

**THE
MERCURY
PROJECT**

WATCH & JEWELLERY SELL-OUT INDEX

MONITOR THE REAL TRENDS IN YOUR MARKETS

FEBRUARY 2020 REPORT

THE WATCH & JEWELLERY SELL-OUT INDEX
MONITOR THE REAL TRENDS IN YOUR MARKETS

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Overview

February 2020 report

2019: A rough year for the watch and jewellery retail trade in its major markets.

Hong Kong protests, US-China trade tensions and volatile gold prices have put a damper on the sales of Asian watch and jewellery retailers in 2019. **Hong Kong, of course, but also China, Singapore and Macau recorded a decline in sell-out figures** compared to the previous year. And the outlook looks bleak for the first half of this year.

Salvation will no longer come from **Great Britain, whose growth cycle is coming to an end.**

Only Germany and France, but also the Travel Retail sector, which posted steady growth throughout the 2019 year, as well as the **United States, which has been recovering in recent months**, offer growth opportunities, yet. But for how long? While the coronavirus is spreading in all countries, it seems that the signs of growth seen in the latter countries will be stopped in their tracks. The Sell-Out Index will closely monitor the situation.

Top Markets Summary

February 2020 report

Key Take-Away - Watch & Jewellery Specialized Retailers Sales

USA / December: A healthy holiday season

Hong-Kong / December: Continuing decline and bleak outlooks

China / December: Ecommerce platforms to surpass W&J specialized retailers growth

UK / December: Time is over for the long period of buoyant growth

Singapore / December: Good year-end sales, but which do not save the whole 2019 year

Germany / December: Sixth straight month of sales growth confirming a robust annual growth

France / December: Outstanding growth at the end of the year lifting the annual growth

Macau / Q4: Slow growth, penalized by fewer visitors

Duty-Free & Travel Retail / Q3: An accelerating growth within a 2019 buoyant industry

Year-on-Year (YoY) Evolution - Watch & Jewellery Specialized Retailers Sales

Markets & Last Period		Year-on-Year evolution Watch & Jewellery Retail Sales at Specialized Stores		Year-on-Year evolution Total Retail Sales of the Market	
		MTD	YTD	MTD	YTD
USA	Dec-2019	4.3%	-0.3%	6.6%	3.3%
Hong Kong	Dec-2019	-37.2%	-22.4%	-19.4%	-11.1%
China	Dec-2019	3.7%	0.4%	8.0%	8.0%
United Kingdom	Dec-2019	-4.0%	5.6%	1.1%	3.3%
Singapore	Dec-2019	8.9%	-1.0%	0.1%	-1.2%
Germany	Dec-2019	2.2%	2.7%	2.6%	3.4%
France	Dec-2019	10.2%	4.9%	2.8%	2.8%
Macau	Q4-2019	2.2%	-2.0%	4.3%	0.5%
Duty Free & Travel Retail	Q3-2019	7.1%	5.3%	14.8%	11.6%

USA – December 2019

Retail Sales YoY–Jewelry stores (incl. watches and their e-commerce activity)

A healthy holiday season



Sales of Watch & Jewellery retailers rebounded in December 2019, increasing 4.3% year-on-year, lifted by lower value transactions (volume sales increased 5.8%). This marked the 6th successive month of positive sales. It is still evidence that holiday spending in general matched expectations. Conversely, Signet Jewelers Limited, the largest jewelry retailer, reported mixed results in North America. Same store sales were up 2% and were lifted by ecommerce sales (+13.3%). Brick and mortar sales grew 0.4% on a same store sales basis.

Total Retail sales of the country (excluding motor vehicles and part dealers) were up 6.6 % over a year earlier, and were partly explained by the two key days of the Thanksgiving shopping weekend—Sunday and Cyber Monday—that were in December this year, but also by an overall healthy holiday season. As reported by Retail Dive, NRF Chief Economist Jack Kleinhenz said: “This was a healthy holiday season, especially compared with the decline in retail sales we saw at the end of the season in 2018”.

For 2019 as a whole, sales of Watch & Jewellery specialized retail were nearly flat, with a 0.3% decrease over 2018, and attributed to the poor results of the first half-year.

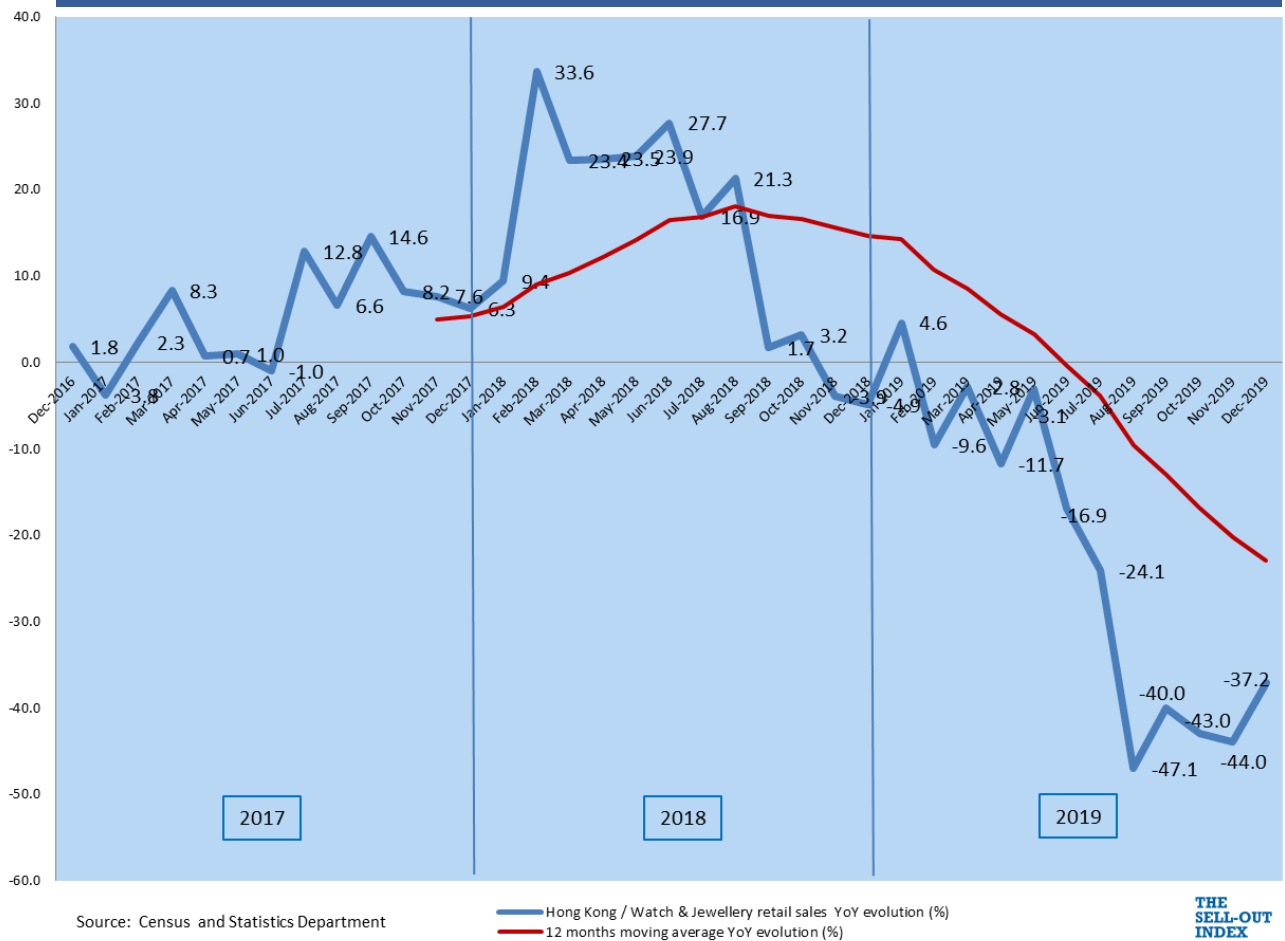
In contrast, Total Retail sales (excluding motor vehicles and part dealers) grew 3.3%, lifted once again by on-line sales which rose 24.9%, and accounted for 19.1% of the Total US retail sales (excluding motor vehicles and part dealers). Department stores were down 5.5%.

