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Luxury under External Pressure – A Case Study of Strategic Adaptation at Richemont and the Swatch Group

Anthony Mbem-Som Nyamsi

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Abstract

Title: Luxury under External Pressure – A Case Study of Strategic Adaptation at Richemont and the Swatch Group

Author: Anthony Mbem-Som Nyamsi

In the current decade, a succession of crises has reshaped international market conditions and placed pressure on even well-established business models, forcing firms to adapt established practices. For luxury watch companies, this sequence of shocks poses a particular challenge, as strategic adjustment is structurally constrained and must remain compatible with the preservation of exclusivity and credibility. In this context, the study is designed as a qualitative, comparative case study and focuses on the responses of the Swiss watch groups Richemont and the Swatch Group to the COVID-19 pandemic, the Russia–Ukraine war, and U.S. trade tariffs. The comparative perspective allows recurring patterns as well as different approaches to dealing with these shocks to be identified. The reactions of the two companies reveal both similarities and clear differences. They share several protective principles, including price stability through the avoidance of discounting and a strict commitment to the brand core, while differing mainly in the operational design and implementation of their measures. Rather than pointing to a single crisis strategy, the study highlights distinct ways of responding to shocks within clearly defined strategic boundaries.

Key Words: Exogenous Shocks, Exclusivity, Luxury, Strategy, Credibility

Resumo

Título: Luxo sob pressão externa – Um estudo de caso sobre a adaptação estratégica na Richemont e no Swatch Group

Autor: Anthony Mbem-Som Nyamsi

Na década atual, uma sucessão de crises remodelou as condições dos mercados internacionais e gerou pressão externa até mesmo sobre modelos de negócio bem estabelecidos, forçando as empresas a adaptar práticas consolidadas. Para as empresas de relógios de luxo, esta sequência de choques representa um desafio particular, uma vez que o ajustamento estratégico é estruturalmente condicionado e deve permanecer compatível com a preservação da exclusividade e da credibilidade. Neste contexto, este estudo é concebido como um estudo de caso qualitativo e comparativo e centra-se nas respostas dos conglomerados relojoeiros suíços Richemont e Swatch Group à pandemia da COVID-19, à guerra entre a Rússia e a Ucrânia e às tarifas comerciais dos Estados Unidos. A perspetiva comparativa permite identificar padrões recorrentes, bem como diferentes formas de lidar com estes choques. As reações das duas empresas revelam simultaneamente semelhanças e diferenças claras. Ambas partilham vários princípios de proteção, incluindo a estabilidade de preços através da não aplicação de descontos e um compromisso rigoroso com o núcleo da marca, diferindo sobretudo no desenho operacional e na implementação das suas medidas. Em vez de apontar para uma única estratégia de crise, este estudo evidencia formas distintas de resposta a choques enquadradas por limites estratégicos claramente definidos.

Palavras-chave: Choques exógenos, Exclusividade, Luxo, Estratégia, Credibilidade

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List of Abbreviations

Abbreviation	Meaning
ASUAG	Allgemeine Schweizerische Uhrenindustrie AG
EU	European Union
i.e.	id est
NBA	National Basketball Association
SAR	Special Administrative Region
SMH	Société de Microélectronique et d'Horlogerie
SSIH	Société Suisse pour l'Industrie Horlogère
U.S.	United States
WHO	World Health Organization

1 Introduction

"Faire mieux si possible, ce qui est toujours possible."

(Vacheron Constantin, 2025)

The official motto of Vacheron Constantin, founded in 1755 and today part of Richemont, can be translated as *"Do better if possible, and that is always possible."* This aphorism captures the logic that defines luxury strategy by emphasizing progress through control rather than haste. Improvement is expected to be quiet and credible, and innovation may advance only if it does not disturb the aura that confers value.

Building on this philosophy, the luxury watch industry as a whole emphasizes tradition and exceptional quality, with Switzerland serving as industrial backbone and cultural reference point. Clients do not buy timekeeping devices but invest in heritage, represented by maisons such as Patek Philippe, Audemars Piguet, Breguet, and Rolex. Their products operate as cultural objects, combining emotion and social significance. Scarcity and slow innovation preserve exclusivity, yet this same structure also limits flexibility. As a result, the industry becomes particularly exposed when external disruptions challenge established forms of control.

The rise of the preowned luxury watch market represents a structural shock, challenging traditional control over pricing and distribution. Once small and unregulated, it is now thriving, with sales of $22 billion, representing nearly one-third of the $75 billion luxury watch market. The market is shaped by younger, well-informed collectors and is projected to grow faster than the primary market (Dupreelle et al., 2023). To respond to this market disruption, Richemont acquired *Watchfinder*, a platform for certified preowned luxury watches, entering the resale market itself (Richemont, 2018). Yet this raises a crucial question: how can a luxury company participate in the secondary market without compromising its brand aura? The preowned market exemplifies how unexpected developments can disrupt even the most controlled luxury businesses, revealing a broader vulnerability to unforeseen shocks.

Exogenous shocks are events that firms cannot prevent or control, such as pandemics, wars, or trade restrictions. They disturb demand patterns, impair supply chains, and compress profitability. Many sectors respond with fast, visible change, including restructuring, price moves, or diversification. In luxury, overreaction undermines legitimacy because price cuts or overproduction dilute exclusivity, while excessive restraint risks stagnation and loss of relevance. A paradox emerges: Luxury firms must adapt to survive, yet any adaptation can threaten their brand’s exclusivity and credibility. In this sense, *“Do better if possible”* becomes a metaphor for controlled adaptivity, improvement pursued within their own symbolic boundaries. While this paradox is widely acknowledged, it has rarely been examined through empirical cases in luxury watchmaking.

The study examines this paradox through a comparative case study of Richemont and the Swatch Group. Each group is analysed across three shocks with distinct profiles, the COVID-19 pandemic, the Russia–Ukraine war, and U.S. trade tariffs.

The study contributes to understanding how symbolic industries sustain strategic legitimacy under volatility. It is guided by two lenses: Adaptive Strategy, which addresses dynamic capabilities, and controlled adaptation, and Luxury Strategy, which examines value preservation, legitimacy, and symbolic capital in high-end settings.

The guiding research question of the study is: “*How did Richemont and the Swatch Group adapt to exogenous shocks while maintaining brand exclusivity and credibility?”*

To systematically answer the research question, the study is divided into six chapters:

Chapter 2 introduces the theoretical concepts that are central to understanding the strategic response of luxury watch companies to exogenous shocks.

In Chapter 3, the methodology employed is explained and the rationale for choosing a comparative case study approach is elaborated.

Chapter 4 then presents the case of Richemont and the Swatch Group, describing developments and the companies' responses.

Chapter 5 introduces the teaching notes and contains the learning objectives and assignments for the cases.

Finally, Chapter 6 summarises and critically evaluates the findings and identifies possible starting points for future research.

2 Literature Review

This chapter builds the theoretical foundation for the study. It begins with an examination of how organisations adapt to sudden disruptions, focusing on exogenous shocks, controlled adaptivity, and dynamic capabilities. It then moves to luxury strategy, highlighting how exclusivity, value preservation, and resilience influence decision-making in high-end industries. Together, these perspectives guide the interpretation of the case analysis. A synthesis table that relates the reviewed literature to the research question is provided in *Appendix 1*.

2.1 Adaptive Strategy in Times of Exogenous Shocks

Strategic planning typically assumes that environmental conditions can be analysed and projected with some stability (Gürel, 2017). In the luxury watch industry, where precision and long-term orientation make planning a central capability, external disruptions can overturn established assumptions and strain coordination. When such disruptions occur, organisations must sustain coherent action and adjust as plans lose reliability.

Exogenous shocks are unpredictable events such as pandemics or wars that can destabilize even the most tradition-bound industries, forcing rapid responses and exposing the limits of existing assumptions (Meyer, 1982).

Because shocks disrupt routines, survival depends on how organisations interpret and coordinate their response. To ensure stability, the interpretation of events must be shared throughout the entire organisation so that a common understanding and a corresponding basis for coordinated behaviour can be established (Bundy et al., 2017). Sensemaking plays a key role in this process by turning scattered perceptions into a common understanding that guides collective action (Maitlis & Sonenshein, 2010). However, to understand how organisations can stay coordinated during exogenous shocks, it is first essential to understand what exogenous shocks are.

2.1.1 Exogenous Shock

On 11 March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic (Cucinotta & Vanelli, 2020). Within weeks, international travel was suspended, retail stores were closed, and production facilities throughout Switzerland were shut down. The luxury watch industry, dependent on physical retail and international mobility, experienced an abrupt breakdown of distribution and demand. Revenues declined, inventories rose, and strategic plans became obsolete as consumer activity came to a halt (Deloitte, 2020).

