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Digitalisation of the luxury product:

A viable strategic response in a declining luxury watch industry?

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ABSTRACT

With the increasing sophistication of technology, digitalisation is emerging as a significant talking point in the practitioner community. Though suggested by some academics as an area that has the potential to offer new insights into the discipline of strategic management, there is, however, a current theoretical oversight on digitalisation in the context of an important sector to many world economies, the luxury sector. Coupled with the need for further insights into strategies for declining industries, this paper adopts a case study approach to see whether product digitalisation is a viable strategic response for a luxury watch firm to pursue in a declining industry environment. Jaeger-LeCoultre is the chosen empirical site from this industry. Following interviews with seven lead users, this paper concludes that product digitalisation can be pursued by a luxury watch firm, but that this is likely to be limited to those firms with a history premised on innovation and the adoption of new technologies. Furthermore, it is concluded that while product digitalisation can be pursued by certain luxury watch firms, on account of the financial resources likely required, this should not be done in a declining industry environment. Indeed, in a declining industry the most viable strategies for a luxury watch firm are: new product introductions, re-introducing discontinued products and diversification.

Keywords: luxury, digitalisation, strategies for declining industries, strategic management

SECTION KEY



Introduction



Literature review



Methodology



Findings



Analysis and discussion



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1 INTRODUCTION

1.1 Purpose of the study

The purpose of this paper is to investigate a specific form of digitalisation in the context of a luxury goods firm operating in a declining industry. More specifically, this paper seeks to address the question of whether product digitalisation is a strategy that a luxury watchmaker could carry out in response to a structurally challenged industry environment. A case study is used as the method by which the author seeks to meet the purpose of this study, with luxury watches selected as the industry within the luxury sector that this paper's case focuses on. Jaeger-LeCoultre (JLC) is taken as the empirical site from this industry.

In addition to the the overarching research question that this thesis attempts to answer, the following sub-questions are also addressed.

- Issues of choice - should a strategy other than product digitalisation be pursued by a luxury watch firm operating in a declining industry
- The notion of 'strategic fit' in relation to digitalisation and a firm operating in the luxury goods sector
- Whether the concept of strategic resources affects the pursuance of a product digitalisation strategy
- The trade-offs that a luxury watch firm might have to make in carrying out a product digitalisation strategy

This study takes its point of departure in Porter (1996) and the Resource-Based View (RBV). The paper is structured around three themes: the luxury sector, digitalisation, and declining industries.

1.2 Motivation underpinning the research question

Kuosa (cited in Atkins, 2016: para. 9) posits that "the whole world is seeing a rise of digitalisation". Though such a statement might be argued as over-magnifying the prevalence of this phenomenon, digitalisation has impacted the discipline of management on both practical and



research-orientated levels. For example, Sia, Soh and Weill (2016: p. 1) contend that “business digitalisation [is] changing the competitive landscape in many industries”, with digitally-inclined consumers demanding more from firms and new entrants simultaneously posing threats to incumbents in the form of digital disruptions. Quinton (2013), meanwhile, has championed the study of digitalisation as a means by which new knowledge in the field of strategy can be unearthed in the coming years. This endorsement has not gone unnoticed, and the concept of digitalisation has been investigated in many areas of business administration (Bharadwaj, et al., 2013). Despite this, there are few studies of the impact of digitalisation on the luxury sector (i.e. Dall’Olmo Riley and Lacroix, 2003; Bjørn-Andersen and Hansen, 2011). This lacuna is a significant one given the importance that this sector plays in the fortunes of both individual countries and the global economy at large. Indeed, Berg, Brantberg and Zaharieva (2016: p. 2) state that the United Kingdom’s luxury sector “employs more people than the film, TV and music industries combined [...] accounts for 8% of total exports [and] contributes more in taxes than horse racing and the Premier League”, while D’Arpizio (2013) notes that worldwide luxury goods spending reached approximately €217 bn. in 2013.

One of the reasons for the lack of research on digitalisation in the luxury sector is a paucity of observable data points, i.e. the sparse utilisation of a digital strategy by firms operating in this space. Indeed, Okonkwo (2009: p. 1) claims that the luxury industry has “showed low commitment towards integrating internet technologies and its accompanying interactive and digital tools in the sector’s marketing and overall business strategies”. As a result of this, the author clearly signifies the need for research into the topic area by claiming that “the state of luxury in the digital context [...] remains largely unexplored”. This need is reinforced by other academics who assert that there is demand for a more in-depth understanding of the rules governing luxury firms’ participation in the digital space (Hennigs, Wiedmann and Klarmann, 2012).

In addition to digitalisation and the luxury sector, further theoretical insights are required on the topic of strategic solutions for firms operating in structurally challenged industries. For example, though Bamiatzi and Kirchmaier (2014) demonstrate that certain firm-specific strategies can be pursued to overcome the difficulties presented by a declining industry, their research is limited to small and medium-sized enterprises and is difficult to generalise to larger organisations. In



addition to this, it has been observed that the literature surrounding organisational turnaround-strategies in a challenging external environment remains fragmented (Trahms, Achidi Ndofor and Sirmon, 2013). While this thesis paper will not attempt to tackle such fragmentation, it will, by way of a case study approach, aim to offer insights as to whether a product digitalisation strategy is one that a luxury watchmaker could pursue in order to deal with the industry's structural issues. In this regard, it is significant that Bharadwaj, et al. (2013: p. 472) have alluded to digitalisation forming part of the strategic answer for firms faced with a declining industry environment. The authors posit that "Digital technologies [...] enable different forms of dynamic capabilities suitable for turbulent environments". Such a statement has not been supported in an empirical setting, however. In other words, there is a gap in our knowledge on the issue of whether digitalisation may be able to play a role in firm strategies for meeting the challenges of a declining industry.

1.3 Why the luxury watch industry is a suitable case study

1.3.1 Currently a declining industry within the luxury sector

The case of luxury watches is a suitable empirical reference for this paper because it is a part of the luxury retail industry which is currently faced with wide-ranging structural challenges. An example of this can be seen in the statistic presented by luxury Swiss watch conglomerate, the Richemont Group (Richemont), of its sales experiencing a fourteen percent decline between the months of May-August 2016 to £5.1bn. (Besler, 2016). The group's longstanding chairman, Johann Rupert (cited in Atkins, 2016: para. 9), articulated the depth of the challenges being faced in a rather direct manner - "I do not have to tell any of my colleagues about the urgency of the situation". Taking the above into account, it is hard to identify an industry in the luxury sector which is undergoing the same degree of structural decline, at present, as that of luxury watches.

The reasons for this structural decline stem from a multitude of sources. The first of these comes in the form of the threat posed by the introduction of a substitute product to traditional mechanical luxury watches, the 'smartwatch'. In February 2016, Boston-headquartered research firm, Strategy Analytics, released a report that caused concern among industry analysts in that it informed of the shipment of smartwatches outstripping those of Swiss-made watches in quarter four of 2015; the first time in history of such an occurrence taking place (Forster, 2016). The



Executive Director of Strategy Analytics, Neil Mawston (2016: para. 3), was not shy in his assessment of the manner by which players in the luxury watch industry had dealt with the challenge presented by smartwatches, stating that “the [luxury] Swiss watch industry has been very slow to react to the development of smartwatches [...] sticking its head in the sand and hoping smartwatches will go away”. The challenge posed by smartwatches is real, particularly with regards to Apple, who in a September 2016 Keynote address claimed themselves as the second largest watch brand in the world behind Rolex, with sales being used as the metric to determine size (Deloitte, 2016).

In addition to the proliferation of smartwatches, another challenge that the luxury watch industry has been confronted with is the significant downturn of two of the most important export markets for the industry, namely Hong Kong and mainland China (Deloitte, 2016). Though an element of the downturn can be attributed to cyclical issues which are subject to natural fluctuations, i.e. the strength of the Swiss Franc and the economic slowdown in the aforementioned region (Deloitte, 2016), structural concerns are also real. Firstly, the anti-corruption campaign led by President Xi Jinping has resulted in the crackdown on luxury gift-giving in China and subsequently impacted the luxury watch industry, with the gifting of luxury watches now deemed as ‘bribes’ (Bryan, 2016). Secondly, is the fact that consumer-tastes in the region have now progressed (Chu, 2016). While the past two decades saw the typical profile of consumers residing in Hong Kong and China characterised by enthrallment and an eagerness to gain knowledge of luxury watches, today, such consumers “rival Western shoppers in their knowledge about luxury [watches] [...] it is a new era with more sophistication” (Chikli, cited in Madden, 2014: para. 6). This process of education and increased sophistication among consumers in the region cannot be reversed, luxury watches are no longer quite as exciting and novel to the population of Hong Kong and China as they once were. As asserted by industry analyst Luca Solca (cited in Thomson, 2013: para. 6), “Just a few years ago, a slowdown in Chinese consumption would barely have produced a ripple [...] Today, it has the potential to produce a tidal wave”.



Lastly, an issue that luxury watch firms are having to deal with is the lack of interest in such products by Generation Y consumers. As Gapper (2017: para. 16) eloquently puts forth, “In a few years, the wealthy of the Facebook and Instagram generation [...] will be the biggest market”. This is highly troubling for the industry since the meaning that these products hold for these individuals is not what it was for their parents and grandparents, in other words, the cultural and symbolic importance of luxury mechanical watches “will inevitably fade”.

1.3.2 Digitalisation suggested as a strategy to emerge out of the decline

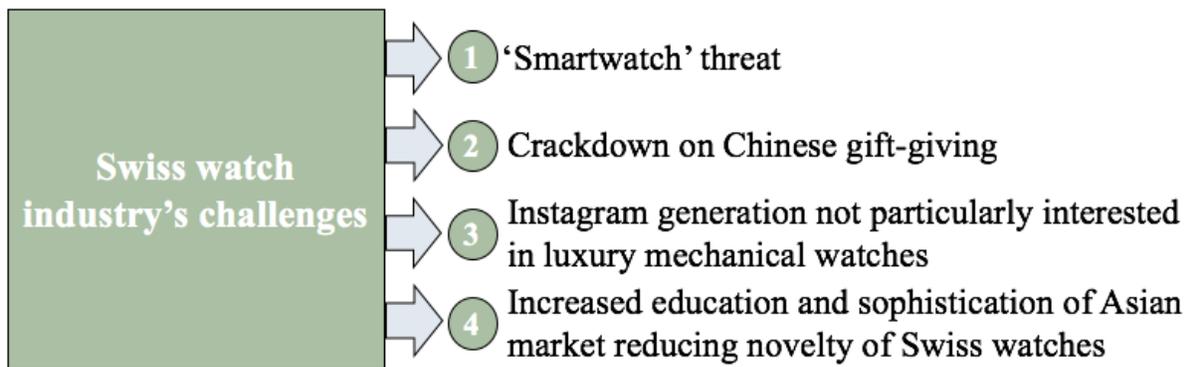


Figure 1: Luxury watch industry's challenges. Created by the author

From the above discussion, it should be clear that the luxury watch industry has “deep-rooted systemic problems” (Adams, 2016: para. 6). In response to these problems, it has been observed that the industry must “invent a future, rather than trying to revitalise something that has worked for two decades” (Berghaus, cited in Gapper, 2017: para. 7). With that being said, it has been argued that firms have not strategically responded and therefore have themselves to blame for being faced with a challenging industry environment (Weitzel and Jonsson (1989). Indeed, Green (2016: para. 7) has posited that “Watches, especially of the Swiss variety, still represent an Old World status. And they're still being sold that way, even to a generation that increasingly looks to the future and what technology can do for them”.

In light of the above, among the suggestions that have been offered, is the embracing of digitalisation on the part of luxury watch firms. Renown watch industry veteran, Jean-Claude Biver, has insisted that “the only way to bring growth back is through innovation and creativity” (cited in Besler, 2016: para. 5) and several analysts and commentators suggest that the source of this creativity will come from a strategy premised upon digitalisation. For example, Gapper



(2017: para. 1 and 18) suggests that “luxury timepieces cannot remain in splendid isolation from digital technology” and that the industry requires a digital vision to accompany its prestige, otherwise “mechanical watches will be no more than ticking jewellery”. This view is also reinforced by Bershidsky (2016), arguing that luxury Swiss watchmakers have typically shied away from building a digital or technologically driven image but must begin to do so. In sum, the argument seems to be that luxury watch firms will hold “an increasingly limited appeal in [the younger generation’s] tech-driven world” (Bershidsky, 2016: para. 12), unless a strategy premised on digitalisation is pursued.

The counter to this line of reasoning, is that uncertainty exists as to whether a firm operating in the luxury space should employ a digitalisation strategy. Ho (2015: para. 6) points out that it might not be the wisest strategic play for many luxury watchmakers, arguing that “Consumers may perceive the move as abandoning its traditional watchmaking craft and attempting to be part of mainstream consumerism, which can hurt the luxury image that these watchmakers have painstakingly built up over decades”. Deloitte (2016: para. 60) also cite the fact that “many [watch] brands [...] believed that the in-store experience delivered through excellent customer service could not be recreated digitally”. As such, the use of the luxury watch industry proves not only a suitable, but also an intriguing case study for this thesis paper.

1.4 Why Jaeger-LeCoultre is a relevant empirical site

With a single-case study method being adopted, selecting a relevant empirical site from the luxury watch industry was paramount to this paper’s credibility. Jaeger-LeCoultre is the firm that acts as that empirical site.

The overriding logic behind the choice to select Jaeger-LeCoultre stems from the fact that the firm has made a clear strategic play in relation to product digitalisation. In 2016, Jaeger-LeCoultre launched its ‘Atelier Reverso’ strategy; via both a tablet and an iPhone enabled ‘app’, consumers can customise their very own personalised ‘Reverso’ timepiece that JLC then manufactures for them (Time and Watches, 2016). The ‘Atelier Reverso’ concept is also available in-store at select JLC boutiques and can best be described as an “interactive experience [that] integrates a digital platform which allows consumers to create an image of his or her ideal Reverso watch” (Seymour, 2016, para: 4). Another example of Jaeger-LeCoultre’s digitalisation



strategy was observed at the 2017 SIHH watch fair when the firm tested an ‘augmented reality’ concept. A screen was present at Jaeger-LeCoultre’s dedicated stand which enabled consumers to virtually try on JLC’s newly introduced timepieces for the year without having to go through the process of physically handling the products (Lee, 2017).

In addition to the above reasoning, Jaeger-LeCoultre’s position in the luxury watch industry contributes to the firm being an appropriate empirical site. The firm’s origins date back to the year 1833 (Haute Horlogerie, n.d.) and the tradition and craftsmanship that have accumulated over the years since have led to the organisation boasting one of the most prestigious images in the industry. Indeed, as Heaton (n.d.: para. 3) posits, “if the words ‘Swiss Made’ on a watch dial stand for excellence, then the name ‘Jaeger-LeCoultre’ holds the same position, at the top of the pyramid”. In part, this reputation can be attributed to the firm’s prowess in manufacturing. Indeed, the precision of the watch movements produced by Jaeger-LeCoultre, in addition to the firm having produced the movements for many leading luxury watchmakers over the years, has frequently led to industry commentator’s referring to JLC as “the watchmaker’s manufacturer” (Clymer, 2013: para. 2). Shapira (2013: para. 2) even goes as far as to argue that “Jaeger-LeCoultre is an iconic celebration of all things holy in the field of luxury watchmaking”.

Given Jaeger-LeCoultre’s reputation as a luxury Swiss watchmaking firm steeped in heritage and tradition, the organisation is an intriguing empirical site when it comes to the pursuance of a digitalisation strategy.



2 LITERATURE REVIEW

2.1 Structure

2.1.1 Topic areas

As previously set forth, this paper adopts a case study approach to tackle the question as to whether product digitalisation is a suitable strategic play in a declining luxury watch industry. In light of the research question, three strands of the literature are covered in this review: luxury goods, digitalisation and strategies for declining industries. Given that the aforementioned topic areas are distinct fields within the literature, they are dealt with separately by means of each being afforded their own separate sub-heading in the review. This does not mean that the three themes are treated entirely exclusively, indeed, the review takes on a structure which is a combination of the transition-based and Venn-diagram approaches presented by Easterby-Smith, Thorpe and Jackson (2015). This is shown in figure 2, below.

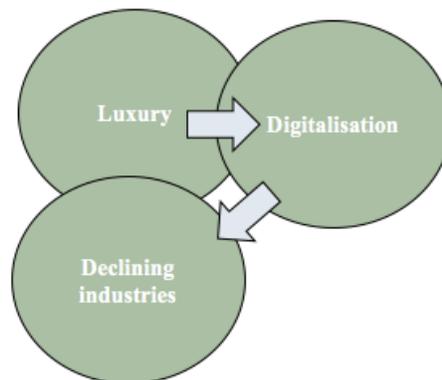


Figure 2: Depiction of literature review structure. Created by the author

2.1.2 Type of literature review

In addition to the aforementioned structure that this paper's literature review follows, for the purpose of transparency, the author also deems it necessary to inform of the the 'type' of review that this thesis conducts.