According to the US Census Bureau, total sales at Jewelry stores (including watch & jewellery) were \$33.4 billion / CHF32.3 billion in 2019, down from \$33.5 billion the prior year (-0.3 %). They accounted for 0.8% of the Total US retail sales (excluding motor vehicles and part dealers).

Hong Kong – December 2019

Retail sales YoY – Jewellery, watches and clocks, and valuable gifts in specialized stores & department stores (incl. their e-commerce activity)

Continuing decline and bleak outlooks



In December 2019, retail sales of watch and jewellery in specialized stores and department stores in Hong Kong fall sharply by 37.2% year-on-year, following a downwardly revised 44% decrease in November. Due to their high value, they primarily contributed to 36% of the decline of the Total retail sales in Hong-Kong. Sales decline were attributed to a high gold price and a “substantial decline” in the number of visitors to Hong Kong contributed by the recent ongoing social activities.

Considering the full year of 2019, retail sales of watch and jewellery in specialized stores and department stores declined 22.4%.

Overall, Total retail sales in December decreased by 19.4% from a year earlier. “The business environment for retail trade has become even more difficult recently, with the threat of the novel coronavirus infection heavily weighing on inbound tourism and local consumption sentiment,” a government spokesman said.

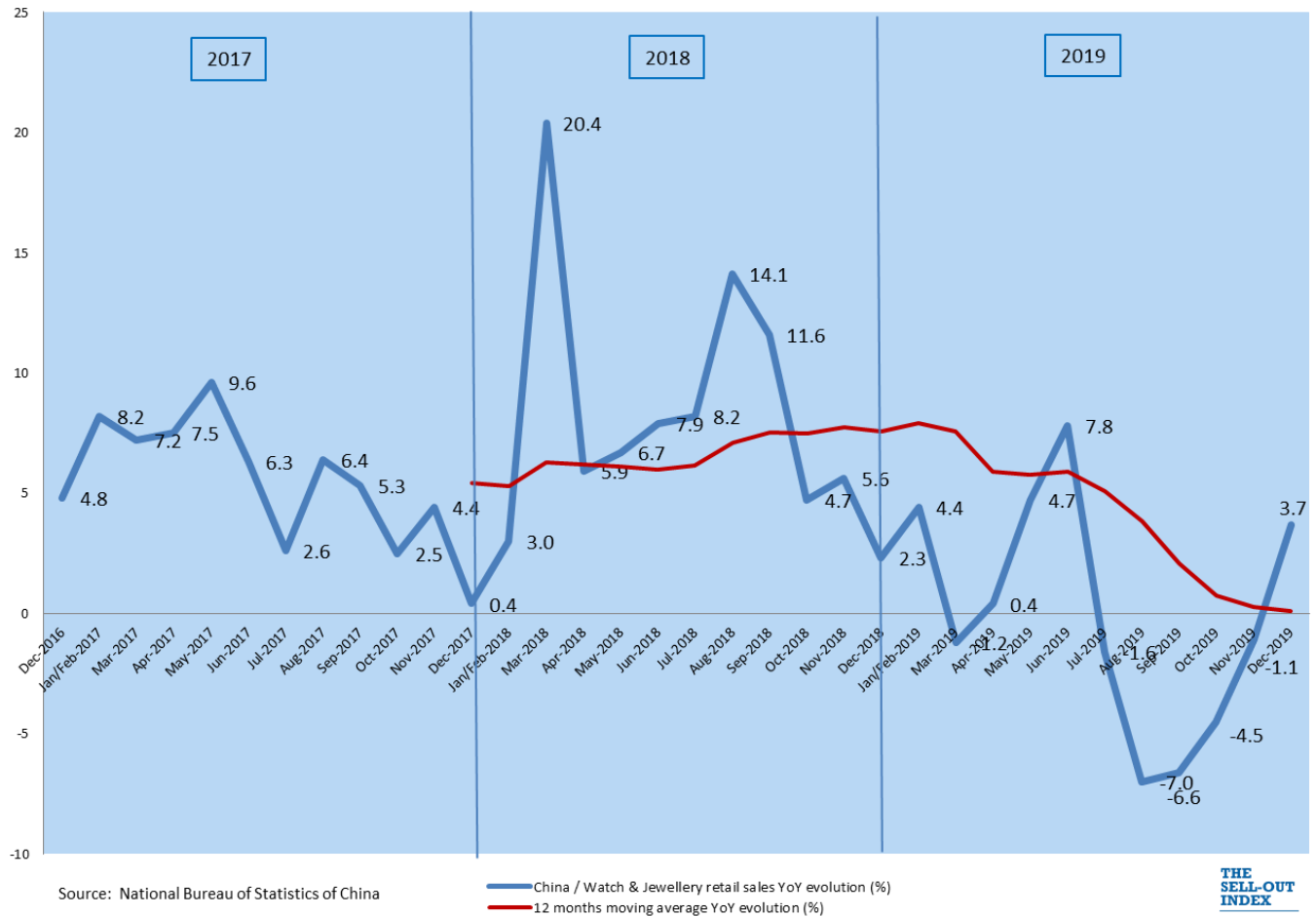
For 2019 as a whole, Total Retail sales in Hong-Kong declined 11.1%. The city saw sharpest decline in more than 20 years against backdrop of trade war and civil unrest. In the fourth quarter of 2019, they tumbled 24.1%.

