

The U.S. Watch Market

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THE U.S. WATCH MARKET

October 2001

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I. EXECUTIVE SUMMARY

MARKET DEFINITION

This Packaged Facts report examines the retail marketplace for wristwatches. Sales patterns, societal and competitive influences, and product and marketing trends are all covered in depth. The products themselves are divided into four main categories according to price tier: Mass-market (watches priced under \$50), middle-market (\$50-\$299), upper middle-market (\$300-\$999), and luxury-market (\$1,000-plus). It is important to note that such price categories are defined differently by other sources. However, Packaged Facts has attempted to organize the market into the most practical categories/price ranges, given both consumer purchasing patterns and realities at the retail level.

Methodology

The information in this report has been gathered from primary, secondary, and syndicated sources. Primary research included on-site examination of watches as displayed and sold through retail stores; Packaged Facts also consulted with industry executives. Secondary research involved culling data from articles appearing in financial, marketing, and trade publications, company literature, and independent financial reports.

Statistics on market revenues, growth trends, and marketer/brand shares are based on careful evaluation of all available data on sales and marketplace trends, which in turn have been applied to a broad range of societal and economic trends in shaping the most accurate possible view of sales progress.

Individual marketers' national consumer advertising expenditures are derived from Competitive Media Reporting (CMR) data, as reported in the trade press. Analysis of demographic factors in the purchase of watches is based on syndicated survey data from Simmons Market Research Bureau, Inc.

* * * * *

EXECUTIVE SUMMARY

Four Categories: Mass-Market, Middle-Market,
Upper Middle-Market, Luxury-Market

As explained in the Products chapter of this report, the watch market may be segmented according to means of power, type of display-face, function, application, style, or price. For the purpose of analyzing sales data, Packaged Facts breaks the market into four price categories, following the industry practice: These categories are mass-market watches, priced under \$50; middle-market watches, priced from \$50 to \$299; upper middle-market watches, ranging from \$300 to \$999; and luxury-market versions, at \$1,000 and higher.

Watches Cycle up to \$X.X Billion in 2001

After plodding along sluggishly in the second half of the 1990s, the U.S. watch market sprang forward into the new millennium with a solid X.X% retail dollar increase in 2000, followed by an estimated X.X% increase in 2001. (Table 1-1) The market's value in 2001 is heading for a record \$X.X billion, comparing quite favorably to the 1996 value of \$X.X billion.

Consequently, the total dollar improvement for the period 1996-2001 is set at X.X%, or \$XXX.X million. The compound annual growth rate (CAGR) over the same five years amounts to X.X%. These figures may seem tepid; however, one must bear in mind that a significant turnaround has occurred during the years 2000-2001, following stagnation in 1996-1999. In fact almost all of the category's \$XXX.X million gain in annual sales over the 1996-2001 period is a result of this post-1999 surge.

Overall, Watches to Climb to \$7.6 Billion in 2006

Packaged Facts estimates that U.S. retail dollar sales of watches will hit the \$X.X billion mark in 2006. (Table 1-1) Annual growth rates are forecast to be in the neighborhood of X.X%-X.X% during 2001-2006, resulting in total growth of XX.X% over the five years. The same period's CAGR is thus X.X%.

This is solid progress, given the large sales base. In fact, the XX.X% increment for 2001-2006 translates into an added \$X.X billion-plus.

**Table 1-1:
U.S. Retail Dollar Sales of Watches, 1996-2006
(in millions)**

Year	Sales	% Change
2006.....		
2005.....		
2004.....		
2003.....		
2002.....		
2001.....		
2000.....		
1999.....		
1998.....		
1997.....		
1996.....		
CAGR 1996-2001.....		
CAGR 2001-2006.....		
CAGR 1996-2006.....		