With the predominant use journal articles being a requirement, this does not need to be stated. However, it is worthwhile mentioning that 'grey' material is used in part, i.e. sources from the financial press, consultancy reports and respected industry analysts. The main 'grey' sources



relied upon are shown in table 1, below. The use of such material, though to a highly limited extent, leans the review to being more ‘traditional’ in nature as opposed to ‘systematic’ (Easterby-Smith, Thorpe and Jackson, 2015). Though there is longstanding debate as to whether a traditional review is preferred to a systematic review, or vice versa, it is imperative that the type of review adopted by the author is aligned with the focus of his/her paper. Given that this thesis adopts a case study approach with the luxury watch industry being used as the case in point, making use of a traditional literature review and thus omitting ‘grey’ material on the topic of the industry in question seems somewhat nonsensical. It is primarily for this reason that the author has opted to conduct a literature review which leans more toward the systematic end on the ‘traditional-systematic’ continuum.

Grey source	Genre
Financial Times	Financial press; industry analysis
Hodinkee	Leading online watch blog and analysis
Bloomberg	Financial press; industry analysis
Deloitte and McKinsey	Management consultancy; luxury industry analysis
Harvard Business Review	Practitioner-orientated publication

Table 1: Main grey sources utilised. Created by the author

2.2 Luxury

2.2.1 What is luxury?

With the luxury sector being at the centre of this thesis paper, an in-depth understanding of the term ‘luxury’, forms a logical starting point for this review. Not only does such an understanding lend naturally to a critical analysis of the literature surrounding the management of luxury goods, but it also prevents any ambiguity regarding what is meant by the idea of ‘luxury’. This is considered necessary given that many studies can be critiqued for being rather abstract, or even unclear in their examination of the concept (Beverland, 2004).

A rather basic definition provided by the literature can be traced back to Grossman and Shapiro (1988), who define luxury goods along the lines of those for which their consumption brings prestige, or status, as opposed to mere functionality. According to the authors, such status emanates from the fact that there is a high monetary cost attached to luxury goods, and as such,



only a limited proportion of the population can consume goods falling under this category. A similar description of luxury goods is offered by Nueno and Quelch (1998: p. 61) with their description of such goods being “those whose ratio of functionality to price is low, while the ratio of intangible and situational utility to price is high”. The notion that luxury goods are characterised by their high price, however, is seemingly simple, and in light of this the literature has since matured to expand the definition of luxury goods. Such maturation was indeed called for by various academics, with Kapferer (1997: p. 251) perhaps putting it best in observing a “vagueness in the current definitions of luxury” and thus the necessity to “recall the essential distinctiveness of luxury”. While Kapferer (1997: p. 253), himself, offered further elaboration into the meaning of luxury by stating that luxury goods “provide reference of good taste” and “flatter all senses at once”, the author can perhaps be criticised for leaving a material gap as to the meaning of luxury goods by relying upon eloquent lexicon rather than providing a theoretical framework.

Among those that were the first to have attempted to rectify this gap and expand, more tangibly, what is in fact meant by luxury, are Vigneron and Johnson (1999) and Dubois, Laurent and Czellar (2001). Taking into account both personal and interpersonal forces, Vigneron and Johnson (1999) developed a framework that sought to explain prestige-seeking behaviour, with luxury goods being taken as those offering the highest level of prestige and therefore being distinct from ‘upmarket’ or ‘premiere’ goods in this respect. The authors proposed that the personal aspects of hedonism and perfectionism, alongside interpersonal facets of snobbery, conspicuousness and bandwagon motives, define luxury good consumption. Making explicit reference to the reality that “research on a consumer-based definition of luxury has remained surprisingly scarce”, Dubois, Laurent and Czellar (2001: p. 42) used a two-stage study approach to explore luxury goods in detail. The first stage made use of in-depth interviews and the second employed an international survey. Key among the findings of Dubois, Laurent and Czellar (2001: p. 14) was the strong agreement between the study’s participants in their view that “to be luxurious, products and service must have a long history and their elaboration processes [...] should respect tradition”. It is also noteworthy that a large proportion of participants believed scarcity to be a vital characteristic for a product to be considered as luxurious.



Vigneron and Johnson (2004), using the prior work of Vigneron and Johnson (1999) and Dubois, Laurent and Czellar (2001) as a basis for their research, synthesised the concepts used in these earlier works to propose a framework that distinguishes the extent to which a good is deemed as luxurious. The authors put forth the framework shown in figure 3, below, as a means by which the extent of brand luxury can be measured. Vigneron and Johnson (2004: p. 485), assert that up until this point, “no scale measuring the perceived luxury of a brand, or even a clear definition of what constitutes a luxury brand compared to a non-luxury brand” existed.

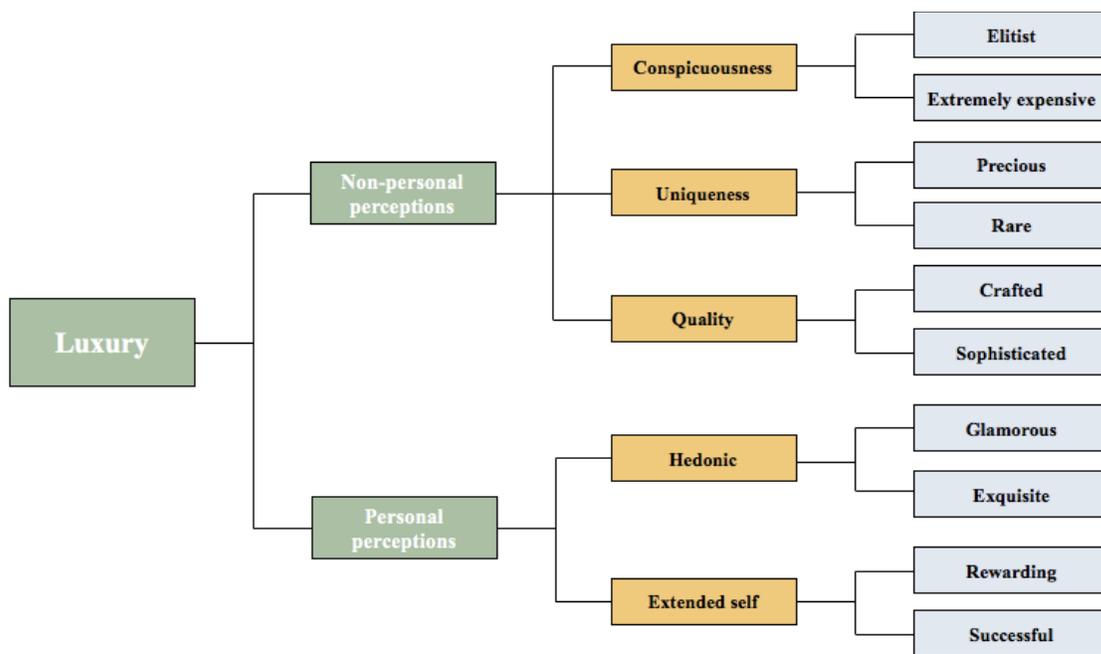


Figure 3: Vigneron and Johnson (2004) luxury goods framework. Adapted by the author

From the work of the aforementioned authors at the turn of the 21st century, it is clear that the definition of luxury has become more sophisticated over time. Our understanding of luxury has surpassed merely the characteristics of high prices and consumers disregarding functionality, to include psychological and sociological factors. Interestingly, among these developments is the notion that the exclusivity associated with luxury goods also includes non-monetary facets, as well as the traditional feature of monetary barriers. Indeed, not only do Eaton and Eswaran (2009) present the argument that consumers prefer the prices of luxury goods to remain high so as to limit their accessibility, but Kapferer and Bastien (2009) assert that fundamental to the luxury brand is that it must be earned. The authors state that this process of earning is not limited to a financial element, but to enjoy luxury people must pass through “a series of obstacles [....]



particularly cultural (they have to know how to appreciate the product, wear it and consume it), logistical (find the shops) and time-related” (Kapferer and Bastien, 2009: p. 318). As such, Kapferer and Bastien (2009) argue that firms need to be knowledgeable in how to set up such barriers in order to present a luxury image. This notion is affirmed by Kapferer (2012a) who states that products are perceived as luxurious when certain people cannot access them; the author goes onto argue that it is imperative for this rule to be met if a product is to be deemed truly as a luxury rather than a ‘premium’ or ‘prestigious’ good.

A final, albeit important point to make regarding the term ‘luxury’ is that the concept itself is highly personal and as such can mean different things to different individuals. Indeed, (Kapferer, 2012b: p. 58-59) asserts that “Luxury is a subjective concept [...] Certainly no two persons have the same definition of what is their own luxury”.

2.2.2 The management of luxury goods

Having covered the definition of luxury and how this has in fact evolved over time in the literature, at this point it is appropriate to discuss the specific manner in which luxury goods must be managed.

In-line with the attributes of luxury goods, which have been discussed at length above, Atwal and Williams (2009: p. 338) assert that “marketing within the sector is different from many other industries”. The authors state that experiential marketing, that being a focus on consumers as emotional creatures wishing to undertake pleasurable experiences, is a core principle of luxury management, on account of many luxury goods being inherently experiential. Atwal and Williams (2009) offer a framework with four experiential zones regarding the marketing of luxury goods; these ‘zones’ can be found in figure 4, below. The value in this framework can be seen in its link to specific strategies that luxury goods firms could indeed carry out. For example, the authors suggest that “membership of exclusive clubs [...] can act as a form of escapist experience” (Atwal and Williams, 2009: p. 343), while being immersed in the grandeur architecture or interior design of luxury store boutiques offers aesthetic experience. Thus, the introduction of clubs and/or the opening of elegant flagship stores could accrue to strategies pursued by luxury firms should they have an understanding that experiences form a key part of the management of luxury goods.



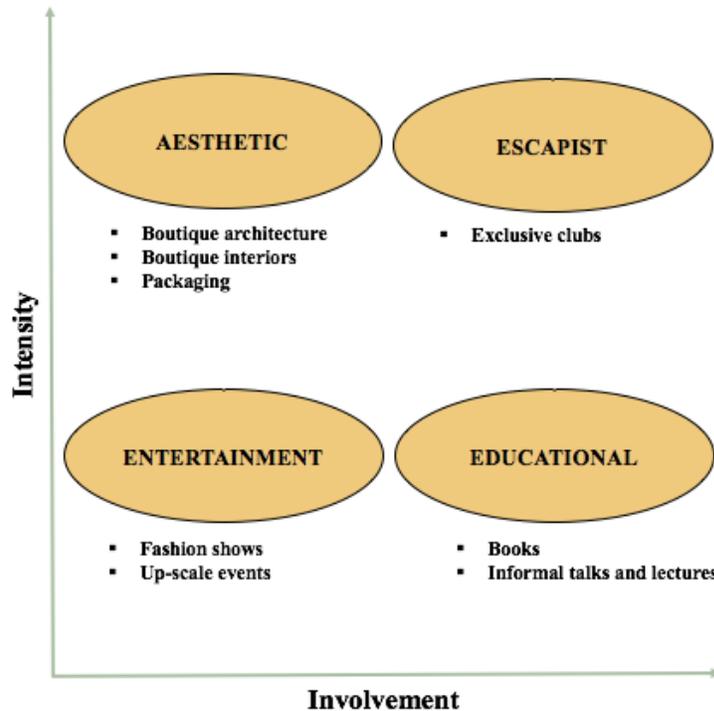


Figure 4: Atwal and Williams (2009) experiential marketing of luxury goods framework. Adapted by the author

Another key aspect of luxury management is the notion of placing an emphasis on the firm’s history and heritage. No more is this evident than in the case of luxury wines. Using interviews with wide-ranging industry participants (producers, consumers and retailers/distributors) as the method of inquiry, Beverland (2004) found in his study of the luxury wine market that emphasising history was a key marketing tactic being deployed by several firms. Somewhat paradoxically though, the purpose of this kind of marketing was in fact to evoke a sense of being superior to the concept of marketing altogether. Indeed, Beverland (2004: p. 463) discovered that some firms marketed on the basis of “timeless images of craftsmanship [...] and links with history to convey an image of being above the need to undertake marketing”. While Beverland (2004) only takes one industry as the unit of analysis, The Economist (2014: p.4) notes that with regard to history, “all luxury makers like to tell some version of this story” and that while “some have longer histories [...] craft is almost always part of the narrative”.

Catry (2003) cites an additional core facet of luxury management as portraying the notion of rarity in its varying forms; this is consistent with Vigneron and Johnson’s (2004) framework shown in figure 3, above. The author states that, from a historical perspective, rarity stems from the use of precious materials such as gold or silver, with these materials being inherently scarce.



The proliferation of steel-based luxury watches being introduced as a strategic response to the industry's challenges (Rahman, 2016) might thus be seen by some as an abandonment of a key principle of luxury management. However, with this being said, Catry (2003: p. 11) does point to the fact that displaying a sense of what he terms "natural rarity" has developed past merely the use of materials that are lacking in abundance to more sophisticated techniques. For example, the author points to long waiting times and product shortages as a means by which scarcity can be naturally rendered. Whichever method used, the message is clear - demonstrating a limited level of availability "should clearly be part of any [luxury] marketing policy" (Catry, 2003: p. 12). Beyond this natural rarity however, luxury goods can display scarcity via information. Indeed, the rarity of luxury goods can in fact be attributed in no small part to a conscious effort on the part of firms to develop 'information-rarity'. Such rarity is commonly seen via distribution. Offering products through a limited number of carefully-placed boutiques, a certain degree of scarcity is conveyed since marketing in this way gives the impression that "the brand [...] is not available just around the corner". Additionally, a certain privileged, or elitist atmosphere among the selling environment is also evoked (Catry, 2003: p. 14). Kapferer (2012a) reiterates this notion, though he instead opts for the lexicon 'virtual rarity', the author offers similar advice in stating that rarity in luxury can be built at the retail level by the use of highly selective, if not in some cases, exclusive distribution.

In terms of luxury management, a final area which is worth discussing is that of product strategy. A widely accepted strategic play in this regard is that of producing customisable or personalised offerings. Such a strategy is supported on the grounds of psychology, with work in this domain originating from Snyder and Fronkin's (1977) 'uniqueness theory'. The authors' theory proposes that a high level of similarity to others is looked upon unfavourable by consumers, with individuals wishing to differentiate themselves and thus seeking ways in which to do so. The rationale for customised products in the luxury space stretches further than consumer psychology, however, and directly links to the experiential aspect of luxury goods that was noted previously as a key principle in luxury management. For example, Atwal and Williams (2009: p. 342) argue how personalised designs are suited to luxury goods since "luxury goods are almost always experiential". Thus, allowing individuals to customise their own luxury goods enlarges this experience and can facilitate a magnification of the the fantasy, dream-like component of luxury consumption. A potential inhibitor to the product strategy of customisation or personalisation,



which Atwal and Williams do not touch upon however, is the difficulty of achieving economies of scale, resulting in gross margins not being high enough to make a viable business case for such a product strategy. Catry (2003: p. 14) does offer cause for optimism in this regard, however, informing that firms can capitalise on certain “product features which are less subject to economies of scale”. The author cites Peugeot’s introduction of a special green colour of an existing car model for the French Open tennis tournament, as opposed to introducing an entirely new car into its product portfolio, as an example of this.

As a point of critical analysis on this sub-section of the literature review, it is worthwhile stating that while the references cited provide a generic framework for luxury management, the techniques used are likely to differ both on a between and inter-industry basis. The extant literature can be criticised, to a degree, for not devoting greater attention to this point. For example, while luxury wines may be sold on the basis of history and experiential properties, luxury watches might indeed be marketed more so on their technical prowess and on conspicuousness. Furthermore, by taking a simple example of two firms operating within this industry, Rolex and Jaeger-LeCoultre, we can even see how this latter point differs, with the former marketing according to the principle of conspicuousness (Truong, Simmons, McColl and Kitchen, 2008), and Jaeger-LeCoultre focusing more so on historical references and a focus on its watchmakers being modern-day artisans.

Even on account of the above critique, what the preceding analysis does demonstrate is that “luxury strategy is a specific business model”, not a subjective concept (Kapferer, 2012b: p. 58). If firms wish to operate in the world of luxury, then they must accept tight constraints and face inherent trade-offs when conducting their strategy - stay true to the principles governing luxury goods or depart this highly specific and paradoxical sector.

2.3 Digitalisation

As mentioned in the introduction of this thesis paper, one of the ways in which Jaeger-LeCoultre is seemingly looking to tackle the luxury watch industry’s structural challenges is through ‘digitalisation’. Having now covered, in length, the strict guidelines that luxury goods firms must closely follow, it is interesting to examine whether the literature argues for or against digitalisation being consistent with these prescriptions. In order to embark upon this conversation,



it is imperative to clarify what is meant by the term ‘digitalisation’ since it might appear as an abstract management ‘buzz’ word to some. Indeed, as Ivang (2008: p. 12) asserts, “it is often implicitly assumed that the reader knows and understands what is meant by digitalisation”, but this is seldom the case. The definition of digitalisation that Rask (2001, cited in Ivang, 2008: p. 13) provides - “the process by which [...] companies within the actor, process or product dimension is transformed from physical to digital”, highlights that the concept comprises numerous components. Thus, the author of this thesis paper believes that the best way in which to provide clarity as to what is meant by digitalisation is by going through the various aspects that a digital strategy can encompass.