According to the Hong Kong’s Census and Statistics Department, watches and jewellery sales at specialized stores and departments stores were HK\$ 68.1 billion / CHF 8.45 billion in 2019, down from HK\$ 87.8 billion the prior year (-22.4 %). They accounted for 16.4% of the Total Retail sales (excl. motor vehicle and parts dealers)

China – December 2019

Retail sales YoY –Jewelry stores (incl. watches and their e-commerce activity)

Ecommerce platforms to surpass W&J specialized retailers growth



In December 2019, Retail sales of watch & jewellery at specialized stores increased 3.7% from a year earlier following a 1.1% decrease in November.

In the meantime, China's retail sales grew 8.0, unchanged from the previous month's five-month high. Sales rose for most categories, including cosmetics (11.9%) and personal care (13.9%).

For 2019 as a whole, Total retail sales went up by 8.0% year-on-year. As reported by chinadaily.com, Wang Bin, deputy director-general of the ministry's department of market operations and consumption promotion explained that China's booming consumption has been boosted by cross-industry co-operation, digital tools and e-commerce-related business models. The online retail sales of physical goods continued to report robust expansion, with a year-on-year increase of 19.5 % accounting for 20.7% of the total retail sales of consumer goods. Tmall, Alibaba's distribution platform of choice for brands, grew 24% year-over-year in the quarter ended December 31, 2019.

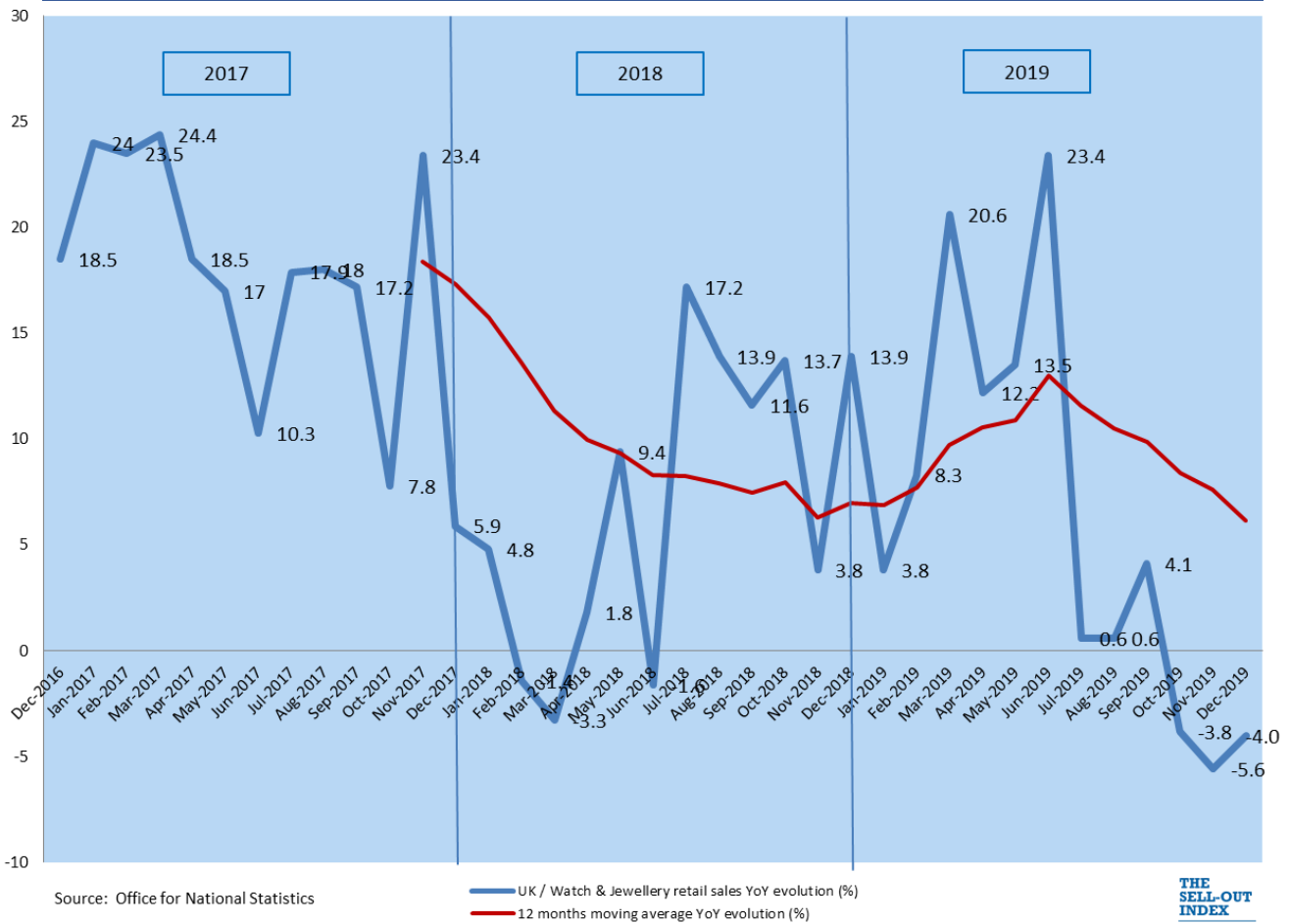
Meanwhile, retail sales of watch & jewellery stores went nearly flat (+0.4%), suggesting that these conventional retailers have missed their on-line moments and now compete with difficulty with e-commerce giants.

