

MID-SIZED GROUPS PUNCH ABOVE THEIR WEIGHT

Serge Maillard

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The few medium-sized groups that exist in the shadow of the watchmaking giants are looking to make their mark, albeit in very different market niches. A portrait of some of these discreet actors.

What do Lotus, Festina, Jaguar, Calypso, Candino, Perrelet and L.Leroy have in common? What about M-Watch, Mondaine, Luminor, Pierre Cardin, Givenchy, Esprit, Puma and Joop? H. Moser & Cie and Hautlence? Anyone? Although they are active in extremely different spheres, these watchmaking companies are all linked, albeit loosely, with mid-sized groups determined to preserve their independence: Festina Group, Mondaine Watch Group and MELB Holding.

Neither small individual companies, nor sprawling giants with billion-dollar turnovers, these groups lie somewhere in between. They share an ability to develop synergies between their brands when vertical integration becomes necessary, and they are ambitious enough not to shy away from meeting the big boys on their own turf.

These groups have a human dimension; they are often family-run, offering a different perspective of today's watchmaking scene. They don't often take the limelight, preferring to remain in the background, regularly and discreetly buying up new brands to build a portfolio that can grow exponentially. Here is a portrait of three of them.

MELB HOLDING, THE HIGH-END 'WHITE KNIGHT'

After taking over two brands with very different DNA, Hautlence and H. Moser & Cie, Georges-Henri Meylan's embryonic group is looking to its Asian distribution network to put them back on track.

"I stopped work five years ago. Retirement can be a difficult time..." Unlike some, Georges-Henri Meylan, former CEO of Audemars Piguet, did not take up gardening or DIY. Watchmaking is a jealous mistress. So, in 2012 he created MELB Holding, a small family group, and set himself up as president and chief trouble-shooter, rescuing brands in financial difficulties. Today he oversees the destinies of two superb houses with very distinct identities, both active in *haute horlogerie*: the rigorous Schaffhausen firm **H. Moser & Cie**, whose roots can be traced back to St Petersburg in 1828, and the Neuchâtel brand **Hautlence**, known for its bold design, which has just

celebrated its 10th anniversary. How did the holding company come about? "It was a combination of circumstances. My son Bertrand, who is a distributor in Hong Kong, started working with Hautlence. The company was in serious difficulties in 2012. Almost at the same time, we bought H. Moser & Cie, debts and all, and the family grew. I told myself it was possible to meet the challenge. Both these brands are alive and kicking today, although they might not yet be in the peak of health," explains Meylan. MELB Holding employs more than 60 people: fifty or so at H. Moser & Cie (which is run by Edouard Meylan), another ten at Hautlence and five in the Hong Kong distribution operation.

RADICAL CHANGES AT HAUTLENCE

Both brands are gradually getting back on their feet. "It was a lot harder than we thought. With Hautlence, we had to restructure everything, from brand positioning to distribution," says Meylan. The Neuchâtel brand, operating in the premium sector, was severely affected by the financial crisis. A strategic decision was taken to drastically reduce the price of its timepieces; some of its models are now available for around 20,000 francs.

"Initially we were very successful. Then, like many independent companies, we hit the 'black' years, from 2009 to 2012," recalls Guillaume Tetu, co-founder and managing director of Hautlence. "Our clientèle reverted to the safe bets, the classic choices. Our problem was that because of our initial success we were fully stocked just as

"By repositioning ourselves with more affordable entry prices we can also expand our client base." Guillaume Tetu

the crisis hit in 2008. That almost put us under. The market can very quickly turn against you."

Today, thanks to MELB Holding, the design enthusiast is hoping to relaunch the brand. "By repositioning ourselves with more affordable entry prices we can also expand our client base, which up to now has been made up almost exclusively of collectors," says Tetu. One result of this new direction is the launch of concept stores known as 'Hautlounges', two of which are due to open soon in Jakarta (2015) and Hong Kong (2016). "We are in the process of increasing production, and we are aiming for 1,000 units per year by 2017."