The pandemic demonstrated how quickly external forces can undermine the planning assumptions on which organisational coordination depends. Such disturbances can be understood as environmental jolts that disrupt organisational equilibrium and force rapid adaptation (Meyer, 1982). Exogenous shocks can trigger discontinuous change, altering organisational structures and the frameworks that guide behaviour (Sine & David, 2003). The technological transition that followed the rise of smartphones, which displaced Nokia's dominance, illustrates how a single disruption can redefine industry boundaries and reshape competitive patterns. Once the undisputed leader in mobile phones, Nokia failed to adapt to the shift from hardware-centred products to software-driven ecosystems, allowing competitors like Apple and Samsung to capture the market through innovation and user experience (Vuori & Huy, 2016).

Building on this conceptual foundation, exogenous shocks can be differentiated into three principal forms, defined by their source and mechanism of impact:

- **Political shocks**: Arise in the institutional environment and result from changes in government systems, regulatory frameworks, or political regimes that reshape the rules under which organisations operate.
- **Functional shocks**: Emerge from transformations in the technological or operational infrastructure of industries, altering the processes and capabilities through which firms create value and maintain efficiency.
- **Social shocks**: Result from changes in the normative and cultural context that change common expectations, values, and standards of legitimacy and influence organisational behaviour (Oliver, 1992).

Although these categories differ in terms of their sources and development paths, they share the common trait of disrupting organisational order and exposing the fragility of stability in complex industries, including the luxury watch industry.

2.1.2 Controlled Adaptivity

When exogenous shocks disrupt established plans, organisations face the challenge of maintaining direction without relying on prediction. In such contexts, effective adaptation depends on maintaining a balance between exploration and exploitation: searching for new alternatives while refining existing routines. Controlled adaptability refers to an organisation's ability to maintain this balance under uncertainty (March, 1991).

It protects strategic focus by placing experimentation within clear boundaries so that learning processes can take place without threatening the company's mission or identity. Strategy is therefore shifting from predicting the future to shaping what can be influenced. Managers focus on controllable elements, proceed in small, reversible steps, and convert each step into learning and options rather than fixed commitments. Control is thus achieved through incremental action rather than the accuracy of forecasts. Decisions prioritize recoverability so that the company can quickly adjust its course as feedback arrives, while the cumulative movement remains consistent with core development (Wiltbank et al., 2006).

Effectuation theory offers a complementary perspective on how control is established under uncertainty. Decision-makers start from the available resources, i.e., who they are, what they know, and who they know, and involve stakeholders at an early stage to co-create options. Each new commitment restricts some options while opening others, producing an evolving cycle in which action and feedback recursively reshape the feasible set of next steps (Sarasvathy, 2001). *Figure 1* illustrates this process through two loops. The upper loop expands resources through stakeholder commitments, for example Richemont could strengthen its capabilities by adopting new digital technologies with tech partners. The lower loop narrows goals as these commitments define priorities, for instance Swatch Group might agree with retail partners to focus on selected collections, which limits some options but clarifies the next steps. This approach turns the organisation's scope of action into a designed path, expanded through partnerships and progressively disciplined by what proves to work.

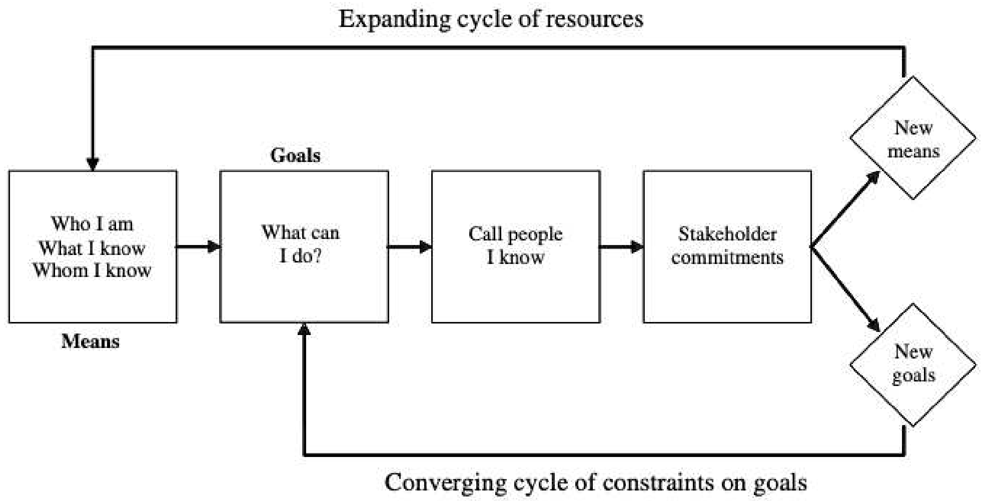

Figure 1: The Effectual Process (Source: Wiltbank et al., 2006)

In the luxury industry, controlled adaptability demands a nuanced approach. Brand legitimacy rests on tradition, Swatch Group's maison Breguet, for example, has been crafting watches for over 250 years, demonstrating long-term continuity (Breguet, 2025). Abrupt changes carry the risk of diluting symbolic capital. Adaptive control therefore focuses on limited experimentation and selective partnerships that ensure external stability while enabling internal learning. Adjustments are made gradually and reversibly, so that the aura of consistency is maintained even when capabilities are renewed. In this way, luxury firms can navigate shocks through measured, cumulative adaptation that protects exclusivity while retaining strategic room to move when conditions shift.

2.1.3 Dynamic Capabilities

To be able to respond to exogenous shocks not just once, but continuously, organisations need systems that enable them to do so. In industries where reputation and reliable performance determine value creation, stability depends more on mechanisms that institutionalize learning and renewal than on short-term adjustments. This orientation is captured by the dynamic capabilities view, which explains how organisations develop systematic abilities to adapt under turbulent conditions (Teece et al., 1997).

Dynamic capabilities refer to a company's ability to integrate, build, and reconfigure internal and external competencies in order to remain competitive when faced with changing conditions (Teece et al., 1997). They enable systematic adaptation by embedding renewal and learning in organisational processes (Teece, 2007). The concept includes three interrelated activities that sustain strategic flexibility:

1. Sensing refers to identifying and interpreting early signals of discontinuity in technologies, markets, or consumption patterns.
2. Seizing involves mobilizing and allocating resources to pursue opportunities or mitigate risks in a timely, market-oriented manner.
3. Transforming concerns the ongoing renewal of structures, processes, and assets to maintain alignment with the external environment (Teece, 2007).

Dynamic capabilities can also be understood as a firm-level potential to systematically solve strategic problems by sensing change, making timely market-oriented decisions, and adjusting the resource base accordingly (Barreto, 2010).

In luxury watchmaking, where change is typically slow, dynamic capabilities explain how firms adapt under sudden disruption. Richemont's response to COVID-19 shows this in practice. With 43% of its over 900 boutiques closed worldwide, the group accelerated e-commerce across all its maisons, leading each to operate its own online store and to reorganize internal processes through home-office arrangements (Richemont, 2020b). These actions reflect effective seizing and transforming capabilities that helped maintain continuity under volatile conditions.

2.2 Luxury Strategy

After discussing the theoretical foundations of adaptive strategies, this section turns to the logic of luxury, which is essential for understanding how Richemont and the Swatch Group navigate exogenous shocks.

Both organisations present themselves as luxury watchmakers, whereas watches from brands such as Casio do not carry this reputation. To understand why timepieces from these maisons are regarded as luxury while others are not, it is first important to recognize that luxury is not a universal concept. It varies across cultures and historical periods and is more social and symbolic than product-related (Davies et al., 2012). Luxury is therefore relative and defined by comparison, as the perception of scarcity arises when certain goods or experiences are unavailable to others (Hauck & Stanforth, 2007). In this sense, even a Casio watch can represent luxury for someone depending on their context and aspirations.

Although luxury cannot be universally defined, it is frequently described through the combination of excellence, creativity, and exclusivity in its value logic (Cristini et al., 2017). This distinct logic separates it from the mass market, reflected in seven characteristics that symbolically restrict access: quality, hedonism, rarity, limited distribution, exclusivity, price, and creativity (De Barnier et al., 2012).

The value system of luxury differs fundamentally from conventional market logic. It is conceptualised as a model based on control, scarcity, and coherence (Kapferer & Bastien, 2011). Luxury brands maintain value by avoiding price competition, restricting distribution, and preserving autonomy over production and communication. Scarcity is managed symbolically through storytelling and limited accessibility, ensuring continuity while reinforcing perceived rarity (Kapferer & Bastien, 2011).

2.2.1 The Luxury Watch Industry

The luxury watch industry combines craftsmanship and tradition and is one of the most established segments of the luxury sector. The core of the sector originated in Switzerland through the consolidation of small regional and specialized manufacturers. This constellation enabled individual manufacturers to focus on their specialization and ensured that the end product was crafted with precision (Glasmeier, 1991).

