CHAPTER 9

How to Enter the Chinese Luxury Market? The Example of Swatch Group

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1 Introduction

The rapid growth of luxury business since the final third of the twentieth century coincided with a geographic expansion of markets, especially in East Asia (Donzé and Fujioka 2015). Yet this development was not a mere extension of the scale and scope of sales. The organizational change of the luxury industry and the emergence of large companies had a considerable impact on distribution and the access to markets. The verticalization of sales channels is a major characteristic of this change. For example, the number of stores owned by LVMH for its luxury fashion brands rose from 566 in 2000 to 1534 in 2014 (LVMH 2000–2014). As for Richemont, the number of its mono-brand stores rose from 320 in 1995 to 719 in 2000 and 1370 in 2009 (Richemont 1995–2009).

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Management literature has emphasized that the internalization of retail, especially for flagship stores (mono-brand stores), enables luxury companies to exercise stronger control over brands (Moore and Birtwistle 2004; Moore and Doyle 2010; Dion and Arnould 2011; Cervellon and Coudriet 2013). Some authors have argued that these firms make intensive use of direct investment in retail in order to access new markets (Doherty 2000; Nobbs et al. 2012). Moore et al. (2010, p. 156) stressed that "the methods by which they enter markets will also be different to the norm covered in other sectors." Specifically, they make use of flagship stores as a way to enter new markets. However, although these studies shed light on the specific form of retailing adopted as a method of market entry, they focused on luxury companies and did not discuss the role of their domestic partners in this process. Of course, in particular they tackled Western Europe and the United States, where companies found it easy to invest in retail and to own their stores. Yet the situation in Asia is different, where the world's fastest-growing markets are located. In this region, local companies play a decisive role, particularly because foreign direct investments are subjected to strict regulation, notably regarding real estate and land property (Wrigley et al. 2005; He and Zhu 2010). Consequently, one should consider the local partners of the European luxury industry in order to achieve a proper understanding of the reasons for its expansion in Asia. The main research questions addressed in this contribution are as follows. Who are these companies and individuals? What is their competitive advantage and what can they offer to luxury companies? What kinds of links do local companies and luxury companies have? How did this partnership change over time and what was the impact of industrial reorganization in the European luxury business?

To answer these questions, this chapter considers the case of Swiss luxury watch companies in China, with a particular focus on Omega and Longines, two of the largest and most important companies and brands since the late nineteenth century. This market played a major role in the transformation of the watch industry in Switzerland, a sector that has indeed experienced a deep reorganization since the mid-1990s, characterized by three interconnected elements: the development of large companies and conglomerates (Swatch Group, Richemont, Rolex and LVMH); the repositioning of brands and products towards luxury—crystallized in the increased popularity of mechanical watches; and the growing importance of East Asian outlets, particularly China (Donzé 2014). The access to the Chinese market was hence not only a driving force behind the growth of

companies, but also an opportunity for rebranding and moving up to the luxury end of the market. Therefore, the choice of local partners was a major challenge for Swiss watch companies.

This chapter consists of three sections, in addition to this Introduction. Section 2 gives a macroeconomic overview of the development of the watch trade in China since the mid-1990s, based on an analysis of foreign trade statistics. Following this, Sect. 3 explains the presence of Swiss watch companies in China before the 1990s along with their distribution strategy at that time. The focus on the historical background of the entry market in China for Swiss watch companies in general, and Omega in particular, is necessary to emphasize the main changes realized since that time. Finally, Sect. 4 explores the entry market strategy adopted since the 1990s.

2 Evolution of the Trade of Swiss Watches to China

Foreign trade statistics are an excellent indicator of the development of the Chinese market for the Swiss watch industry. In the period immediately after World War II, China was an important outlet for the Swiss watch industry, despite the establishment of the People's Republic in 1949. Until the adoption of the Great Leap Forward policy by Mao Zedong in 1958, the Chinese market became increasingly important, rising from 0.1% of the value of all Swiss watch exports to 5.6% in 1950 and a peak of 9.5% in 1957. The early recognition of communist China by the Swiss government (1950) was obviously significant in this respect (Dubois 1978). Yet China launched its own production of watches in 1957–1958 and thereafter it adopted a protectionist policy. Accordingly, the volume of Swiss watches exported to China dropped from 3.4 million pieces in 1957 to less than 85′000 in 1960. Between 1960 and 2000, the Chinese market amounted only to an average of 0.7% of the value of the total exports of Swiss watches.[1] During this period it had lost any significance for watch companies in Switzerland. However, the opening up of China in the new century, symbolized by its accession to membership of the World Trade Organization (2001), and the increases in the country's average income, with rapid growth in GDP per capita running from 954 USD in 2000 to 7′590 USD in 2015, opened new opportunities for Swiss watch companies.