As far as its catalogue is concerned, by the end of the year Hautlence will have brought out the fifth edition of its bestseller, the HL2, this time in black and red. Earlier in the year, Hautlence unveiled its 'Destination' collection for men, and a sports model, the HLRQ 04. It now sources base calibres from Soprod, with modules supplied by Dubois-Dépraz.

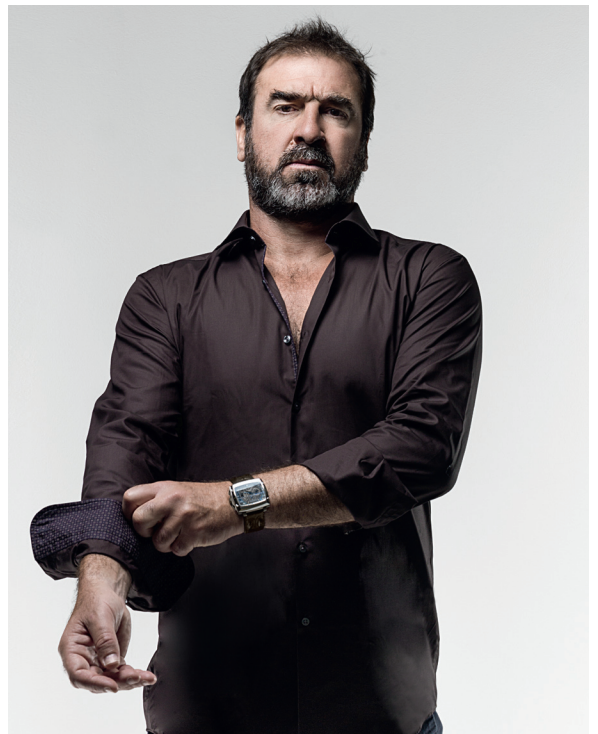
ERIC CANTONA, A STRONG IMAGE

The company has also secured a prestigious ambassador to promote the brand internationally: Eric Cantona, the football king. As well as using him in its marketing campaign, Hautlence has launched a signature product: a limited edition of 250 Invictus Morphos chronographs in blue, inspired by the eponymous butterfly. These timepieces will be available from December 2014.

Cantona's fingerprint and signature are on the back.

"We worked hard on the branding, to give Hautlence a strong identity," explains Bill Muirhead, CEO of MELB Holding. "The watches were heavily inspired by architecture, but that alone wasn't inspiring enough; we had to do something different, something to show our restless spirit." Thus the idea of the 'Gentlemen Rebels' Club', for Hautlence connoisseurs was born. "But that still wasn't enough. We wondered who would be the ideal am-

"MELB Holding's great strength lies in its distribution networks in Asia." Bill Muirhead



bassador for this renaissance. And that is when we thought of Eric Cantona. He is charismatic and controversial. He's a painter, a footballer and a collector. Although I'm a Liverpool fan myself, I admire his talent, and his proud and passionate side." New ambassador, new positioning, new models and also... new markets. Until now, Hautlence has relied on a loyal clientèle in Eastern Europe, but today that market is full of uncertainty (**see our article on the Russian watch market, p. XX**). The brand has now set its sights on the United States, niche markets such as Venezuela and Saudi Arabia and, significantly, the Far East. "MELB Holding's great strength lies in its distribution networks in Asia, which will benefit both Hautlence and Moser & Cie., says Muirhead. Many small, independent brands are interested in our Hong Kong distribution structure. For the time being we also offer De Bethune in addition to the group brands, but we can't take everyone!"

H. MOSER & CIE: MORE AFFORDABLE TIMEPIECES

So, what's the situation with H. Moser & Cie, the other jewel in the group's crown? "It's a brand with a very classic identity. But there are still opportunities for it to evolve. We recently brought out a 'black edition' as well as a tourbillon. Clients like these gradual changes," explains Georges-Henri Meylan. The brand is particularly well anchored in Switzerland and Germany. As for Hautlence, the entry price for these marvels of engineering will be reviewed and production will be increased. "Currently we produce around a thousand models

"Perhaps one day we'll see an H. Moser & Cie calibre adapted for a Hautlence!"