2.3.1 Digitalisation of the sale of the product

In line with the state of technology at the time, initial talk among academics and practitioners surrounding the concept of a digital strategy was limited to that of firms’ establishing an online presence in the form of an e-commerce site (Bharadwaj, et al., 2013). Indeed, writing in 2001, Kulatilaka and Venkatraman (2001: p. 7) made, what we can now look upon as prophetic forecast - “The digital era has barely begun”.

For firms operating in a host of sectors, embracing digitalisation by means of setting up an e-commerce site might appear as a rather logical strategic decision: without incurring the costs of purchasing or renting or additional retail space, the prospect of growing revenues by reaching individuals in wide-ranging geographies is enhanced in a low-cost manner (Okonkwo, 2009). For the luxury sector, however, the question of digitalising the sale of the product via e-commerce has been fraught with dilemmas and uncertainty. Indeed, firms operating in the luxury space are faced with inherent trade-offs in their strategic-decision making as a consequence of the characteristics that luxury goods possess. As Bernard Arnault (cited in Wetlaufer, 2001: p. 121-22), Chairman of renown luxury conglomerate Louis Vuitton Moët Hennessey (LVMH), has commented, “it is very hard to balance all characteristics [of luxury] at once”, with many potential business strategies being in direct conflict with the principles of luxury management. One such strategy which potentially clashes with the concept of luxury is digitalising the sale of the good.

A feature of luxury goods previously covered in this paper is the fact that such goods are inherently difficult to access; in other words, consumers must pass through a series of financial



and non-monetary obstacles in order to purchase luxury items. As pointed out by Okonkwo (2009), however, a key characteristics of e-commerce is in stark contrast with such a feature - websites are simply a 'click' and can thus be accessed by the majority of society. Thus, if luxury goods firms digitalise the sale of their products, they are quite simply removing a non-monetary access barrier that individuals would previously have been faced with. Hennigs, Wiedman and Klarmann (2012: p. 30) articulate this point in a straightforward manner - "The internet is by nature the most democratic medium that allows access to anybody from anywhere".

In their research, Dall'Olmo Riley and Lacroix (2003) gathered evidence of additional concerns that luxury goods managers shared regarding the sale of their products online. In interviewing three managers of separate companies belonging to the luxury conglomerate LVMH, the authors found that the lack of a multi-sensory experience online compared to in-store, particularly with regards to not being able to touch the luxury product, was a significant worry. Another issue brought up was the problem of "how to show the garments in a truthful and complimentary way on the Internet" (Dall'Olmo Riley and Lacroix, 2003: p. 98). Such a concern is unsurprising when considering that many luxury goods are crafted in an artisan-manner (Wilson, Eckhardt and Belk, 2015), something which is difficult to capture via a website. Indeed, this difficulty is suggested in the outcome of the eighty-one consumer surveys that Dall'Olmo Riley and Lacroix (2003) carried out, with only thirty percent of respondents finding the visuals of luxury brands' e-commerce sites aesthetically appealing.

Despite the above difficulties in selling luxury products online, however, Dauriz, Remy and Sandri (2014: p. 26) state that "conventional wisdom [...] that selling through websites was only for the lower and middle range of products [...] has evolved in recent years". The authors attribute this evolution to the fact that in 2013 alone, the overall sale of luxury goods online grew by twenty percent to a figure of approximately €9 bn. Beyond such impressive statistics, however, the fact that the internet plays such an influential role in the lives of Generation Y, is seen as a major factor influencing luxury goods firms' recent stance on e-commerce. As TAG Heuer's CEO, Jean-Claude Biver (cited in Swithinbank, 2015: para. 11) has asserted - "E-commerce is part of the behaviour of the new generation [...] When that generation become buyers of luxury items in 10 to 15 years' time will they adapt their behaviour to 20th-century habits? No way! They will buy any product online. We won't be able to impose old distribution



methods on them”. One must approach such a statement with caution, however, given that it can be questioned as to whether TAG Heur is in fact positioned as a luxury watchmaker or more likely a high-end, ‘premium’ brand. If the latter is indeed the case, the firm might not be faced with the same conflicts that luxury watch brands are in terms of digitalising the sale of their products. With this being said, both Cartier and Jaeger-LeCoultre boast fully-encompassing websites, while “Richemont’s executive chairman Johann Rupert announced he had spoken to rival groups LVMH and Kering about creating a shared online sales platform” (Swithinbank, 2015: para. 17).

In terms of digitalising the sale of the luxury products online, it is clear that luxury goods firms must carefully consider whether they can align such a strategy to the core characteristics which define the luxury sector. With luxury firms, and luxury watch firms in particular, having embarked upon a foray into online retailing over recent years, it seems that there is a growing belief that such alignment is possible and that the conflicts between the characteristics of the internet and those of luxury goods can be managed. While successfully managing these conflicts would go some way to bringing digital success, Remy, Catena and Durand-Servoingt (2015: p. 5) posture that “as big as the luxury e-commerce opportunity is, it remains only the tip of the digital iceberg”. This leads us to a discussion of digitalising the marketing of luxury goods.

2.3.2 Digitalisation of the marketing of the product

Escobar (2016) provides a clear explanation of digital marketing by decomposing the concept into its tangible and intangible elements. The author states that the tangible elements of digital marketing correspond to the various digital tools, i.e. electronic equipment, which consumers have access to in today’s current technological environment. Intangible aspects to digital marketing thus equate to the platforms which through which digital devices communicate various types of information to consumers: product information, brand identity and the manufacturing process that finished goods journey through, to name just a few. Escobar’s (2016) take on digital marketing is summarised in figure 5, below.



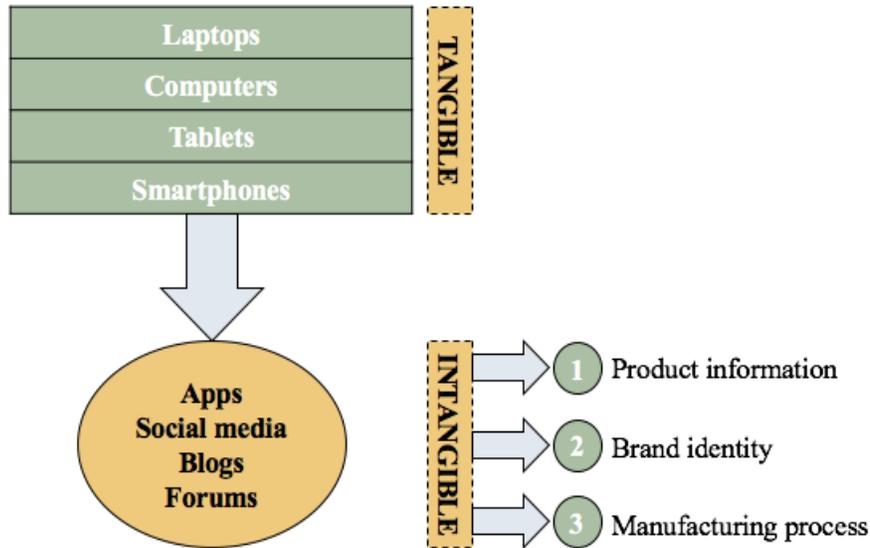


Figure 5: Escobar (2016) digital marketing. Adapted by the author

Escobar (2016: p. 23) makes the claim that the various types of information emanating through digital platforms affords consumers the chance to “fully engage with brands, products and services” and thus acts as “an opportunity for accurate decision making”. According to Remy et al., (2015), the importance of this opportunity is exacerbated for consumers of luxury goods. Indeed, the authors note how digitalising the marketing of luxury goods is a more critical aspect of digital strategy for the luxury sector than is digitalising the sale of the product. Drawing upon research of luxury goods consumers in varying geographies, Remy et al., (2015: p. 12) make reference to the finding that “There is so much happening before a consumer decides to actually make a purchase, and these [...] touch points, define not just the outcome of their purchasing decision, but their overall shopping experience”. The study quantifies this point with the statistic that of the consumers surveyed, approximately seventy percent were influenced by at least one digital touch point, i.e. at least one facet of digital marketing.

Despite the findings of Remy et al., (2015), the reader might wonder whether digitalising the marketing of the luxury product brings forth some of the same concerns that luxury goods firms encounter when digitalising the sale of the product. Bjørn-Andersen and Hansen’s (2011) longitudinal study ponders this question, with the authors carrying out a study on the topic in the years 2006, 2008 and 2010. In taking the same fifteen luxury fashion brands across all three studies, and employing the method of interviewing sixteen luxury brand professionals, the



authors' findings were overwhelmingly positive in favour of digital marketing. Though a manager at Chanel noted the difficulty of controlling the firm's brand image and exclusivity when it comes to social media, Mark Dunhill (cited in Bjørn-Andersen and Hansen, 2011: p. n.a.), CEO of luxury goods firm Fabergé, proclaimed that digital marketing "provides the opportunity to entertain and connect with your customer". Furthermore, Burberry's creative director notes how the firm is now as much a "content company as [...] a design company, because it is part of the overall brand experience" (Baily, cited in Bjørn-Andersen and Hansen, 2011: p. n.a.). Overall, Bjørn-Andersen and Hansen (2011) found an increasing adoption of digital marketing techniques by luxury fashion brands since 2006, suggesting that any anxiety that the firms under research had about the concept have diminished over time.

The confidence that luxury firm seem to have in tackling the challenges that digital marketing may present extends beyond luxury fashion brands, however, and into the realm of luxury watches. Indeed, Koifman (2011) references IWC as being one of the first luxury watch brands to delve into social media plugins, with Jaeger-LeCoultre also being pointed to as a leader in this field. Koifman (2011: para. 4) notes how JLC was "One of the first luxury brands to launch an iPhone specific application back in 2009" with the application being "more than just a glorified website; it shows users the step-by-step of watch production and acts as an education tool". The firm is also praised for its iPad application where users can download Jaeger-LeCoultre magazine content and as such is credited with "pushing the industry forward in the mobile space".

2.3.3 Digitalisation of the product

As a result of advancements in technology, a contemporary form of digitalisation that firms have been afforded the opportunity to deploy is that of digitalising the product itself. Dubois (2014) points to such digitalisation being adopted by some luxury goods firms so that consumers are given the option to design their own product. Though this demonstrates the luxury sector succumbing to the power of the individual, and thus abandoning a core feature of luxury management posited by Kapferer and Bastien (2012), it is clear to see why some luxury firms have started to pursue such a strategy. Indeed, Bjørn-Andersen and Hansen (2011) point to customisation and personalisation going to the very root of luxury, with the origins of luxury production being characterised by an intimate relationship between the artisan craftsman and the customer. Thus, digitalising the production of the product whereby consumers can design their



own luxury good not only provides the benefits of personalisation for individuals, but it also might enable luxury goods firms a means to express the skills of the craftsmen operating in their workshops.

Though the finished product of customisation might excite consumers, the act of designing luxury goods in and of itself may be also an entertaining process. Indeed, as Atwal and Williams (2009) argue, the use of new technologies might further enhance one of the necessary components of luxury goods consumption, that of an exciting experience. Remy et al., (2015: p. 17) take this argument one step further in asserting that digitalisation is “redefining what a truly distinctive experience means for a luxury brand”.

When one considers the aforementioned benefits that product digitalisation can provide, it is not necessarily surprising to see luxury firms pursuing such a strategy in recent years. Dubois (2014) points to the example of Louis Vuitton, who possess a ‘digital customisation atelier’, (accessible in-store only), which enables customers to design their own bag that the firm then manufactures. Jaeger-LeCoultre has also embarked upon similar product digitalisation with its ‘Atelier Reverso’ initiative, an in-store and app-enabled customisation concept for its famed Reverso watch. Another aspect of Jaeger-LeCoultre’s digital strategy, which arguably belongs to the category of product digitalisation, is the augmented reality piece that it displayed at the 2017 SIHH watch fair. The augmented reality concept was a digital tool which allowed customers at the Fair to try on JLC timepieces virtually. There is as yet (24th May 2017) no news regarding the roll-out of this strategy on a commercial basis.

Despite the potential advantages of product digitalisation that have led to some luxury goods firms opting to explore such as strategy, not all firms in the luxury sector seemingly share the viewpoint that the digitalisation of products is suitable in light of the sector’s unique characteristics. Indeed, the German camera manufacturer, Leica, marked its 100-year anniversary in 2015 by introducing a limited-edition camera without a digital display but instead an old-fashioned viewfinder (Jervell, 2015). Such a strategy has since extended beyond a one-off edition with the firm releasing a more commercial model in 2016, the ‘M-D’, which “does not have a screen of any sort” and “reminds one of the older film cameras” (Meenakshi, 2016: para. 1). Though Leica did in fact release its first digital camera in 2006 (Naughton, 2014), the firm’s



strategy being focused upon its traditional, non-digitalised products is suggestive of it deciding that the disadvantages of a product digitalisation strategy outweigh the benefits. Indeed, it may be that firms in the luxury sector with a longstanding heritage and historical image struggle to effectively implement a product digitalisation strategy.

As previously alluded to, the purpose of delving into a discussion of the three forms of digitalisation is primarily to provide clarity to the reader(s) as to what digitalisation means in a tangible sense. Additionally, however, the discussion has served as a platform to point to the type of digitalisation that will be the focus of this paper's research - product digitalisation. Indeed, Jaeger-LeCoultre's product digitalisation as a means to tackle the luxury watch industry's structural challenges shall be investigated. The logic behind honing in on this specific form of digitalisation is justified when considering that while Spil, Kjol and Salmela (2016: p. 322) make the assertion that "Utilisation of digital technology [...] with innovative products" may "have a substantial impact on an organisation [and] lead to a sustainable competitive advantage", a lack of academic research exists to substantiate such a claim. This is particularly true in the context of the luxury sector. Furthermore, the author of this thesis is conscious of ensuring that this paper contributes to the existing body of strategic management research. It is the author's belief that focusing on product digitalisation as a strategy to tackle the luxury watch industry's current struggles appears significantly more 'strategic' in nature than do the other facets of digitalisation discussed in this sub-section of the literature review.

Though product digitalisation is the component to a wider digital strategy focused on in this paper, it should, however, be made explicit that this is not the only type of digitalisation that the luxury watch industry is seemingly exploring in order to tackle its current challenges. Indeed, a variety of digital initiatives are being experimented with by numerous firms (Deloitte, 2017). The fact that other aspects to a digital strategy are not covered within this paper are returned to in the 'limitations' sub-section of the conclusion.





Figure 6: Jaeger-LeCoultre's digitalisation. Created by the author

2.4 Industry decline

Having covered a large body of literature pertaining to both the luxury sector and digitalisation, it is now appropriate to discuss the phenomenon of industry decline. Though the luxury watch industry's current structural challenges were addressed in the introduction of this paper (see figure 1), it is necessary to discuss the notion of industry decline on a theoretical level.

2.4.1 What is a declining industry?

It is imperative to begin by clearly distinguishing between the terms 'industry decline' and 'firm decline' since this will influence the later discussion surrounding the literature on strategies for



firms in declining industries. Indeed, strategies to overcome firm decline is not of interest to this paper's research question.

The literature can be criticised to an extent for using the phrases 'firm decline' and 'industry decline' interchangeably, at the expense of clarity for the reader(s). As Parker and Helms (1992: p. 27) state, "The literature on strategic management of decline presents a challenge because the phenomenon of industry decline goes by various names". One author that does explicitly make reference to there being a difference between these two concepts, however, is Barker (1992: p. n.a.), who clearly informs that his study concerns organisations "suffering from firm-based decline as opposed to industry decline". Despite stating this, Barker does not delve into an explanation of the differences between the two. A distinction can be implicitly found, however, in carefully analysing Grant's (2013: p. 287) statement that in "declining industries [...] at least some participants earn surprisingly high profits". The use of the lexicon 'surprisingly high profits' enables us to infer that 'industry decline' concerns structural decline in demand that affects the majority of industry participants. In contrast, 'firm decline' is likely to emanate from operational issues and be "a result of poor strategic posture" (Ndofor, Vanevenhoven and Barker, 2013: p. 1,124) within specific firms, thus not extending to other organisation in the given industry.