The Chinese statistics regarding the importation of complete watches, as expressed by Fig. 9.1, clearly illustrates the stagnation up to 2000. They represented an average value of 53.1 million USD during the years 1995–1999, and at this point Switzerland had only a share of 12.1%. At

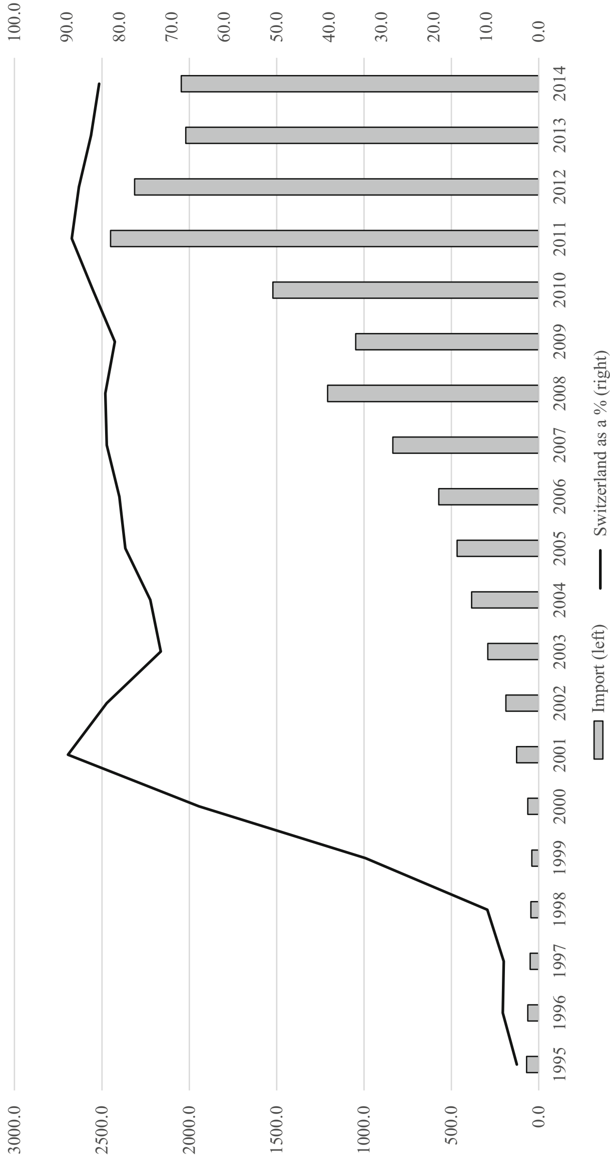

Fig. 9.1 Import of complete watches by China, in million USD, and share of Switzerland, as a %, 1995–2014 (Source: Comtrade)

this time the market was dominated by cheap goods imported from Japan (which accounted for 57.6% of sales in 1995) and Hong Kong (17.3%). Yet, after 2000, it began to grow very rapidly: it rose to 467 million USD in 2005, 1.5 billion USD in 2010, and 2.1 billion USD in 2014. This high growth has two distinct features. First, the share of Switzerland increased dramatically (64.8% in 2000; 83.9% in 2014) and led to the virtual disappearance of Japan (16.8%; 2.8%) and Hong Kong (3%; 0.2%). Second, the average value of an imported watch skyrocketed from 5.7 USD in 2000 to 137.7 USD in 2014, after having peaked at 196.4 USD in 2011. Consequently, the opening up of China gave way to a deep change on the watch market, characterized by the domination of Swiss luxury watches.

