did not compete in this category Other brands: Audemars Piguet, Rolex, Patek Philippe, Piaget and Vacheron Constantin
Luxury	Primarily in Switzerland	Movado Group: Concord and Ebel Competitor brands: Baume & Mercier, Breitling, Cartier, Omega and TAG Heuer
Accessible luxury	Some in Asia but primarily in Switzerland	Movado Group: majority of Movado collections (e.g. Museum Watch, Heritage, BOLD and Connect with smartwatch technology) Competitor brands: Gucci, Rado, Michele and Raymond Weil
Moderate and fashion	Primarily in Asia and Switzerland	Movado Group: Coach, HUGO BOSS, Lacoste, Olivia Burton, MVMT, Scuderia Ferrari, Tommy Hilfiger and Calvin Klein Competitor brands: Anne Klein, Bulova, Citizen, Fossil, Guess, Seiko, Michael Kors, Daniel Wellington and Swatch Smartwatch leaders: Apple, Fitbit and Garmin
Mass market	Asia	Movado Group did not compete in this category Other brands: Casio, Pulsar, Seiko and Timex

the pandemic highlighted how heavily the industry depended on China, both for sales and the supply of watch components. Chinese consumer demand comprised approximately 50% of watch makers' revenues. When the virus triggered worldwide lockdowns, the industry braced for formidable logistical and financial impacts.

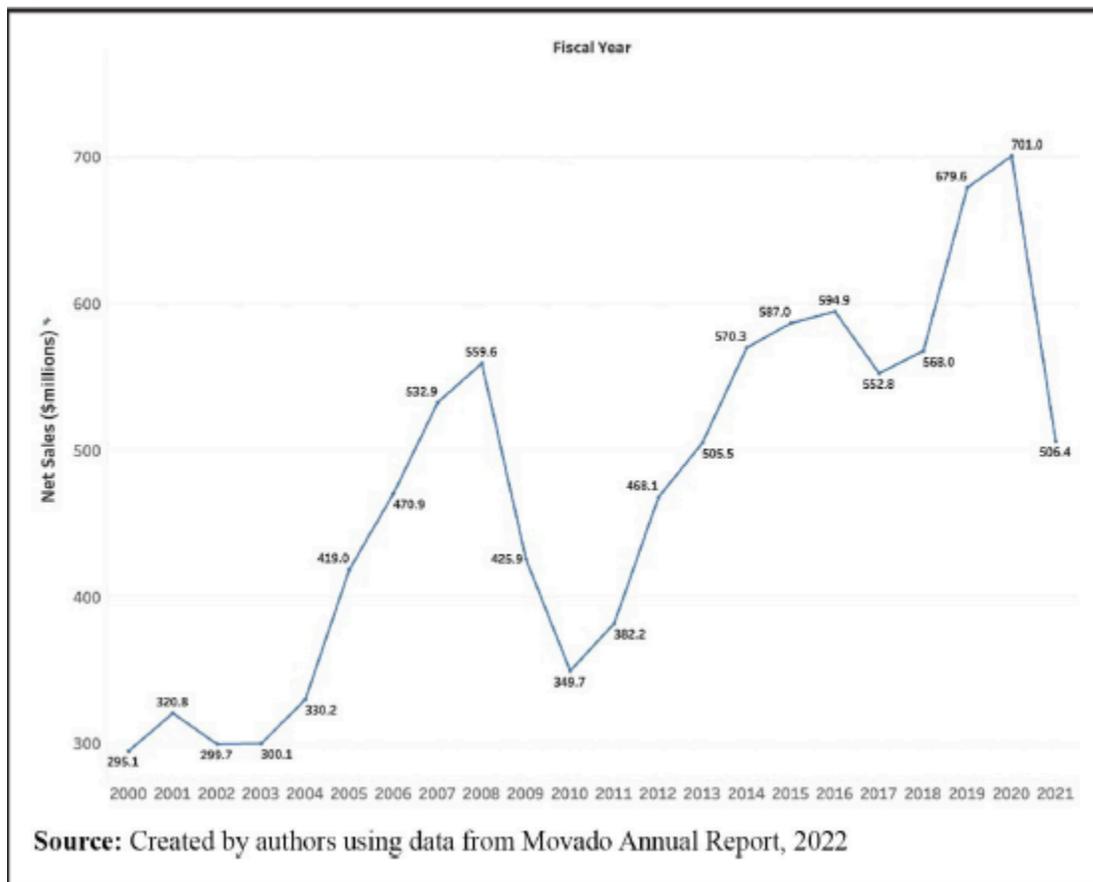
The pandemic also exposed the weaknesses of companies that relied heavily on a limited number of partners. For example, Movado purchased a majority of Swiss Watch movements used to make Movado, Ebel and Concord watches from two suppliers, one of which was a competitor's wholly owned subsidiary. "Additionally, the Company generally does not have long-term supply commitments with its manufacturers, and thus competes for production facilities with other organizations, some of which are larger and have greater resources. Any loss of an independent manufacturer or disruption in the supply chain of critical components may result in the Company's inability to deliver quality goods and could have an adverse effect on customer relations, brand image, net sales, and results of operations"