With regards to the sustained fall in demand which gives rise to industry decline, Grant (2013: p. 287) notes numerous causes - "[industry] decline can be a result of technological substitution [...] changes in consumer preferences [...] demographic shifts, [...] or foreign competition". Studies of these causes have been conducted, i.e. Zamberlan Pereira's (2016: p. 7) work on the "structural changes in demand for low quality meat" being the reason for Southern Brazil's beef jerky industry decline in the second half of the 19th century, and Burpitt and Fowler's (2007: p. 51) research on the demise of the U.S. furniture supplies industry in the early-2000s on account of "confronting low-cost, high quality foreign competition that often threatens their survival". Works such as these shall not be analysed in this review, however. This is firstly because of the fact that this thesis is not concerned with the *cause* of the luxury watch industry's decline (this has been covered in this paper's introduction to provide context), and secondly because industry decline in sectors other than the luxury sector are of limited relevance, given that the sector holds unique characteristics not evident elsewhere. In reference to this second point, an important



observation made from searching the existing literature is the lack of studies on the causes of industry decline with regards to the luxury sector. This absence might be attributed to two factors. Firstly, it may simply be the case that there have not been declines in luxury industries of a great enough magnitude to provoke interest among researchers. Alternatively, with a study of industry decline typically having to take secondary data as the unit of analysis (on account of having to analyse an event that has already taken place), it could be that investigating strategic responses to declines in industries within the luxury sector is instead of more appeal to academics. To the author's best knowledge, the closest that the literature has come to documenting the reasons for decline in a luxury industry is Mannering et al's., (1991) study of the U.S. automobile industry. Though arguably not possessing a large number of the characteristics of luxury products, but instead more likely being labelled as high involvement goods, Mannering et al., (1991: p. 90) found that the cause of decline in American automobiles was in large part a result of the introduction of Japanese automakers who "expanded the set of automobile alternatives facing consumers".

2.4.2 Firm strategies in declining industries

With the definition of industry decline now examined, it is worthwhile to consider the theoretical insights and empirics regarding strategic responses to such a climate. Indeed, even though the watch industry has undergone a previous instance of decline, or structural challenge, during the 'Quartz crisis' of the 1970s-80s, it is difficult for luxury watch firms to learn substantially from this. Indeed, Harrigan (1980: p. 599) argues that "because the environments of declining industries differ, many different strategies could be appropriate for coping with declining demand". Hence, even though the cause of the watch industry's decline during the Quartz crisis was driven by technological substitution and foreign competition, which the current threat of smartwatches presents a similar resemblance to, the lack of interest in luxury timepieces among Generation Y consumers is a new challenge that firms are trying to tackle.

An appropriate starting point on the topic of strategic options in declining industries is the work of Kathryn Harrigan. Though not conducting a scientific study on the topic in her highly cited 1980 paper, the author does offer strategies that firms could pursue when operating in an industry which is seeing a state of decline. Notwithstanding the decision to exit a declining industry, Harrigan (1980) presents three broad strategic alternatives that firms might consider carrying out.



The first of these is termed ‘shrink selectivity’. The author argues that firms with extensive product lines could reposition by reducing their number of offerings in order to target only the most attractive customer profiles. A potential danger with this strategy that the author does not capture, however, is that the profiles of the most desirable customers might in fact change over time. Thus, by solely concentrating only on those consumers that offer the most profitability at the given point of industry decline, firms operating in such industries might be embarking upon a strategy which acts as a short-run stop-gap as opposed to hedging their position in the long-term with respect to the consumer segments being targeted. Harrigan does suggest a more conservative alternative though, that of a ‘holding strategy’. This strategy does not involve a thinning of product lines and thus a more focused repositioning among firms operating in a declining industry, instead, it is the decision to “wait to take more dramatic actions until some key uncertainty is resolved” (Harrigan, 1980: p. 603). While the uncertainty surrounding the effect of smartwatches may still not be known to the luxury watch industry, the viability of pursuing a holding strategy for watch firms is arguably lacking given that one of the industry’s other major structural issues, the technologically-oriented nature of Generation Y, will not simply just disappear. As such, the final strategic alternative presented by the author might appear more appropriate, ‘increased investment’. It is argued that this strategy might be conducted if a firm believes “there were a longer-term advantage in doing so” because of the fact that “few other competitors are capable of [...] serv[ing] the customer niches advantageously” (Harrigan, 1980: p. 603). Harrigan provides the example of firms with manufacturing prowess or patented products as an example of this. It is this logic which might be the reason as to why one of Jaeger-LeCoultre’s strategic responses to the structurally challenged Swiss watch industry is that of product digitalisation. The firm’s core competence as a fully-integrated manufacturing house, along with the branding and patenting leverage surrounding its Reverso line of watches, might place JLC in a unique position to offer this product line for customisation on a digital platform.

In direct contrast to the ‘shrink selectivity’ option presented by Harrigan, Hofer (1980), highlighted product introductions as an alternative strategic option. Though addressing the broader topic of ‘organisational turnaround’, as opposed to specifically honing in on strategies that firms could pursue in a declining industry, the author suggested that products themselves might be a wise response to confront challenging times. Hofer (1980: p. 21-26) states that with regards to a strategy premised on product introductions, a firm might consider launching “new or



modified products” or alternatively (though it could be a supporting strategy), re-introduce “products it used to make but has discontinued, provided that these past products could be introduced quickly and profitably”. This latter strategy can be observed as being deployed by Cartier. The firm reintroduced its famed Panthère watch in 2017, a model which was discontinued at the turn of the century (Diamond, 2017).

In addition to these early theoretical insights, Parker and Helms (1992) conducted an empirical study of the strategic responses by firms in a declining industry. In taking a sample of organisations from the U.S. and U.K. textile mill industry, the authors note how exclusively following a cost-based strategy to combat the challenges of a declining industry was not associated with organisational success. Instead, Parker and Helms (1992) found that, in generic terms, following either a differentiation or focus strategy proved to be more fruitful for the firms comprising their dataset. Another study of firm strategies in a declining industry is that carried out by Burpitt and Fowler (2007). The authors frame their work by stating that there are two basic strategic options in wake of industry decline - exploiting existing products and market segments, or exploration into new products and markets. Taking the U.S. furniture industry between 1996-2004 as the declining industry, Burpitt and Fowler (2007: p. 59) found, via a mixed-methods approach, that the “Firms that diversified to enter new markets and to develop new products were more successful in maintaining and even increasing their revenue and profits than were firms that had instead focused exclusively on retrenchment”.

More recently, the notion of product customisation and leveraging digital technologies has been suggested as a means to respond to the challenges that a declining industry presents. With regard to product customisation, drawing upon extensive primary and secondary data, Bamiatzi and Kichmaier (2014) studied three-hundred and eight ‘outstanding growing’ small and medium sized firms across forty-three declining sectors. The authors found that “The majority of over-performers [...] pursued some form of product or service customisation strategy. More specifically, eight firms offered complete solutions customised to their customers by working very closely with them in order to identify their needs and to produce the products or services that best fit” (Bamiatzi and Kichmaier, 2014: p. 273-4). The authors summarise their findings in clear terms for the practitioner community, informing that “the prevailing strategic combination among



the investigated high over-performing firms, is the simultaneous pursuit of differentiation via innovation with some form of product customisation” (Bamiatzi and Kichmaier, 2014: p. 277).

The use of digitalisation as a strategic response to a structurally challenged industry is lacking in empirical evidence, however. This is understandable when considering the contemporary nature of digital technologies. In other words, given the recent advancement in digital technologies, there is unlikely to be a wealth of firms that have adopted such technologies as a specific strategic response in the face of a declining industry at this point in time for academics to study. With this being said, Spil et al., (2016: p. 327) forecast that “being able to capitalize on new digital technologies from a business model and product innovative perspective will become an increasingly important way to improve and strengthen the competitive positioning of an organisation”. Bharadwaj, et al., (2013: p. 472) are rather more steadfast with their thoughts, asserting that “Digital technologies also enable different forms of dynamic capabilities suitable for turbulent environments”.

2.5 Theoretical framework

In establishing a theoretical framework for this thesis, it is imperative to begin by stating that this paper does not offer a point of departure from the reality that there is an intersection between the fields of marketing and strategic management. Indeed, Varadarajan (2010: p. 119) is among the numerous authors to point out that many issues within the academic discipline of strategic management overlap with that of marketing, himself even attributing the evolution of “strategic marketing as a field of study” to “a number of related fields of study, chief among them being strategic management”. In light of this, *part* of this paper’s theoretical framework emanates from the theories covered in the ‘luxury’ and ‘industry decline’ sub-sections of this literature review, as can be seen in the left-hand side of figure 7, below. With this being said, the author of this thesis is conscious of framing the paper according to the academic discipline of strategic management. As such, the family of issues relating to this field shall now be discussed in order to finalise the theoretical framework that this paper’s study shall be analysed through. A sensible place to start in this regard is that of the two competing schools which have long dominated the field of strategic management: Industrial Organisation (IO) and the Resource-Based View (RBV).



The origins of IO as a theoretical lens for strategic management can be found in two frameworks, that produced by Learned, Christensen, Andrews, and Guth (1969), later known as the LCAG framework, and the structure-conduct-performance (SCP) model developed by Bain and Mason in the 1950s-60s (Porter, 1981). The message underpinning the LCAG model is that strategic management is the process of firms matching their strengths and weaknesses to opportunities and threats in the external environment, while also taking into account the broader societal expectations placed upon the firm. It is the SCP model, however, that has come to dominate the industrial organisation perspective of strategic management, and this framework is firmly focused on only one aspect of the LCAG model, that of the external environment (Porter, 1981). The fundamental principle of this paradigm is that the industry's environment determines the strategy, or conduct, of firms, which in turn influences how organisations perform in the industry from an economic standpoint. Important to consider in the selection of a theoretical framework for this thesis paper, is the criticism that the SCP model has been subject to in the literature. Indeed, McWilliams and Smart (1993: p. 63-4) assert that the paradigm may not be highly useful for both the strategy researcher and strategic practitioners due its exclusive focus on the external environment in the form of industry structure. This, the authors posture, may accrue to “research that deflects interest from more central issues in strategic management research” and “for the practitioner [...] may result in suboptimal investments which divert resources from strategies designed to develop unique firm resources to strategies designed to create optimal industry structure”. More importantly than this critique, however, is that is that the primary focus of this thesis is not to explore whether or not the structural challenges of the luxury watch industry have influenced the firm used as this paper's empirical site to embrace a digitalisation strategy. Furthermore, with this paper employing a case study approach that hones in on a single firm in the industry, making use of a theoretical framework within the field of strategic management which does not take the internal aspects of firms as its primary unit of analysis, seems somewhat misaligned from this paper's research strategy.

As mentioned, another perspective on strategic management is the Resource-Based View. Early work on this theoretical framework can be attributed to Edith Penrose's publication which gave recognition to the importance of firm resources in an organisation's competitive positioning. Penrose (1959: p. 24) posited that a firm is a “collection of productive resources” and that such resources contribute to a firm's overall competitive success when they are exploited to produce



valuable products and services for consumers. It took three decades following Penrose's pioneering work, however, until the RBV drew widespread attention among the academic community, with Barney's 1991 article being the first of a body of research on this strategic management perspective (Newbert, 2007). Barney's (1991) model begins with the assumption that firms are heterogeneous with respect to the resources that they control. An assessment as to whether these resources meet the criteria presented by the author (valuable, rare, in-imitable and organised to exploit) determines the extent to which a firm will hold a sustained competitive advantage. The ideas behind Barney's work were provided with a practical application by the author himself in 2002 when he developed the 'VRIO framework'. This framework acts as a checklist for firms to compare how the satisfying of a certain number of the aforementioned criteria should theoretically translate into economic performance. Important to note, is that the RBV framework for strategic management is not limited to the work of Barney, but is in fact positioned in different variants (Arend and Lévesque, 2010), namely Prahalad and Hamel's (1990: p. 91) practitioner-oriented work on core competencies and Stalk, and Evans and Shulman's (1992: p. 69) article on organisational capabilities. Both sets of authors champion the idea of competencies and capabilities being the central tenant of strategic management, together arguing for "competencies [...] constitute[ing] the focus of strategy at the corporate level" and that "capabilities [...] are the essence of strategy".

Critique also exists, however, in relation the RBV's theoretical framework. One observation is that that there is a "missing link between resource possession and resource exploitation" in the theory (Newbert, 2007: p. 123), with more recent authors having commented that it is not merely the possession of strategic resources that is of importance, but more key is how firms choose to deploy the resources that they have at their disposal. Furthermore, in Newbert's (2007) study which sampled fifty-five articles that deployed a RBV approach to measure firm performance, the author found that only fifty-one percent of the tests conducted by researchers showed support for the link between resource heterogeneity and competitive advantage.

Though there are criticisms of the RBV approach, this theoretical framework will be adopted to a *certain extent*, as a means by which to answer this paper's research question. The rationale for this is that the firm used as an empirical site in this study has clear strategic resources in terms of their manufacturing prowess and their specific product model which they have chosen to



digitalise at this point in time. Thus, it will be of interest to see whether or not product digitalisation can be extended to other watch models manufactured by the firm which are arguably not as strategically important to the firm. Furthermore, an interesting point of analysis is whether there are limits to the scope of the firm's product digitalisation strategy given that technology may or may not be a strategic resource possessed by the firm.

While this paper shall make use of RBV to a certain degree as its theoretical frame, the aforementioned criticisms of the theory point to the fact that "RBV may need to be complemented by other theories" (Arend and Lévesque, 2010: p. 927). Given that today, even overlaps have been found between two previously competing schools of thought in RBV and IO, utilising a theoretical framework in this paper which is an amalgamation of alternative perspectives on strategic management is done without hesitation by the author. While Arend and Lévesque (2010) suggest complementing RBV with other theories, this paper will instead take Porter (1996) as its predominant strategic management framework and *complement this theory* with RBV.

Porter (1996) puts forth the argument that strategy is primarily concerned with three concepts: 1. Choosing what not to do; 2. Creating 'strategic fit'; and 3. Making trade-offs in competing. Given that the sector at the centre of this paper is luxury, Porter's framework appears highly applicable for this thesis. For example, Porter's first point on choosing what not to do is a relevant when considering the strict principles of luxury management previously covered in this literature review. As such, the question of whether luxury goods firms should strictly not pursue a digitalisation strategy to tackle a declining industry and instead focus on other strategic alternatives, is a topic of interest. Additionally, in light of the tight prescriptions of luxury management, it is useful to explore whether digitalisation helps to create strategic fit among a luxury goods firms, or whether it could in fact serve to destroy it. Furthermore, it is intriguing to consider the trade-offs that a luxury goods firm might have to make when pursuing a product digitalisation strategy. Does digitalisation, for example, create the trade-off of sacrificing some of the guiding principles of luxury management, and more specifically, do certain trade-offs have to be made regarding the scope of a digitalisation strategy? These are just some of the questions and points of intrigue that are offered by primarily taking Porter (1996) as the strategic management framework to tackle this paper's research question.



3 METHODOLOGY

Following the consulting of literature surrounding the topic areas of luxury, digitalisation, industry decline, and the discipline of strategic management, a theoretical framework to use as this paper’s lens of analysis has now been established (see figure 7, above). Thus, at this point, it is appropriate to discuss the methodology that underpins this thesis paper. In order to present this methodology in a logical, clear fashion for the reader(s), the model offered by Saunders, Lewis and Thornhill (2009), termed as the ‘research onion’ (see figure 8, below), is made use of in an adapted fashion. The ‘research onion’ has been chosen as a means by which to discuss the methodology of this thesis on account of the framework’s holistic and detailed nature on the topic of management research. Additionally, the ‘research onion’ allows for a rational transition between each of the predominant methodological areas, or ‘layers’, that the author has had to consider in the writing of this thesis.

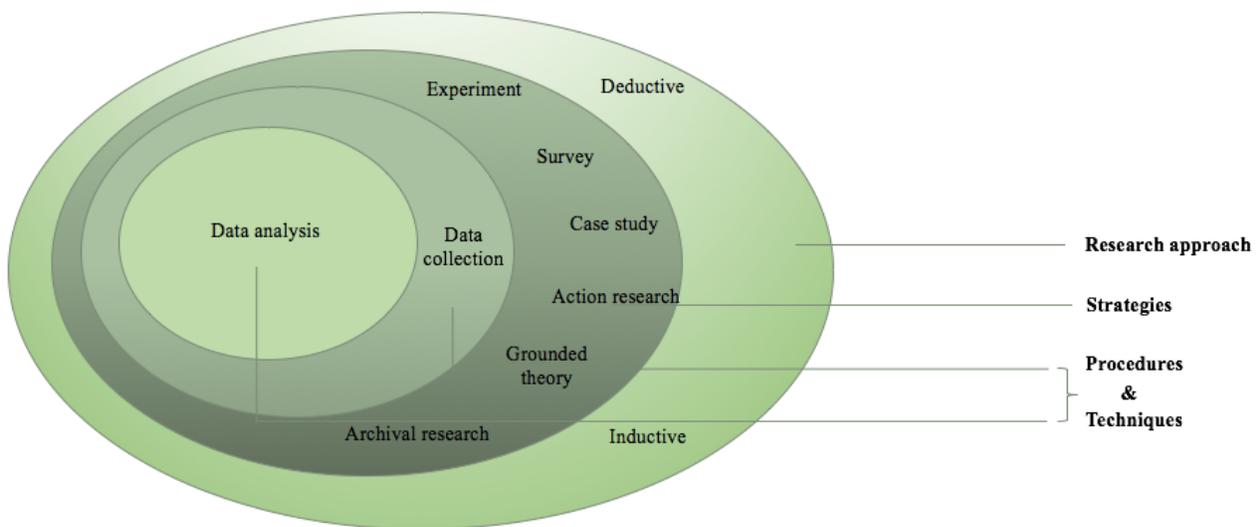


Figure 8: ‘Research onion’. Saunders, Lewis and Thornhill (2009), adapted by the author.