According to the National Bureau of Statistics of China, total sales of watches and jewellery at specialized stores were RMB 260.5 billion / CHF 36.15 billion in 2019.

United Kingdom – December 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Time is over for the long period of buoyant growth



In December 2019, UK Watch & Jewellery retail provisional sales at specialized stores were down by 4.0%, following an upwardly revised 5.6% decrease in November. It was the third consecutive month of no growth for the sector and was again driven by lower value transactions (volume sales decreased 4.3%). It shows how challenging are the times for inexpensive and fashionable timepieces. Overall, and as reported by WatchPro Magazine, “since the summer, prices for several luxury watch brands have increased and the pound has strengthened. This has wiped out the price advantage that the UK had over rival markets”.

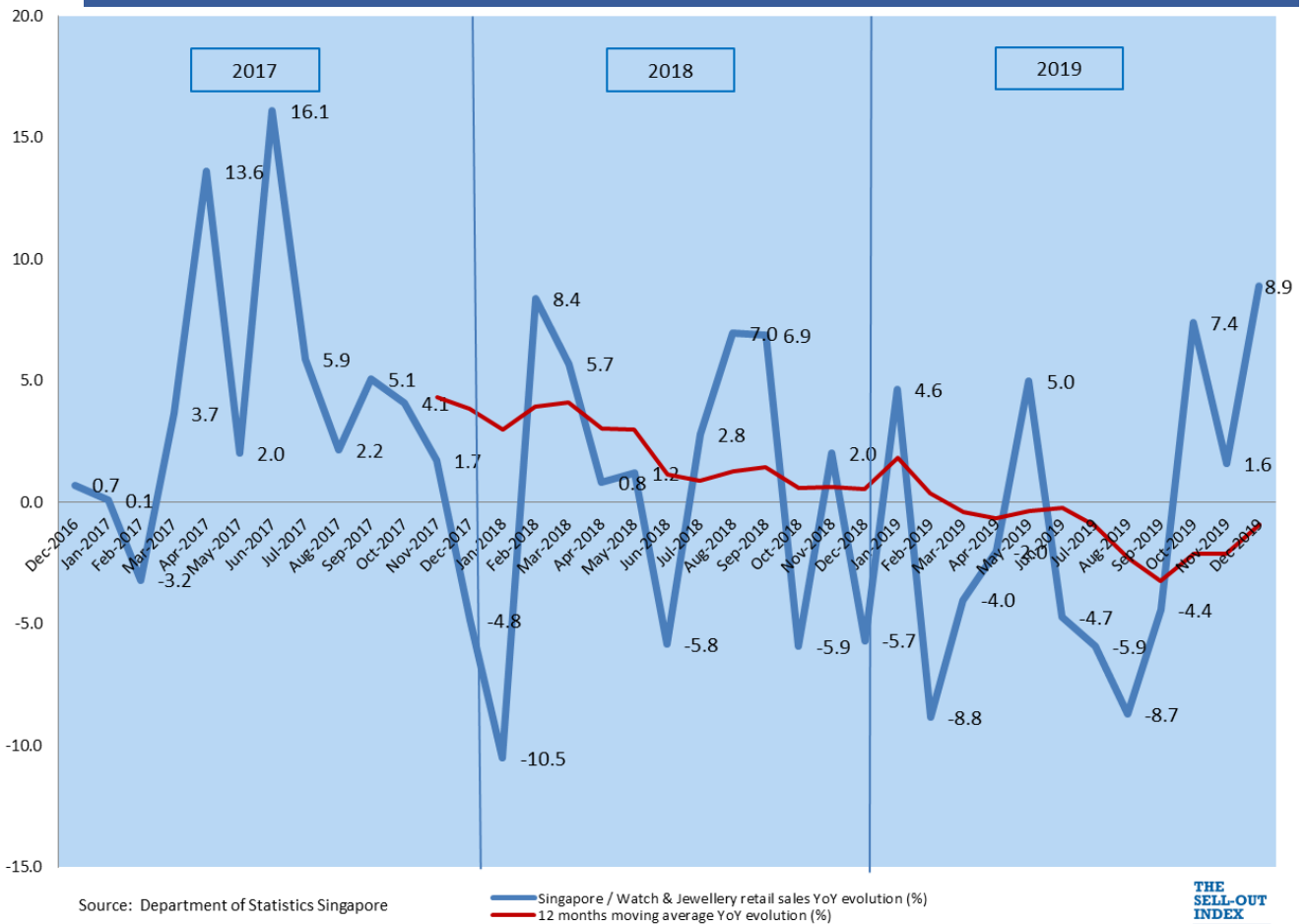
For 2019 as a whole, the Watch & Jewellery retail sales growth grew 5.6%, thanks to a dynamic first semester. In December, Total retail sales (excluding automotive and fuel) slightly increased 1.1% year-on-year only, partly due to 2.5% fall of the footfall. Online sales as a proportion of all retailing were 19.0% in December 2019. Meanwhile, Total retail sales (excluding automotive and fuel) increased 3.3%.

According to the Office for National Statistics, total sales of watches and jewellery at specialized stores were GBP 7.552 billion / CHF 9.5 billion in 2018.

Singapore – December 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Good year-end sales, but which do not save the whole 2019 year



In December 2019, Singapore's watch & jewellery retail sales at specialized stores posted a robust growth, due partly to higher value sales of jewellery. Sales were up 8.9% year-on-year, whereas volume sales decreased marginally by 0.1%. Launch of some special editions, increasing number of transiting clients (Australia, Indonesia) travelling back from US, special boutique Christmas animations have been reported as explanations to this very good month.

