Introduction

Brand management is a key component of modern enterprises.¹ For firms, the main function of brands is to “differentiate them from competition”.² According to Teresa da Silva Lopes and Paul Duguid, brands have a positive effect for both consumers and producers. They enable the former to identify the product and reduce uncertainty, whereas for the latter, “they gave the capacity to shape consumers’ interest and tastes”.³ Alfred Chandler argues that companies began to adopt brand management in the late 19th century when their markets expanded geographically.⁴ The transformation of the distribution system, with the emergence of chain stores and supermarkets, and the enlargement of consumption led to a need to identify products, especially in the consumer goods industry (processed food, beverages, tobacco, etc.). Yet despite the fact that packaged consumer goods manufacturers (Heinz, Kellogg, Nestlé, etc.) spread worldwide and built up a global organization during the years

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³ Ibidem.
1880-1914, this did not lead to the appearance of global brands. Geoffrey Jones emphasizes that “most multinationals owned numerous local or regional brands in different markets.”

After WWII, a major shift occurred with the appearance of global brands, usually launched and developed by American MNEs such as Coca-Cola or McDonald’s. However, this was not a unidirectional trend and other MNEs like Unilever and Procter & Gamble continued to manage large portfolios of regional brands. The idea of the emergence of a globalized and homogenized world market was popular in the United States in the early 1980s, as embodied by the iconic paper published by Ted Levitt, professor of marketing at Harvard Business School, entitled “The Globalization of Markets.” In most industries, however, adaptation to regional markets is far more important than standardization. Moreover, even when a company is building a global brand, brand image and content can vary from one market to another – sometimes considerably. Using the example of the beverage industry, Teresa da Silva Lopes shows that the construction of real global brands is a relatively recent phenomenon, which accelerated in the 1990s.

Some scholars in marketing studies argue that the luxury industry is a field where the standardization of brand management, hence the implementation of global brands, is the most advanced. Luxury goods are targeted to social elites around the world, especially the newly rich in emerging countries. As these customers are looking precisely for status symbols and

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6 Ibidem, pp. 197-198.


Western goods, adaptation is not required. This question is still debated by scholars in management studies, but the issue is the scope of standardization rather than its existence.

This paper focuses on the construction of global brands in the Swiss watch industry from 1980 to 2010, as viewed from a business history perspective. In the ten-year stretch between 1975 and 1985, the Swiss watch industry was hard hit by competition from Japanese watch manufacturers, which caused employment to decline by around two-thirds. However, it staged a comeback on the world market in the late 1980s via the rationalization of the production system and a move up to luxury, and has been the uncontested leader of the industry ever since. This industry is therefore an example of a sector which experienced a paradigm shift in the 1980s, and this contribution argues that the implementation of a new brand strategy, as characterized by brand globalization, was at the heart of this transformation.

The paper is divided into three parts. The first briefly introduces brand management in the Swiss watch industry before the transition to luxury then tackles the change in this industry and the move up-market. Subsequently, sections II and III focus on two cases studies, respectively, the adoption of a new brand strategy by Swatch Group, the world’s largest watch manufacturer, and by its subsidiary Longines.

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13 On the history of the Swiss watch industry, see Pierre-Yves Donzé, History of the Swiss watch industry from Jacques David to Nicolas Hayek, Berne: Peter Lang, 2011.

1. Brand management in the Swiss watch industry before the shift towards luxury

Until the late 19th century, Swiss watchmakers used to sign their watches with their own name. The first brands appeared as a consequence of industrialization and the emergence of modern industrial enterprises. The shift from family name to brand embodied a new commercial concept and the first watch companies to adopt a brand were the largest and most modern enterprises at the time, such as Longines (1889), Omega (1894), Zenith (1897) and Rolex (1908).\(^{15}\)

The mass production and worldwide mass distribution of watches gave way to the adoption of a new marketing strategy, especially a desire to differentiate products on the world market and to ensure that consumers can identify them easily, through advertisement and branding. This led watchmakers to give their products specific names and to lobby the Swiss Parliament for a law to protect trademarks and brands (1880). This legal instrument was soon followed by the signature of the Paris Convention for the Protection of Industrial Property (1883), which allowed Swiss watchmakers to effectively protect their brands in foreign markets.\(^{16}\)