Although this structure promoted quality, it also made the industry dependent on the expertise of individuals and less adaptable to external influences. This structure was tested in the 1970s with the introduction of quartz technology. While companies from Asia, including Seiko and Citizen, used quartz technology, many Swiss manufacturers continued to rely on traditional mechanical watchmaking. The resulting phase, often referred to as the "Quartz Crisis," led to significant market losses and showed how a system based on craftsmanship can be destabilized by external technological changes (Glasmeier, 1991). The recovery from this shock came with the merger of two major Swiss watchmaking groups, Allgemeine Schweizerische Uhrenindustrie AG (ASUAG) and Société suisse pour l'industrie horlogère (SSIH), which joined forces to form Société de microélectronique et d'horlogerie (SMH). Renamed the Swatch Group in 1986, this merger not only marked a turning point for the industry but also created one of the dominant players in the global luxury watch market (Donzé, 2014). It allowed the industry to reposition itself. Simplified manufacturing, modern materials, and new marketing approaches restored competitiveness while maintaining a focus on design and national identity (Donzé, 2014).

After the crisis, innovation remained controlled and incremental. Companies in this industry prefer to focus on design and customer relationships rather than radical technical changes (Tajeddini & Trueman, 2008). This form of controlled innovation reflects the general logic of luxury, prioritizing stability over rapid experimentation and decisions. Control and symbolic consistency therefore remain central to maintaining value and credibility (Kapferer & Bastien, 2011).

2.2.2 Luxury Value Protection

In the luxury watch sector, value depends more on symbolic meaning than on functionality or price. Brands protect this value by ensuring authenticity in their production and communication (Kapferer & Bastien, 2009). Authenticity is demonstrated above all in consistent stories of origin and verified quality standards. Labels such as "Swiss Made," indicating manufacture in

Switzerland, serve as a mark of authenticity, combining technical credibility with cultural legitimacy (Beverland, 2005).

Rarity is another catalyst, further enhancing the perceived value. Restricting access or production increases the motivation to obtain the product and also prevents market saturation (Hamilton & Shaheen Hosany, 2023). In watch manufacturing, limited availability and selective distribution ensure exclusivity and distinguish high-end manufacturers from the mass market. This principle is in line with the concept of abundant rarity, whereby potential buyers are presented with the products through advertising and other channels, but these are neither available in stores nor online, ultimately leading to further increasing interest (Kapferer, 2012).

Long-term value retention relies on balancing excellence and exclusivity. Maintaining this balance enhances credibility and prevents value loss (Cristini et al., 2017). In the luxury watch industry, innovation and production are therefore carefully managed to ensure continuity. Moderate innovations are preferred over expansion, as these carry the risk of disrupting the integrity of the brand (Kapferer & Bastien, 2009).

2.2.3 Resilience in Luxury

Resilience describes how organisations remain functional and stable even in challenging phases. Resilience is developed through learning skills that allow companies to recognize circumstances and make appropriate adjustments (Teece, 2007). This process takes place within a system of people and groups who have an interest in the company. In order to maintain the loyalty of these stakeholders even in difficult times and times of adjustment, trust and relationships with them must be constantly sustained (Parmar et al., 2010).

How sensitive this balance can be was demonstrated by an incident involving the Swatch Group in China. In 2025, the company released an advertising campaign featuring a model pulling the corners of his eyes backward. This gesture was perceived as discriminatory and culturally insensitive. Swatch Group withdrew the campaign and issued a public apology, but the response was widely considered late and insufficient (Koh Ewe, 2025).

The case illustrates that companies must respond under pressure without losing their identity. Clear and appropriate adaptation to external circumstances is therefore crucial. If companies respond too cautiously or too aggressively to external influences, their actions may be misunderstood by stakeholders, which can weaken trust and make resilience difficult to achieve (Koh Ewe, 2025). It is particularly important for luxury watchmakers to maintain credibility, as overly strong or weak reactions are hardly acceptable and difficult to reverse, as they create the impression that the company is turning its back on what it actually stands for (Beverland & Farrelly, 2010).

Resilience in the luxury sector means balancing change and continuity. It shows in how well a brand can respond to outside demands without losing its identity. Stability does not come from holding on to old structures but from managing change in line with the brand's values and earning acceptance both inside and outside the company.

Taken together, the literature reviewed in Chapter 2.1 and 2.2 establishes a two-layered analytical framework. While Adaptive Strategy explains how organisations respond to exogenous shocks through controlled and capability-based forms of adaptation, Luxury Strategy provides the normative logic against which such responses are evaluated in terms of exclusivity and credibility. The case study presented in this study therefore illustrates adaptive responses not only in terms of strategic effectiveness, but also in relation to their compatibility with luxury value preservation.

3 Methodology

In this chapter, the methodological framework guiding the study is introduced, describing the research design along with the procedures for data collection and analysis. This study follows a qualitative, comparative case study approach to examine how organisations strategically adapt when facing uncertainty. This approach provides a structure for collecting and interpreting data while also enabling the generation of meaning from empirical evidence (Beverland & Farrelly, 2010).

The case of Richemont and Swatch Group was selected due to their prominent positions in the global luxury watch market. Both Swiss companies rank immediately behind Rolex in terms of market share and manage prestigious maisons, including Vacheron Constantin and IWC at Richemont and Breguet and Omega at Swatch Group (Morgan Stanley, 2025). Despite their similar market standing, they differ in their strategic approaches. Richemont emphasizes exclusivity and heritage, while Swatch Group focuses on accessible luxury and innovation, targeting a broader market segment. This combination of comparable market share and contrasting strategies makes them particularly suitable for examining how luxury watchmakers respond to exogenous shocks while preserving their brand identity.

Qualitative research is particularly appropriate for this study, as it prioritizes understanding processes and meanings over numerical measurement. The case study approach supports this objective by analysing complex situations in their strategic context. (Crowe et al., 2011).

3.1 Research Design

In this study, a qualitative multiple case study design is applied. Using more than one case allows patterns to be confirmed or challenged, strengthening the validity of findings (Baxter & Jack, 2015). Comparative analysis also supports theory development by revealing both differences and similarities in organisational responses, enabling a nuanced understanding of underlying mechanisms (Eisenhardt, 1989).

For this study, three major shocks with a clearly defined time window are used to examine the reactions, with each shock representing a different phase of organisational adaptation:

1. **COVID-19 Pandemic**: A completed case that allows the observation of full responses and outcomes.
2. **Russia–Ukraine War:** An ongoing disruption illustrating how firms operate under prolonged uncertainty and integrate prior experience.

3. **U.S. Tariffs:** An emerging event capturing initial reactions shaped by earlier learning.

Together, these three shocks form a connected sequence that reflects consecutive stages of adaptation: reaction, adjustment, and anticipation. This sequence therefore shows, how adaptive behaviour evolves across successive disruptions.

All sources used specifically for the case study are presented separately in Chapter *8 Case References* to distinguish sources used for the case study from those used in the literature review and methodological sections.

3.2 Data Collection

To address the research question, both primary and secondary data were collected and analysed. The use of both types of data increases the credibility of the results and enables a more complete picture of how Richemont and the Swatch Group adapted to exogenous shocks, allowing findings to be cross-validated from multiple perspectives (Hollweck, 2015).

Primary data were collected through qualitative, semi-structured expert interviews. This type of interview allows participants to openly express their opinions and ideas while maintaining focus through the interview guide (Adams, 2015). Furthermore, expert interviews are particularly well suited for gaining specialist knowledge that combines practical experience with strategic thinking (Meuser & Nagel, 2009).

The interview guide consisted of 13 open-ended and fully formulated questions, presented in *Appendix 2*. The questions were arranged to create a natural flow of conversation, starting with general reflections on the luxury watch industry, followed by more specific questions on exogenous shocks and strategic responses, and concluding with reflective and forward-looking questions. This structure encourages storytelling and allows participants to share experiences and examples rather than short factual answers (Helfferich, 2022). To ensure comparability, a single guide was used, with minimal wording adjustments depending on whether the interviewee is affiliated with Richemont, Swatch Group, or is an external industry expert.

The group of interviewees is therefore divided into two groups:

- 8 employees and former employees from Richemont or Swatch Group,
- 3 external experts from the luxury watch industry.

This distribution ensured that both internal perspectives and external perspectives were included. The interviews were conducted online using the Microsoft Teams platform and had a duration of 45 to 60 minutes. *Figure 2* provides an overview of all participants.