Georges-Henri Meylan

annually, but we want to increase this eventually to 3,000-4,000 per year. We've realised that many clients today are looking for more affordable timepieces."

In addition to distribution and development, Georges-Henri Meylan sees opportunities for further synergies between his two brands. "It's a good thing for independents to share a common platform. Perhaps one day we'll see an H. Moser & Cie calibre adapted for a Hautlence! But we will never abandon the very specific DNA of each brand."

Georges-Henri Meylan's long career in watchmaking has enabled him to draw certain conclusions. "One thing I learned from my experience at the helm of Audemars Piguet is that it is important to know exactly where you're going. And with a small ship, there's no room for error!"

MONDAINE ON THE RISE

Brothers Ronnie and André Bernheim, inheritors of the iconic brand inspired by Swiss railway clocks, have embarked on numerous buyouts and licence acquisitions in the space of ten years, from Luminox to Esprit and Pierre Cardin.

Rather than the Montaine group, it would perhaps be more accurate to refer to it as the 'Bernheim group'. Brothers Ronnie and André Bernheim, who inherited the famous brand that borrows the aesthetics of Switzerland's railway stations, have diversified their brand catalogue and increased their holdings and licence acquisitions. Today they have, on the one hand, the Maison **Montaine**, founded in 1951 by their father, which produces the eponymous watches and also **M-Watch** products. And on the other, they have a 50% stake in the Californian sports brand **Luminox**, which they acquired in 2006; it is now managed out of Zurich and San Rafael, with a head office in Hong Kong. Finally, in 2011 they founded the group **Marlox**, as a result of taking over the German-Asian firm Egana Goldpfel. It produces and distributes a number of 'fashion' watch brands such as **Pierre Cardin** (whose watch and jewellery division they bought a year ago), **Givenchy** (bought from LVMH) and also, under licence, **Esprit**, **Puma** and **Joop**. At the same time, the Bernheim brothers dropped the licence for the Camel Active

brand (formerly Camel Trophy). So much for the history lesson! All these companies now share a common denominator: the Montaine factory in Biberist, in the canton of Solothurn, Switzerland. Luminox watches are produced there under a private label, and the Marlox group rents space. Some of the 'Swiss made' brands, including Givenchy and part of the Pierre Cardin and Joop ranges, are made there. Marlox also has significant manufacturing capacity in China. In terms of value, Montaine remains the group's top brand, followed by Luminox, Esprit and the other Marlox brands. "We are clearly angled towards production of quartz watches, although we do offer some automatic models for Montaine, Luminox and Givenchy," notes Ronnie Bernheim.

SYNERGIES BETWEEN THE BRANDS

So why this almost bulimic phase of buying up so many brands and licences in less than ten years? "We have lived and breathed this industry since we were children, and we want to expand our watchmaking capacity. We are also



looking to create synergies between the different brands, for example between Luminox and Mondaine. We don't publish our accounts, but since we took over Luminox our production volume has quadrupled. Previously, the United States was practically the brand's only outlet. Now, just half of its sales are from the US. This shows the work that we have done in terms of prospecting and opening up new export markets."

Synergies are also possible on an administrative level. For example, the same internal computer management system has just been installed at all the Bernheim brands, which employ around 2,000 people all over the world. "We are a family business, but we have the advantage of industrial bases in both Switzerland and China, along with a firm foundation in the United States through Luminox."

The Biberist factory turns out more than half a million 'Swiss made' watches each year. Globally, the various companies operating under the umbrella of the Bernheim brothers, who say their turnover is 'growing', produce several million units a year.

A LOOK TOWARD ASIA

In terms of distribution, only Luminox has own-brand shops, in Japan and Singapore. "We had also invested in our own stores in China for the Mondaine brand. But after three years we realised the challenge of doing business in China with its new economic climate and regulations... we will remain in this market, but we will wait a little longer before we make any more major marketing investments, including shop-in-shop activities. And with the new Mondaine Helvetica, we will gain additional markets besides the Swiss Railways collection."