Total Retail (excluding Motor Vehicles) remained flat, rising by a mere 0.1%. Significantly, online sales accounted for 6.8 % of that figure, one of the highest rates yet

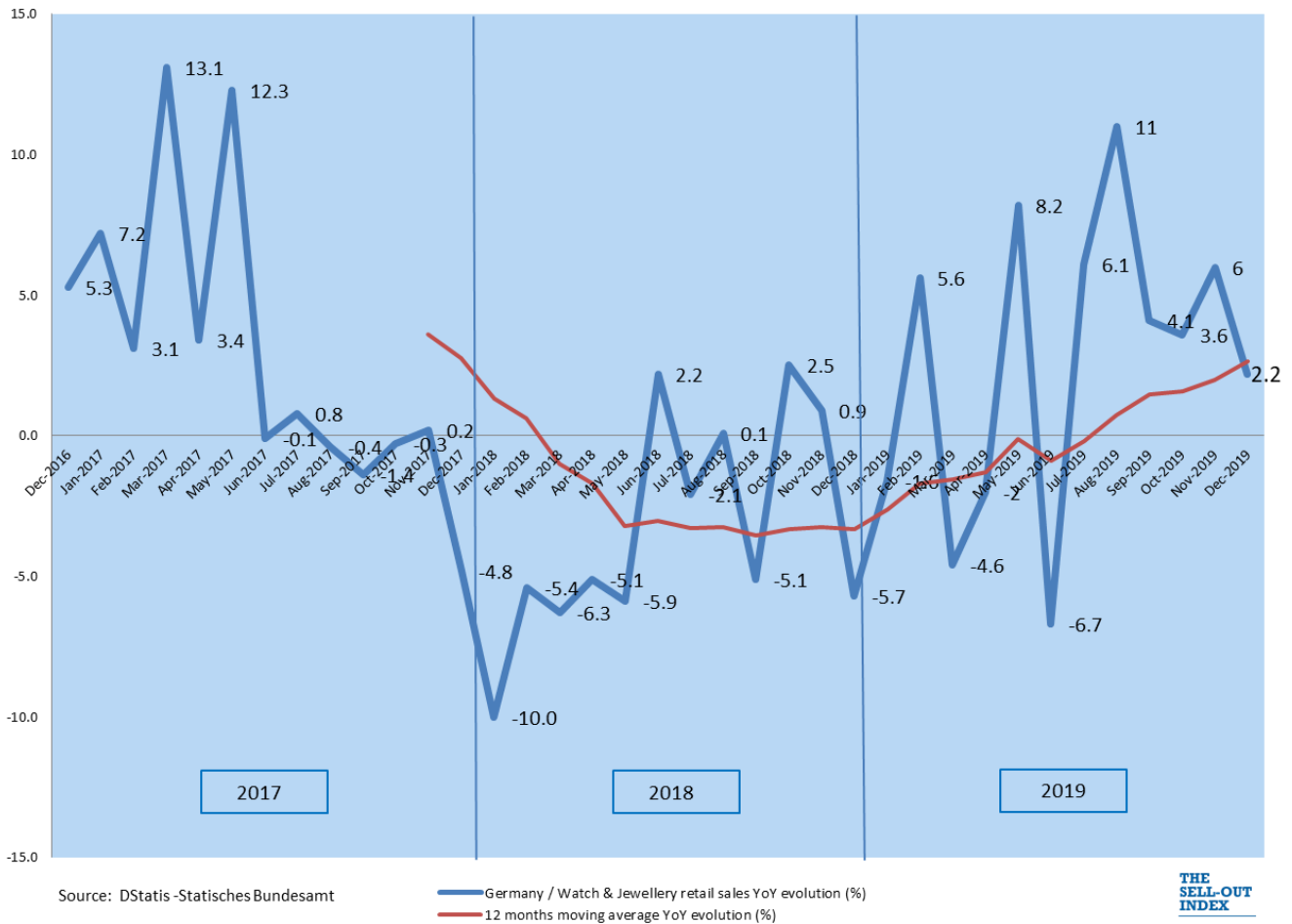
For 2019 as a whole, with many ups and downs, watch & jewellery retail sales fell 1.0%, similarly to the level of the Total Retail sales of the country (excluding Motor Vehicles), which decreased 1.2%.

According to the Department of Statistics Singapore, sales at watch & jewellery specialized stores were SGD 4.818 billion / CHF 3.482 billion in 2018. They accounted for 9.0% of the Total retail sales of the country (excluding Motor Vehicles).

Germany – December 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Sixth straight month of sales growth confirming a robust annual growth



Provisional watch & jewellery retail sales in Germany increased 2.2% year-on-year in December 2019, following a downwardly revised 6.0% in November. This is the sixth straight month of sales growth, confirming the upward swing started in July.

Overall, Total retail sales in Germany (excluding sales of motor vehicles) increased 2.6%. The largest increase in sales,

(+ 14.5%) was achieved by the Internet and mail order business.

For 2019 as a whole, watch & jewellery retail sales increased 2.7%. While these annual figures were a big improvement over 2018, events worldwide mean that a continued upturn may no longer be likely.