However, the appearance of brands in the Swiss watch industry did not lead to the standardization of products, as was the case in most other manufacturing sectors. Watch companies used the same brand to sell products whose design sometimes differed substantially from one market to another, depending on the needs and tastes of local customers. Hence, in 1912, the Association of Watchmakers of La Chaux-de-Fonds, a professional body which grouped together 190 members, explained in a leaflet that the objective of Swiss watchmakers was to “respond to the needs of all countries, all demands, all

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tastes and all purses.”

In this context, adapting products was a major issue.

Yet competition from American watches at the end of the 19th century, then from Japan after the interwar years, underscored the need to rationalize the production system. Consequently, in order to reconcile the apparently contradictory goals of cutting production costs and maintaining a wide range of end products, the main Swiss watch companies adopted a specific strategy, characterized by the production and export of movements, which were then assembled and cased in the countries in which they were sold. This practice was primarily used for the largest markets (USA, Japan, Germany, Italy, Hong Kong, etc.), where independent importers of movements sourced cases and straps from local manufacturers.

Consequently, from the interwar years onwards, there was no consistency worldwide between brand and product nature. For a given brand, such as Omega or Longines, watch design, price and style differed considerably from one country to another. Yet this was not a contradiction in terms of brand management. Until the advent of electronic watches in the 1970s, the competitiveness of firms in this business relied on the precision and durability of products, not their design. Whatever its design, a watch’s brand name referred directly to its precision, i.e. movement quality.

17 BUBLOZ Gustave, *La Chaux-de-Fonds, métropole de l’industrie horlogère suisse*, La Chaux-de-Fonds : Société des fabricants d’horlogerie de La Chaux-de-Fonds, s.d. [1912], p. 12.

18 Ref.
Using Swiss foreign trade statistics, we can pinpoint the proportion of movements among the volume of watch exports since 1890 (see figure 1). Despite fluctuations, the period 1890-2013 can be divided into four major phases. At first, the years 1890-1940 were a period of expansion and crisis characterized by a rise in the share of movements, which soared from 5.9% in 1890 to 40.2% in 1940. Custom protectionism, a worldwide phenomenon during these years, was the primary factor driving this trend. Subsequently, the proportion fell for three decades, until 1972 (26.4%), primarily owing to increased production of cheap, low-quality mechanical watches (*pin-lever watches*). These were mass produced without brand value or identity, and competed solely on their low price. Hence, the growing share of movements during the third phase (1972-1983), which peaked at 48.2% in 1983, was mainly
due to the collapse of the production of pin-lever watches, which could no longer compete with electronic watches.\textsuperscript{19} Consequently, there were no significant changes in brand management from the 1890s to the 1970s. However, the decline in the share of movements during the 1980s and 1990s, which remained under 20\% from 1992 onwards and averaged 18.2\% in 2000-2013, was driven by the industry’s repositioning towards luxury and its adoption of a new marketing strategy.

Swiss foreign trade statistics also provide an excellent macroeconomic overview of the shift towards luxury (see figure 2). After the crisis of 1975-1984, the Swiss watch industry has experienced a new period of growth up until the present moment, marked by two different phases. First, until 1992, the comeback of the Swiss watchmakers on world markets went hand in hand with steady growth in watch exports, with the Swatch, launched in 1983, playing a key role in this process.\textsuperscript{20} Second, since 1992, the growing increase in export value has been accompanied by a decline, followed by a stagnation, in volume, reflecting the sharp increase in the average value of watches – that is, their transformation into luxury goods. The new marketing strategy adopted by Swatch Group in the early 1990s has been emblematic of this change.

\textsuperscript{19} Pierre-Yves Donzé, « L’industrie de la montre roskopf en Suisse », in Jean-Michel Piguet (dir.), \textit{La drôle de montres de Monsieur Roskopf}, La Chaux-de-Fonds : Musée international d’horlogerie, 2013, pp. 77-95.