"We realised the challenge of doing business in China with its new economic climate and regulations."

Ronnie Bernheim

► AERO by M-Watch
and
P-38 LIGHTNING™
by Luminox



The Marlox Europe distribution company also handles the Mondaine and Luminox brands. "In fact, it's only in Switzerland that Mondaine handles its own distribution of the Mondaine, M-Watch and Luminox brands." As far as M-Watch is concerned, the Bernheim brothers are still involved in legal proceedings with the Swiss food distribution company Migros, their original partner. The brand is now available in Manor department stores.

AMIDST THE SWISS MADE BATTLE

However, the Swiss identity of the Bernheim stable is under threat from the new 'Swiss made' law currently being drafted; quartz watches will require at least 60% of 'Swiss value' in order to be entitled to the designation. "With this new legislation, the Esprit brand for example will no longer be produced according to the Swiss made criteria." A consultation phase with the watch-making industry is due to wrap up in mid-October. Ronnie Bernheim, who is very active in the IG Swiss Made association, is trying to tone down the draft legislation: "Many details still need to be worked out. Some of our proposals have been accepted, but we are coming under pressure from certain groups, who see this as an opportunity to weaken brands such as Esprit."

Ronnie Bernheim is particularly concerned about the transition periods, which in his view are too short for certain critical components such as watch cases. "The industry will need millions of cases that have been produced in Switzerland. But manufacturers will not release the necessary investment until we know when the law will be enacted. According to my calculations we will need at least a five-year transition period for watch cases, from the time the law comes into effect, but the administration wants to base its transition period calculations on a start date of 2013."

With all the speculation surrounding the Apple Watch, the Mondaine brand has benefited from a marketing leg up from the Californian giant, which adopted and popularised the Swiss railway clock aesthetic on its iPads. Has Mondaine noticed an impact on sales? "No doubt Mondaine's presence in many museums and designer places, and on the wrists of architects and other visually trained people encouraged Apple to go for this iconic design. It is hard to say, however, whether the presence of the clock design had a direct positive effect on the increase in our sales. There was unfortunately no link with our brand or any joint communication, therefore the effect might not be as big as we would have wished!"

FESTINA, A TOTALLY AUTONOMOUS GROUP

With end-to-end control of all watchmaking components, including hairsprings, the group is now planning to rationalise its vast catalogue of brands, which ranges from Lotus to Perrelet and L.Leroy.

The catalogue of Spanish group Festina includes as many entry-level brands like Calypso as it does *haute horlogerie* such as L.Leroy. The group, which employs around 3,000 people all over the world, including 400 in Switzerland, also owns the Lotus, Festina, Jaguar, Candino and Perrelet brands. Some are Swiss made (Perrelet, Leroy, Candino and Jaguar) while others are not; Festina, Lotus and Calypso are assem-

Miguel Rodriguez prefers the smell of oil, the hard work and elbow grease behind the scenes, to being in the limelight.

bled in China. Gérald Roden, former CEO of brands De Grisogono, Gérald Genta and Daniel Roth and an expert in restructuring in the watch industry, last year took over as CEO of Swiss Festina Group, bringing with him the expertise built up over long years in the industry. "Swiss Festina Group's catalogue is a whole constellation of watchmaking companies. My job is to make the group more profitable, mainly by rationalising things and making the structure more efficient." Today he and Miguel Rodriguez, the group's founder and chairman, make up a formidable double act. "Very few people in watchmaking are really friends ... but we are. We have known each other for 40 years. He wanted to beef up Swiss production. I listened carefully to what he had to say, and then I drafted a strategy. We're like a small family business; we don't operate under the same constraints as the big watchmaking groups. Decisions are taken quickly!"

SOPROD AND MHVJ, THE JEWELS BEHIND THE SCENES

How was Festina Group's portfolio of brands put together? "Miguel Rodriguez makes decisions based on emotion. He prefers the smell of oil, the hard work and elbow grease behind the scenes, to being in the limelight. Whenever a takeover opportunity presented itself, and he took a fancy to the business, he would go for it. But now we are definitely in a consolidation and rationalisation phase. In Switzerland all the administrative services, such as human resources, for all the brands have been centralised in Biel. There is now just one boss."