(Movado Group Inc, 2020, p.20). Figure 4 shows Movado's net sales for 2000–2021.

Trying to get its timing back

Though smartwatches were a threatening innovation, whether they indeed portend the destruction of the market for traditional wristwatches was still up for debate (Adams,2019; Codrea-Rado, 2018; Dans,2020). Movado earned more than 100 patents and 200 international awards for artistry and innovation in watch design and technology (Movado Group Inc,2020). Movado had a strong presence in the US market especially in the 1980s when its fashionable Museum dial with just a single dot at 12 exemplified an elegant Bauhaus-style union of craftsmanship and modernism. But by far the biggest market was Asia, where Movado watches were coveted luxury items

Figure 4: Movado's net sales for 2000-2021



When the recession adversely impacted all luxury markets in 2011, the company developed a new concept with its Movado BOLD watch collection. BOLD watches were innovative: they were made from high-tech composite materials and offered at accessible prices to fashion-savvy, on-trend younger consumers. In 2018, to increase the company's presence among millennial consumers across social media platforms, Movado Group acquired Olivia Burton and MVMT.

With the acquisition of MVMT – a brand that took the market by storm with good-value iconic contemporary products targeted toward younger consumers – Movado acquired a company with leading expertise in visual content and linkage with key influencers. It was one of the fast-growing e-commerce companies with sales climbing from zero to \$100m in just a few years. The success of MVMT came from their digital strategy. Their messages on Facebook were minimal but elegant. Stylish photos and videos showcased their products and brought potential consumers to their website.

Movado also collaborated with retail partners to ensure the delivery of the brand experience. For Amazon, Movado put up its own content and controlled the customers' visual experience with Amazon Brand Registry. The company provided product descriptions and photos. The chat feature on the Movado website lets shoppers ask questions about products that interest them. These tools made shoppers feel comfortable with their purchase regardless of where they buy it.

These acquisitions and collaborations allowed Movado to offer an omni-channel experience that gave customers multiple points of contact including physical locations and environments, e-commerce and social media.

Another way in which Movado was distinguished from the competition was that its customers foreground their unique personal styles. Often, they were art aficionados and trendsetters. To build customer relationships, Movado romanced them – selling not just a watch but an experience that will have a lasting impact. To this end, Movado developed close enduring relationships with the arts such as affiliations with talented brand ambassadors, sponsorships of major arts institutions and support of emerging artists. These efforts were underpinned by its long, rich heritage of design innovation through watch designs commissioned from famous artists including Andy Warhol and Chris Benz (Movado Group Inc, 2019).

“Watches have been a status symbol ever since they were invented” (Adams, 2013). They will continue to evolve in the coming years. Will Movado's two key priorities – to drive creativity and innovation and connect directly with consumers in the digital world – be a sufficient growth driver to generate sales increases? Will Industry 4.0 prepare the company for future supply chain disruptions?

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