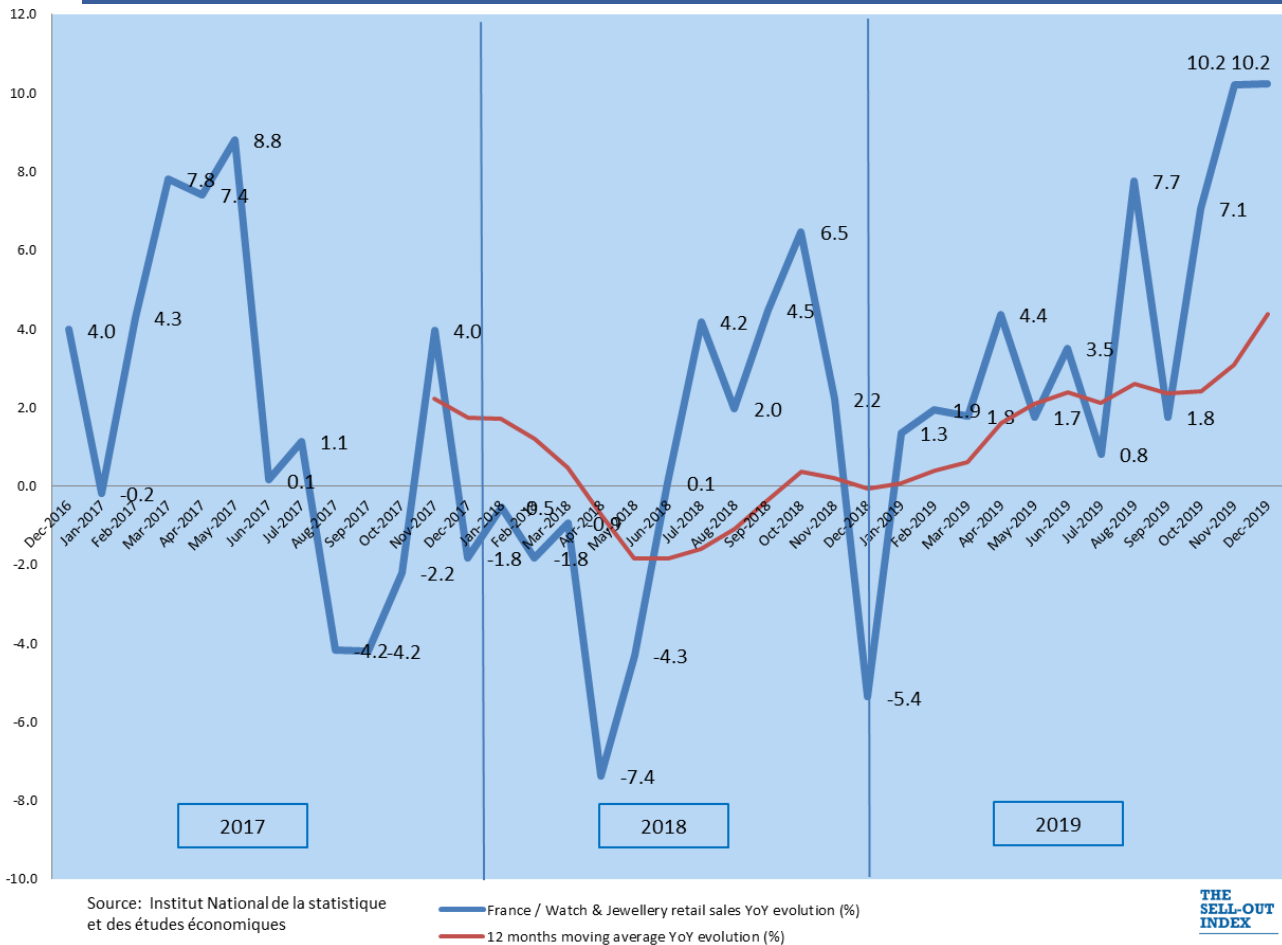
On the other hand, Total retail sales in Germany (excluding sales of motor vehicles) noticeably increased 3.4%. Internet (and mail order) trade increased 8.2%. As reported by Reuters, the HDE retail association expects a rise of around 2.5% in 2020. "The overall economic conditions for consumption continue to be good," HDE Managing Director Stefan Genth said. "German consumers are generally aware of the "current macroeconomic downturn, but their mood remains stable," he added.

According to D-Statist, the Federal Statistical Office of Germany, sales of watch & jewellery specialized stores were EUR 5.968 billion / CHF 6.936 billion in 2017 (excl. VAT). They accounted for 1.1% of the Total retail sales of the country (excluding Motor Vehicles).

France – December 2019

Retail sales YoY – Watches & Jewellery specialized stores (incl. their e-commerce activity)

Outstanding growth at the end of the year lifting the annual growth



France's watch & jewellery retail sales at specialized stores rose 10.2% year-on-year in December 2019, unchanged from the previous month, and again driven by higher value transactions (volume sales only increased 6.4%). This was a very good evolution, partly explained by the decline in sales during the two latest months of 2018 and despite public transit workers strikes. It lifted the 2019 annual sales to an outstanding 4.9% growth.

Overall, the Total retail sales (excluding motor vehicles) increased 2.8%. In specialized stores, sales of fine leather goods and of travel articles grew 8.2% and sales of cosmetic and toilet articles increased 1.0%.

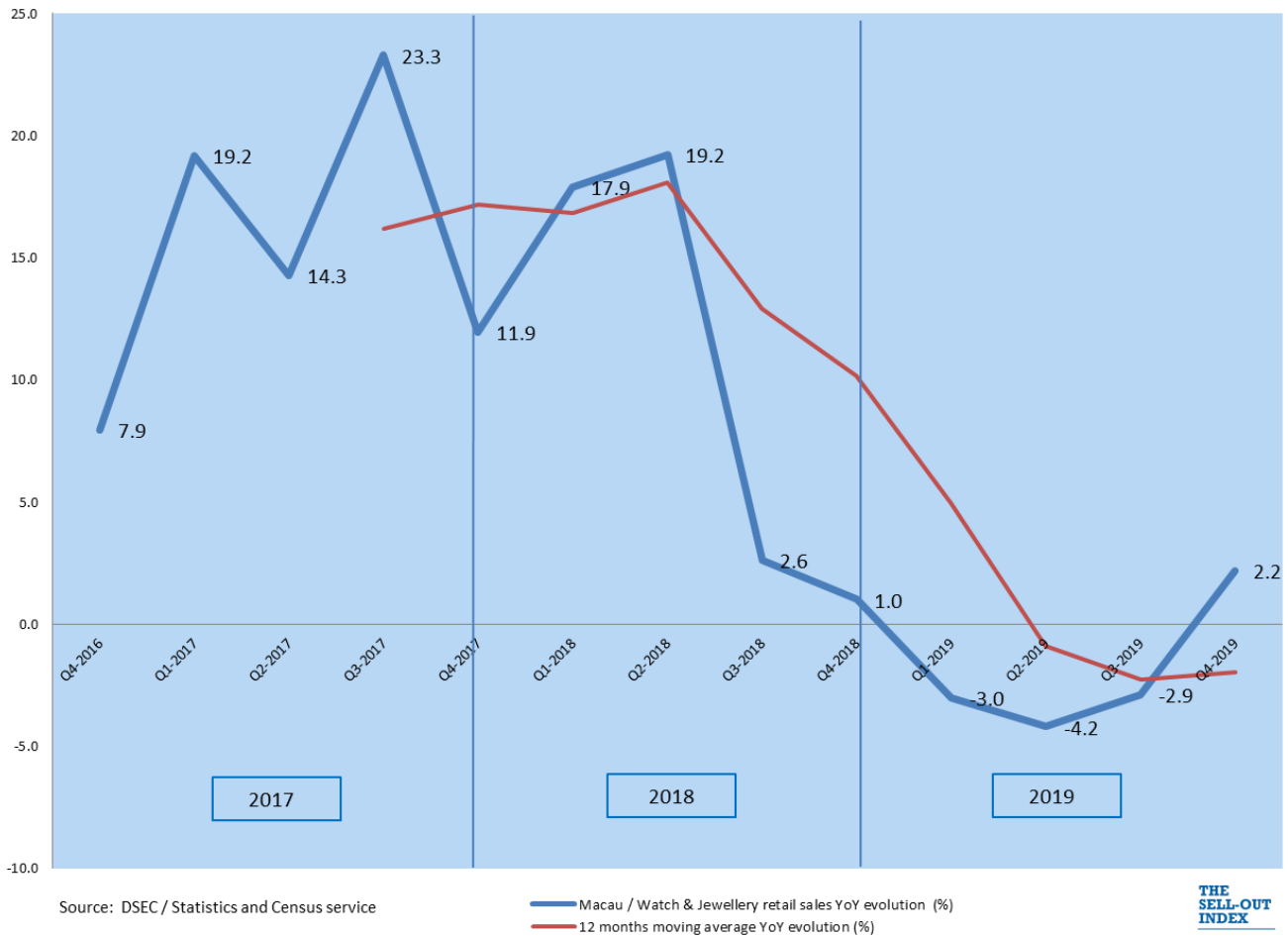
For 2019 as a whole, Total retail sales (excluding motor vehicles) increased 2.8%.