The great advantage of the group's Swiss site is that it can handle the manufacture of almost all the necessary components internally, through its subsidiaries Soprod (quartz and mechanical movements) and MHVJ (*haute horlogerie* and escapements).

▽ Left to right:
CHRONO BIKE by Festina
SAPPHIRE by Candino



"We have many other brands as clients. We are the only group apart from Swatch Group that manufactures its own movement parts, including hairsprings and escapements. Our aim is to build 120,000 Soprod A10 movements this year. This figure has already doubled, and it could double again next year." With this setup, Gérald Roden's take on the new 'Swiss made' legislation is necessarily very different from that of Mondaine. "It could have gone much further in terms of local production requirements!" Swiss Festina Group produces 100,000 watches for its various brands each year, and assembles 300,000 for other brands at its Mical factory in Solothurn. Globally, Festina Group as a whole produces some four million watches per year.

ENTRY ON THE SMARTWATCHES' MARKET

"In Switzerland, because we operate in a number of different sectors, we want to evolve by site and by area of expertise. For instance, MHVJ produces the high-end movements for L.Leroy, but it also makes *haute horlogerie* movements



for other brands. Soprod focuses on its own area, which is entry-level movements and small complications.” Swiss Festina Group also wants to apply engineering standards to Soprod’s quartz movement production “with a view to producing more accurate products with redesigned electronics. We want to be more active in the high-quality quartz market, for our Swiss clients and for top-flight brands.” Another angle under development is the smartwatch. “Over the last 18 months we have registered a number of patents. We are on top of connectivity and production, and we’re currently working on platforms that are compatible with operating systems including Android,



“Some smartwatches already have our technology inside.” **Gérald Roden**

iOS and BlackBerry. Some smartwatches already have our technology inside.” On a personal level, Gérald Roden says he is “disappointed” with the Apple Watch, in terms of both design and functionality. “I think a watch should have an emotional aspect. In this respect, watchmakers have the advantage over the technology players now entering the arena. The next Baselworld will no doubt have a number of pleasant surprises in store!”

NEW STRATEGIES FOR L. LEROY AND PERRELET

Which brands had good results last year? “Candino in particular. At the moment, the entry-level sector is doing well. We are also working on a repositioning strategy for L.Leroy and Perrelet. Recent history has shown that for smaller brands, you need to be creative with positioning and with the product to survive.”

▲ **TURBINE PILOT**
by Perrelet

As far as L.Leroy is concerned, Swiss Festina Group has closed down the Besançon site to centralise production in the Vallée de Joux, although the watches are still certified in the Franche-Comté capital. “We are also in the process of changing our strategy. It is difficult to compete directly with the generic luxury brands of groups that operate in a similar sector. We are now targeting watch connoisseurs, placing the emphasis on producing very high quality movements that have a legitimate connection with the history of the brand.”

“Sales staff in Festina shops need to be more sensitive to the high-end products and brands such as Perrelet.” **Gérald Roden**

Perrelet, for which Gérald Roden is acting CEO, is also evolving. “We are keeping the Turbine model that cemented the brand’s reputation, but we are also working on two ranges - sport and classic - and new models in

the entry-level *haute horlogerie* sector; these will be mechanically creative, and they will be fitted with own-brand movements.” However, distribution and sales are where the challenge of maintaining such a varied catalogue is probably the most keenly felt: “Sales staff in Festina shops need to be more sensitive to the high-end products and brands such as Perrelet. We are working on that but it takes time.” These brands nevertheless benefit from Festina’s Group powerbase in major markets such as Spain. “In the United States too, we have our own distribution company for Perrelet.” What are your plans for the second half of the year?

“First, we want to finish the internal restructuring that began when I arrived last year. And we are also laying the foundations for a three-year plan, with investment targeting a threefold increase in Swiss production within the next three to four years. Volumes have also increased by 30% compared with last year. Among other things, this will mean expanding our workforce.” ■