Source: Packaged Facts

Watch Imports Valued at \$2.4 Billion in 2001

Extrapolating from U.S. Department of Commerce data, Packaged Facts estimates that imports of wholly manufactured and assembled watches will have a retail value of about \$X.X billion in 2001. This represents a XX.X% drop from 2000’s nearly \$XX.X billion, the peak imports level of the period 1997-2001.

Over that time span, annual sales of imports increased by XX.X%, or \$XXX.X million.

The World’s Tighter Schedules

The phrase “hectic pace of modern life” may be a cliché, but it’s a true one. All indications are that modern life is getting more hectic every year, despite the technological conveniences that are supposed to make life easier. The fortunes of watch marketers are obviously dependent on the fact that America, like the rest of the world, has an increasing need to know what time it is. Changes in the family and in

the workplace are particularly significant here for the way that they have complicated life, and shall continue to do so.

Consumers' More Exalted Fashion Sense a Plus

There seems to be no limit to consumers' increasing awareness of fashion and appearance. The average American now has access to high-fashion clothing labels, as well as to elite makeup and hair care products. Talk shows such as *Oprah* and *Ricki Lake* feature makeovers of audience members, with explanations by upscale wardrobe and cosmetic stylists. And as always, best-selling coffee-table books reveal the fashion secrets of movie stars.

Commodity Nature of the Market

While stressing that a vast assortment of styles enables marketers to better mine niches, Packaged Facts also observes that the same thousands of brands and tens of thousands of styles also impart somewhat of a commodity nature to this market. That is to say, there is such a crowd of marketers and watches in each price category that consumers may have too much of a selection; this situation makes it more difficult to build and distinguish brand images.

Mid-Priced Watches Lead the Market

It is enlightening to consider retail sales of watches according to share by the four price categories. Mass-market watches, though dominating unit volume with four times the turnover of middle-market watches, are second-ranked in terms of dollars in 2001. (Table 1-2) It is the middle-market category that leads in dollar sales, with a XX.X% share that is up almost a point from 1997's XX.X%. The mass-market category is not far behind, however, with XX.X%, up more than a half point over the four-year span.

The upper middle-market and luxury-market watch categories are far smaller, accounting for XX.X% and XX.X% in 2001, respectively. Upper mid-priced watches are down in share from XX.X% in 1997. Luxe watches are down from XX.X%.

**Table 1-2:
U.S. Retail Dollar Sales of Watches, by Price Category, 1996-2001
(in millions)**

Year	Mass (Under \$50)	Middle (\$50-\$299)	Upper Middle (\$300-\$999)	Luxury (\$1,000+)	Total
2001					100.0%
1999					100.0
1997					100.0

Source: Packaged Facts

At Least 300 Marketers

In the last edition of this report, Packaged Facts conservatively estimated that there were, at the very least, 300 watch marketers in the United States. That number still stands as a minimum estimate for U.S. watch marketers in 2001.

Timex Leads Overall and in Mass and Middle Categories

Reliable market/brand share data were not available for this report. However, approximate rankings may be derived from demographic data on purchasing, as compiled by Simmons Market Research Bureau, Inc.

Timex Corporation is the overall industry leader, according to Simmons. The company positions on durability and value, with prices in the mass (under \$50) and middle-market (\$50-\$299) tiers. Company brands include principally the eponymous Timex, which had 20.4 million U.S. adults purchasing within a recent twelve-month period. Market share in the middle tier is reinforced by Timex's license of the Guess? fashion label, which is the fifth-ranked brand overall (after Timex, Seiko, Casio, and Citizen). Guess? is thus the strongest of Timex's non-namesake brands.

Seiko Group is the second-ranked marketer overall, with over 4.7 million purchasers and involvement in all four price categories. However, Seiko's flagship brand is the namesake Seiko, which is very strong in the mid-priced category; it also has notable standing in the upper middle-market (\$300-\$999) category.

Casio and Citizen are the third- and fourth-ranked marketers overall, with 4.3 million and 3.9 million purchasers, respectively. Casio's standing derives from its namesake brand in the mass-market category, which in fact may rival that of Timex;