3.1 Research approach

With regards to the research approach taken by authors, the two broad categories most commonly discussed are those of induction and deduction. A deductive approach refers to the researcher setting out to ascertain “whether data are consistent with prior assumptions, theories, or hypotheses”, while an inductive approach involves a researcher conducting “detailed readings of



raw data to derive concepts, themes or a model through interpretations made from the data” (Thomas, 2006: p. 238). With a theoretical framework established at the end of this paper’s literature review (see figure 7), which the interview topic guide is centred around (Appendix A) and through which the collected data is analysed, it could be argued that the approach taken in this paper is deductive as opposed to inductive. However, Spil, Kijl and Salmela (2016: p. 323) adopt an approach in their paper on digitalisation whereby “literature insights [are used] for systematically approaching the field”, while maintaining an “open character”. The approach taken by the author of this thesis is similar in this respect. In other words, while the theoretical framework established following a literature review is used to approach the data collection, the idea is not necessarily to confirm this theory, which the aforementioned definition of deduction suggests, but rather to use it as a means to gather and interpret the interview data. As such, though leaning more towards a deductive approach, the approach taken by the author is not entirely deductive; this is by no means unusual, with Thomas (2006: p. 238) informing that “In practice, many projects use both inductive and deductive approaches”.

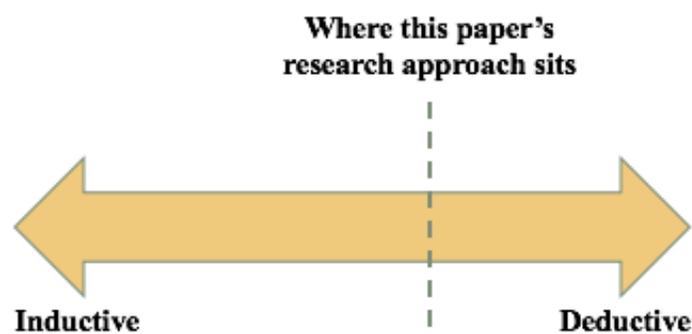


Figure 9: Research approach, created by the author.

3.2 Strategies: case study

The strategy deployed to answer this paper’s research question is that of a single case study. As discussed at the beginning of this thesis, the case study focuses on the luxury watch industry with Jaeger-LeCoultre selected as the empirical site. The justification for using the luxury watch industry, and this firm from within the industry, is covered in the introduction of this paper and thus for the benefit of the reader(s) shall not be repeated. However, the overriding logic, in the

first place, behind conducting a case study in order to research the phenomenon(s) at the centre of this paper, shall now be discussed.

Jack and Kholeif (2007) inform that case studies are a useful strategy to employ when the researcher aims to develop empirical data on topics which are currently underexplored in academia and require an enhancement of knowledge. If the reader refers back to the introduction of this paper, it was informed that both digitalisation in the luxury sector and strategic solutions in declining industries, i.e. the areas at the centre of this thesis, are currently lacking with regards to their presence in the extant literature. In light of this, a case study appears to be a useful manner by which to answer this paper's research question. Aside from Jack and Kholeif's (2007) sentiments, however, there are other reasons as to why making use of a case study has been deemed appropriate by the author of this thesis. Beverland (2004: p. 451) carried out a case study strategy in his paper on luxury wine firms, acknowledging the fact that the "paradoxical nature of these firms by practitioners and academics requires methods that develop deep insights, as opposed to surface level observations". This paradoxical nature being referred to is by no means limited to luxury wine firms; indeed, the above literature review points to the luxury sector as a whole, and the management techniques deployed by firms operating in a luxury industry, being paradoxical when compared to firms that conduct business outside of this space. As such, not only is a case study relevant for gaining deep insights into luxury wines, but it can also be considered appropriate for developing insights into the luxury watch industry. In addition to this, renown writer on the topic of case studies, Robert Yin, has suggested that the strategy is effective in academic research when the phenomenon being investigated is contemporary in nature (Yin, 2014). Given that digitalisation is a relatively new area of research in the literature, and particularly with regards to the field of management, utilising a case strategy to study the phenomenon is thus considered appropriate.

With the logic behind utilising a case study strategy covered, it is now appropriate to discuss the predominant criticisms that the strategy has been subject to. Indeed, all research strategies have their limitations and it is necessary to reflect upon these and state why they have not discouraged the use of a case study strategy for this thesis paper. The first criticism directed toward case studies is that the fact that findings from this research strategy are not always generalisable and applicable to contexts outside of the particular case context being studied (Bryman and Bell,



2015). This criticism is not necessarily problematic when one considers that the term ‘generalisation’ in research can be considered from multiple perspectives. Indeed, while case studies may at times struggle to provide external, or statistical generalisation to contexts outside the specific case(s) being studied (Schell, 1992), analytical generalisability is indeed possible (Yin, 2014). Yin argues that case studies can bring the same level of generalisability as other research strategies by using existing theory to interpreting the data collected in a case study. This paper strives for analytical, as opposed to statistical generalisability, and, by using the theoretical framework presented in figure 7 as the lens through which this paper’s case study shall be analysed, attempts to ensure that this generalisability is satisfied by applying patterns from the case study data to existing theory.

Another criticism directed at case studies is that some believe they allow for “researchers to make any interpretations [that] they want [to]” (Easterby-Smith, Thorpe and Jackson, 2015: p. 89). It should firstly be informed that this criticism has been safeguarded against by analysing the case study through the theoretical framework established from this paper’s literature review (see figure 7). In addition to this, however, it is important to note that one of the merits of case studies is that the research strategy enables rich data to be gathered (Easterby-Smith, Thorpe and Jackson, 2015). Thus, while the researcher is tasked with ensuring that the case study is designed, conducted and analysed logically so that interpretations are well-guided, it has also been suggested that the role of the researcher in carrying out a case study is to act “as an investigator [or] [...] interested stranger” and “not just as an observer” (Jack and Kholeif, 2007: p. 210). As such, though a valid criticism can be made of a case study which results in the researcher making any interpretations that they wish to, so long as this extreme is avoided, case studies do indeed benefit from the collected data being analysed in a rich manner.

3.3 Procedures and techniques

The procedures and techniques ‘layer’ of the research onion can be divided into both data collection and data analysis. These shall now be discussed in turn.



3.3.1 *Data collection*

3.3.2 *Lead Users*

Koifman (2011: para. 7) observes that “Unique to the luxury watchmaking industry is the importance of enthusiast forums and brand moderators”. As a source of data collection, seven interviews have been conducted with users of three of the most prominent of these forums: Watchuseek, TimeZone and WatchProSite. These individuals can be labelled as lead users. Lead users in a particular industry are those who “are ahead of the majority of users in their populations” (Von Hippel, 2005: p. 4), with respect to their knowledge base of certain products/brands and ability to identify market trends at an early stage.

The academic community supports the interviewing of lead users when conducting strategy research (Eisenberg, 2011), with this form of data collection being used particularly in the innovation and new product development areas of the strategy literature (i.e. Lüthje and Herstaa, 2004 and Hassan, 2008). In other words, lead users have mostly been deployed to help identify which new products can be launched and market segments targeted by firms in various industries. The concept of lead user interviewing has been applied differently in the case of this paper, however. The seven interview participants have instead been utilised for their knowledge of the industry and case study firm in particular so as to provide a valid source of data collection for the answering of this paper’s research question. In other words, to offer insights as to whether product digitalisation is a suitable strategic option in the luxury watch industry’s current environment. Using these individuals for this purpose is appropriate, given that one of the commonly cited benefits of interviewing lead users is that they offer a rich source of information (Churchill, von Hippel, and Sonnack, 2011). In addition to this, it is also important to note that interviewing individuals from these forums as a source of data collection is not akin to the research carried out in a marketing capacity. Indeed, many of the seven individuals interviewed made the comment that they consider themselves foremost almost as ‘insiders’ when it comes to the case study firm, Jaeger-LeCoultre, and consumers second.

The process of gathering this data is illustrated in Figure 10. First, a post was made on the Jaeger-LeCoultre section of the three aforementioned forums, asking for those interested to participate in this paper’s research to step forward. Seventeen individuals registered their interest but when



considering both inherent resource constraints and the need to collect rich data, this figure had to be scaled down to those individuals which would seemingly offer the most useful insights. To act as a proxy determinant of the likely usefulness of a respondent's insights, the seventeen individuals that registered their interest were filtered to ascertain those who had the most knowledge of the firm and were the most engaged with the luxury watch industry. This was established in numerous ways: asking how long that they had 'followed' the company for, and also by how many 'posts' they had made and 'threads' that they had started on the respected forums. This led to seven individuals being chosen as those that would be interviewed. This process could be seen as a form of purposive sampling (Easterby-Smith, Thorpe and Jackson, 2015), in that it is more methodological than designs such as convenience or snowball sampling. A considered sampling design was deemed necessary because while all members of the forums are likely Jaeger-LeCoultre connoisseurs, or enthusiasts, it is arguable that not all would be clued into the current developments in the luxury watch industry and hence would likely not be able to offer informed, considered and fruitful interview data.

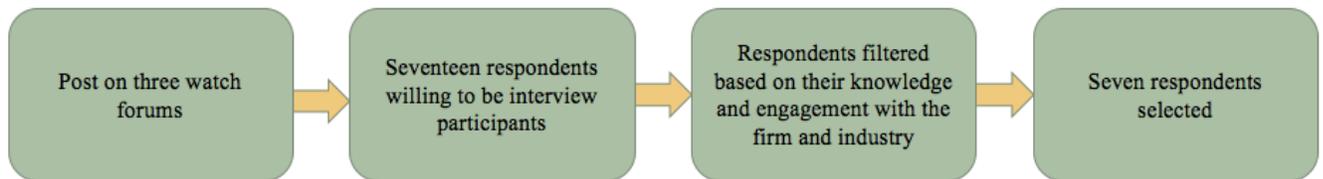


Figure 10: Lead user selection process. Created by the author.

In terms of the format of the interviews with lead users, they were conducted via audio calls and transcribed; each interview lasting approximately thirty minutes. Using audio interviews allowed for the concept of 'laddering' to take place; this was considered important so as to facilitate the gathering of significant, as opposed to surface-level insights. One might point to the fact that by using audio as opposed to a video interview format, non-verbal cues could not be analysed (Easterby-Smith, Thorpe and Jackson, 2015). On balance, however, it was considered more necessary to make the interviewees feel comfortable so that they could freely express their thoughts and develop their answers; conducting video interviews may not have enabled this. Additionally, it is also noteworthy that questions were not asked with a narrow selection of pre-defined answers, in other words, the interviews were more semi-structured in nature, as opposed to being highly-structured. The choice of a semi-structured interview style was considered



appropriate for a case study research strategy. Indeed, with case study's being assessed based on their presentation of rich data, a semi-structured interview style was considered suitable given that topics and themes are covered in a flexible and fluid manner (Edwards and Holland, 2013). A topic guide was used for the interviews, however, and can be found in Appendix A. Using a guide facilitated the collecting of similar data about specific items from the seven interviews so as to serve the ability to make comparisons when analysing the data (Bryman and Bell, 2015). The topic guide's design was centred around the theoretical framework established at the end of this paper's literature review (see figure 7). With this being said, the principles set forth by Saunders, Lewis and Thornhill (2009) were abided to with theoretical terms, or academic lexicon, being avoided, and one topic per question being addressed so that the questions were clear and respondents could fully develop their answers.

3.3.3 Loss of access to firm interviews

In addition to the lead user interviews, three in-firm interviews were planned with individuals working in a strategic capacity for the case study firm. Due to resource constraints, these were planned to take place in a non-physical format, with questions emailed to the participants. Access to the firm was, unfortunately, lost in the final weeks of the thesis paper, however. Jaeger-LeCoultre's CEO has recently departed (Jia Xian, 2017) and so with the author's contact working in a senior position within the firm, this loss of access is perhaps unsurprising. With this contact person also making clear in an initial discussion that firm interviews should not take place without his/her approval, an alternative means of access into the firm was not strived for on account of abiding to the principles of business and research ethics. Such a situation was mitigated to an extent in the planning of this thesis by means of conducting lead user interviews. However, the loss of access to firm interviews is referenced as a limitation in this paper's conclusion.

3.3.4 Data analysis

In taking grounded and content analysis as two ways in which to interpret qualitative data, it is the latter that this paper utilises. Indeed, grounded analysis is not made use; a theoretical framework has been established at the end of this paper's literature review and the aim of this paper is not to build theory from its data collection. Rather, this paper deploys content analysis in



that inferences are drawn from data by interrogating it for the presence of pre-existing theory (Easterby-Smith, Thorpe and Jackson, 2015).

Easterby-Smith, Thorpe and Jackson (2015: p. 188) note how “some researchers count the occurrence of certain words, phrases or ideas as part of their [content] analysis” and thus introduce “some element of quantification into the process”. This highly deductive approach towards content analysis was not made use of, however. Instead, a matrix technique, as described by Miles and Huberman (1994) was used. Within a matrix format, categories are placed in columns and interview responses in rows; the categories used in the matrices for this thesis are centred around the paper’s theoretical framework. Easterby-Smith, Thorpe and Jackson (2015: p. 189) note how using a matrix such as this makes data analysis “more systematic and encourages comparison”.

Additionally, it should also be noted that links between different aspects of the theoretical framework are made in this paper’s analysis, where possible.



4 FINDINGS

In presenting the findings of the interviews that were conducted, Sandelowski's (1998: p. 380) advice that "Writers must choose which organisation of findings render the data in the most illuminating, least complicated, and non-redundant way", has been considered. Chenail (1995) further instructs that the presentation method of qualitative findings should be done in a simple manner. As such, the findings from the lead user are organised in sub-sections which correspond to the different components of this paper's theoretical framework (figure 7). With "Heaped data" not corresponding to a clear narrative for the reader(s) (Wolcott, 1994: p. 13, cited in Sandelowski, 1998: p. 376), considered selection of the interview data has taken place so as to present the major themes emerging from each aspect of the theoretical framework. Prior to working through these findings, however, the participants' view on the current state of the luxury watch industry shall first be documented.

As can be seen from the topic guide found in Appendix A, the first area covered in the interviews was how the participants perceived the claim made by industry commentators that luxury watches are experiencing a decline. It was necessary to begin with this because an individual's view on the industry's current state would impact the direction that the particular interview took thereafter. Of the seven people interviewed, all agreed that the luxury watch industry was seeing a decline. Across these interviews, however, there was not unanimity with regards to whether this decline was cyclical or structural in nature. Five of the seven lead users made reference to long-term structural issues, with the most commonly cited of these issues being a lack of interest in luxury watches by the younger generation. In addition, the smartwatch threat was referenced as a structural issue while one of the lead users noted a structural decline that has been years in the making, with China playing a big role in this - "*[luxury watches have] ridden a wave for years, everyone geared up for new markets such as Asia but now there are production cutbacks and repurchasing of inventory and China is a big reason for this due to anti-corruption*". Another of the lead users went as far as explicitly stating that "*[there] definitely seem to be challenges that are not short-term or cyclical*", noting the purchasing back of inventory from authorised dealers as a clear sign of this. Examples of the challenges that were provided encompass those already stated: the disengagement of young consumers, smartwatches and falling Asian demand. Two of the interviewees were not so harsh in their assessment of the industry's decline, however. These



individuals believed that the main causes of the industry's decline were short-term in nature, in other words, that the strength of the Swiss Franc, the fall in tourism and the instability of Europe, were the primary contributing factors. In holding this viewpoint, one of the participants noted how *“there has certainly been a decline in the luxury watch industry in general but whether this is a long-term trend, is questionable”*.

The participants' position as to whether the luxury watch industry's decline is more so structural or cyclical is critical. Those who believe the former were less conservative in their suggestions for the industry throughout the rest of the interview, while the latter did not *“think a radical overhaul is [was] needed”*. Instead, they argued that the most revered firms should tread carefully, ensuring that strategies are not pursued which dilute the luxury image and thus for *“Gimmicky tricks [that] may boost short-term sales”* to be avoided.

4.1 Luxury

On the topic of the firm's product digitalisation concepts in the context of the properties of luxury goods, all of the lead users made reference to customisation. However, only two of the seven participants discussed the customisation of luxury goods in the context of product digitalisation on favourable terms. These two participants noted how standing out in the luxury watch community is important and that customising luxury goods *“fits with the idea of exclusivity or rarity”*. The lead users that championed customisation, however, did not do so on the grounds of there being an experiential aspect when customising a luxury good. In fact, mixed views were held on the topic of experience. One lead user noted that the firm's product digitalisation concepts would be fun to use if the technology was flawless and visuals of the customised watches were shown in a 3-dimensional manner, while another was steadfast in stating that *“the ‘digital experience’ should not dominate the experience of getting up close and personal with the firm”*. This latter lead user went on to state that using augmented reality applications to view a watch on one's wrist might be enjoyable, but that such a digital experience should only be used to set up what he termed the *“real experience”*.