According to the Institut National de la Statistique et des Etudes Economiques (INSEE) and Mercury Project's estimate, sales at watch & jewellery specialized stores were € 3.600 billion / CHF 4,056 billion (excl. VAT) in 2018.

Macau – Q4 2019

Watches, Clocks & Jewellery (incl. their e-commerce activity) – Retail sales YoY

Slow growth, penalized by fewer visitors



Retail sales of Watches & Jewellery in Macau rebounded in the fourth quarter of 2019 (+2.2% year-on-year, but were slowed by lower value transactions (volume sales decreased 2.9%). Among the other major retail activities, Leather goods and Cosmetics increased significantly (+12.6% and 10.0% respectively). Total retail sales recorded a 4.3% year-on-year growth. They were penalized by the 7.9% decrease of visitor arrivals. For the whole year of 2019, Watch & Jewellery retail sales decreased 2.0% from a year earlier and Total retail sales increased 0.5%, despite a jump of 10.1% of visitor arrivals offset by a fall of their per-capita spending (excluding gaming spending) by 4.3%.

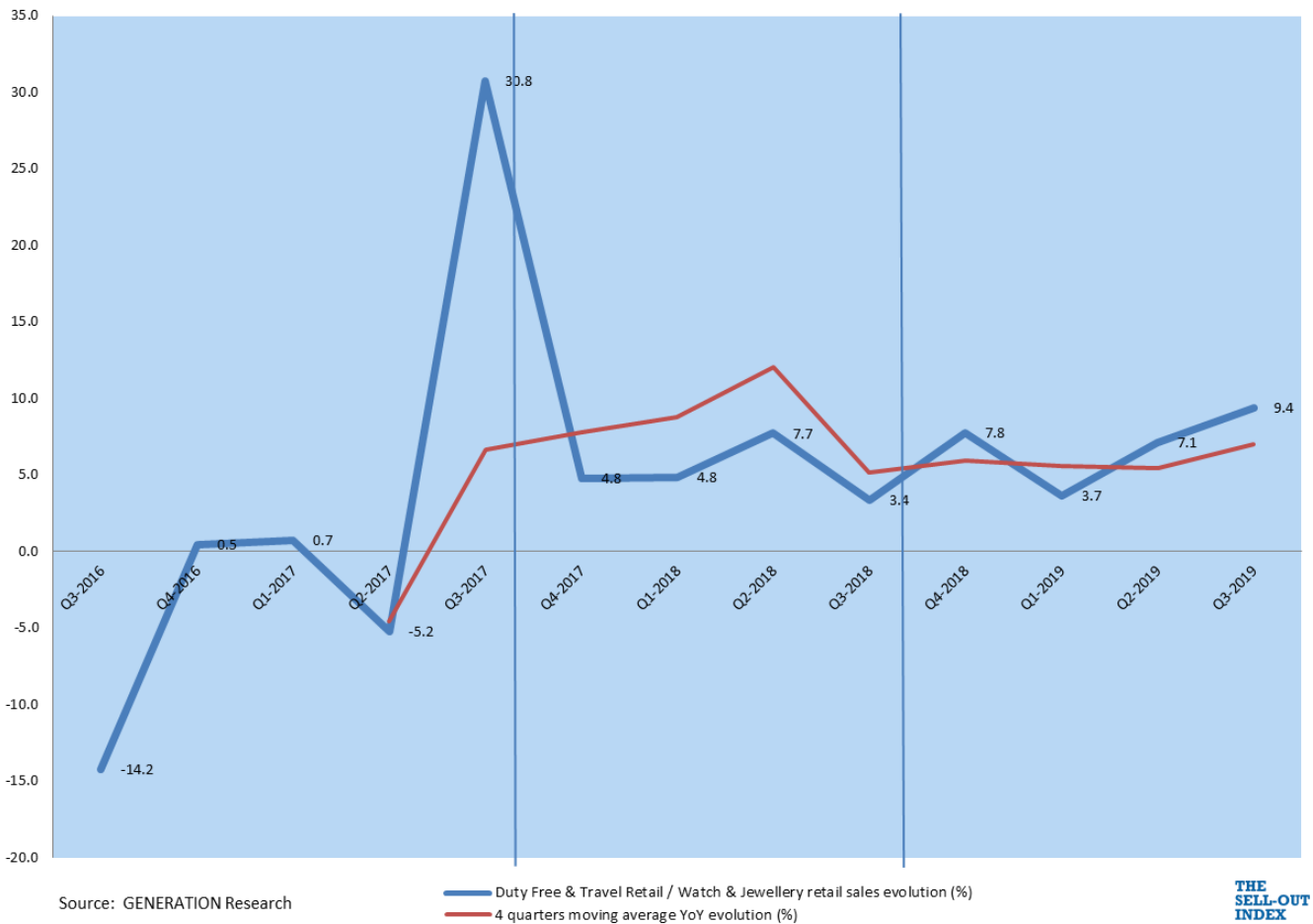
According to the Statistics and Census Service (DSEC), sales of watches, clocks and jewellery stores were MOP 15.8 billion / CHF 1.90 billion in 2019, down from MOP 16.2 billion the prior year (-2.0%). Watches, Clocks & Jewellery accounted for 20.5% of the total value of retail sales in the country and 8.7% of the Total visitors spending.