2. Brand management in Swatch Group

Swatch Group was created in 1983 by the merger of the two largest Swiss watchmaking conglomerates, with the goal of undertaking a thorough restructuring to restore the ability to compete with Japanese rivals.\textsuperscript{21} Hence, the Group brought together some 15 watch companies and brands when it was founded. The strategy implemented by Nicolas G. Hayek, long-standing Group CEO (1986-2003), consisted of two major pillars. The first, not tackled in this paper, was the rationalization of production (concentration in Switzerland; relocation of parts supply in Asia; reduction of model ranges). It was implemented from Day 1 onwards and was a focal point for management until the mid-1990s.

\textsuperscript{21} Pierre-Yves Donzé, \textit{A Business History}...
The second pillar was a new marketing strategy where brand management featured prominently. It appeared later, starting in the late 1980s, and was characterized by both brand portfolio rationalization and individual brand globalization. However, before we look at these changes, it is useful to recall the story of the Swatch, which had a major impact on the entire Group in terms of brand management.

*The Swatch experience*

The Swiss collective memory, the story told by Swatch Group and academic works usually portray the crucial role of a product innovation in explaining the success of Swatch Group and the comeback of the Swiss watch industry on the world market: the Swatch.\(^{22}\) Developed to beat the Japanese competition, the Swatch was designed as a fashion product and a plastic-made quartz watch manufactured in Switzerland.\(^{23}\) It was launched in 1983 and became a hit worldwide starting in the late 1980s. Due to a lack of data, it is not possible to quantify the Swatch’s precise financial impact company-wide.\(^{24}\) Nevertheless, even though it generated large profit margins which gave the Group part of the capital it needed for restructuring, the Swatch is more important as a marketing object than in terms of its financial impact. One of the Swatch’s real innovations was that it was sold as a global brand, that is, a product that is not adapted to local markets but is marketed throughout the world in exactly the same way – a completely new feature in the watch industry.

This novel marketing strategy was implemented by a new breed of managers, some of whom came from other industrial sectors, especially multinationals dealing in consumer goods. And this in turn facilitated the internalization and dissemination of these new practices. Among this new generation of managers, special mention should be made of Max Imgrüth, a graduate

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\(^{22}\) Carrera, *Swatchissimo* and Landes, “Swatch!”.

\(^{23}\) Garel and Mock, *La fabrique de l’innovation*.

\(^{24}\) Donzé, pp. **
of New York’s Fashion Institute of Technology, who started out in the textile industry before joining Omega and taking over product development in the Marketing Department at the end of the 1970s. One of those responsible for launching the Swatch on the US market, he supervised the first test markets in Dallas, Salt Lake City and San Diego in 1982. He then went on to become CEO of SMH for the United States, one of Swatch’s main markets during its phase of expansion. Other names which come to mind are Jacques Irniger, a former marketing executive for several multinational producers of consumer goods, such as Colgate or Nestlé, who was hired in 1983 to help launch the Swatch.\textsuperscript{25} Finally, three years later, Swatch Group poached Franco Bosisio, a graduate of Bocconi University in Milan, who worked as a brand manager at Procter & Gamble before becoming marketing director for Cartier Italy. After he was put in charge of the Italian market for the entire group and appointed marketing director for the Swatch brand in Italy, he also played a leading role in Swatch Group’s expansion during the second half of the 1980s, as Italy was one of the company’s top markets.

This new generation of managers brought with them new marketing concepts, which were instrumental in renewing brand image. One of the major innovations borrowed from the fashion industry was the concept of \textit{flagship stores}, sales outlets which market a single brand, “where the client can live the brand”\textsuperscript{26}. They feature a uniform design and atmosphere throughout the world and are generally located on the main shopping streets of the planet’s major metropolises, such as the Champs-Elysées in Paris, Fifth Avenue in New York or Ginza in Tokyo. In the case of Swatch Group, these flagship stores were first introduced with the Swatch brand, with a first Megastore opening in 1996 in New York. The following year, Swatch Group opened some 60 Swatch Stores all over the world, doubling the number of brand outlets in one fell swoop.