Interviewee	**Date**	**Affiliation**	**Position/Background**
Interviewee 1	20.10.2025	Industry Expert	Partner, Management Advisory
Interviewee 2	24.10.2025	Swatch Group	Production Line Manager
Interviewee 3	05.11.2025	Richemont	Digital Transformation Manager
Interviewee 4	14.11.2025	Richemont	Watchmaker and Management Controller
Interviewee 5	14.11.2025	Richemont	Risk Consulting Manager
Interviewee 6	18.11.2025	Swatch Group	Retail Network Manager
Interviewee 7	19.11.2025	Industry Expert	Head of Luxury Consulting
Interviewee 8	21.11.2025	Swatch Group	Supply Chain Manager
Interviewee 9	21.11.2025	Richemont	Project Manager, Marketing and Events
Interviewee 10	25.11.2025	Industry Expert	Partner and Head of Management Advisory
Interviewee 11	03.12.2025	Swatch Group	Marketing Coordinator

Figure 2: Primary Interview Participants (Own illustration)

All experts received a consent form in advance, allowing the interviews to be recorded, transcribed, and evaluated. Due to confidentiality agreements, names and personal information are not disclosed.

In addition to the primary data, secondary data were collected to provide background and context. These include company reports, export statistics, and media reports. Furthermore, a systematic review of official corporate publications by Swatch Group and Richemont was conducted, through which seven interviews and interview-style statements from four corporate representatives were identified and integrated as supplementary expert input. The individuals and their roles are summarised in *Figure 3*.

Name	Organisation	Position
Nick Hayek	Swatch Group	Chief Executive Officer
Nayla Hayek	Swatch Group	Chair of the Board of Directors
Bérangère Ruchat	Richemont	Chief Sustainability Officer
Johann Rupert	Richemont	Chairman

Figure 3: Corporate Interviewees Identified from Secondary Data (Own illustration)

3.3 Data Analysis

Once data collection was completed, the next step was to analyse the material. For this purpose, the interview material was examined using qualitative content analysis (Mayring, 2015). This provides a structured framework for analysing and interpreting data derived from communication processes. The analysis focuses on uncovering the underlying meaning, patterns and recurring themes, rather than frequency (Cropley, 2011). The overall procedure is illustrated in *Figure 4*, which provides an overview of the key steps applied in this study.

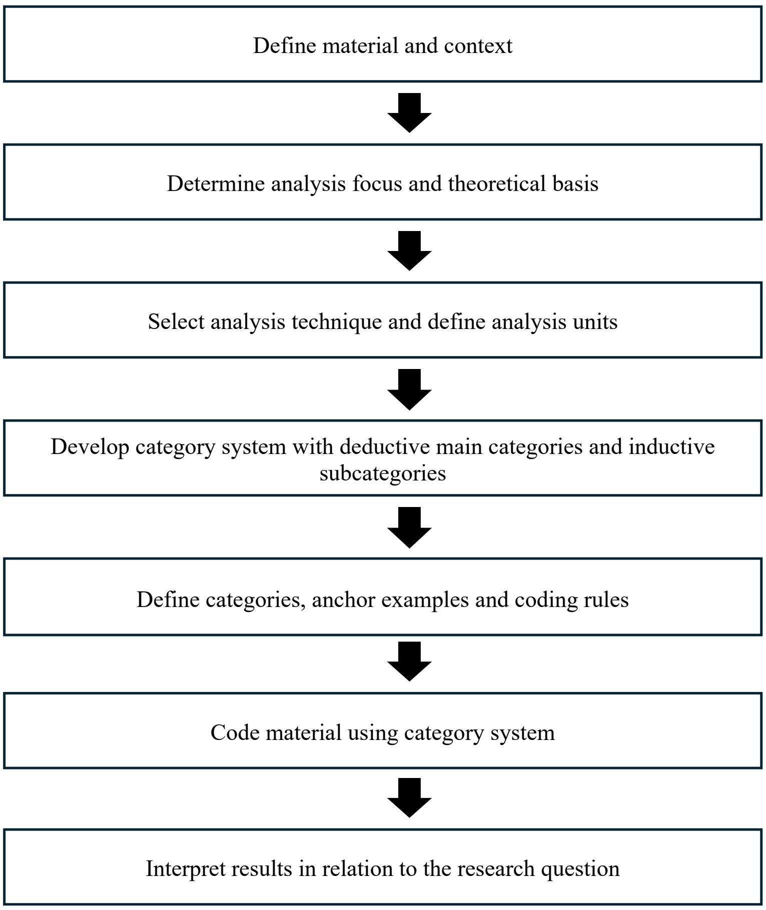

Figure 4: Overview of the Content Analysis Process (Own illustration based on Mayring, 2022)

To systematically analyse the data, a category system with main and subcategories was developed (Mayring, 2010). Both deductive and inductive methods were used to create this system. Deductive main categories were derived from the theoretical framework and the research question, and for each, a guiding hypothesis was formulated. These hypotheses serve as analytical anchors, clarifying the expected content and boundaries of each category. They are not tested statistically but rather ensure that the coding remains theoretically grounded and transparent. Inductive subcategories were developed from the interview material (Kuckartz, 2018). This combined approach preserves the theoretical orientation while also allowing for the possibility of gaining new insights. A purely inductive approach could lead to subjective interpretations of the data, whereas a purely deductive approach could result in unexpected results not being obtained and thus being overlooked (Mayring, 2010).

The final category system consisted of 6 main categories, addressing key analytical dimensions such as Adaptive Strategies and Dynamic Capabilities. Additionally, 11 subcategories reflected more specific themes that emerged from the interviews. The hypotheses and corresponding categories are presented in *Appendix 3*.

After developing the category system, the interview material was coded according to the defined categories using MAXQDA software. The allocation of statements followed specific coding rules, ensuring that each segment was consistently and transparently assigned to the appropriate category. *Figure 5* shows an excerpt from the MAXQDA software used and visualizes which expert made statements in which areas and categories.

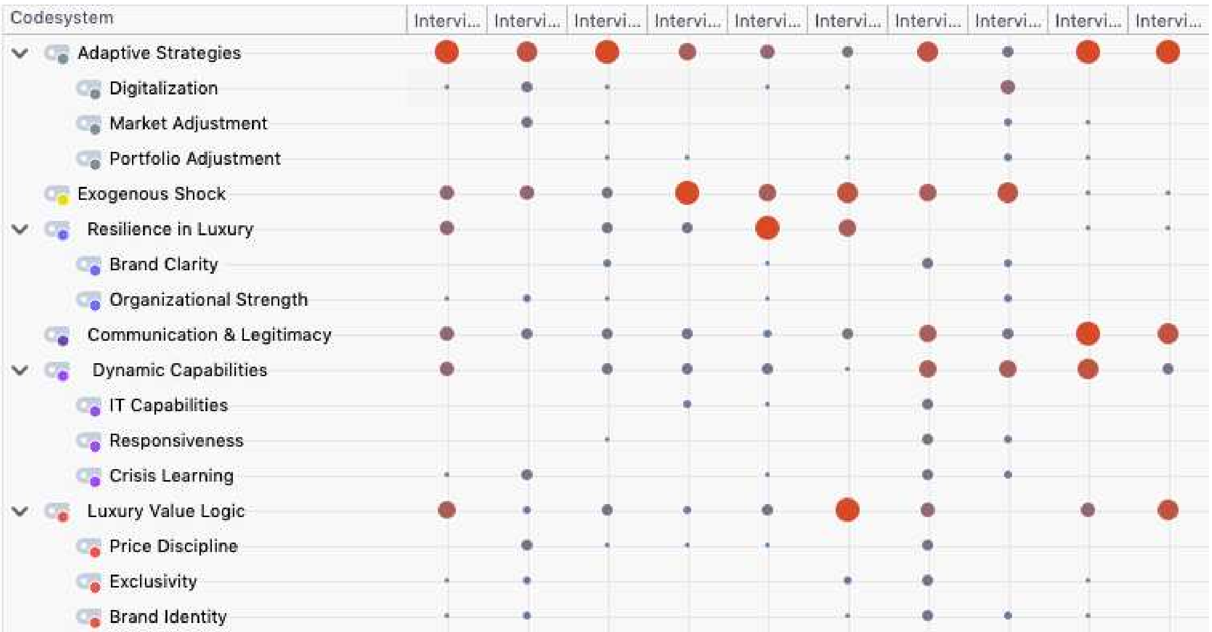

Figure 5: Overview of Expert Statements (Source: Extracted from MAXQDA, Code Matrix Browser)

The complete coding framework, including category definitions, coding rules, and anchor examples, is presented in *Appendix 4*.

The following chapter presents the case study, introducing the industry context and the responses of Richemont and the Swatch Group to the selected exogenous shocks.