At the same time, the Chinese market became increasingly important for Swiss watch companies. Figure 9.2 shows clearly that both the value of the export of watches to this country and the share of China started to grow in 2002. The increase was rapid for a decade, and peaked at 1.8 billion USD in 2011, before decreasing slightly. The years 2010–2014 have, however, an average of 1.5 billion USD, which is far higher than a decade before (70.5 million USD in 2000–2004). Furthermore, this development went together with a high growth of the share of the Chinese market: this increased from less than 1% before 2002 to a peak of 8.9% in 2011 and an average of 7.5% in 2010–2014. During this period, China became the third-largest outlet for Swiss watches behind Hong Kong and the United States. Of course, the weight of Chinese customers is far larger if one includes overseas shopping by tourists, but this fact is not considered in this chapter, which focuses on the issue of entry market.

Consequently, the foreign trade statistics for China and Switzerland emphasize a rising co-dependency since 2000. The development of a market for watches in China relied nearly completely on the import of Swiss products; in turn, the Swiss watch industry experienced a period of high growth based on the expansion of the Chinese market. This strong integration between both countries is important to explain the new market entry strategy implemented by Swiss watch companies in China. This was a newly open market which offered opportunities for rapid growth for Swiss watchmakers, but also for Chinese wholesalers and retailers. In order to understand all these changes, Sect. 3 focuses first on the distribution of Swiss watches until the 1990s.

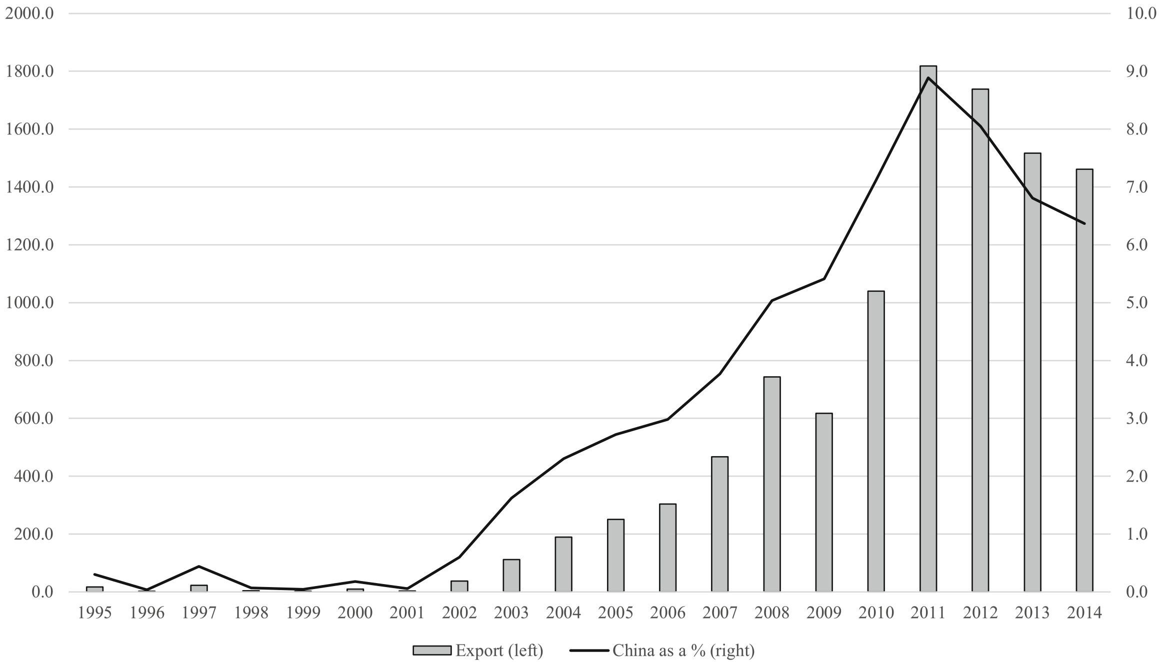

Fig. 9.2 Export of complete watches by Switzerland to China, in million USD, and share of the Chinese market, as a %, 1995–2014 (Source: Comtrade)