\textsuperscript{25} Wegelin, \textit{Mister Swatch}: 75-77.
\textsuperscript{26} Kapferer and Bastien, \textit{The Luxury Strategy}: 234.
Managing a brand portfolio

In the 1980s, Swatch Group’s management focused on restructuring production and distribution and on developing the Swatch. The Group had no real brand policy as such, and did not manage the brand portfolio as a whole. Likewise, the only two new brands launched during this period, the Flik Flak children’s watches (1987) and the Pierre Balmain fashion watches (1987), did not reflect a desire to diversify the Group’s brand portfolio. Rather, these moves followed a completely different line of reasoning, which could be called an industrial logic. These two brands came straight from the Group’s movement factory, ETA SA, which saw an opportunity to expand, against the backdrop of efforts to overcome the crisis, whose success was by no means guaranteed, and keen competition with Japan.

As for the rest, differentiation between brand images is not very pronounced. Omega and Longines have remained historical rivals ever since the late 19th century, with various product lines embodying similar values (precision, sport, fashion, elegance). There is also a certain amount of ambivalence in the mid-range segment (Certina, Mido, Tissot) where differentiation is difficult, even though Tissot was chosen to launch new products like the Rock Watch with a stone case (1985), the Wood Watch with a wooden case (1988) or the Two Timer watch with a dual analog and digital display (1986). The only two brands which stood out from the crowd in terms of image were Rado, which relies on a modern design, and Hamilton – purchased in 1971 by one of the conglomerates merged in Swatch Group in 1983 — which cultivates the brand’s American roots (American Tradition line).

This lack of differentiation no doubt explains why it was necessary to start by reforming brand policy internally, inside each company. The goal was to rationalize by drastically reducing the number of models. By way of example, with Omega, the number of different models, which totaled nearly 1600 at the beginning of the 1980s, was slashed to 850 in 1985
and further slimmed down to 284 in 1986. In October 1987, senior management announced that around 100 different models would be phased out by the end of the year. The purpose of this operation was to refocus the brand on a limited number of models with a strong identity and to accentuate the connotation of high-end luxury attached to this brand. Accordingly, a decision was taken to eliminate gold-plated models and only keep watches made out of noble materials (gold, silver, platinum) or new materials. Reconfiguring its product offering moved Omega back into the black in 1986 for the first time in many years.

Yet this new marketing strategy was not implemented solely for individual brands. In 1990, N.G. Hayek reorganized operational management at Swatch Group in order to introduce brand management Group-wide, characterized by brand differentiation and market segmentation. Accordingly, the Executive Group Management Board, the body tasked with overseeing the merger and streamlining the company during the 1980s, was restructured, becoming the platform for inter-brand coordination and the adoption of a global strategy. Since 1990, it has brought together representatives of the Group’s main brands, the sales subsidiaries and a few production officers, with a view to coordinating and managing the brand portfolio.

Consequently, in the mid-1990s, Swatch Group embarked upon a policy of differentiating and repositioning its various brands, in order to enhance their complementarity and boost the company’s ability to compete across all market segments. It made a special differentiation effort between the Group’s main historical brands, Omega, Longines and Rado with the so-called “affordable luxury” segment. The aim was to reinforce each brand’s own image, generating different yet complementary products targeting discrete publics. Omega was selected as a mass consumption luxury product designed to counter Rolex and Cartier on world markets. It went on to become Swatch Group’s main brand.

