

CORPORATE NEWS

Timex ticks quietly upscale

Elite fashion houses in Italy tap company for high-end watches

By STACY MEICHTRY

Some of Italy's most exclusive fashion houses have found an unlikely business partner: Timex, the brand known for cranking out mass-market timepieces that "take a licking but keep on ticking."

This morning, family-owned Salvatore Ferragamo SpA will open the doors of its medieval palazzo on the banks of the Arno River in Florence to Timex Group Chief Executive Joe Santana, who is expected to unveil a deal whereby the U.S.-based company will produce high-end watches for the Italian fashion house.

Closely held Timex has similar partnerships with two other illustrious names in the Italian fashion scene—family owned Versace SpA and Valentino Fashion Group SpA, recently taken over by private-equity firm Permira—to make watches in the \$2,000 to \$55,000 range. It inked the Valentino deal in February, and has made watches for Versace since 2005. Through these pacts, Timex, whose own brand of watches normally retail between \$80 and \$130, hopes to make its way into the higher echelons of the watch industry, where business is booming and rising prices are buoying profit margins. But the company will need to tread carefully in promoting its ties with the luxury labels, given its history as a mass-market manufacturer.

It is an "assault on the high end of the watch market world-wide," Shannon Eis, a spokeswoman for Timex said in an email about the deals, without giving details.

Ferragamo confirmed the deal but declined to elaborate. Versace and Valentino declined to comment for this article.

For fashion houses, entering the watch business is a fast way to boost revenue and profit—especially for companies like Ferragamo and Versace, which are considering public listings on the Milan stock exchange and therefore will have to woo investors. For watches, as with perfumes and sun-

glasses, designer brands justify a high premium for an otherwise mass-market product. Watchmakers also often pay lucrative royalty fees for the right to license high-end labels. Through license deals, fashion houses don't have to pour capital into setting up a watch-manufacturing business.

"The [watch] market is very competitive," Versace CEO Giancarlo Di Risio said in an interview earlier this year. "You really need a specialist." Versace originally made its watches in-house, but as part of a wide-ranging restructuring plan for the Italian label,



Timex is aiming for the lucrative high end of the watch market with ventures such as this watch for Versace.

Mr. Di Risio in 2004 sold its watch-making division in Switzerland to Timex, which now produces Versace watches under license.

The partnerships carry risks for both sides, however. Seeking a higher-paying customer is a major about-face in strategy for Timex, which forged its image half a century ago as a producer not of finely crafted objects of desire, but of blunt machines that could withstand "torture tests." Past print ads have featured a Timex watch strapped to baseball player Mickey Mantle's bat or frozen in an ice-cube tray. TV ads showed a Timex watch tumbling off Grand Coulee Dam in Washington state.

Timex has taken a number of steps upmarket. In October, the company acquired Vincent Bérard SA, a so-called haute horology brand that produces high-end limited-edition watches with retail prices that start at €10,000, or about \$13,400.

Timex also has recently started

making watch models with sophisticated functions such as "perpetual calendars" that track the days of the month for an entire year without having to be adjusted. Though many of these watches are still priced at the low end of the market, at about \$100, Timex is trying to appeal to a trendier audience by advertising them in glossy fashion magazines. Timex Group is also building a design studio in Milan for Giorgio Galli, who designs the luxury brands.

It could take years for Timex to get its new higher-priced brands off the ground, says Rune Gustafson, chief executive of the British unit of Interbrand, a global branding consulting firm that is part of ad holding company Omnicom Group Inc.

Timex, based in Middlebury, Connecticut, and tracing its history back to 1854, doesn't boast the Swiss watch-making legacy that helps elite manufacturers such as Rolex create an aura of exclusivity. Swiss watchmakers, Mr. Gustafson says, "are all marketing from a heritage of engineering excellence. I don't think Timex has that."

Stepping into the image-obsessed world of luxury may also prove somewhat of a culture shock for Timex.

Mr. Gustafson of Interbrand says Timex can't trumpet its ties to fashion companies too loudly or customers might think twice about shelling out cash for watches that aren't actually made by the high-end brands.

The upside for Timex could be huge, however. By manufacturing watches for luxury brands, Timex gets quick access to the most lucrative end of the watch market without having to build a brand from the ground up.

The last Timex-made and Versace-labeled Dv One watch ranges in price from €5,000 for a basic model to €55,000 for a diamond-studded edition. Although the Timex name doesn't appear anywhere on these watches, some analysts say the company's links to the fashion labels will boost the cachet of its basic Timex brand.

"If they've got a big marquee brand, they can persuade a retailer to take one of their smaller brands that they're trying to develop," says Jim Hurley, a luxury-industry analyst with New York-based fashion-retail consulting firm Telsey Advisory Group. "It means they can get more shelf space."

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