3 Market Entry Before the 1990s: A Historical Overview

The presence of watch importers from Switzerland in China, which dates back to the eighteenth century, developed during the nineteenth century (Jeanneret 1899; Chapuis 1919; Bonnant 1964). Watches were destined for a small social elite and the access to this market was realized through British trading companies which controlled business between China and Europe, such as Magniac & Co. (forerunner of the Jardine & Matheson), which had a watch and clock department until 1824 (Bonnant 1964, p. 37). In this context, following the signing of the Treaty of Nanking (1842), Western merchants, including a few Swiss, established branches in Guangzhou, then in Shanghai and Hong Kong. These businessmen were basically intermediaries between manufacturers based in Switzerland and Chinese retailers and customers. For example, between the 1880s and the 1910s, the company Longines exported watches to China through his agent based in London, Baume & Co., who enjoyed the sole agency for British concessions in the Far East. The latter then exported watches to different merchant houses established in China, such as Hirsbrunner & Co., in Shanghai, and Landmann, in Qingdao, who sold the goods to Chinese customers.[2] Hence, at this time the access to the Chinese market was very indirect for the watch manufacturer. It had to go through different intermediaries and to outsource wholesale and retail to independent traders and salesmen, who offered their services to headquarters in Switzerland.

Among the few exceptions to this pattern, one must cite the company Louis Brandt & Frère (Omega). It was indeed one of the first Swiss watchmakers to internalize distribution in China in the early twentieth century. In 1922, this company engaged a new employee specifically dedicated to visit markets in East Asia. However, this salesman, Marc Croset, quit the company few years later. He settled in Shanghai and opened his own business, The Croset Agencies, which was the sole agency for Omega in China. In 1932, Croset merged his business with the sales branch of another Swiss watch company also established in Shanghai, and the new business was renamed Crobest Ltd. It experienced success during the 1930s, extended its distribution network to Tientsin and Hong Kong, and promoted Omega watches using modern advertising methods, such as the use of Chinese movie actresses (Richon 1998). Hence, the example of Omega shows that Swiss watch companies were not directly involved in distribution and sales in China. They carried out these activities through

independent companies. For example, in 1931 Longines signed a contract for the sole agency in China with a French watchmaker established in Shanghai, Gintzburger, and then the German trading house Wilhelm Maier & Co at the end of the 1930s.[3]

The foundation of the People's Republic of China marked a major disruption to this system. The brothers Albert and Dario Beraha, who owned Crobest, moved to Hong Kong in 1948–1949 and reorganized their business with the support from Omega. Renamed Omtis, their new company focused on Hong Kong and Taiwan. Swiss watch companies were not officially and legally forced to leave China, but they faced many administrative difficulties in the early 1950s, such as the impossibility of obtaining import licenses or repatriating profits. The protection of trademarks was also the object of intense negotiations between Swiss and Chinese authorities. Despite Mao's refusal to recognize international agreements, pragmatism and connections made it possible for some watchmakers to protect their brands. Omega was registered in China in 1953.[4]

In this context, most Swiss companies decided to withdraw from Chinese markets. The very rare firms which tried to keep and active presence were small companies that had specialized in Far Eastern markets since the interwar years, and were consequently dependent on this outlet. Enicar SA was one of them. According to the Swiss Legation, in 1956, this company had become the main exporter of Swiss watches to China.[5] Yet it enjoyed no representation in the country. During the first part of the 1950s, it sold a few tens of thousands of watches to Chinese authorities through the Embassy of China in Switzerland. Accessing the market became a major concern. Indeed, the import of watches was controlled by a state-owned company, the China National Sundries Export Co. Swiss companies who wanted to sell watches in China had to negotiate with this body. For example, in 1956, Paul Vaucher, director of Liengme & Cie, signed a contract with this partner for the delivery of 56′000 watches in China.[6] For the years 1956–1957, about fifty companies from Switzerland and thirty from other countries (France, Germany, the UK and Japan) were allowed to export watches. Some of them got even the authorization in 1957 to publish advertisements in two Beijing newspapers.[7]

Yet most of these watches were relatively cheap products and unknown brands during the 1950s. The most famous brands, such as Longines, Omega and Rolex, were not completely absent from China, but they were mostly introduced in the country through unofficial channels. Luxury watches were mainly acquired in Hong Kong and in India by Chinese

bureaucrats on overseas assignments, and through smuggling.[8] Once again, there was no direct access to the market.