27 Richon, Omega Saga: 71.
28 Richon, Omega Saga: 290.
As for Longines, it was repositioned in a less expensive segment and graphically redesigned as an object of elegance and classicism, which did not compete head on with the Group’s other products situated in the same product range, namely, Rado (high technology and modern design) and Glashütte Original (technical tradition and classicism). For example, since the 1990s Longines has refocused on sponsoring activities consistent with this image of classic elegance (riding, gymnastics, skiing and tennis), abandoning such former areas as Formula 1 racing (1992). Unlike Blancpain, a company acquired in 1992 which emphasizes the traditional know-how of its watchmaking craftsmen, Longines is part of the historical tradition of a manufacture which played a pioneering role in modernizing and industrializing watch production, an image which is better suited to its “affordable luxury” products.29

Rado developed in a similar fashion to Longines, marked by disinvestment in the brand in favour of Omega. This company, which was founded in 1917, adopted the Rado brand in 1954. It rapidly made a name for itself as one of the leading Swiss watch brands in the Far East and the Middle East. In 1980, Rado was even the sole Swiss watchmaking company using posters to advertise in Shanghai.30 In 1982, it posted a turnover of some CHF 200 million for an annual production volume of around 1 million watches, 96 per cent of which were sold in the Far East. One of Rado’s hallmarks has been the use of high-tech materials (hard metals, ceramic, and lanthanum) for some of its models since 1962 (DiaStar watch). As a result, when Swatch Group was founded, Rado was a major force among the watchmaking firms. Its CEO, Paul Lüthi, was even the sole brand representative with a seat on the Group’s Board of Directors (1984-89). Despite the restructuring it underwent in 1987 with personal input by Thomke, Rado clearly remains one of the Group’s main brands. However, Swatch Group’s new strategy has turned it into a global brand specialized in futuristic designs. This differentiation has been accompanied by a repositioning to the mid-range segment in order to

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29 Henry Bédat, Une région, une passion.
leave the field free for Omega, especially in the Far East. Thus, in 2010, the new generation of urbanized Chinese is more familiar with the Omega brand than Rado, unlike its elders.31

This process of brand differentiation and market segmentation was strengthened after the purchase of several companies positioned at the top end, namely Breguet (1999), Léon Hatot (1999), Glashütte Original (2000) and Jaquet Droz (2000). The same strategy was used for all four companies. Swatch Group picked up prestigious brands whose main weaknesses were of a marketing-related nature: weak retail networks and the absence of a distinctive graphic line. Swatch Group defined designs particular to each brand (jewellery inspired by Art Deco for Léon Hatot; graphic lines bringing to mind certain major achievements by Abraham-Louis Breguet; a modern design inspired by classic models for Jaquet Droz; and classicism and grandes complications for Glasshütte Original), incorporated them into its international retail network and turned them into global brands.

Table 1: Consolidated turnover for the various Swatch Group brands, estimates, 2006

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of acquisition</th>
<th>Sales in 2006 (CHF millions)</th>
<th>As a % of the total</th>
<th>Unit price (in CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breguet</td>
<td>1999</td>
<td>305</td>
<td>7.8</td>
<td>&gt;10,000</td>
</tr>
<tr>
<td>Blancpain</td>
<td>1992</td>
<td>115</td>
<td>2.9</td>
<td>&gt;10,000</td>
</tr>
<tr>
<td>Glasshütte Original</td>
<td>2000</td>
<td>60</td>
<td>1.5</td>
<td>&gt;10,000</td>
</tr>
<tr>
<td>Jaquet Droz</td>
<td>2000</td>
<td>9</td>
<td>0.2</td>
<td>&gt;10,000</td>
</tr>
<tr>
<td>Léon Hatot</td>
<td>1999</td>
<td>5</td>
<td>0.1</td>
<td>&gt;10,000</td>
</tr>
<tr>
<td>Omega</td>
<td>1983</td>
<td>1,325</td>
<td>33.9</td>
<td>&gt;1,800</td>
</tr>
<tr>
<td>Longines</td>
<td>1983</td>
<td>380</td>
<td>9.7</td>
<td>900-3,000</td>
</tr>
</tbody>
</table>

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31 Hanssens Which international marketing for luxury goods?: 37.
Yet this marketing strategy was not limited to building and rationalizing a brand portfolio. Each watch subsidiary adopted a very active policy of making its brand global, that is, unifying and controlling designs, styles, advertising, communication, distribution, and prices from Swiss headquarters, with the goal of shaping a worldwide brand image. There were many tools for implementing such a strategy. One was to redesign all models and to launch new collections with a strong identity, as Omega did with Speedmaster (1994) and Constellation (1995). These collections and sub-brands became a key brand management component for the watch subsidiaries, as reflected by the figures for brands registered by Swatch Group. Figure 3 shows a clear change in the 1990s: the number of brands registered by Swatch Group shot up from 33 in 1985-1989 to 111 in 1995-1999, then stabilized after