Duty-Free & Travel Retail – Q3 2019

Watches & Jewellery (& Fine Writing) (incl. their e-commerce activity) – Retail sales YoY

NEW

An accelerating growth within a 2019 buoyant industry



In Q319, provisional Retail sales of Watches & Jewellery (and Fine Writing) jumped 9.4% year-on-year, accelerating from a 7.1% in Q219. In the meantime, Global Duty Free & Travel Retail sales recorded a 10.3% year-on-year rise, lifted by sales in the world’s largest travel retail market: Korean duty-free sales leaped by +31.8% year-on-year.

For the three first quarter of 2019, Watch & Jewellery (and Fine Writing) retail sales increased 6.3% from a year earlier and Global Duty Free & Travel Retail sales rose 11.2%, lifted by a sustained growth in Asia-Pacific.

According to **GENERATION**, sales of watches, jewellery and fine writing) stores were USD 6.0 billion / CHF 1.97 billion in 2018, up from USD 5.7 billion the prior year (+6.1%). Watches, jewellery (and fine writing) sales accounted for 7.6% of the Global Duty Free & Travel Retail sales.

ABOUT THE SELL- OUT INDEX:

Retail sales statistics provide a prompt economic indicator which reflects the real business performance of industries.

For the first time ever in the watch & jewellery industry, the Sell-Out Index (SOI) measures the aggregated sales performances of the watch & jewellery specialized stores in selected markets. It is based on the monthly sales records of the retail trade surveyed by national statistical offices.

The Sell-Out index is the only monitoring tool able to provide trusted, harmonized and comparable information on the monthly sell-out trends of the watch & jewellery industry in its following top markets:

- USA
- Kong-Kong
- China
- United Kingdom
- Singapore
- Germany
- France
- Macau (quarterly base)
- Duty Free & Travel Retail (**NEW**)

INFORMATIONS:

Year-on-Year and Year-to-Date monthly evolutions of the total Watch & Jewellery specialized stores turnover are provided. They are calculated at current prices, and are not seasonally adjusted (except in the UK). It facilitates a harmonized comparative analysis with subscribers' proprietary sell-out data. Additionally, comparison with the evolution of the aggregated sales of retail goods of the markets allows gaining a far better understanding of the dynamics of the watch & jewellery industry in the market and its real, rather than reported, consumption patterns.

Latest released data are preliminary figures which can be subject to revision later on.

SOURCES AND METHODOLOGIES:

Sell-Out Index data are based on official sources, not third party data providers. They are sourced from the national official statistics departments' monthly surveys and cover the watch & jewellery specialized distribution circuits (independent retailers, mono-brand boutiques, specialized W&J chains). Their e-commerce sales activity is included. Read the information displayed in page 14 for further details.

In Hong Kong, watches & Jewellery sales in Departments stores are also included, additionally to the specialized circuit.

NEW: Duty Free & Travel Retail information are provided by **Generation Research**. A key player in this industry, the company possesses the world's largest data bank of duty free and travel retail statistics.

SOURCES AND METHODOLOGIES (CONTINUED)

	Watch & Jewellery definition	Total Retail definition	Data type	Source	Report
USA	Specialized Jewelry stores (incl. Watches and E-commerce activity)	Retail sales, total (excl. motor vehicle and parts dealers)	At current prices Non-seasonally adjusted	www.census.gov	Monthly retail trade report
Hong Kong	Jewellery, watches and clocks, and valuable gifts specialized stores & Department Stores (incl. E-commerce activity)	All retail outlets	At current prices Non-seasonally adjusted	www.censtatd.gov.hk	Report on Monthly Survey of Retail Sales
China	Gold, Silver and Jewellery (incl. Watches and E-commerce activity)	Total Retail Sales of Consumer Goods	At current prices Non-seasonally adjusted	www.stats.gov.cn	Retail Sales of Enterprises with an annual revenue of 5 million yuan and above
United Kingdom	Watches & Jewellery specialized stores (incl. E-commerce activity)	All Retailing, Excluding Automotive Fuel	At current prices Seasonally adjusted	www.ons.gov.uk	Retail sales index
Singapore	Watches & Jewellery specialized stores (incl. E-commerce activity)	Total (excl Motor Vehicles)	At current prices Non-seasonally adjusted	www.singstat.gov.sg	Retail Sales Index
Germany	Retail sale of watches and jewellery (incl. E-commerce activity)	Retail trade, except motor vehicles and motorcycles	At current prices Non-seasonally adjusted	www.destatis.de	Turnover in Retail trade
France	Commerce de détail d'articles d'horlogerie et de bijouterie en magasin spécialisé (incl. Ventes E-Commerce)	Commerce de détail à l'exception des automobiles et des motocycles	At current prices Non-seasonally adjusted	www.insee.fr	Indices de chiffre d'affaires dans le commerce
Macau	Watches, Clocks & Jewellery (incl. E-Commerce activity)	Total Retail Sales of Consumer Goods	At current prices Non-seasonally adjusted	www.dsec.gov.mo	Retail sales survey
Duty Free & Travel Retail	Watches, Jewellery and Fine writing	Global Duty Free and Travel Retail sales (Airlines, Airports shops, Ferries, Downtown & Border Duty-Free Stores)	At current prices Non-seasonally adjusted	www.generationresearch.com	

ABOUT THE MERCURY PROJECT:

The Mercury Project is a data-driven consulting company focusing on the watch & jewellery retail industry.

It provides sales intelligence information to industry stakeholders (companies, retailers and federations) through a reliable monitoring of the key aspects and trends of the markets.

Its activities are based on documented and trusted databases focusing on the watch & jewellery retail information (sell-out data, retailer database and new product launch)

Mercury Project has an integrated service model that allows start-ups or big brands to maximise their resources while having access to specialized industry knowledge and skills.

As Mercury Project's founder, Thierry Huron brings years of experience in the luxury and market research industries.

While managing the international marketing strategy at TAG Heuer, he identified the need for a trusted global source of sell-out data in the watch industry and initiated numerous programs in this field.

He recently released the [Watch Distributors Directory](#), an unique and helpful B2B database to provide an easy and accurate access to companies' information within the watch distribution industry worldwide, with a direct link to the watch community.

Thierry Huron has been quoted in Le Temps, Business Montres, Europastar, WatchPro and other leading publications about the watch industry.

Follow Thierry Huron's daily #watchretail posts on LinkedIn.

They fill a gap in the watch & jewellery industry, by contributing to the knowledge of its retailing activity.

Contact: info@mercuryproject.ch