At the end of the 1960s, increasing political tensions with the USSR, the major supplier of watches to China, led Chinese authorities to turn to Switzerland and to Japan. For example, in 1965, they asked the Federation of the Swiss Watch Industry and two Swiss trading companies, one of which was the watch importer in Asia Siber-Hegner (today: DKSH), to organize the Swiss Instrument and Watch Exhibition in Beijing. This took place three years later with the participation of 46 companies.[9] Similar fairs were organized during the 1970s. The value of watch exports from Switzerland increased from 4 million CHF in 1960 to a peak of 60.6 million in 1978. However, the share of the Chinese market in Swiss exports remained under 1%.

This partially opened up market was an opportunity for Swiss luxury watch companies to attempt a comeback in China. Longines sent a representative for a business trip in communist China for the first time in 1966. As for Omega, it took part in the 1968 exhibition and in 1972 it sent a salesman to Beijing. Both of these companies started negotiations to increase the import quotas of their watches with the China National Light Industrial Products Import & Export Corporation. Several other sales missions were organized by Omega in the 1970s. Finally, in 1980, Longines and Omega opened their first service centers in Shanghai. Dedicated to after-sales service, each of these centers was established within a watch shop, at Nanking Road for Omega (Richon 1998). This cooperation with a local retailer, who would obviously have links to the authorities, was the method for the two Swiss manufacturers to re-establish in China. The same strategy was pursued to extend the presence of the brand to other cities. Omega opened a second service center in Nancheng Hengdeli Watch Store in Beijing (1985), which was followed by similar operations in Chenyang and Guangxu (1987). Longines adopted a similar strategy, characterized notably by the opening in 1985 of a repair service center in a shop run by the General Merchandise Co., Watches & Glasses Wholesales Stores, at Tianjin. It was followed by the opening of other service centers and showrooms in Beijing, Shanghai and Guangzhou during the second part of the decade.[10] Therefore, although business opportunities, sales and presence became important during the 1980s, Swiss watch manufacturers had to cooperate with state-owned enterprises. This partnership with local companies and entrepreneurs strengthened in the 1990s and laid the foundation of the successful growth in the early twenty-first century.

4 The Changes of the 1990s–2000s

The distribution of watches in China underwent a considerable transformation in the decade of the 1990s. However, more than the expansion of the market and the increase in the demand for luxury watches on the part of Chinese consumers, it was the industrial reorganization which happened in Switzerland that provided the driving force for this change (Donzé 2011, 2014). The Swiss watch industry, which had been organized as an industrial district since the nineteen century, had lost its competitiveness against highly concentrated Japanese watch companies in the 1970s and early 1980s. |At this time it faced a severe crisis which ended with the creation in 1983 of a large conglomerate to control the manufacture of watch movements and holding many brands which used to be independent—among which Omega, Longines and Rado—Société de microélectronique et d'horlogerie (SMH, renamed Swatch Group in 1998, hereafter SG). During the 1980s, SG rationalized production, brand management and distribution.

In this context, the worldwide distribution system was reorganized. When SG was founded, it held a large number of sales subsidiaries set up by its brands while they were independent. The first objective was to merge these companies so as to have only one for each country within which the group traded. Hence, SMH Hong Kong, founded in 1988, assumed control over the activities of three former sales companies in the city (ETA, Longines and Rado). However, as the group had no sales subsidiary in mainland China, distribution in this country was unaffected by rationalization during the 1980s.

The next step occurred during the first part of the 1990s. The context was different, as SG began to focus on the luxury end of the market, notably through the takeover of Blancpain (1992) and the appointment of Jean-Claude Biver to Omega's international marketing (1993). Omega was chosen by SG as its brand of "accessible luxury" (Allérès 1991) and needed a strengthened distribution system to boost sales against Rolex. In 1993, SG opened offices in Shanghai and Beijing, as well as two new Omega's service centers in Hangzhou and Shanghai. The after-sales service in China was reorganized in 1994, with the creation of a joint venture in Shanghai, SMH Watch Service Center, by SG, the Technology, Industry & Trade Development Corporation, and the Engineering College of Shanghai University. It opened in 1995 and takes in charge repairs and maintenance for all the brands of SG.

