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# THE PROBLEMS OF SWISS WATCH DEALERS IN THE U.K.

Great Britain is quantitatively Switzerland's first European market for watches. In terms of value, however, Britain falls in fourth position. She imported approximately six million watches (out of a total production of 71 million) valued at £13 million in 1970. The Germans and Italians imported fewer Swiss watches but paid considerably more for them. The situation for watch importers in Britain remains quite satisfactory despite the fact that imports tend to grow faster quantitatively than in terms of value. This is not only due to the slow improvement of the British standard of living, but also to the rather small respect of the British for watches. They tend to consider them as plain consumer articles and only ask of them to show the time reasonably well and accurately. Enquiries have shown that the average Englishman bought a new watch every eight years. If one estimates, on the other hand, the British watch market at about £20 million, then it becomes apparent that the average person in Britain spends only 40 pence on a watch a year, so that watches come at the bottom of his list of consumer priorities, way below transistor sets, cameras and tape-recorders.

The fact that the British do not on average spend more than about £5 for a new watch is fortunately a help to the Swiss importers in their struggle against the Japanese giant Seiko, whose watches generally sell for over £10. It also explains why people in this country carry watches of an abundance of lesser known brand names. There are a multitude of makes producing and marketing cheap watches, whereas firms dealing in quality watches are relatively few.

There are approximately 260 Swiss watch importers in Great Britain. As they have to share total purchases of £13 million, their average supply bill is £50,000 a year. Some have a far smaller volume of business and the importer at the bottom of the scale only import for a few pounds worth of watches a year. According to Mr. Kim Malcolm of the London Information Centre of the Federation of Swiss Watch Manufacturers, there are about 40 firms seriously involved in the Swiss watch import business.

The dilemma of the watch trade is that watches, like so many other articles, are falling to the level of plain consumer goods. Even the Swiss tend to buy cheap watches. People now buy cheap where they once were ready to spend heavily. They buy cheap shoes, cheap transistor sets, cheap records,

cheap shirts and cheap cars. This cheapness has of course the advantage that goods which were once the privilege of a few, are now available to everyone. It is symptomatic that the Federation of Swiss Watch Manufacturers, which originally grouped only jewel-lever watch manufacturers, now includes several Roskopf-watch, or pin-lever watch manufacturers. The distinction in quality between these two classes has narrowed down so much that their respective producers have agreed to seek co-operation.

## The choice between quality or quantity

It is in Roskopf that the greatest scope for expansion lies. If Switzerland is to keep its share of a world market expected to expand from 160 million watches a year to 300 million by 1980, then it is forced into mass production and a constant improvement of its quality/price ratio. It must join in the "humbling" of the watch as a quality product and an object of pride and distinction, and promote its maximal consumption in every part of the world. This drive to quantity is self-defeating inasmuch as it destroys the old conception of the watch and forces rapid changes among all the industries and trades allied to the production and marketing of watches.

One of the main aspects of this situation are the difficulties faced by small watch shops, many of which have disappeared, and the scarcity of craftsmen capable of repairing a watch. The same trend is obviously apparent in shops dealing in other consumer durables, such as radio and television sets, and even in garages, where people skilled in repairing mass-produced technological wares are getting rarer every day. This is the logical consequence of the cheapness of these goods, since repairs on a watch that has cost only a few pounds cannot possibly be a financial proposition.

The best illustration is that the Tesco supermarkets are now selling 15,000 Ferex watches (marketed by Trafalgar) a week. Even the Swiss have abdicated their love of quality and are supplying themselves in watches at Migros. I remember distinctly the manageress of a high-ranking Geneva watch shop say about 10 years ago: "At least, we can be sure that Migros won't impinge on our business. Watches are a specialised trade". She couldn't have been more wrong and has probably abandoned selling cheap watches altogether.

A person in London had to send

in his "Rolex" for repairs. Having paid the £6 bill in advance, he was made to wait for weeks before the job was done. He bought a watch for £4 at a supermarket during that time. It still worked perfectly a year later and no one standing a yard away could possibly have distinguished it from a Rolex.

However, the quality watch is still there to stay and firms in this speciality are not doing badly at all. The proof is the amount of publicity often seen in British national publications coming from firms like Omega. There will always be people willing to pay £80 for a good Rolex Oyster, but the retail organisations for this kind of product must be financially strong. The small watch shop neither has the means nor the equipment to have 50 Rolex Oyster Perpetual chronometers in stock.