<table>
<thead>
<tr>
<th>Brand</th>
<th>Year</th>
<th>Models</th>
<th>Identity</th>
<th>Price Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rado</td>
<td>1983</td>
<td>365</td>
<td>9.3</td>
<td>750-4,000</td>
</tr>
<tr>
<td>Union Glashütte</td>
<td>2000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tissot</td>
<td>1983</td>
<td>395</td>
<td>10.1</td>
<td>300-900</td>
</tr>
<tr>
<td>CK Watch</td>
<td>1997</td>
<td>150</td>
<td>3.8</td>
<td>150-1,500</td>
</tr>
<tr>
<td>Balmain</td>
<td>1987</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certina</td>
<td>1983</td>
<td>138</td>
<td>3.5</td>
<td>350-2,000</td>
</tr>
<tr>
<td>Mido</td>
<td>1983</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hamilton</td>
<td>1983</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swatch</td>
<td>1983</td>
<td>640</td>
<td>16.4</td>
<td>&lt;70</td>
</tr>
<tr>
<td>Flik Flak</td>
<td>1987</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Endura</td>
<td>1983</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

2000. The company experienced a paradigm shift characterized by the emergence of brand management as a key point for global competitiveness and the transformation of watches into luxury goods.

Another prime example of this transformation and the twofold shift towards luxury and global brands is provided by the distribution system and the spread of flagship stores. The idea was to improve the quality of distribution rather than increase the number of sales outlets as much as possible. Accordingly, the Omega distribution network was restructured in 2005-06 on the German, British and Japanese markets, where the number of sales outlets was reduced by 20 to 25 per cent. Distribution is an effective tool for reinforcing the exclusive image particular to luxury goods. In 2000, Omega had 178 flagship stores around the world, Tissot had 79, and Longines 20.\textsuperscript{33} Moreover, Swatch Group founded a global network of luxury shops, Tourbillon Boutique, in 2001, which numbered a total of 19 shops by 2014. These shops stock a full range of exclusive luxury brands as well as Omega and Swatch, which benefit from the image boost.

\textsuperscript{33} Brands’ Internet sites (7 July 2010).
3. The example of Longines

The Compagnie des Montres Longines Francillon SA (hereinafter Longines) is a good illustration of the changes in brand management and the emergence of global brands in the Swiss watch industry. This company, whose roots go back to 1832, established itself at the end of the 19th century as one of the major Swiss watch manufactures, thanks to the early modernization of production systems and a worldwide presence through a wide network of agents and importers.

During the 1880s and 1890s, Longines was a pioneer in adopting a strategy of focusing on the production and the export of movements, the idea being to have enough finished goods to meet the needs of all customers throughout the world. In March 1915, Alfred Pfister, technical director of the firm, wrote in his annual report that “the strength of the Longines brand

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34 Réf. sur Longines.
consists of the wide variety of products it offers customers: all kinds of styles in various sizes and thicknesses, simple and complicated, go out of Longines workshops; they can satisfy all of the public’s tastes.35

Longines archives do not contain any documents that could be used to calculate the importance of movement production from a long-term perspective, but it was a widespread phenomenon. In 1938, the share of complete watches amounted to only 48.8% of sales.36 The US provides a clear illustration of this strategy. It was one of Longines’ major outlets in 1900-1930, with 15% of sales. Its representative in the country was a firm with Swiss origins, Wittnauer & Co., which purchased several American companies in the early 20th century so as to finish and assemble Longines watches for the country. In 1929, it possessed a company for case making, Brighton Watch Case Co., and a parts maker, Majestic Watch Co.37 The proportion of movements out of sales to Wittnauer was only 11.6% in 1880. It reached 44.7% in 1900 and averaged 81.9% in the 1920s.38 This production system, which was reproduced in most markets, had a major impact on brand management. The brand Longines was linked to the high quality of watches, that is, movement precision, but its style changed with the country.

