Swiss watchmakers grapple with fallout of Russian crisis

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Swiss watchmakers are gathering in Geneva this week for their first big industry event in three years, tackling the impact of sanctions on rich Russians arising from the war in Ukraine.

Russia was only the 17th largest market for Swiss watch exports last year, but how to manage business and client relations during such a sensitive time was high on the priority list, Reuters’ conversations with executives at Watches & Wonders showed.

Sanctions against Russia and a ban on exports of luxury goods mean brands can no longer ship timepieces to Russia and all the big labels have closed directly operated stores.

Neither Richemont nor Ulysse Nardin, recently sold to its management by Kering and traditionally strong in Russia, wanted to comment on reports Russian authorities had seized millions of dollars worth of watches at rival brand Audemars Piguet’s Russian subsidiary and what that could mean for their own business there. Audemars Piguet did not return requests for comment.

Ulysse Nardin’s Patrick Pruniaux said the brand still had about 20 sales outlets, but was now much less dependent on Russia than in the past.

Russians account for around 2% to 3% of global luxury spending, or around 7 billion euros ($7.75 billion), dwarfed by the U.S. and China, according to Claudia D’Arpizio, senior partner and head of fashion and luxury at consultancy Bain.

“These are loyal customers that buy every year and that I think have strong relationships with some of these brands on a personal level,” she noted.

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DIAMONDS AND DUBAI

Stern said he did not expect the sanctions to hit the brand's access to diamonds because it had stock for at least a year and there was sufficient supply elsewhere. "If this lasts long, maybe prices will rise a bit," he said.

Richemont said it had stopped buying Russian diamonds, but was confident it could source them elsewhere.

Oris, another independently owned brand, said it put plans to expand in Russia with a new retail partner on hold. "But we shouldn't forget there's also people there, families whose existence is at risk," co-CEO Rolf Studer told Reuters on Thursday, saying many brands had long-standing relationships with Russian partners.

Edouard Meylan of independent H.Moser said his brand had received demands from Russians - just before sanctions hit - who wanted to quickly spend their money on watches before it got seized by Swiss authorities. "We refused, of course," he said.

Oris's Studer confirmed this was not uncommon, recalling similar demands from Germans before the end of Swiss banking secrecy a few years ago. Richemont finance chief Burkhart Grund told Reuters the company was very vigilant its products were not used for money laundering or to circumvent sanctions.

Several executives said they were seeing booming demand in Dubai as the United Arab Emirates as well as Turkey see money flowing in from wealthy Russians seeking a financial haven.