In addition, in 1993, Omega transferred the management of the Chinese market from headquarters in Switzerland to SMH Hong Kong (Richon 1998). The following year, it appointed Kevin Rollenhagen as its first brand manager for Hong Kong and China.[11] In 1997, the responsibility of SG's brands markets was transferred to Wenpo Lee, meaning that for the first time it was being handled by a Chinese, as he had been trained in Taiwan.[12] This appointment marks a major step forward in terms of the cooperation with local managers to enter more deeply into the Chinese market. This was followed a few years later by the foundation of new sales subsidiaries in this country, such as SMH International Trading (2000, renamed Swatch Group China in 2010), SMH Swiss Watch Trading (2003) and Swatch Group Les Boutiques (2004).

4.1 The Partnership with Xinyu Hengdeli

But above all, the cornerstone of SG's entry strategy in China after 2000 has been its cooperation with one of the largest Chinese watch distributors, the firm Xinyu Hengdeli Holdings Ltd., in which SG took a 6% interest in 2005, which it subsequently boosted to 9.1% in 2010, before more than doubling it, to 20.4% the following year, and then reducing it to 9.2% in 2015.[13] Moreover, since 2006, one of the eight members of the Board of Directors, Shi Zhongyang, has been a legal advisor to Swatch Group, which he entered in 2000. This allows Swatch Group to access internal information and play an active part in the management of the company, which is not the case with rival group LVMH, which also has a share in Hengdeli (6.4% in 2015).

The person responsible for the supremacy of the Hengdeli group on the Chinese watch market is a businessman named Zhang Yuping, who has been active in the watch distribution sector since the early 1980s.[14] In 1981, he joined the firm Hua Qiao Co., a state-owned enterprise that specialized in the distribution of electrical appliances. Zhang went on to head up the company's watchmaking division from 1982 to 1987, which gave him a great many contacts with foreign watchmakers and domestic retail networks. In 1993, he left the employ of Hua Qiao Co. and began his own business in Hong Kong and China. Four years later, Zhang bought up the firm Beijing Hengdeli Timepieces Ltd., a State company founded in 1957 specialized in watch distribution and sales in the People's Republic of China, including foreign brands like Omega and Longines.

In addition, through a complex system of cross-shareholdings and shell companies, the Zhang family has stakes in a number of companies: Shanghai

Xinyu (founded in 1999); Hefei Xinyu Hengdeli (2000); Tianjin Huichang (2000); Harbin Beiheng Jiefu (2002); Qingdao Xinyu Hengdeli (2002); Liaoning Bao Rui Hang (2003); and Shenzhen Yangguang (2003), all of which are active in the field of watch sales at the local level. By gradually taking over these various companies between 1999 and 2003, the Zhang family extended its influence to retail watch sales. In 2004, this entire conglomerate of companies and holdings was restructured and centralized in the form of a new firm, Xinyu Hengdeli Holdings. The group, which is incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange, is majority-owned by the Zhang family through offshore companies set up in the British Virgin Islands. Thus, over the course of just a few years, the Hengdeli group has managed to carve out a position as the leading watch distributor in China and an indispensable partner for Swiss watch companies seeking to organize the expansion of their sales on a Chinese market which has entered a period of high growth.

4.2 A Key Challenge: Accessing Shopping Spaces

The competitive advantage of Hengdeli relies its ability to build and manage a dense retail network throughout China. This company is not the only one to have engaged successfully in this business. Other groups include the Hong Kong-based Emperor Watch & Jewellery (which had a turnover of 5.9 billion HK$ in fiscal year 2014), Oriental Watch (3.5 billion HK$) and Sincere Watch (648 million HK$), but their size is far smaller than Hengdeli (gross sales of about 18 billion HK$ in 2014).[15] According to the Vontobel Group, Hengdeli is comfortably the largest watch distribution company in continental China, with a market share estimated at 30% in 2010, far ahead of two Hong Kong-based firms, Oriental, with 6%, and Emperor, with less than 3%.[16] For all Swiss luxury watch companies, working together with these groups as a necessity to access new shopping spaces in Chinese cities, which became the centers for the consumption of luxury goods, in the context of urban development (Theurillat and Donzé 2016). Hence, the strong links forged between SG and Hengdeli were a significant way for growth on the Chinese market, especially for Omega and Longines.