The emergence of global brands in the 1950s

At the beginning of the 1950s, Longines adopted a new strategy for product development and marketing: the creation of complete watches to be sold throughout the world with a similar sub-brand. This was actually the first attempt to launch a global brand, but it was limited to

35 AL, annual report of the Technical Director, unfiled document, March 1915.
38 AL, H512.1-2, registers of invoices by client, 1880-1935.
the highest segment of Longines production. Thus, in 1954 the company marketed its first self-winding watch under the sub-brand Conquest.

This new choice reflected a desire to differentiate the product on the world market. Longines’ commercial directors selected “a name with a pleasant sound, easy to pronounce in all languages,” and appropriate for a product positioned as a luxury good, for which the company launched for the first time a “worldwide advertisement,” that is an advertising campaign which did not differ between countries.

As the Conquest watch was an immediate hit throughout the world, other sub-brands were launched in the second half of the 1950s, like Silver Arrow (1955) for “a watch for young people, for the modern generation” or Flagship (1957), for “absolutely sensational goods.” These different models marked a major innovation in terms of product development and brand strategy. From this point onward, agents and importers were no longer all-powerful agents who conferred the design and style they wanted on Longines watches. Headquarters began to decide directly and to control brand identity and management. This change also reflected a desire to reduce dependency on the American market and extend business to other markets around the world.

Longines conducted the first modern marketing surveys during this period, which covered product development, sub-brand choice and a global advertising campaign. In November 1956, the Board of Directors declared that due to “the need to give a special name to a larger number of products, we have registered a set of names.” Longines then went on to internalize knowledge for brand management. At the time, however, it was not limited to

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39 AL, B32.5, minutes of the Board meeting, 30 November 1956
40 Ibidem.
41 Ibidem.
42 Ibidem.
43 Ibidem.
the registration of the first global brands, but also covered the protection of Longines’ brand name against copies. During the 1950s, the brands registered by Longines included counterfeited names (Sangines 1952; Longer 1952; Lorgir 1952) with a view to prosecuting the manufacturers, a strategy which dates back to 1949 with the registration of Lonjin (see figure 4).

Consequently, complete watches’ share of sales grew steadily, accompanied by an increase in overall production. Between 1946 and 1957, the share of movements dropped from 75.6% to 58%. However, these were large shares, and the strategy of launching global sub-brands was limited to the luxury segment. At the same time, Longines kept on exporting movements. In addition, the following decades were characterized by a decline in brand registrations and the development of contracts with foreign partners for licensed production. Longines registered a scant four brands in the 1960s and two in the 1970s. As for licensing contracts, these were primarily signed with American and South Korean firms. In the US, the multinational company Westinghouse Electric took over the distribution company Longines-Wittnauer in 1970 and signed a contract in 1975 for “the right to use Longines brand for American solid state watches [electronic watches], against the payment of royalties.” Since then, most of the Longines watches sold on the American market have been assembled in a workshop in Puerto Rico.

The situation was very similar in South Korea, a country subject to strict limits on watch exports. Longines signed a licensing agreement with Samsung Watch Co., a joint venture co-founded in 1983 by the Korean industrial group Samsung and the Japanese watch maker Seiko. This company assembled Longines watches with movements imported from Switzerland as well as other watches with Seiko movements, sold under the brand name

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44 Archives of Longines, annual report of the technical manager, 1946-1957.
45 AL, B32.5, Board minutes, 11 September 1975
Kappa. This cooperation with Swiss and Japanese watch companies enabled Samsung to establish itself as a leader on the Korean watch market in the 1990s.

Figure 4: Number of brands registered by Longines, 1950-2009

![Bar chart showing the number of brands registered by Longines from 1950 to 2009.]