## The supermarket can come in useful

The watch retail trade tends to be separated today in three main branches: quality watches, cheap watches and jewel watches. The first, like Rolex and Patek Philippe, are aimed at a limited but reliable market with the means to enjoy real quality and workmanship. The second covers precisely the trade now threatened by the supermarkets. The third, in which the clockwork is a pretext for jewellery, will increasingly be handled by jewellers. Some shops of high standard still manage to sell quality watches and watch jewellery, but it is impossible to find establishments profitably handling the three categories. Owing to the growing gap between the cost of quality watches and what we should call "consumer watches", some watch retailers with a foot in each line have found themselves in difficulty. Selling high quality production requires higher risks and investments not encouraged by Britain's present economic climate. Restricting business to cheap watches however put the retailer face to face with the supermarket or the street market stall, both of which have smaller overheads.

Mr. Kim Malcolm, whose job is to look after the interests of the Swiss watch industry in Great Britain, sees some sunlight through these developments. The supermarket has definite advantages from the watch retailing point of view, he contends. First, the housewife has to be *in it* anyway for her daily purchases. Secondly, the great majority of supermarket customers are women, generally prone to be enticed by attractive and cheap watches overflowing from the shelves of the shop floor. Thirdly, it is in buying

a cheap Tesco watch that they are most likely to want to buy another one of *better* quality. Mr. Malcolm therefore sees the supermarket as a kind of bait of incomparable persuasiveness, which will encourage consumers to look forward to enjoying ultimately a quality watch. The "supermarket trend" is therefore not detrimental to the success of the quality watch.

Let us hope that this analysis proves correct. But the progress of quality watch sales in Great Britain is bound to be closely connected with the state of the economy. As long as people are unemployed and millions struggling to make ends meet, customers will return to Tesco.

The Federation of Swiss Watch Manufacturers, which is an umbrella organisation serving about 500 member-companies, is associated to the International Watch Centre (CFH) in Lausanne which organises training seminars in watch salesmanship. These seminars are attended by many British watch retailers. They were instituted when the watch industry realised that it could not expand sales without the co-operation of the salesman. Success depended on the grass roots. It was realised that many shop-owners did not really know how to sell a watch and it was sought to teach them the basic techniques of selling. One may argue that it is pointless to train grocers to compete with supermarkets. The whole

point of the exercise is however to help watchmakers to *remain* "grocers", as distinct from the gigantic vending machinery which the supermarkets really are. If the small watch retailer is to hold his own, then he must be more effective than a vending machine. This is the guiding philosophy of the seminars regularly held at the CFH in Lausanne.

#### **The multiple task of the Federation**

The stepped up concentration of the Swiss watch industry has occasionally reduced the usefulness of the Federation because many of the new outfits, companies like SSIH, ASUAG and Garde Temps resulting from the merger of formerly independent companies, have their own research and development departments. Yet they all find it useful to belong to the Federation and there are very few companies who do not. The Federation of Swiss Watch Manufacturers offers market and technical information. It has a legal department responsible for a whole new sphere of horological legislation and for helping to solve hundreds of contentious cases throughout the world. It has R. & D. centres responsible for various technological developments. The laboratories of the Federation have developed new production techniques and the "Mariotmetre", an instrument for testing the water-proofing of watches without damaging them.

The Federation has 15 Information Centres, offices and agencies across the world. It has 20 Vocational Training Centres, run in conjunction with Ebauches SA, the great majority of which are in developing countries. The Information Centres are the oil in the gearing of Swiss exports. They are busy answering commercial enquiries and placating customers for various reasons. The London Centre spends an undue amount of time pacifying irate customers who have been deluded by partly fraudulent guarantees. There is in fact plenty of illegal dealings within the watch trade. Nearly all the "Swiss" watches sold to Taiwan are manufactured in Hong Kong and stolen consignments of components are often used to produce and market watches fraudulently using well-known brands.

The Vocational Centres and the training activities sponsored by the Federation and Ebauches SA spearhead Switzerland's technical assistance to the third world. The Federation has set up training work shops in several African countries. Youths whose parents still signed their names with their thumb are now learning useful skills which will one day be the foundation of a new prosperity. Several hundred pupils are currently being trained in watch-making overseas. Each cost about 15,000 francs—partly supplied, and rightly so, by the Swiss government.

(PMB)

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