In the second half of the 2000s, the Hengdeli group experienced a period of strong development, driven by its commitment to retail activities and the geographical expansion of its sales network, which it broadened in 2006 to include second-tier cities, after initially focusing on the major coastal cities.[17] To set up these shops, Hengdeli enters into a partnership,

based on a case-by-case strategy, with local Chinese developers (in the case of tier 3 and 4 cities) and large developers from Hong Kong and China (for tier 1 and 2 cities). As the group stepped up its retail activities, which jumped from 34.9% of turnover in 2004 to 77.6% in 2010, and to an average of 72.5% in 2012–2015 (see Fig. 9.3), its turnover soared from RMB 1.5 billion (renminbi = yuan) in 2004 to 8.2 billion in 2010, and an average of 13.4 billion in 2012–2015. It has the largest chain of high-end watch stores in China, and has expanded its retail network through a strategy of purchasing companies. The number of its retail shops has increased apace, rising from 65 in 2005 to 350 in 2010 and 482 in 2015. In addition, the Hengdeli group works with over 300 distributors located throughout China—more than 400 in more than one hundred cities since 2011—and has since 2005 reaped the benefits of a strategic partnership with three influential distribution groups (Shanghai San Lian Group Ltd.; Shanghai Oriental Commercial Building Ltd.; and Shenzhen Hengjili World Branch Watches Center Ltd.). Together, they are said to control nearly 48% of the Chinese domestic market. Moreover, Hengdeli has based its growth on the geographic expansion of its sales network. In 2005, nearly half of its retail sales were limited to operations in just three cities: Beijing (18.5%), Zhejiang (18.3%) and Shanghai (10.3%). Over the course of the following year, it started to expand outside of mainland China, operating in Hong Kong, Macau and Taiwan. M&A was an important tool for this expansion, with, for example, the acquisition of Elegant International Holdings Ltd., in Hong Kong, where it has four shops. By 2010, mainland China accounted for only 59.1% of its turnover.

As is clear from the above, the partnership with Hengdeli appears to be an essential component of Swatch Group's strategy for expansion in China in the period after 2005. Hengdeli's commitment to the retail trade has taken the form of the establishment of flagship stores for several Swiss watchmaking companies, including Swatch Group. They have joined forces in two major joint ventures, one for the exclusive distribution of Omega and Rado watches (2003), and the other for the management of flagship stores—in particular, Omega and Swatch (2007). At the occasion of the foundation of the latter company, Zhang Yu Ping, chairman of Hengdeli Holdings, argued that "*this agreement establishes a closer bond between Xinyu Hengdeli and the Swatch Group, as the two parties fully utilize their resources to strengthen their relationship in the China retail market.*"[18] Yet such a strategy requires an involvement in real estate business, to secure stores in the new shopping malls. Consequently, in 2010, SG took a 50% stake in