Source: WIPO, Romarin database

The major change in the 1990s

In retrospect, the licensing contract signed with Samsung in 1983 appeared as a headlong rush by Longines, which faced increasing difficulties from the early 1970s onwards due to its small size and ownership structure (family business) that prevented it from adapting to the new competitive environment. The Swiss watch industry as a whole experienced a deep crisis in 1975-1984, and the creation in 1983 of the Société suisse de microélectronique et d’horlogerie (SMH), renamed Swatch Group in 1998, was the main steps taken to overcome this crisis.

Longines was one of the some 15 watch companies which was folded into SMH. The restructuring policy implemented within this Group led to the closure of Longines’ production workshop in 1988 and its transfer to ETA SA, the subsidiary in charge of movement

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46 SEIKO…, pp. 291-293.
production for all SMH watch companies. From that time on, Longines focused on marketing activities, especially brand management. The aim was to build a global brand whose identity relied on a few key elements taken from the company’s history (classical elegance, technical quality, contribution to sport) and transformed in the so-called values of the company – and the brand.

This repositioning was undertaken in the 1990s and featured three main characteristics. First, SMH negotiated an end to licensing contracts, managing to have them cancelled in South Korea (1993) and in the US (1994). From this point on, headquarters controlled the design and style of all Longines watches sold worldwide. Second, Longines strengthened its historical roots via the launch of anniversary models, for example the sub-brands Charleston (1986) and Grande Classique (1992). Moreover, in 1992, the 160th anniversary of the company’s founding provided an occasion for opening a brand museum and publishing a corporate history. Third, in 1996, Longines opted for elegance as the key concept of the brand and the company. More specifically, the management referred to the classical elegance of the interwar years, a period during which Longines used the slogan “Precise and elegant” for its advertising campaigns, and which became the source of inspiration for designers in the 1990s and from 2000 onwards. The sub-brand and collection Dolce Vita was launched in 1997 with models inspired by a watch produced in 1925. This strategy was developed in the following years, for example with the sub-brands Les Elégantes (2002) and Evidenza (2003). This was a strategy close to the first sub-brands launched in the 1950s, and brand registration took off after 1990 (see figure 4). Since the 1990s, however, the globalization of the brand Longines and of its sub-brands has been used for all watches marketed by Longines, not only for the most exclusive segment.

Conclusion

Brand management has been a major element in the strategy of repositioning the Swiss watch industry towards luxury and reconquering the world market initiated in the late 1980s. However, control over brands’ identity and their transformation into global brands was not solely due to a marketing strategy. It was made possible by the evolution of this industry and changes in the nature of products. Until electronic watches appeared in the 1970s, precision drove competitiveness on the world market. Brand image was associated with a watch’s technical quality, not its design or style. This enabled companies like Longines or Omega to focus on the production of high-precision movements and to export them to agents who assembled and finished them with external parts (cases, dials, straps) that suited the tastes of local customers. The variety of designs for a given brand was not seen as a lack of identity, as brand image was linked to movement precision and durability.

Electronic watches had a considerable impact and led to a paradigm shift, whereby the precision of watches stopped being a competitive argument and became the norm. Consequently, in order to restore their ability to compete with Japanese and Hong Kong companies, Swiss watchmakers had no choice but to reposition to luxury and to turn their watches into fashion objects and goods of social distinction. Since then, as far as consumers are concerned, rather than merely offering a guarantee of precision, Swiss brands embody new values (tradition and years of know-how, crafts, heritage, etc.) which make them luxury goods. Hence, brand identity no longer depends on objective elements such as precision but rather on a set of subjective images whose control by headquarters has become a major issue. As with most other luxury goods, brand identity in the watch industry has been standardized and globalized, a process supported by the transformation of watch groups – especially Swatch Group – into multinational enterprises with wide, global distribution networks.

Beyond the case of the watch industry, this paper makes a contribution by highlighting the
fact that both brand management and the degree of brand adaptation or standardization are consistent with the nature of goods. When the intrinsic qualities of goods are only distantly related to their attraction for consumers, as in the luxury industry, this facilitates their adaptability to various cultural areas, hence brand globalization. However, when goods are consumed for their intrinsic qualities and when these qualities have a strong cultural dimension, as with food, cosmetics or fast fashion, brand adaptability and regionalization are important.