

# Maurice Lacroix - Growing a niche brand in the luxury segment

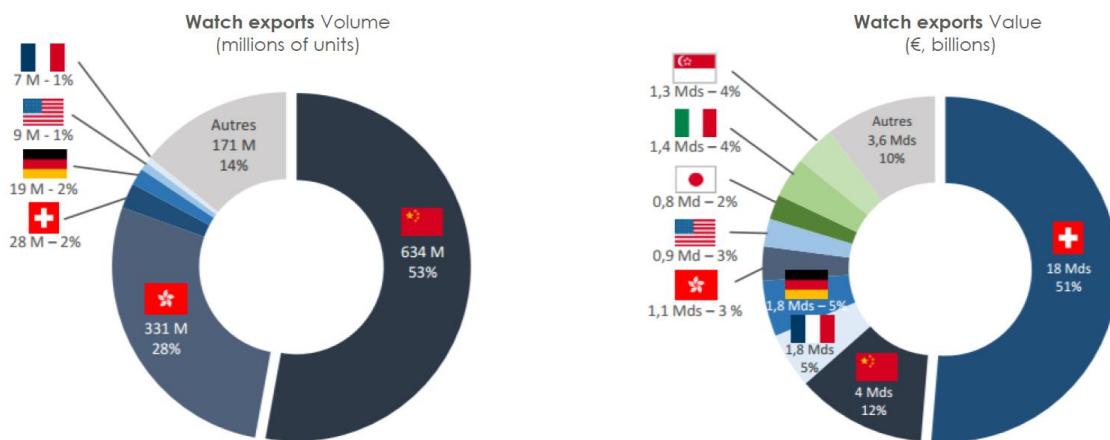
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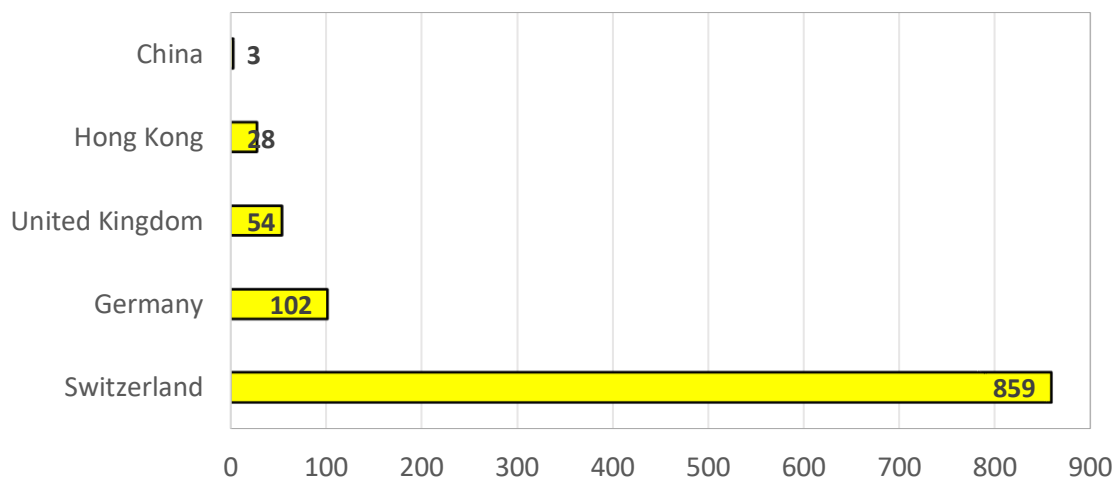
The Swiss watch industry is specialized in high-end watches and the concept of ‘Swiss quality’ is a global phenomenon which helps sustain the watch industry abroad as Switzerland exports 95 percent of their watch production. Though watches exported from Switzerland account for only 2% in terms of volume (units) of the world market, by value generated that number is 51%, which indicated the premium timepieces of the quality (Figure 1). According to statistics by the Federation of the Swiss Watch Industry, the average price of an exported Swiss watch is US\$ 859 (Figure 2).

**Figure 1** Global watch market by volume and value



Source: Presentation of Stephane Waser, Maurice Lacroix, 2019 (original reference to OMC – INTRACEN).

**Figure 2** Average price of exported watches in US\$



Source: Authors based on the data from the Federation of the Swiss Watch

In an industry dominated by long-standing popular players, Maurice Lacroix is a relatively late arrival on the scene. That comes with its disadvantages, of course, but also its positives. For Stephane Waser (Figure 3), Managing Director (CEO) of the luxury watchmaker Maurice Lacroix, questioning his market strategy is an on-going task. Stephane joined Maurice Lacroix back in 2008, serving as the brand's Marketing Director until 2014, when he was appointed Managing Director.

**Figure 3** Stephane Waser



Source: Maurice Lacroix, 2019.

The brand was founded in 1975 by a Swiss company, Desco von Schulthess. The founder of that company, Eduard Sulzer-Frizzoni, based in Zurich, initially focused on the trade of silk from Asia. The company then slowly transformed over the years into a company with various products. Since 1946, it represented well-known Swiss watch brands such as Audemars Piguet, Heuer, Eterna, and Jaeger-LeCoultre, particularly in the Far East. Later, Desco von Schulthess decided to launch its own watchmaking enterprise. In 1961, it bought a watch-assembling business based in Saignelégier, Switzerland which laid the foundation for the Maurice Lacroix brand's beginnings.

After its founding, the brand gradually established itself as an independent watchmaker with a good reputation and worked hard at gaining a foothold in international markets, with Germany long having been its traditional stronghold. In 1990, the brand achieved its first big success with the launch of the Calypso collection, which helped establish itself as a true player in the luxury watch segment.

In 2008, Maurice Lacroix entered a partnership with the Zurich-based Market Expansion Services provider DKSH, selling its distribution rights in Asia to that company which eventually became the majority stakeholder in Maurice Lacroix in 2011. At that time there was a gold rush going on for watchmakers in the Chinese market and DKSH is a leading Market Expansion Services provider that has a particular focus on Asia. Said Stephane about the purchase: *“It was a marriage of convenience. DKSH is the grand specialist of distribution in Asia, and Maurice Lacroix wanted to develop into the Far East.”*

In 2014, when Stephane first became Managing Director, Maurice Lacroix was struggling to find a position for the brand in the marketplace. That's when the Aikon collection was first conceived. This brand-defining collection emphasized affordable luxuriousness with technical excellence to lead the charge (Figure 4).

**Figure 4** Maurice Lacroix Collection – Price Positioning



Source: Maurice Lacroix, 2019.

Maurice Lacroix entered the Chinese market in the late 90s, first setting up an office in Hong Kong and then a subsidiary in Shanghai. Chinese operations and distribution were outsourced to a local operator. Up until 2014, the brand did well in China, with some double-digit (millions) Swiss franc in sales for China and Hong Kong combined - a good turnover for a such a small operator like Maurice Lacroix. But beginning in 2014 and 2015, the Chinese government, in its fight against corruption, imposed rules on gift-giving, and luxury goods were often the object of gifts given in corrupt practices. The authorities also raised a luxury tax of approximately 30 percent on certain luxury goods. That also impacted the market in Hong Kong which until then had no VAT (value added tax).

However, China remains a big market for luxury watches and Stephane faces the question about where to put his limited resources. Should he continue to expand the brand's presence in China? Or stick to the rather smaller but stable European markets where Maurice Lacroix is already successful and grow the business there?

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