

PIERRE-YVES DONZÉ

HISTORY OF THE SWISS WATCH INDUSTRY

FROM JACQUES DAVID
TO NICOLAS HAYEK

Third edition



PETER LANG

Introduction

For nearly two centuries, Swiss watches have exerted an insolent domination over the world market. Moreover, despite several crises, this supremacy has never been successfully challenged. The success story of the Swiss watch industry has been and still is largely explained as the result of a long tradition of manufacturing precision instruments, a widely shared technical culture, and an industrial organization as a flexible production system which enabled it to answer all the needs of customers. However, this traditional account, currently kept alive by the marketing strategies of watch companies and highlighting a kind of a timeless “Swiss genius”, has to be reconsidered in the light of economic history.

Watchmaking is certainly one of the oldest and most representative industries of Switzerland. A quick glance at the evolution of the foreign trade statistics of the country between 1840 and 2000 makes this importance evident (Table 1). During these two centuries of history, watchmaking is indeed one of the four main Swiss export industries. Together with textiles, machines and chemicals, it largely contributed to making Switzerland one of the richest countries of the world.

The structure of foreign trade shows that watchmaking is, after textiles, the second largest export industry of Switzerland between 1840 and 1937, and even the first in 1953. Moreover, its importance tends to strengthen during these years, with the percentage of exports growing from 8.2% to 21.1%. In the second part of the 20th century, watchmaking is third, below chemicals and machines, two sectors whose growth was particularly high after the war. As for its relative importance, it certainly appears to be decreasing, but this fall-off shows above all a general expansion of the Swiss economy, especially characterized by the dynamism of many sectors, as shown in Table 1 with the sharp increase of “other industries”.

The weight of watchmaking in the domestic economy, and the importance watchmaking companies have attached to their own history in their PR policy since the beginning of the 1990s, gave birth to many books and publications. Yet paradoxically, its general history is still unknown and not easily to access. Books are usually limited to a firm, a region or an individual, so that it is difficult to have an overview of the history of the Swiss watch industry in the long run. So, the aim of this book is to offer a general history

Table 1: Relative importance of watchmaking in Swiss foreign trade, 1840–2000
(value as a %)

	1840	1890	1912	1937	1953	1970	2000
Textiles	72.5	57.2	44.1	20.1	16.0	9.2	2.9
<i>Watchmaking</i>	8.2	14.2	13.0	18.1	21.2	11.8	7.6
Machines	0.1	3.2	8.1	16.1	20.7	30.4	27.3
Chemicals	0.4	2.3	4.7	15.5	16.3	21.0	26.4
Other	18.8	23.1	30.1	30.2	25.8	27.6	35.9

Source: Veyrassat, Béatrice, “Commerce extérieur”, *Dictionnaire historique de la Suisse*, <www.dhs.ch> (site accessed 21 June 2009) and official Swiss foreign trade statistics, <www.bfs.admin.ch> (site accessed 21 June 2009).

of Swiss watchmaking since the middle of the 19th century. The approach adopted here is that of economic and social history. It focuses on the particular structure of this business (industrial districts, *Statut horloger* and groups of firms), as well as on the technical evolution of products (pocket watches, wristwatches and quartz watches), export outlets, rival industries (British, American, then Japanese), the intervention of public authorities (cartels and liberalization) and the relationships with workers' unions.

During the years 1800–2000, the Swiss watch industry faced two main challenges, two revolutions which threatened its existence and led to two major reconversion crises.

The first challenge was industrialization. It occurred during the 1870s and 1880s when the American watchmakers, mainly the Waltham Watch Co. and the Elgin Watch Co., forced Swiss watchmakers to adapt their system of production, with the introduction of machines and the construction of modern factories. The issue was the production of watches: the Swiss had to learn to manufacture standardized products. It was definitely a challenge, which caused considerable ferment amongst Swiss watchmakers until the 1900s. Led by a few industrialists, among whom was Jacques David, technical director of the company Longines, the Swiss watchmakers succeeded in adapting their system of production and overcoming American competition. Around 1900, they controlled about 90% of the world market.

The second challenge was marketing. Seen from a technical point of view, it appears to be what is usually called the “quartz revolution” and led to what is commonly described in Switzerland as the “watch crisis” (*crise horlogère*). However, this challenge went beyond its technical dimension. A new adaptation of the structures of the Swiss watch industry became a necessity, not only due to the launch of quartz watches on world market in

the 1970s, but also because powerful industrial groups emerged as competitors, such as Seiko in Japan and Timex in the United States. The issue was not being able to produce watches but being able to sell them. Thus, the 1970s and 1980s are characterized by a restructuring of the Swiss watch industry, to follow the new rules of marketing. New business leaders, among whom was Nicolas G. Hayek, took charge of industrial groups in which they rationalized production and reinvented commercial policy. This marketing revolution enabled Switzerland to strengthen its dominant position on the world market at the beginning of the 21st century.

If one is to really personify the Swiss watch industry between 1800 and 2000, it would be necessary to add a third person: Sydney de Coulon, general director then delegate of the Board of Directors (*administrateur-délégué*) of Ébauches SA from 1932 to 1964. He is the man who personifies the cartel and the *Statut horloger*. He embodies the Swiss watch industry which successfully took on the American challenge of industrialization and then organized itself within rigid structures in order to protect its comparative advantage on the world market. In this context of a real bureaucratization of watchmaking, the domination of Swiss watchmakers on the world market continued until the emergence of competitors in the United States and Japan during the 1960s.

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Map 1: Switzerland and the Watch Industrial District

Source: Designed by Patrick R  rat, University of Neuch  tel, Switzerland