4 Case Study

In recent years the Swiss luxury watch industry has been affected by several external events. In March 2020, the WHO declared the COVID-19 pandemic which led to global restrictions on production and trade. After several phases of adjustment these measures were lifted in Switzerland in February 2022 (Cucinotta & Vanelli, 2020; The Federal Council, 2022). In the same month, Russia launched its invasion on Ukraine, leading to ongoing disruptions to international supply chains and sales markets (The Federal Council, 2023). In addition, in spring 2025 the U.S. imposed tariffs, commonly known as the "Liberation Day Tariffs," on the import of a wide range of goods from multiple countries, including Switzerland and its watch industry (The White House, 2025a).

These three events define the scope of this case study. *Figure 6* shows the timeframes and classification of these shocks.

Shock	Timeframe	Type
COVID-19 Pandemic	January 2020 – February 2022	Social / Functional
Russia–Ukraine War	Since February 2022	Political
U.S. Tariffs	Since April 2025	Political

Figure 6: Overview of the Three Shocks (Own illustration)

The following section provides an overview of the Swiss luxury watch industry and the two companies. The case then focuses on the three shocks and the corresponding responses.

4.1 Industry and Company Overview

This section introduces the Swiss luxury watch industry and the companies Richemont and Swatch Group to provide context for the case analysis.

Swiss Luxury Watch Industry

The Swiss watch industry represents one of the central pillars of the national economy. With around 65,600 employees and an export volume of CHF 25.99 billion in 2024, it ranks among Switzerland's four most important export sectors, behind chemical and pharmaceutical products, precious metals, and machinery (Convention patronale de l'industrie horlogère suisse, 2024; Federation of the Swiss watch industry FH, 2025b). *Figure 7* highlights the industry's strong export performance, surpassing sectors such as vehicles and food.

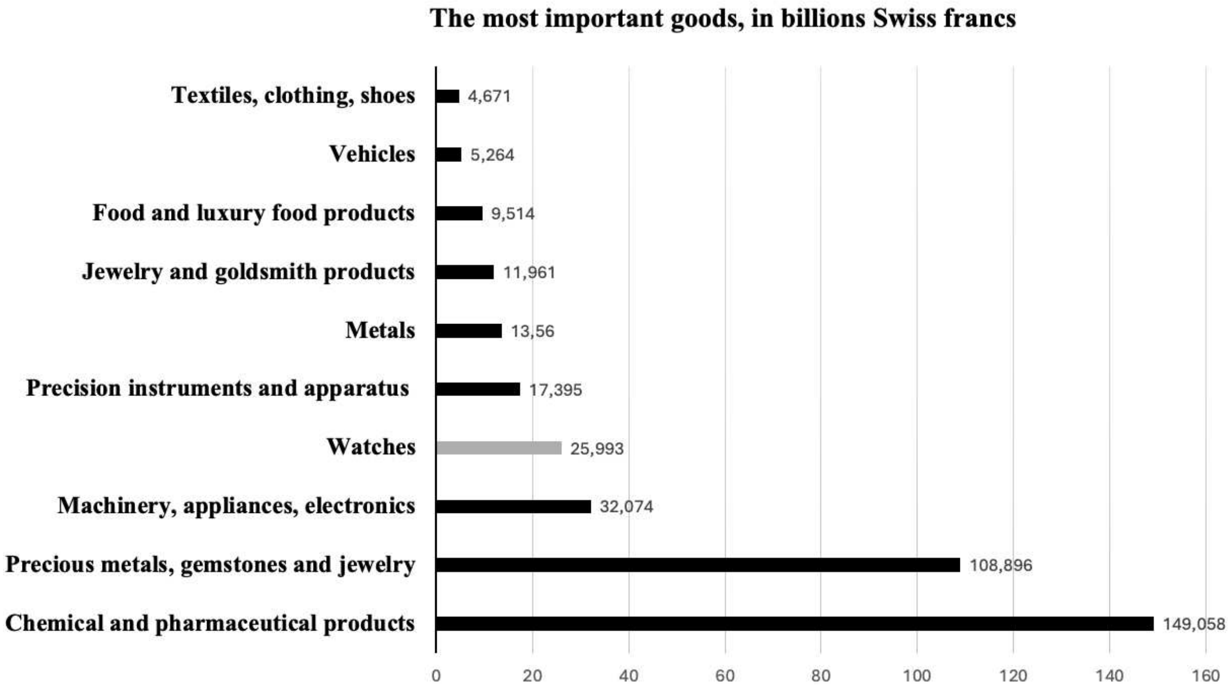

Figure 7: Swiss Foreign Trade in 2024 (Own illustration based on Federal Department of Finance, 2025)

Following the overview of the industry's current position and export strength, the development of export values over recent years provides a more detailed picture of the sector's performance (Federation of the Swiss watch industry FH, 2025b):

- 2020: CHF 16.99 billion
- 2021: CHF 22.30 billion
- 2022: CHF 24.86 billion
- 2023: CHF 26.75 billion
- 2024: CHF 25.99 billion

In three out of the five years, the Swiss watch industry recorded growth compared to the previous year, demonstrating resilience and continued economic significance. This overall success is largely driven by the high-end segment, with watches priced above CHF 3,000 accounting for 77.9% of total export value, despite representing only 13% of units sold (Federation of the Swiss watch industry FH, 2025a).

In 2024, the geographic distribution of Swiss watch exports highlights the predominance of specific markets. The United States (U.S.) represents the largest single market (CHF 4.37 billion), followed by China (CHF 2.05 billion) and Hong Kong (CHF 1.91 billion). Other notable markets include Japan, the United Kingdom, and Singapore. Regionally, Asia accounts for CHF 12.1 billion, exceeding Europe and the Americas in export value (Federation of the Swiss watch industry FH, 2025b).

The Swiss watch market is dominated by a limited number of global players. Rolex holds the largest share at 33.2%, followed by Swatch Group with 18.3% and Richemont Group with 17.8% (Morgan Stanley, 2025). By comparison, the next largest brand, Patek Philippe, holds only about one-third of Richemont's market share. *Figure 8* illustrates this market structure, highlighting the dominance of the leading players.

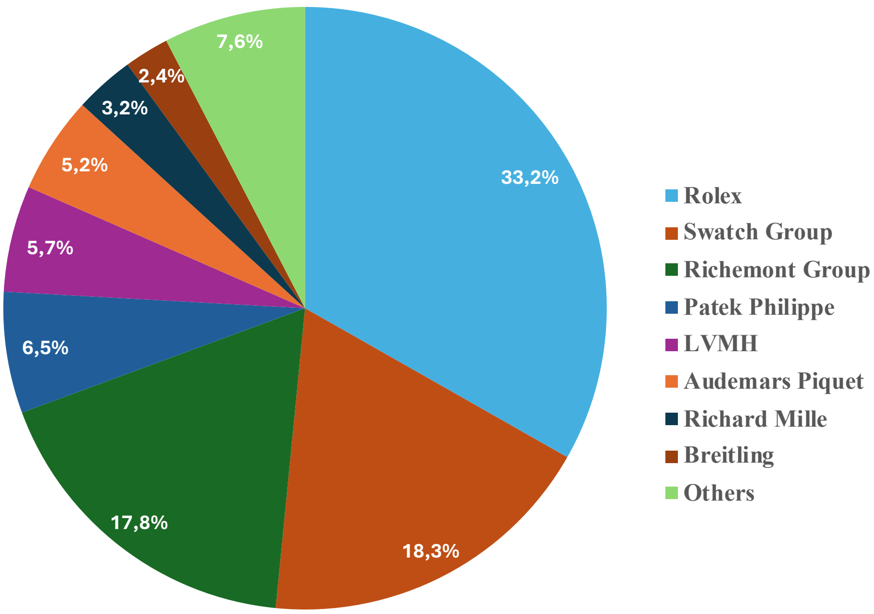

Figure 8: Market Share of Swiss Luxury Watchmakers 2024 (Own illustration based on Morgan Stanley, 2025)

Overall, the Swiss watch market is highly concentrated, with the largest three brands together controlling over two-thirds of total market share.

Richemont

Richemont was founded in 1988 and is headquartered in Bellevue, Geneva (Richemont Group Presentation, 2025). In 2025, the company employed 38,896 employees worldwide, including 9,416 in Switzerland, making it one of the leading players in the global luxury industry (Richemont, 2025a). Richemont's operations are organized into three main segments: *Jewellery Maisons*, *Specialist Watchmakers*, and *Other*, which include online distribution and fashion. In the 2024 financial year, the group generated a total revenue of €21.399 billion, of which the *Specialist Watchmakers* division contributed €3.283 billion, roughly 15% of group revenue (Richemont, 2025a).