As stated initially, when customisation was mentioned, the overwhelming reaction was in fact negative. One of the most interesting insights in this regard was from a lead user who commented that *“when you give way to customisation you end up with something that is not actually the*



brand anymore". The same respondent gave an example by stating that you could end up with a luxury watch produced by Jaeger-LeCoultre but aesthetically looking as though it has been produced by a competing watchmaker. Another notable insight is that even though the customisation feature of the firm's product digitalisation concept, Atelier Reverso, was largely looked upon unfavourably by lead users, there was no consensus as to whether this was because too little or too much customisation is afforded. Some commented that there were too few customisable options, especially with regards to the watch dials, and that this made the watches appear "tacky" and "nothing like a bespoke service", while others argued that too much customisation dilutes the luxury image and what it means to own a timepiece manufactured by the firm.

In terms of product digitalisation concepts in the setting of luxury goods, a significant number of participants made reference to either 'access' or 'barriers', implicitly by some and in a more explicit manner by others. Interestingly, alignment existed between the view of the lead users that the accessibility offered by product digitalisation was not problematic in the context of luxury watches. Indeed, merely one research participant viewed this as an issue. Noteworthy among these findings is the fact that a lead user attributed the absence of a conflict to their viewpoint of 'luxury' having changed over the past decade. More specifically, he stated that had he been talking about the same topic some years ago, he might have felt that product digitalisation in the form of handheld device-enabled 'apps' would be destructive to the luxury image of a firm given that it provides access to anyone who owns such a device. However, he argued that "*every luxury watch firm now has a website and a social media presence, I think we have moved past the point of seeing digital concepts as incompatible with the luxury characteristic of [...] exclusivity*". Another lead user believed that the accessibility of product digitalisation concepts would not erode the luxury image of a firm such as Jaeger-LeCoultre because barriers remain in terms of knowing how to enjoy and talk about the product. More insightful than this, however, was the comment from the same respondent that the tech-driven world that the younger generations have been brought up in means that "*digital concepts will probably easily fit into how they view luxury goods [...] they will view it much more in the context of a digital experience rather than access being completely restricted in a digital sense*". On the topic of access, a final piece of data that is worth briefly touching upon was from a lead user who stated that keeping product digitalisation initiatives exclusive to iPhone and iPad still puts in place an access barrier compared to if they



were available on all smartphones and tablet devices. Though the participant did not offer concerns more generally about the access of product digitalisation concepts, it is interesting that he believed the marginal barrier erected by limiting their accessibility to more expensive devices was important. More generally, however, we can ascertain from the interviews that there was agreement on the access of product digitalisation initiatives not being problematic for a luxury watch firm. The basis of this not merely being limited to the existence of other, non-digital barriers, but also due to the changing nature of luxury in terms of the proliferation of luxury firms operating a website and the notion that young consumers have been raised on digital accessibility.

Numerous references were made to the luxury management principle of displaying a sense of history/tradition. At first sight, the references from lead users might be seen to largely centre around concerns of an inconsistency between history and product digitalisation. Upon closer examination, however, it can be established that on the whole, the lead users do not express an outright incompatibility. Indeed, though one individual commented that *“the idea of digitalisation is somewhat removed from what comes to mind when you think of a craftsman in a workshop in the years gone by making a luxury product”*, the concerns of history/tradition in the context of digitalisation were not quite this strong for the majority of lead users. For example, one participant noted how the firm’s watches *“represent: craftsmanship, artistry, timelessness [...]”* and that *“So long as those core values are maintained within a digital strategy, fine,”* while another noted how *“there will always be a market who want [...] to be associated with craftsmanship [...] over digital flair”*. Thus, overall, it can be said that the anxiousness of many lead users appeared to be more around balancing digitalisation while evoking the sense of craftsmanship that goes into the production of a luxury watch, as opposed to product digitalisation and history/tradition simply being incompatible. Indeed, one of the participants asserted that an outright conflict would only exist if digitalisation was pursued by a firm without an innovative past. Specifically, he stated that *“digital initiatives might seem a little displaced if done by a firm that is not known for pushing boundaries in any of their other activities”*, as Jaeger-LeCoultre is with its watch movements. Indeed, he went on to say that for this firm, as with a select group of other organisations in the industry, their history is in fact premised upon being innovative.



The findings related to the ‘luxury’ component of this paper’s theoretical framework, as discussed above, are summarised in figure 11.

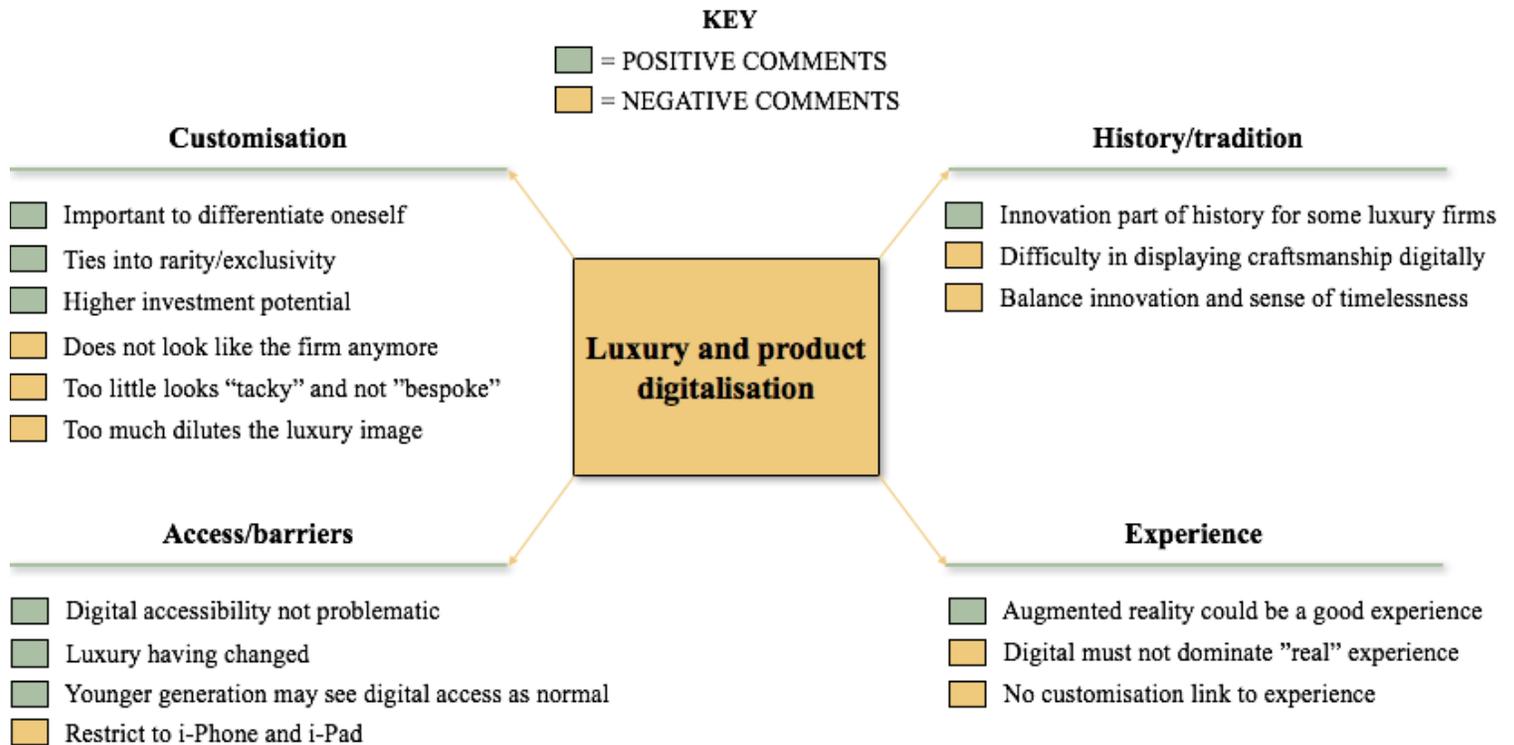


Figure 11: Summary lead user responses to product digitalisation in the context of luxury goods.

4.2 Strategies in declining industries

As can be seen in the topic guide found in Appendix A, the participants were asked about the strategies that they believed luxury watch firms could pursue on account of their views regarding the industry’s current state. It should be documented that product digitalisation was only offered as a strategy by one lead user. This lead user also did so without any real conviction, suggesting along with other strategies, that augmented reality might be a sensible strategic direction because of the importance for first-time buyers of getting a feel for how a luxury watch looks on the wrist. It is interesting to note that though one lead user believed that “*luxury watch makers - even top-tier makers like JLC - have been too complacent*”, he also did not champion digitalisation as a strategy to help firms emerge out of the industry’s decline. In fact, he cited the success of Nomos, as a watchmaking firm not having to “*resort to digital concepts or virtual reality to make this [success amid the crisis] happen*”.



By some magnitude, the most prominent strategy that the participants offered was with regards to products, both new watches and re-introductions of watches from discontinued product catalogues. The former was mentioned more so than the latter. In terms of suggesting new product introductions as a strategy, it is interesting that more than one of the lead users were precise in their assertion that product introductions must not *“simply [be] dial or complication changes to existing models [....]”*, but rather, that new flagship models must be introduced. One lead user even referenced Jaeger-LeCoultre as needing something other than their main flagship model, the Reverso, which currently dominates the collection. Of the new products that the lead users suggested firms introduce, viewpoints varied on how these should be priced. One lead user advised that the price of entry-level luxury watches that firms introduce should be higher than at present in order to help differentiate them from both mid-tier mechanical watches and smartwatch substitutes. The same participant, did, however, argue that luxury watch firms should focus on making *“relatively ‘complicated’ watches [that are introduced] more affordable”*. On the other hand, another lead user elicited his observation that some luxury watch firms have significantly increased their prices with new launches, which he termed as a *“suicide mission [....] not a way to save the business”*. On this note, he commented that introducing steel models of luxury watches would enable prices to be lowered with new product introductions and that this would be beneficial for firms in the current climate. However, the participant did note straight after this suggestion that if firms introduced steel pieces they would *“have to be careful in how far down the market they go”*.

With regards to the re-introduction of discontinued products, the comments made were often specific, and centred around the ideas that *“classic models should be in the range the whole time”* and that certain *“historic references [should be] a permanent fixture in their product catalogue”*. Along these lines, several also advised for ‘classics’ to be included in the permanent product line-up, rather than these kinds of watches being introduced in limited edition variants. One participant even stated that he understood implementing a limited edition strategy, but that there should be a full-time place for models that are considered icons, such as Jaeger-LeCoultre’s 1931 Reverso, because otherwise *“sales are simply forgone”*. In terms of pursuing a strategy of re-introducing discontinued products, one of the most specific ideas offered by a lead user in this regard was that of luxury watch firms *“selling vintage models in their own boutiques”*. This was expanded upon in detail, with the individual stating that the in-store selling of old watches



produced by the firm would act as an alternative means by which younger consumers could be given affordable entry into luxury watches. Indeed, he stated that this would be smarter than introducing new products at low price points, potentially at the expense of a firm's luxury image. He developed this further in arguing that this strategy brings to light the history of a firm and that it would project an aura of exclusivity because vintage models *“are not likely to be available in their 1,000s but more likely closer to the 100s per reference number”*.

In addition to new product introductions and re-introductions as strategies to take on the luxury watch industry's challenges, the other most common strategy that the participants stated that firms could pursue was with regards to diversification. Diversification mainly came in the form of targeting new market segments, with females being mentioned most often as a new segment to target. For example, a lead user commenting that he had read about female consumers being a previously untapped market by luxury watch firms and that firms were beginning to offer products specifically tailored for this segment. This, he believed, was a potentially valuable strategy, suggesting that engaging females *“might make them build a collection over their lifetime rather than just having one luxury watch that their husband has given them as a gift”*. In terms of diversifying into other market segments, an intriguing recommendation made by one of the lead users was that of producing luxury watches for children. This strategy was justified on the grounds that he believed some luxury consumers typically like to surround their lifestyle with luxury, observing the purchasing of expensive designer clothes for children as an example of this. And so with luxury watches typically being a higher involvement good than clothing, he believed that parents would buy luxury watches for their children. Furthermore, it was argued that this could be a way to *“engage the younger generation from an early age”* without having to actively engage them as it will be their parents, who are already interested in the product, that are making the purchase. Aside from the targeting of new segments, a diversification strategy was offered by another lead user which was focused on the targeting of existing, loyal consumers with different offerings. The participant advised that, on account of the firm's manufacturing prowess, regular 'master classes' should be actively commercialised, whereby people pay to learn about the movements that go into Jaeger-LeCoultre watches and how the firms creates its timepieces.



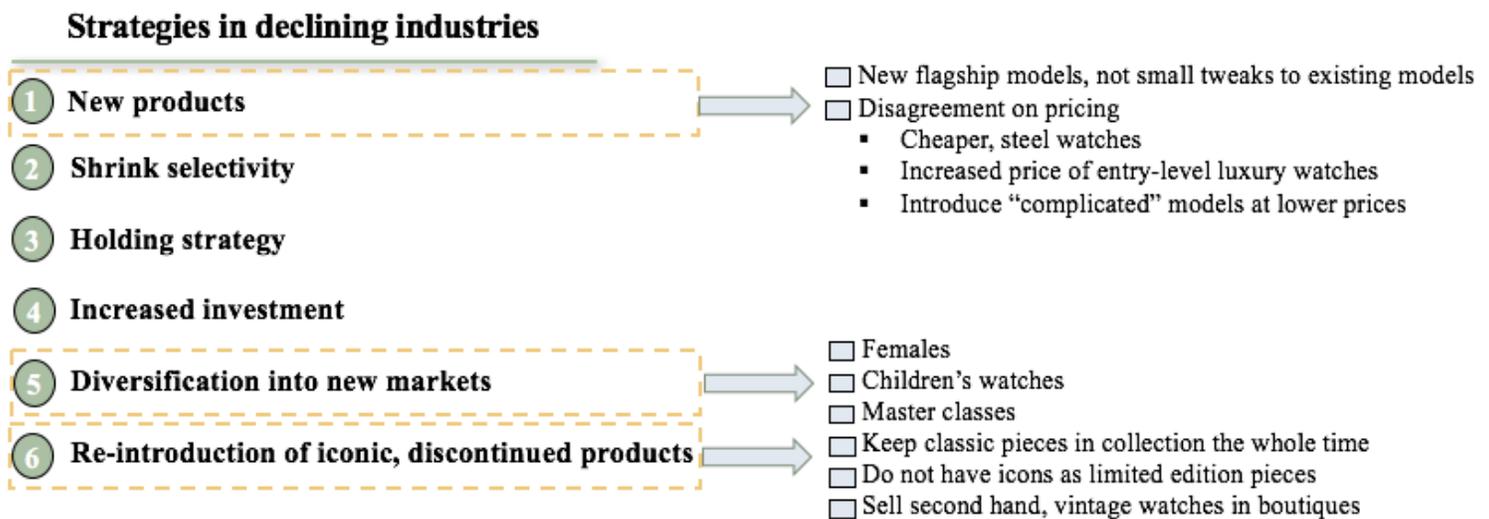


Figure 12: Summary lead user responses to strategies that could be pursued.

4.3 Strategic management (Porter, 1996 and RBV)

The participants were asked questions related to Porter’s 1996 paper and the strategic management theory of RBV. These questions were mostly asked in a way that incorporated Porter and the Resource-Based View in a rather indirect manner, i.e. how the participants felt about Jaeger-LeCoultre’s product digitalisation initiatives in terms of the firm’s image (Porter’s ‘strategic fit’) and whether or not they believed that the current initiatives could be expanded upon in the future (firm resources). In other words, technical terms were avoided. The only question which explicitly mentioned an aspect of one of these theories was whether the participants felt there to be any *trade-offs* in pursuing digital initiatives (Porter). An appropriate starting point in presenting these findings is how the firm’s product digitalisation concepts were viewed in the context of its image. On this subject, it can be established that the lead users were roughly split as to whether they felt there to be a consistency with image. The lead users who believed that the firm’s product digitalisation initiatives accrued to an inconsistency with its image, did so on the basis that the firm is renown for being a traditional and historic watchmaker. For example, one of the lead users commented that “*Jaeger-LeCoultre is not about chasing new trends or leveraging every new technology, quite the opposite*” and that as a result, he viewed “*any attempts to leverage digital technologies, digital strategies, smart phone apps, augmented reality, etc. into the core of the firms’ strategy*” as a “*strategic blunder*”. Another of the lead

users made a similar argument, asserting that the firm is a longstanding watchmaker operating in a reasonably discrete manner and that digital concepts are not fitting with this image because they *“seem a little loud and forced”*. The lead users that did in fact believe product digitalisation fitted with Jaeger-LeCoultre did so on the grounds that the firm is a technological pioneer in terms of the movements inside of its watches and that it is an industry-leader with respect to technological innovation. For example, one of the lead users noted how *“digital concepts show that the firm is attempting to be at the forefront of technological innovation in the industry which highly fits with its image as an innovative firm”*. Several examples of the firm’s technological achievements were cited, such as its Atmos clocks and Gyrotourbillon. Disagreement of whether product digitalisation is in line with the firm’s image thus centred around whether history/tradition or innovation is the priority when it comes to maintaining a sense of fit for the firm. This is best exemplified by directly quoting the following remark from one of the lead users - *“[it is] wise for JLC to consider how they can remain current while staying true to their roots”*.