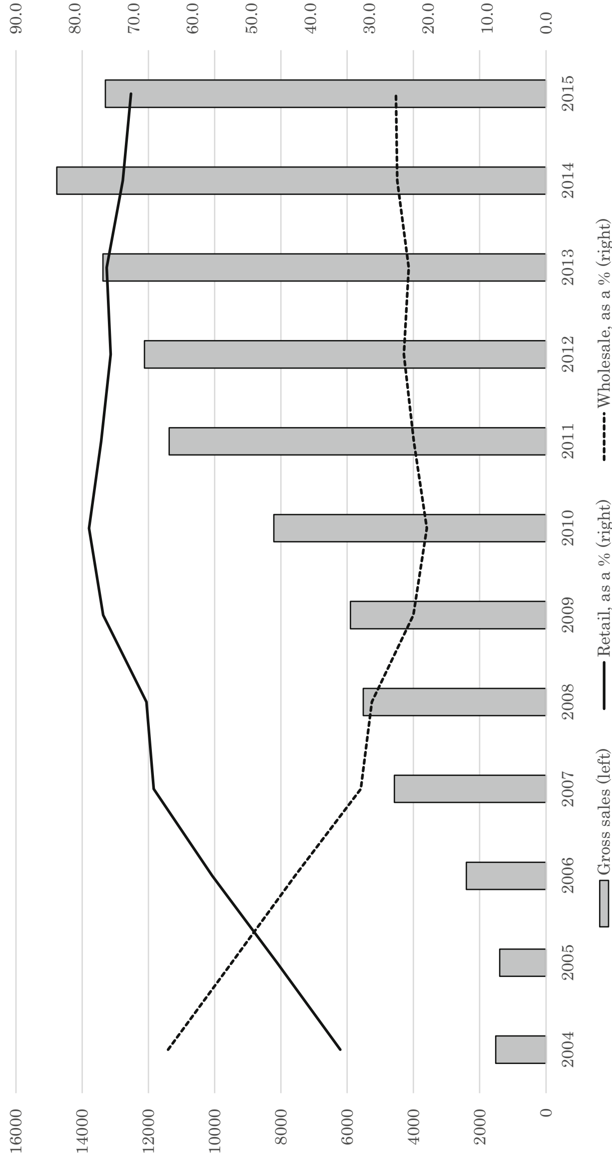

Fig. 9.3 Gross sales of Hengdeli Holdings, in million RMB, and shares of wholesale and of retail, as a %, 2004–2014 (Source: Hengdeli Holdings, Annual report, 2004–2014)

Beijing Xin Yu Heng Rui Watch & Clock Co., a subsidiary of Hengdeli specializing in real estate in China.[19]

As an example of this cooperation, the number of Omega stores operated in mainland China has grown from 84 in 2010 to 150 in 2016.[20] Of course, not all of them are managed by Hengdeli, even if this group is a major partner of SG. Finally, SG referred for the first time in 2011 in its annual report to the existence of a client accounting for over 10% of its turnover (10.8%), a share which increased slightly the following year (11.1%). Even though the client's name is not mentioned, this clearly refers to the Hengdeli Group, as part of the breakdown of SG various markets.

Consequently, this partnership made it possible for SG to achieve rapid growth over the course of the past fifteen years, with gross sales going from 4.3 billion CHF in 2000 to 9.2 billion CHF in 2014. Asia played a key role in this expansion. Its market share increased during these years from 29% to 58% of gross sales. Moreover, the share of the Greater China region (comprising mainland China, Hong Kong, Macau and Taiwan), which has been measured since 2008, grew from 23% of gross sales that year to 37% in 2014.[21]

5 Conclusion

This chapter tackled the evolution of the market entry strategy into China adopted by Swiss luxury watch companies, particularly Omega and Longines (owned by Swatch Group since 1983), since the early twentieth century, with a special focus on the period since the 1980s. The approach of business history offered here made it possible to emphasize the long-term development of this strategy, to stress the major breaks, and to shed light on the real novelty of changes which occurred during the 1990s.

During the first part of the twentieth century, although China was a growing outlet for the Swiss watch industry, distribution was not internalized and was carried out through the traditional system of contracts with independent importers, agents and retailers. Manufacturers in Switzerland had no direct access to Chinese customers. This model had not changed fundamentally after World War II, despite the foundation of the communist state, the only novelty was that independent traders were replaced by state-owned companies. However, some companies like Omega and Longines took the opportunity of the slight opening up of the market during the 1980s to enter China in a more active manner. They opened service centers and showrooms in few watch retail shops, obviously State-controlled

companies, of the largest cities of the country. These first establishments were the basis of expansion during the following decade, in the context of the increased focus on the luxury end of the market adopted by SG. The latter opened new sales subsidiaries in China, headed by Chinese managers, to control the imports in this country, and started to verticalize sales channels. Yet, in order to pursue a countrywide expansion of the retail network, the opening of flagship stores and the access shopping spaces in the new luxury malls opened throughout China after 2000, SG had to work together with local partners, particularly the Hengdeli group, with which business relations go back as early as the first service centers opened during the 1980s. The Swiss group had neither the knowledge, nor the social network necessary to enter the Chinese market efficiently and actively.

Consequently, the example of Swiss luxury watches in China shows that the entry market strategy relied on joint ventures and equity participations. Moore et al. (2010) argued that luxury fashion companies adopted a particular market entry strategy, characterized by flagship stores. Yet, more than the form of retail (mono-brand, multi-brand, megastores, e-commerce, etc.), the nature of the direct investment distinguishes the entry market strategy. For SG's brands, and for Omega in particular, opening mono-brand stores was a major objective, but to achieve it, it was necessary to have access to shopping spaces in the newly built luxury malls, and consequently to enter into partnership with local companies like Hengdeli.

Notes

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