The *Specialist Watchmakers* division encompasses eight maisons:

- A. Lange & Söhne
- Baume & Mercier
- IWC Schaffhausen
- Jaeger-LeCoultre
- Panerai
- Piaget
- Roger Dubuis
- Vacheron Constantin

All brands are consistently positioned in the high-end segment, reflecting Richemont's strategy of focusing on premium pricing and exceptional craftsmanship. This approach ensures brand exclusivity and reinforces differentiation from mass-market. Jaeger-LeCoultre, for instance, stands out for its extensive in-house manufacturing capabilities and technical innovation. Cartier, while also a significant watch brand, is not considered in this case study, as it is organisationally part of the *Jewellery Maisons* division (Richemont, 2025c).

Production is primarily carried at Swiss manufacturing sites owned by the group, supplemented by the Glashütte site in Germany for A. Lange & Söhne. Except for the German production, all watches meet the requirements of the Swiss Made label.

Following production, the division applies a carefully controlled distribution strategy designed to maintain exclusivity. The *Specialist Watchmakers* operate a global boutique network, which allows for close customer engagement and direct control over brand experience. In 2025, the division operated 932 boutiques worldwide, with IWC (232), Panerai (184), and Jaeger-LeCoultre (177) having the largest presence (Richemont, 2025c). Selective online and wholesale channels complement the network. The retail channel dominates, accounting for approximately 70% of revenue, followed by wholesale with 24% and online 6% (Richemont, 2025a).

Geographically, Richemont's watch business is strongly focused on Asia, which accounts for 51% of sales. Europe and the Americas together contribute 38%, while Japan, the Middle East, and Africa make up the remaining 11% (Richemont, 2025a).

Since 2018, Richemont has also been active in the market for certified preowned watches. With the acquisition of *Watchfinder*, the group pursued a strategic expansion that fits with evolving consumer trends (Richemont, 2018).

Swatch Group

The Swatch Group is one of the major companies in the Swiss luxury watch industry. It was established in 1983 through the merger of ASUAG and SSIH, playing an important role in stabilizing the sector after the Quartz Crisis. Since its renaming to the Swatch Group in 1998, the corporation has developed into an integrated industrial and brand network with its headquarter in Biel/Bienne (Swatch Group, 2025c). In 2024, the Group employed 32,477 employees worldwide and operated around 150 production sites in Switzerland as well as additional facilities in Europe, Asia and the U.S. (Swatch Group, 2025b).

The core business segment is *Watches and Jewelry*, which generated CHF 6,418 million in 2024 and accounted for about 95.3% of total revenue (Swatch Group, 2025a). This segment includes the design, production and marketing of all watch brands of the Group as well as the jewellery business of Harry Winston. In addition, the *Electronic Systems* segment contributed CHF 330 million and the *Corporate* division added CHF 8 million (Swatch Group, 2025a).

A key structural characteristic of the Swatch Group is its high level of vertical integration. The Group maintains a network of industrial companies that are fully owned and cover large parts of the value chain internally, including movements, regulating organs, cases, components and materials. Important internal suppliers include Nivarox-FAR and Comadur, which ensure continuous supply for the brands (Swatch Group, 2025a). This industrial depth is complemented by owned research institutions such as Asulab, which focus on the development of new materials and manufacturing processes. The technological strength of the Group is also reflected in the 196 patents filed in 2024 (Swatch Group, 2025b). This level of vertical integration allows the Swatch Group to internalise critical stages of watchmaking, thereby reinforcing operational control.

The brand portfolio of the Swatch Group is divided into four segments: Prestige & Luxury Range, High Range, Middle Range and Basic Range (Swatch Group, 2025a). As shown in *Figure 9*, most of the Group's watches are positioned in the upper segment, including luxury brands such as Breguet, Blancpain and Omega. The lower segments contain higher-volume brands such as Certina, Tissot and Swatch.

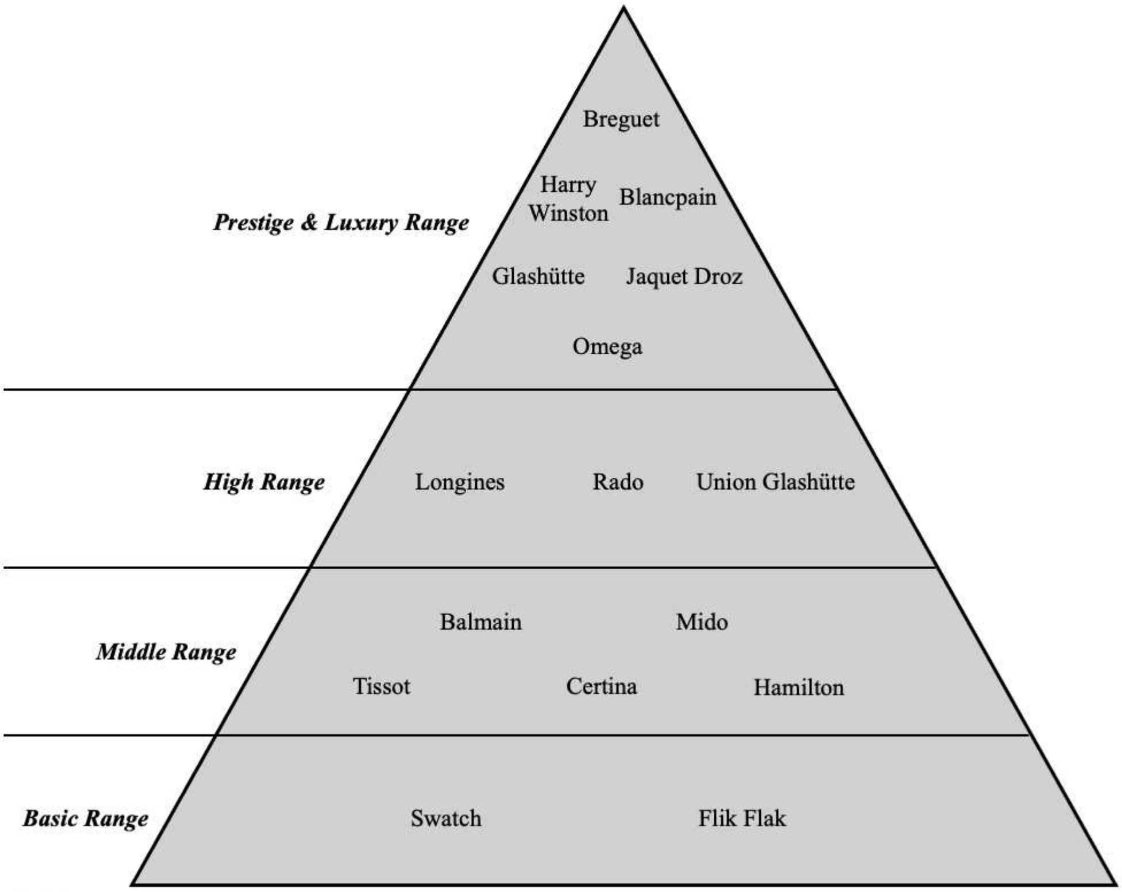

Figure 9: Swatch Group Brand Tiers (Own illustration based on Swatch Group, 2025a)

This segmentation combines artisanal haute horlogerie at the upper end with high-volume brands in the middle and lower price tiers. (Swatch Group, 2025a).

The Group operates globally, with Asia representing the most significant region at CHF 3,555 million, followed by Europe at CHF 1,868 million and the Americas at CHF 1,188 million (Swatch Group, 2025a). Within Asia, Greater China, which includes mainland China, Hong Kong Special Administrative Region (SAR) and Macau SAR, accounted for CHF 1,833 million or about 27% of total Group revenue, making it the most important single market for the Swatch Group (Swatch Group, 2024, 2025a).

After introducing the industry and the two companies, the following sections focus on the events that affected them and how they responded.

4.2 Shock I – COVID-19 Pandemic

In December 2019, an unusual pneumonia was first observed in the Chinese city of Wuhan. It was soon identified as COVID-19. What initially appeared to be a local health issue developed within weeks into a global challenge. On 11 March 2020, the WHO classified the situation as a pandemic (World Health Organization, 2025). By August 2023, more than 760 million confirmed infections and approximately 6.9 million deaths had been recorded worldwide, although actual figures are likely higher (World Health Organization, 2023).

Switzerland was affected early in this development. After the first confirmed cases in February 2020, the Federal Council reacted quickly and initially declared a "*special situation*" under the Epidemics Act (The Federal Council, 2020). As the virus spread further, the "*extraordinary situatio*n" was announced on 16 March 2020, bringing extensive restrictions on public life. Shops, restaurants, cultural institutions and many service providers were required to close, while events across Switzerland were prohibited (Heidelberger, 2025). In the following months, alternating waves of infection and corresponding adjustments to protective measures shaped daily life. It was only in April 2022 that the Federal Council lifted most national requirements, ending the central phase of nationwide pandemic regulations (Heidelberger, 2025).

In 2020, the market for personal luxury goods declined by around 22% in revenue (Boston Consulting Group, 2021). Segments that depend on physical presence and tourist demand, such as watches and jewellery, were particularly affected with temporary revenue declines of up to 50% (Boston Consulting Group, 2021; McKinsey & Company, 2020).