As already stated, the interview participants were also directly questioned on whether they felt that the firm makes any trade-offs in pursuing product digitalisation concepts. Two trade-offs that the firm likely encounters when pursuing these initiatives were noted: financial/budgetary trade-offs and image-related trade-offs. In terms of financial trade-offs, several of the lead users noted how the pursuance of digital initiatives would likely result in the the firm having fewer financial resources to devote to producing new models of watches. Interestingly, however, one particular lead user gave the example of a specific product digitalisation initiative, augmented reality, as a financial trade-off *“worth making in terms of forgoing another initiative, noting how “it has real potential if executed successfully”*. In terms of image trade-offs, one of the lead users that did not believe digitalisation concepts fitted with the firm’s overall aesthetic elicited the following remark - *“it dilutes the image to an extent [...] these kind of initiatives are gimmicky and tacky, and so I suppose the trade-off is that you might get a few more consumers excited but that could be at the expense of damaging the firm’s image to a degree”*. More frequently mentioned than this however, was the poor technological functionality of some of the firm’s product digitalisation initiatives upon launch being inconsistent with its image of manufacturing precise timepieces with a high attention to detail. The fact that the firm’s Atelier Reverso app continued to ‘crash’ when initially launched was regularly cited in this regard.



This brings us onto the topic of whether the lead users believed Jaeger-LeCoultre holds the required ability to expand upon its current product digitalisation concepts. Leading on from their comments of image-related trade-offs stemming from poorly functioning technology, some of the lead users noted how the firm likely did not possess the digital technological capabilities in order to pursue further product digitalisation initiatives. For example, one participant noted how the firm probably relied upon external technology to build product digitalisation concepts, highlighting the firm's weakness in this domain. Another lead user commented that, on account of a lack of digital expertise his *"advice would be to opt against these digital initiatives in the future, cut your losses with them and try to find other more creative ways to engage a younger demographic"*. On the other hand, some lead users stated that the firm would likely learn with each digital initiative it pursues and on account of this, some specifically stated that augmented reality should be strived for in the future if the quality of the technology was not compromised on. With regards to the firm's product digitalisation in the form of its Atelier Reverso initiative, it was stated by many that expanding upon this further was likely not possible. Indeed, one particular participant noted how the watch which is currently subject to this digitalisation concept has inherently had a personalisable aspect to it since its inception and so extending this to other watch models without such a property might seem somewhat forced. This was not ruled out completely, however. One of the lead users commented that expansion of the concept to other models in the firm's collection, such as its Atmos clocks, should not be entirely out of the question, but that doing so would be harder to legitimise in the way that you can with the Reverso.



KEY

-  = POSITIVE COMMENTS
-  = NEGATIVE COMMENTS

Strategic management theories



Porter (1996)

-  Consistent with image of being innovative
-  Inconsistent with image of not chasing trends
-  Digital initiatives seem loud and forced - against JLC's image of being 'quiet'
-  Image trade-off if technology is not functional
-  Financial trade-off - few financial resources to develop new products, etc.
-  Augmented reality a financial trade-off worth making



Resource-Based View

-  Likely to acquire knowledge with each new digital initiative
-  Could not extend Atelier Reverso to other models - no other model has a personalisation aspect to its past
-  Lacking the technological expertise to pursue further product digitalisation

Figure 13: Summary lead user comments on strategic management theories.



5 ANALYSIS AND DISCUSSION

For the benefit of the reader(s), this ‘analysis and discussion’ chapter is structured in the same manner as the preceding ‘findings’ section. The different components of the theoretical framework are worked through in the same order: luxury, strategies in declining industries and strategic management (Porter, 1996 and RBV).

5.1 Luxury

As documented in the ‘findings’, only two of the seven lead users discussed the customisable aspect of the firm’s primary product digitalisation initiative in a favourable manner. One of these individuals cited the importance of standing out, even if only in an environment which encompassed luxury watch collectors. This is in line with Snyder and Fronkin’s (1977) work on ‘uniqueness theory’ which, as covered in the literature review, supports the customisation of luxury goods on the grounds that individuals wish to differentiate themselves with their consumption of luxury items. The other individual in favour of customisation also made reference to the fact that you are getting a luxury watch that no one else has, but went beyond the idea of uniqueness in asserting that customisation fits with the notion that some luxury goods are exclusive and rare. The notion of abiding to the rarity principle of luxury management by allowing individuals to customise their own luxury goods has not been extensively covered in the literature. For example, though Catry (2003) advises that a sense of ‘natural rarity’ must be rendered by luxury goods firms, this conversation is limited, with the author focusing on the use of precious metals as a simple means to by which to do this, and long waiting times/product shortages as a more sophisticated technique. This interview response by the lead user can thus be seen as a link between two of the facets of luxury management (customisation and rarity), which the literature has seemingly not yet made explicit reference to. On top of this, the participant linked the rarity brought about by customising a luxury good to a financial investment, stating that auction results demonstrate how luxury watches with the most value appreciation over time are those with unique configurations produced in low volumes. This could be seen as extending theory on the customisation of luxury goods beyond that of individuals simply appreciating the unique, or rare nature of such goods on psychological grounds, with the investment aspect of owning a customised luxury product also being a potential consideration. The findings section also documents how those who discussed customisation favourably did not mention any



experiential element of customising/personalising a luxury good. This is in contrast to Atwal and Williams (2009) who, starting from the premise that luxury goods are experiential in nature, advocate the customisation of these goods since they believe that this enhances the ‘experience component’ of luxury consumption.

On the whole, my findings show that allowing luxury watches to be customised under a product digitalisation initiative was generally looked upon unfavourably. Among this negativity it was noteworthy that a participant remarked about the luxury watch looking as though it is not produced by that particular firm anymore, but rather by a competing watchmaker. We can analyse this response by drawing a link to Porter (1996). Porter (1996: p. 75) argues that “Strategy is creating fit among a company’s activities” and as such, consistency in the activities undertaken by the firm is required so as to create a coherent image and enhance a firm’s uniqueness. The luxury management literature, however, presents an isolated picture in asserting that enabling the customisation of luxury goods is a sensible strategy, without delving into a discussion of how this relates to the notion of strategic fit. This does appear to be an important consideration, however. Indeed, while the customisation/personalisation of luxury goods might be a general strategy that luxury managers should consider implementing, the comment made from the lead user suggests that customisable offerings must be viewed in the context of the specific image that a luxury goods firm wishes to portray. In the findings it was also highlighted that those who talked about customisation negatively were split as to whether this was because the firm offered too much or too little customisation in one of its product digitalisation initiatives. This is interesting because though the literature points to the customisation of luxury goods being an effective strategy, a discussion surrounding whether there is a specific amount of customisation that must neither be surpassed or fallen below in order to maintain a luxury image is seemingly absent.

The ‘findings’ chapter also documented how ‘access’ or ‘barriers’ was mentioned on numerous instances with the lead users aligned in not perceiving the accessibility offered by product digitalisation to be problematic in the context of luxury watches. This differs from the sentiment of numerous authors (i.e. Eaton and Eswaran, 2009; Kapferer and Bastien, 2009; Kapferer, 2012a), that if a good is to remain luxurious as opposed to merely prestigious, access should be restricted. However, several participants did note how they believed ‘luxury’ has changed somewhat over the preceding decade or so, with most luxury goods firms now operating a



website, and that it was on account of this that they no longer believed there to be an issue with the access given by product digitalisation. This is consistent with the literature, whereby authors (Okonkwo, 2009; Dall’Olmo Riley and Lacroix 2003; Hennigs, Wiedman and Klarmann, 2012) initially positioned digitalisation of the sale of the product as being incompatible with the access barriers characterising luxury goods, but in more recent years have moved towards digital accessibility not being problematic (Dauriz, Remy and Sandri, 2014). It also points to how the characteristics of luxury goods are not static, but instead develop over time. The literature review noted how luxury goods were originally defined by their high monetary values but that this shifted over the years, with non-monetary barriers being the primary determinant of whether or not a good was considered luxurious. With the accessibility that digitalisation brings about not necessarily conflicting with ‘luxury’ today, it is therefore evident that the properties which define a luxury good are ever yet adjusting. Perhaps even more insightful than this, however, were the comments that the younger generation that have grown up with technological most likely do not see the accessibility of digitalisation as inconsistent with the notion of luxury. Though Kapferer (2012b: p. 58) argues that “Luxury is a subjective concept”, with “no two persons have[ing] the same definition of what is their own luxury”, neither he nor other scholars discuss the idea of different generations of individuals defining luxury in varying ways. This, however, might in fact be an important consideration. Indeed, for the tech-driven generations, digital accessibility might be in line with their definition of luxury goods. Even if this is not the case, however, the findings illustrated that the access brought about by digitalisation would also not be problematic because of the barriers that remain in knowing how to enjoy and talk about luxury watches. This essentially echoes Kapferer and Bastien’s (2009) sentiments that cultural barriers to luxury consumption exist in terms of knowing how to appreciate such products.

As the findings document, an outright conflict between the historical, or traditional aspect of luxury goods and product digitalisation was not expressed. Rather, varying levels of anxiety existed regarding the balancing of digitalisation while demonstrating the craftsmanship that has gone into the production of a luxury watch. This is not necessarily surprising when one considers that in their study on the digital sale of luxury goods, Dall’Olmo Riley and Lacroix’s (2003: p. 98) also found that many luxury executives were worried about how to show their products, and the manner in which they had been produced, in a “truthful and complimentary way on the Internet”. It is also interesting how the innovative past of luxury watchmakers was cited as one of



their focal historical aspects and that as a result, adopting product digitalisation was consistent with this history. This is distinct from Beverland's (2004) finding of luxury wine firms emphasising their history in the form of timeless craftsmanship, something which The Economist (2014: p. 4) extends to other industries in the luxury sector, affirming that "for all luxury makers [...] craft is almost always part of the narrative". Though craftsmanship and innovation are unlikely to be mutually exclusive in this sense, it is the innovative histories of luxury watchmakers that the was referenced as a factor making digitalisation compatible with the 'historical' notion of luxury goods. With this being said, it must be remembered that one of the participants did stress the importance of maintaining a notion of tradition in other activities because of the fact that digitalisation might not necessarily be in line with the more conservative ideas of tradition. Thus, it might be that even though digital concepts are compatible with a firm that possesses an innovative history, as Beverland (2004) argues, a sense of timelessness must still be maintained in other areas of the organisation.

5.2 Strategies in declining industries

This section focuses on analysing the implications of my findings for strategies in declining industries.

First off, it is noteworthy that one of the lead users made the comment that top-tier luxury watch firms such as JLC had been too complacent and assumed that they could remain successful by continuing along their usual path. A link can be drawn here with Weitzel and Jonsson's (1989: p. 3) argument that an industry's decline might not emanate from external forces but instead "may be found within firms themselves", with management not strategically responding to a changing environment. Though this remark was made, it is interesting to note that the same participant did not champion product digitalisation as a strategy to help firms emerge out of the industry's decline and in fact cited another firm in the industry, Nomos, as one which has not had to resort to digital concepts or virtual reality to remain successful in a difficult climate. This is in contrast to Spil et al's., (2016) and Bharadwaj, et al's., (2013) assertion that digital technologies are likely to become an important means by which to enhance a firm's competitive in a challenging environment. In fact, only one lead user made implicit reference to product digitalisation being a strategy that luxury watch firms could pursue to tackle the industry's challenges, pronouncing



augmented reality to be a sensible strategic direction because of the importance for first-time buyers of getting a feel for how a luxury watch looks on the wrist.

A large number of the lead users did, however, advise on the introduction of new products as a means by which to emerge out of the luxury watch industry's decline. This is in line with Hofer's (1980) offering that product introductions could be a strategy that facilitates 'organisational turnaround' and Burpitt and Fowler's (2007: p. 59) finding that U.S. furniture firms who "develop[ed] new products were [...] successful in maintaining and even increasing their revenue and profits" in the wake of a declining industry. The work of these authors was not in the specific context of the luxury sector, however, and so it is noteworthy that their sentiments do indeed stretch to the luxury watch industry, according to the findings of this paper. Also interesting, however, is that more than one of the participants were precise in their assertion that product introductions must not simply be small changes to existing models, such as a different dial colour or basic complication changes, but rather, that new flagship models must be introduced. Thus, even though Hofer (1980: p. 21) is broad in his advice that "new or modified products" could foster organisational turnaround, the lead users exclusively advocated the introduction of new products, with modified versions of existing watches suggested as being a fruitless strategy in helping luxury watch firms tackle the industry's decline.

Of the new products that the lead users suggested firms introduce, viewpoints varied on how these should be priced. Vigneron and Johnson (1999) advise luxury goods firms to adopt a premium pricing strategy on account of the fact that luxury products are typically 'Veblenian' in nature (Veblen and Banta, 2009), i.e. possessive of a positive price elasticity of demand. One lead user's suggestion was in fact consistent with this, advising that the price of entry-level luxury watches that firms introduce should be higher than at present in order to help differentiate them from both mid-tier mechanical watches and smartwatch substitutes. The same participant did, however, argue that luxury watch firms should focus on offering their complicated watches at cheaper prices, which might imply that luxury watch firms should aim to reduce the disparity in price between the entry-level and higher-end products that they launch. On the other hand, another lead user has observed that some luxury watch firms have significantly increased their prices with new launches, which he viewed as being a poor strategic decision. This is somewhat in-line with Kapferer and Bastien's (2012) advice that while a 'floor price' is likely required for a



good to be viewed as luxurious, relying on a strategy that emphasises being expensive will likely be ineffective for a luxury goods firm. On this note, the lead user commented that introducing steel models of luxury watches would enable prices to be lowered with new product introductions and that this would be beneficial for firms. Given that Catry (2003) cites the use of precious metals as a means by which luxury firms can evoke a sense of ‘natural rarity’, such a comment might appear surprising. Indeed, Kapferer and Bastien (2012: p. 220) also assert that “the launching of cheaper lines [...] is a sign of weakness”. However, it should also be noted that the participant did note straight after his suggestion, that if firms introduced steel pieces they must be cautious in now going too far down the market.

As the findings illustrate, not only was the advice of lead users for luxury watch firms to introduce new products, but also to re-introduce old product references. This is aligned with Hofer’s (1980: p. 26) assertion that firms could re-launch “products it used to make but has discontinued, provided that these past products could be introduced quickly and profitably”, in order to tackle their struggles. Though the author’s suggestion was not directed towards firms in the luxury sector, several lead users did in fact offer this as a strategy for firms to pursue, believing that iconic models should be a consistent fixture in the product catalogue. On this topic, it is noteworthy that the participants did not agree with the strategy of making certain icons limited edition pieces. Though Catry (2003: p. 13) informs that “virtual supply constraints [...] the well-known limited edition or special series policies” have been a successful strategy for luxury goods firms, the author does not extend this discussion to whether certain product references should be strictly absent from a limited edition strategy. The lead users were, however, firm in their advice that ‘classics’ such as Jaeger-LeCoultre’s 1931 Reverso should not be a limited edition model. In terms of pursuing a strategy of re-introducing discontinued products, it was also documented that one of the most creative ideas offered by a lead user in this regard was that of luxury watch firms selling vintage models of their own watches in their company-owned boutiques. To the best of the author’s knowledge, such an approach has not been discussed in the literature, but the lead user did provide justification that can be linked to aspects of this paper’s theoretical framework. Indeed, he stated that the in-store selling of old watches produced by the firm would act as an alternative means by which younger consumers could be affordable entry into luxury watches, rather than newer products having to be introduced cheaply, at the potential expense of a luxury image. He developed this further in arguing that this strategy links to the



history of a luxury watch firm, while also projecting an aura of exclusivity because of the fact that vintage models are unlikely to be available in high quantities. Though these comments are thought provoking, one does have to question the viability of luxury watch firms being able to source a reasonable volume of watches that they produced tens of years ago and thus making such a strategy scalable.