These developments were immediately reflected in the Swiss watch industry. Export revenues fell to CHF 17 billion in 2020, a decrease of 21.8% compared to 2019, reaching their lowest level since 2010. In the second quarter, export value temporarily dropped by 61.6% (Federation of the Swiss watch industry FH, 2025b). The number of exported units also decreased significantly, falling by 33.3% to 13.8 million watches (Federation of the Swiss watch industry FH, 2021). Recovery followed in 2021, when the global personal luxury goods market grew by 29% and slightly exceeded its pre-crisis level (D'arpizio & Levato, 2021). Swiss watch exports mirrored this rebound, rising to CHF 22.3 billion (Federation of the Swiss watch industry FH, 2025b).

Richemont

When Richemont celebrated the 150th anniversary of IWC Schaffhausen in 2018, the Group's watch division was operating in a phase of stability following two weaker years. In that year, the segment reported revenues of €2,980 million, approximately 10% higher than the previous year (Richemont, 2019a). In 2019, revenues declined slightly to €2,859 million, but the overall picture remained stable. During this period, digital sales gained importance, accounting for 16% of total revenue in 2019. The acquisition of *Watchfinder* expanded Richemont's presence in the professional preowned watch market and added digital retail capabilities. In parallel, internal processes were further digitized and the organisation modernized. Just before the pandemic, the division was operationally stable and increasingly oriented towards a more digital environment (Richemont, 2019b, 2020a).

"COVID was the most impactful, even more than war, because it was truly global. It touched everyone, everywhere, at the same time. Wars are terrible, but not every country is hit in the same way at the same time. With COVID, everything stopped." – Interviewee 9

When the pandemic spread in early 2020, Richemont's watch division experienced a sharp decline in activity. Revenue in the watch segment fell by 56% in the first quarter of the 2020 financial year compared to the previous year. For the full year, revenues declined to €2,247 million, approximately 21% below the prior level. Around half of the global boutique network was temporarily closed, and a large share of production sites was shut down until May 2020. Manufacturing, logistics, and delivery processes were disrupted during this period.

As an immediate response, Richemont implemented a crisis management plan built around four priorities. These included protecting employees and customers, maintaining critical processes, safeguarding liquidity through cost and inventory control, and preparing for an orderly restart. Key administrative functions shifted to remote work, while manufacturing sites operated with reduced teams under defined health and safety guidelines (Richemont, 2021b, 2021a).

"Richemont kept working via home-office. That's what they did. They kept all jobs ongoing; they did not fire internal people. So, they tried to keep business as usual during COVID, just with remote work instead of physical presence." – Interviewee 3

Richemont used the crisis to update core ways of working within its watch division and to adjust direct customer engagement practices. The maisons expanded their online presence and shifted parts of the advisory process into digital formats. At Jaeger-LeCoultre, dedicated video appointments were introduced, allowing sales consultations to take place fully online.

“The demand for ‘fine products that last’ is unbroken.” – Johann Rupert (Richemont, 2022b)

As physical retail gradually reopened, Richemont expanded direct sales through its own channels. By 2022, these channels accounted for more than half of the watch division’s revenue for the first time. This development was reflected in the division’s financial performance. Revenue reached €3,435 million in 2022, around 20% above the pre-crisis level of 2019 and approximately 53% higher than in 2020 (Richemont, 2022a).

Swatch Group

In 2019, Swatch Group’s year was shaped by the Moonwatch, the Omega icon that became the first watch on the Moon in 1969. Its anniversary models attracted strong attention worldwide. The *Watches and Jewelry* division generated CHF 7,966 million that year and accounted for about 96.6% of total group revenue. Although revenues were slightly below the previous year, overall performance remained stable over a five-year period. During this period, the Group expanded its digital structures and invested in enterprise resource planning and customer relationship management systems, strengthening its digital and data-related capabilities (Swatch Group, 2020).

When the pandemic spread globally in early 2020, it hit Swatch Group’s watch division and brought the previously stable business trend to an abrupt end. Sales declined by around 33% compared with the pre-crisis year 2019, while operating profit and operating margin fell sharply over the course of the year. At the same time, government measures led to widespread boutique closures, and production, which is largely based in Switzerland, was temporarily halted or operated only at significantly reduced capacity. The collapse of international tourist flows further weakened demand. In response, Swatch Group introduced extensive protective measures for employees and customers, expanded remote working arrangements, and implemented short-time working. Despite these measures, total headcount declined from 36,089 to 32,424 over the year (Swatch Group, 2021).

"Pretty quickly, the discussion then also turned to capacity and costs. We moved to reduced working hours in some areas, so short time working, and we replanned production again and again as the demand picture changed." – Interviewee 2

To preserve its ability to operate during the crisis, Swatch Group relied on a strict liquidity policy and drew on its strong net cash position. This financial buffer provided room to stabilise operations while the organisation adjusted to the environment. At the same time, the Group accelerated its efforts in digital sales. During 2020, e-commerce expanded rapidly, growing by around 70% and accounting for a significantly larger share of total revenue than before. (Swatch Group, 2021).

"On the operational side, we were pushed to be very flexible. We re-routed shipments, we changed allocations, we made exceptions. But on the brand side, there was a clear line around not doing things that would damage the positioning." – Interviewee 8

After the sharp downturn in 2020, the *Watches and Jewelry* division gradually returned to a more stable environment from 2021 onward. Revenue rose by 31.4% to CHF 7,014 million, and the operating margin reached 15.9%, moving back above the pre-crisis level. This recovery extended into 2022. Revenue increased to CHF 7,145 million, while the operating margin improved further. In the U.S., Europe, and the Middle East, the brands recorded double-digit retail growth, partially offsetting the lack of tourist flows. During this period, the maisons also shifted major product presentations into hybrid formats that combined physical and digital elements. (Swatch Group, 2023a).

"However, the pandemic accelerated some deeper changes. One long-lasting effect is a stronger integration between online and offline retail." – Interviewee 6

Physical retail remained a central element of the Group's distribution approach. This was reflected in the launch of the Omega Swatch collaboration, the Bioceramic MoonSwatch, which was sold exclusively through selected boutiques in order to maintain a controlled brand experience and limit availability (Swatch Group, 2023b). Despite the recovery observed in other areas, revenues in 2022 remained below the pre-crisis level of 2019, indicating that the watch division had not yet fully regained its earlier scale in the first year following the lifting of most pandemic-related restrictions.

4.3 Shock II – Russia–Ukraine War

On 24 February 2022, Russian President Vladimir Putin announced a so-called "military special operation," marking the start of the attack on Ukraine. Shortly thereafter, Russian troops crossed the country's borders. Ukrainian President Volodymyr Zelenskyy responded immediately by declaring martial law, closing the airspace, and ordering a broad mobilisation to defend the state. What began as an initial moment of escalation has since evolved into a war that has lasted many years and claimed around 50,000 civilian victims (United Nations, 2025; Walker, 2025). Despite extensive sanctions and intensive diplomatic efforts at international mediation, neither a lasting ceasefire nor a political breakthrough has been achieved (Walker, 2025).

Western states have imposed a wide range of economic and financial sanctions on Russia, as well as on numerous individuals and companies, since the beginning of the Russian attack. Within the European Union (EU), a total of 19 sanctions packages were adopted between February 2022 and the end of October 2025. These included financial restrictions, selected trade and export bans, as well as asset freezes and travel bans targeting sanctioned persons (European Council, 2025).

Switzerland, which enshrines its neutrality in its Federal Constitution, decided shortly after the outbreak of the war to align itself with the EU's sanctions measures. In addition, it tightened its export controls and introduced specific measures to prevent sanction evasion (Federal Department of Foreign Affairs, 2025; Staatssekretariat der Wirtschaft, 2025).

Following the measures introduced by the Federal Council in the *Ordinance on Measures in Connection with the Situation in Ukraine*, Switzerland prohibited the sale, delivery, export, transport and transit of luxury goods, including all categories of watches, as well as the trade in gold, diamonds and other precious metals connected to the Russian Federation (Staatssekretariat der Wirtschaft, 2025). For the Swiss luxury watch sector, the alignment with international sanctions marked a sudden change in the conditions under which companies operated. Exports to Eastern Europe were reduced quickly, and many brands suspended shipments even before the measures became legally binding. As a result, exports to the region fell from around CHF 300 million in 2021 to approximately CHF 100 million in 2022. Since Russia accounted for only around 2% of global exports before the war, the overall financial impact remained limited. While access to Eastern European markets contracted, overall demand for Swiss watches continued to strengthen. Total exports rose from CHF 22.3 billion in 2021 to CHF 24.9 billion in 2022 and increased further to CHF 26.7 billion in 2023. Against this broader expansion, Eastern

Europe followed a different trajectory. Exports to the region continued to decline and reached CHF 67 million in 2023, making it the only regional market to record a year-on-year decrease during this period (Federation of the Swiss watch industry FH, 2022, 2025b).