In addition to new product introductions and re-introductions as strategies to take on the luxury watch industry's challenges, the other most common suggestion was with regards to diversification, mainly in the form of targeting new market segments but also by offering 'master classes' in watchmaking to existing consumers. As can be seen in this paper's theoretical framework, the literature supports the idea of diversifying in order to emerge successfully out of a declining industry. For example, Burpitt and Fowler (2007) refer to studies on what they term as 'large' firms, that find diversification to be an effective strategy in a declining industry. The authors extend these findings to small firms, with the outcome of their study on U.S. furniture firms experiencing industry decline being that those "Firms that diversified to enter new markets and to develop new products were more successful [...] than were firms that instead focused exclusively on retrenchment" (Burpitt and Fowler, 2007: p. 59). With this being said, there is a lack of literature on whether diversification is a useful strategy for firms that are experiencing industry decline within the luxury sector. The lead users did champion the strategy of diversifying, however, with this mainly coming in the form of targeting new market segments. Hitt, Keats and Demarie (1998, cited in Burpitt and Fowler, 2007) inform that such diversification strategies generally have higher resource requirements than more defensive strategies that can be pursued in light of a declining industry. However, with Jaeger-LeCoultre being a fully-integrated manufacturer of luxury watches, it is conceivable that they have the resources at their disposal to carry out such a diversification strategy.

5.2.1 Strategic management (Porter, 1996 and RBV)

In analysing the lead user interviews, the final aspect of this paper's theoretical framework in need of covering is that Porter (1996) and the Resource-Based View (RBV).

In this regard, an appropriate starting point is the notion of 'strategic fit'. Porter (1996: p. 71) argues that "fit is simple consistency between each activity [...] and the overall strategy" and



that such consistency “ensures that the competitive advantage of activities [...] do not [...] cancel themselves out”, making “the strategy easier to communicate”. On this topic, the findings highlighted that the lead users were roughly split in their views on whether or not product digitalisation concepts were consistent with the image of a luxury watch firm such as Jaeger-LeCoultre. Those who believed that these initiatives caused an inconsistency in the firm’s image, did so on the basis that the firm is renowned for being relatively conservative, in the sense of not chasing trends or leveraging every new technology. Comments such as these are perhaps understandable when considering that industry commentators themselves note how “Jaeger-LeCoultre is one of the *grande maisons* in the industry so it is often late to pick up on trends” (Rahman, 2017: para. 3). As noted though, approximately half of the lead users did believe that product digitalisation initiatives fitted with the firm’s image, arguing on the grounds of Jaeger-LeCoultre being a technological pioneer in terms of the movements inside of its watches and that it is an industry leader with respect to technology innovation. Disagreement as to whether product digitalisation is in line with the notion of strategic fit for JLC thus seems to centre around whether tradition/conservatism or innovation is the priority when it comes to maintaining a sense of fit. Porter (1996) does not offer advice in this regard. Indeed, though he posits strategy as being about the creation of fit, he does not state what to do when two aspects of a firm’s image (tradition/conservatism and innovation) are somewhat contradictory.

Porter (1996: p. 70) also defines strategy along the lines of “making trade-offs in competing”. In this regard, it was stated in the ‘findings’ that the lead users mentioned two trade-offs that a luxury watch firm likely encounters in pursuing product digitalisation: financial/budgetary trade-offs and image-related trade-offs. Participants noted how the pursuance of digital initiatives likely results in the trade-off of a firm having fewer financial resources to devote to producing new models of watches. This is significant because it is the introduction of new watches that was cited most often as a strategy for a luxury watch firm to pursue in a declining industry environment. Accentuating this point, it was documented that only one individual argued that the forgoing of financial resources for other other initiatives might be worthwhile in order to pursue product digitalisation in the form of augmented reality. Furthermore, though sharing this viewpoint, during the interview the same individual did not mention augmented reality as a strategy that could assist a luxury watch firm in tackling the industry’s current challenges. In terms of image trade-offs, one of these that was mentioned was digitalisation concepts not fitting with what JLC



represents as a firm, with the trade-off being the gaining of a marginal number of new consumers while simultaneously damaging the firm's image in the eyes of existing followers. This is in-line with Porter's (1996) comment that trade-offs arise because of the need for consistency, with firms potentially causing confusion when they are known for delivering one kind of value and attempting to deliver another, inconsistent kind. More prevalent than this, however, was how respondents noted an image trade-off in terms of the poor technological functionality of JLC's Atelier Reverso app upon launch being inconsistent with the firm's image of manufacturing precise timepieces with a high attention to detail. This leads us into an analysis of the findings related to strategic resources.

The poor functionality of one of JLC's product digitalisation concepts resulted in some lead users alluding to how the firm did not possess digital technology as a strategic resource. As mentioned in the 'findings' section, an example of such was a participant that stated how Jaeger-LeCoultre likely relied upon external technology when building Atelier Reverso, which was by no means perfect, highlighting the firm's weakness in this domain (i.e. not possessing the in-house resources to develop the app themselves). This suggests that the firm would not be able to effectively pursue further product digitalisation initiatives, or at least not at a level which would please those using it. However, with this being said, it was also mentioned by a lead user that a firm likely learns with each product digitalisation initiative and thus might be able to develop further initiatives in the future on account of this. Thus, though a luxury watch firm such as JLC might not currently possess the digital technology resources to expand its range of initiatives successfully in the near future, in the longer-term it may do insofar as it acquires knowledge in this domain. As Barney (1991) informs, however, strategic resources can be both tangible and intangible in nature and though some participants implicitly referred to the absence of an intangible strategic resource (digital technology prowess), there was also of a lack of tangible strategic resources to specifically extend the Atelier Reverso concept further. Indeed, many noted how the Reverso line of watches have been inherently personalisable since their inception, on account of their swivelling case design, and so extending this to other watch models without this property would not necessarily fit and seem somewhat forced. One lead user did, to an extent, advocate the extension of Atelier Reverso, offering Atelier Atmos as a suggestion (the same digital concept but for the firm's Atmos clocks), but quickly noted how this might not work



because the clocks are not known for being personalisable in any respect. As a result, he noted how Atelier Reverso might stop here, with the Reverso model only.



6 CONCLUSION

6.1 Conclusion

As set forth in the ‘introduction’ of this paper, the overriding research question of this thesis is whether digitalisation of the product is a suitable strategic response in a declining luxury watch industry. In taking Jaeger-LeCoultre as an empirical site from the luxury watch industry and drawing upon interview data with seven lead users, it has been found that product digitalisation can be pursued by certain luxury goods firm, but such a strategy is unlikely to be appropriate in the setting of a declining, or challenging industry environment.

The study highlighted how the customisable aspect of one of Jaeger-LeCoultre’s product digitalisation initiatives, Atelier Reverso, was contrary to what theory would predict, largely looked upon unfavourably by the interview participants. Aside from this, however, product digitalisation, more generally, was not seen as conflicting with the characteristics of luxury goods. The open accessibility that digitalisation offers was not regarded as an issue for several reasons: the prevalence of luxury goods firms with websites and the tech-driven younger generation being used to digital accessibility. Though some concerns were offered regarding product digitalisation in the context of the history, or tradition of a luxury watch firm, there were also remarks that the innovative past of many luxury watch firms is their focal historical aspect. Therefore, one can conclude that digitalisation of the luxury product is an appropriate strategy in the the luxury watch industry but that this is not something which can be generalised to mean that every luxury watch firm should pursue product digitalisation. Indeed, this has to be considered on a firm-by-firm basis. Organisations which are are not known for having inventive pasts and constantly pushing the boundaries might find it difficult to ‘sell’ such digitalisation to their target demographics, with this being viewed as chasing a trend. For example, Patek Philippe springs to mind in this regard as a firm which may struggle to pursue product digitalisation. For the case study firm in question, however, though Atelier Reverso might not be a suitable strategy, on account of the customisation aspect of this initiative, product digitalisation in the form of commercialising its augmented reality piece on show at this year’s SIHH watch fair might indeed be sensible at some in the future. This is on account of the firm’s history being premised on innovation with regards to its watch movements and case designs. Despite this, it is seemingly important that in carrying out product digitalisation, the craftsmanship that the firm’s luxury



watches have been subject to, in addition to the timelessness of these watches, should be emphasised in other domains of the organisation. This is due to the importance of these properties and the difficulty of showcasing them in a digital setting.

For luxury watch firms which fit the criteria for the pursuance of product digitalisation however, it can be concluded that this is not a viable strategic response in the context of a declining industry environment. The reason for this conclusion is that the financial resources required to develop sophisticated digital initiatives was documented as causing a potential trade-off in the development of new products. When considering that introducing new products, in addition to diversification, was the most frequently offered strategy for a luxury watch firm to carry out in order to emerge unscathed out of a declining industry, it is apparent that pursuing product digitalisation is not appropriate until stability returns to the industry and firms have more financial resources at their disposal to play with. Furthermore, with it being established that an image-related trade-off exists in launching digital concepts which are not technologically sound, it is clear that firms need to be in a position whereby they have enough financial security to devote the required resources to ensure the technology functions perfectly so that their image does not take a hit. This is unlikely to be the case when a firm is operating in the midst of a declining industry. Instead, in this kind of industry environment, introducing new products, re-launching previously discontinued products, and diversifying, were regarded much more so as suitable strategic options for a luxury watch firm. This sentiment is particularly profound for organisations such as the case study firm, Jaeger-LeCoultre; i.e. those who might not yet necessarily possess the intangible resource of knowledge (in terms of digital technology), but who do hold the strategic resource of a fully integrated supply chain which is capable of producing new watches each year without significant difficulty.

6.2 Contribution

The contribution of this thesis is the extension of knowledge about two phenomena, digitalisation and strategies in declining industries. The ‘introduction’ of this paper noted how “the state of luxury in the digital context [...] remains largely unexplored” (Okonkwo, 2009: p.1). and that there is unmet demand regarding an understanding of the rules which govern luxury firms’ participation in the digital space (Hennigs, Wiedmann and Klarmann, 2012). This paper hopes to have satisfied some of this demand in finding that product digitalisation is not necessarily in



conflict with the characteristics of luxury goods, but that for a luxury watch firm without an ‘innovative’ image, digital initiatives might be hard to legitimise. Furthermore, this paper contributes by concluding that while product digitalisation is not incompatible with a luxury watch firm known for being innovative in its other activities, such a strategy should not be pursued in a declining industry environment when financial resources are likely tight. The ‘introduction’ of this paper noted how further insights were required on firms operating in a structurally challenged, or declining industry. This paper concludes that for a luxury watch firm operating in such an environment, a more viable strategic option than pursuing product digitalisation would be to introduce new products or to conduct some form of diversification. Product digitalisation should be saved for when there is a greater abundance of financial resources available to the firm so that the technology going into digital concepts is faultless and thus does not result in any destruction of a firm’s luxury image.

Another, albeit smaller contribution of this paper, is the finding that customisation of luxury goods, which product digitalisation initiatives such as Atelier Reverso enable, may not be a wise tactic for luxury goods firms. In contrast to what the literature would predict, customisation was looked upon unfavourably by the interview participants, with comments ranging from issues relating to both too much and too little customisation. With the difficulty of knowing how much customisation needs to be offered, it would be wise for luxury goods firms’ product digitalisation initiatives to avoid the incorporation of customisable aspects.

Though the author believes the aforementioned contribution to be made, this paper is not without its limitations. These shall now be addressed.

6.3 Limitations

As noted in this paper’s ‘methodology’, access to the case study firm was lost during the latter stage of this thesis, meaning that in-firm interviews could not be conducted. This is acknowledged as the primary limitation of this thesis paper. Indeed, a case study has more merit when it presents a “convincing account, one that will persuade the readers that his or her portrayal is a good one” Alvesson and Deetz (2000: p. 167, cited in Jack and Kholief, 2007: p. 216) and one way in which Schell (1992) advises for this to be ensured is by collecting two sources of data. The author of this thesis does not believe that the omission of in-firm interviews is detrimental to



the overall product of this paper, but it is accepted as a limitation and as such it is worthwhile contemplating how these interviews may have impacted the conclusion of this paper. Firm interviews *might* have made it clear that no financial trade-off exists for the case-study firm in pursuing product digitalisation concepts, i.e. that they can simultaneously introduce new flagship products while also embarking upon digital initiatives. This would have altered the conclusion of this paper in finding that product digitalisation is not merely a suitable strategy for a luxury watch firm with an innovative image, but also that such a strategy *would* be suitable in a declining industry context.

Additionally, as stated in sub-section 2.3.3 of this paper's 'literature review', digitalisation in the luxury watch industry is not just about product digitalisation. Firms have been exploring a variety of digitalisation concepts, such as the teaming up with online-focused retailers, for example JLC recently "joined the UK's The Watch Gallery online, which has 12,000 visitors a day", and launching integrated digital sales platforms - this month "LVMH will launch an ecommerce site for all [of] its brands" (Liu, 2017: para. 4). On top of these sophisticated sale digitalisation strategies, more niche digital initiatives are being pursued by the industry. For example, unforeseen ventures between luxury and tech firms such as Apple and Hermes are taking place, and partnerships are also being formed "between luxury watch brands and blogs for limited editions" (Deloitte, 2017: para. 8). This is where a firm perspective would have enhanced the product of this paper. In interviewing the case study firm, we could have seen whether there are manners in which to embrace digital technologies, other than simply product digitalisation, in order to tackle the luxury watch industry's current challenges. Such techniques could be those mentioned above, or other strategies such as the utilisation of digital technologies by Jaeger-LeCoultre in their business processes, i.e. the production of their timepieces. This would no doubt have transcended both the research question of this paper, and the insights gained in the study, to new heights.

Despite the above limitation, however, the author fully defends the choice of selecting Jaeger-LeCoultre as the case study firm at the centre of this thesis. In taking a declining industry within the luxury sector, no clearer example exists at present than that of luxury watches. Furthermore, in studying product digitalisation in this industry, there is a paucity of options available in the selection of a case study firm, with Jaeger-LeCoultre making the most evident strategic play in



this regard with its Atelier Verso app and the augmented reality piece it displayed at this year's SIHH trade show. Additionally, in interviewing seven lead users, the author planned a mitigation strategy in case of a loss of access to the case study firm. Indeed, it is somewhat unsurprising that access was lost to the case study firm when one considers that an organisation within a declining industry is being studied and those working within a strategic capacity at the firm are likely to be working at a high intensity and under heightened confidentiality during such a period. This situation is exacerbated in the case of Jaeger-LeCoultre, with the firm CEO, Daniel Riedo, having left this year.

Another limitation of this paper is the difficulty in extending the findings beyond the industry at the centre of this case study, luxury watches, and into the luxury sector more generally. Though the 'literature review' highlighted that the management of luxury firms differs from that of other sectors, it would be inaccurate to view all industries within the sector as homogenous. For example, the innovative pasts of some luxury watchmakers, which can result in the pursuance of product digitalisation being in line with their image, stems in large part from inventiveness and experimentation with 'watch movements'. For an industry within the luxury sector without a clear technological basis for innovation, such as luxury leather goods firms, for example, it may be the case that product digitalisation is not appropriate in any environmental climate, decline or otherwise.

6.4 Future research

The most obvious area for future research would be to pursue a similar study as this paper but with the inclusion of interviews with the case study firm. In other words, extending the data collection aspect of the methodology adopted in this paper. Some might argue that this is an unnecessary effort, on account of such research being too similar to the paper submitted here. However, firm interviews would alter the landscape of this paper with an alternative research question being set and the potential for differing conclusions to be arrived at. It is for this reason, in addition to the fact that it tackles the main limitation of this paper, that the author believes such future research to be a worthwhile pursuit.

In addition to the above, another area for future research would be to study the topic of this paper through a case study firm operating in a different industry within the luxury sector. A possible



candidate in this regard would be Rimowa, the German luggage manufacturer that has pursued product digitalisation in one of its suitcase models via an ‘electronic tag’ concept (Lai, 2016). In order to study product digitalisation in a luxury industry through the context of a declining industry though, researchers would have to wait until a luxury industry goes into a state of decline. This is not necessarily problematic, however. Indeed, during this waiting period there may be a larger number of observable data points in terms of product digitalisation being conducted by luxury firms. This would clearly heighten the chance of gaining access to firm interviews as a form of data collection, due to the fact that there would be a greater choice in the selection of a case study firm.



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8 APPENDIX A - TOPIC GUIDE

General comments to make at the beginning of the interviews

- These questions are contributing to my MSc thesis project in International Strategic Management.
- Please ensure to sign the consent form which details that your name shall not be used in my research and your confidentiality shall be protected at all times in a secure manner. If you have any concerns on this matter, please feel free to contact me further.
- Once again, thank you for your participation in this research, it is highly appreciated.

Topic guide - lead user interviews

1. There is a general perception that the luxury watch industry has recently been/is currently in decline. What do you think of this claim?
2. What strategies do you think the industry may pursue in order to confront these challenges?
3. How do you view digital concepts such as JLC's Atelier Reverso app in the wider context of characteristics/properties of luxury goods and the luxury watch industry?
4. What do you think of JLC's Atelier Reverso and/or augmented reality concepts in the context of the firm's image?
5. Do you think JLC's Atelier Reverso concept or augmented reality piece could/should be expanded on further by the firm in some way via other digital initiatives, or not?
6. Are there any trade-offs that JLC, or a luxury watch firms more generally faces when choosing to pursue digital initiatives?