Richemont

Eight years before the war, Vacheron Constantin opened a new boutique in Moscow and marked the step with limited editions made specifically for the occasion (Goulard, 2014). Until early 2022, almost all of the Group's watch brands were present in Russia, except for Baume and Mercier. Although Russia contributed less than 2% to Group sales, it was regarded as a reliably established environment with stable local demand (Richemont, 2021a).

With the start of the war, the conditions changed fundamentally and continuing operations in the Russian market was no longer permitted under regulatory requirements. Richemont therefore stopped all activities in 2022, including product sales and the sourcing of diamonds and gold of Russian origin. The complete withdrawal from economic presence resulted in impairments of around €168 million and additional write downs of inventory of roughly €70 million (Richemont, 2022a).

As regulatory conditions changed, Richemont adjusted both its operational presence and its external communication. The Group limited its public statements and adopted a restrained tone in its reporting, consistently referring to the situation as a conflict. At the same time, it emphasised the safety of employees in both Russia and Ukraine as a priority and refrained from adopting explicit political positions.

> *"Richemont reacted silently and remained neutral. They did not communicate anything publicly. They're in Switzerland, and Switzerland traditionally doesn't pick sides. The Russian market is important for them. Many wealthy Russian clients like to show off their watches."*
>
> *– Interviewee 1*

External communication was limited to stating that all activities had been halted in line with the applicable rules and that supply chains had been adjusted accordingly. Campaigns continued to focus on products and craftsmanship, without reference to the geopolitical situation.

Despite the complete exit from Russia, the watch division continued to perform well. In 2023, revenue rose by around 13% compared with the previous year, reaching €3,875 million. In 2024, revenue then declined moderately by about 3%, leaving the business largely stable at a high level (Richemont, 2025a).

"We have prepared for these conditions. The company is in a very good shape with a strong balance sheet." – Johann Rupert (Richemont, 2022b)

Swatch Group

Russia became a vibrant stage for the Swatch Group's brands in terms of brand building and customer activation. Breguet reopened a renovated boutique in Moscow featuring the country's first Breguet Museum, Omega staged an exhibition at the Marble Palace in St. Petersburg, Blancpain strengthened customer loyalty through exclusive events with selected partners, and Harry Winston hosted a gala presenting its collection in Moscow. The sheer number of these initiatives suggests long term, carefully cultivated market development, but in fact all of these activities took place in 2018 (Swatch Group, 2019).

With the outbreak of the war, the conditions changed abruptly. Regulations no longer permitted continued distribution in Russia, leading Swatch Group to halt supplies, close its boutiques, and suspend local operations. The Russian subsidiary, Swatch Group RUS, remained legally in place and wholly owned by the Group, but its activities were effectively paused. As a result, Swatch Group's economic presence in the Russian market came to a standstill (Swatch Group, 2025a).

While many international companies issued public statements, the Swatch Group entirely refrained from political commentary and released no communication about the war. The Group did not address the situation directly in either its annual reports or sustainability reporting, did not refer to it as a war, and consistently kept its external messaging focused on new products and global brand activities. The communication of the watchmaker therefore remained depoliticized and oriented toward day-to-day operations.

"In terms of communication, we have been cautious and respectful. This is a human tragedy first and a business issue only in a secondary sense. We have avoided any communication that could be perceived as opportunistic." – Interviewee 2

After the withdrawal from Russia, the *Watches and Jewelry* segment initially continued to develop positively and exceeded the prior year's revenue level in 2023. Revenue rose from CHF 7,145 million in 2022 to CHF 7,546 million in 2023. In 2024, however, it fell sharply to CHF 6,418 million. The Swatch Group mainly attributed this decline to weaker consumer momentum in China, but the loss of the Russian market also represents a challenging situation for the company (Swatch Group, 2025a).

"Geopolitics? Since the Swatch Group was founded, we have lived through crises and upheavals. Once peace finally returns to Ukraine, we will be able to reactivate our boutiques in Russia. It remains an important market for us." – Nick Hayek (Müller & De Schepper, 2025)

4.4 Shock III – U.S. Tariffs

On 2 April 2025, a day the White House referred to as *"Liberation Day,"* U.S. President Donald J. Trump stated that the U.S. had suffered for decades from large trade deficits and foreign market barriers that, in the administration's view, had weakened American industry and national security (The White House, 2025a). As a response, the administration introduced the so-called Reciprocal Tariffs. These included a 10% additional duty on nearly all imports (The White House, 2025d). In addition, countries with significant trade imbalances or heavily protected markets were assigned substantially higher country-specific tariff rates. Notable examples included 20% for the EU, 47% for Vietnam, and 36% for Thailand. The tariffs applied to most product categories, while a limited set of agricultural goods was expressly exempted (The White House, 2025d). In the weeks that followed, tariff levels were repeatedly adjusted depending on whether trading partners imposed retaliatory duties or signalled willingness to negotiate. China, for example, faced reciprocal tariff levels of up to 125%, which were later reduced back to 10% after both sides entered direct discussions (The White House, 2025c). By the end of July 2025, the U.S. raised several country-specific tariff rates once again, leaving a number of nations with significantly higher individual duties (The White House, 2025b).

Switzerland was also among the countries assigned a country-specific tariff rate under the U.S. Reciprocal Tariffs. Swiss exports to the American market were first subjected to a 31% rate and this level was increased to 39% at the end of July, placing Switzerland in the group of countries facing the highest tariff burdens within the new system (The White House, 2025b, 2025d). This tariff level can be explained by the large trade imbalance between the two economies. In 2024 Switzerland exported goods worth roughly CHF 52.65 billion to the U.S. while importing roughly CHF 15.18 billion, resulting in a Swiss surplus of CHF 37.47 billion, meaning that Switzerland exported more than three times as much to the U.S. as it imported (Federal Department of Finance, 2025).

The Swiss Federal Council chose not to adopt countermeasures and instead relied on direct negotiations with Washington. These talks proved effective and in November 2025 both sides announced a Declaration of Intent under which the tariff rate applied to Swiss goods would be set at 15% (The Federal Council, 2025).

The announcement of new U.S. tariffs hit the Swiss luxury watch industry at a time when it was already under pressure from the ongoing geopolitical tensions caused by the Russia-Ukraine war, creating yet another exogenous shock. Luxury watches were not included among the exceptions in the U.S. measures and therefore fall fully under the new tariff regime (The White House, 2025b). The significance of this development becomes particularly clear considering that the U.S. is the industry's most important single market.

In April 2025, exports rose to CHF 853 million, more than 90% above the value of the previous year, reflecting a pronounced frontloading effect since the tariffs were scheduled to come into force only after a 90-day delay (de Soyres et al., 2025; Federation of the Swiss watch industry FH, 2025b). In May and June, export values declined before rising again in July to CHF 554.5 million after the U.S. government decided to postpone the introduction of the tariffs once more, this time until August. In September 2025, the export value fell to CHF 157.7 million, reaching a clear low point for the year (Federation of the Swiss watch industry FH, 2025b).

Richemont

In the years leading up to the tariff debate, the U.S. became one of the division's key pillars. With revenue of €556 million in 2024, the Americas were the division's third strongest market. At the same time, Richemont's structural footprint in North America deepened. New York became a central hub for brand presence and customer experience, evident in new flagship stores from IWC and Jaeger-LeCoultre, as well as Vacheron Constantin's cultural partnership with the Metropolitan Museum of Art. This growing importance was also reflected internally, as around one in ten employees worked in the Americas (Richemont, 2025a).

"First Covid, then the war in Ukraine, then President Trump's election and the tariffs. Honestly, I didn´t predict any of these situations, but we are being stress tested."
– Johann Rupert (Richemont, 2025d)

As the introduction of higher U.S. tariffs began to take shape, the Group's pricing strategy moved into the spotlight. Richemont made it clear that rising tariffs could lead to higher costs and that these would, if necessary, have to be offset through price increases.

"I think it is a difficult situation because in luxury you want to keep price integrity. You can't just drop prices in the US because costs go up with tariffs or FX - that would create arbitrage issues, and you risk to lose the brand." – Interviewee 4

Even before the new duties took effect, many retail partners brought orders forward, creating a frontload effect. This impact showed up immediately in the regional key figures. While the division as a whole declined over the half year from €1,657 million to €1,558 million and operating profit fell, the Americas posted strong growth and rose by more than 10% (Richemont, 2025d).

"It depends on the distribution model. If the maison sells through a distributor, the distributor will ask for deliveries as fast as possible before tariffs hit. If they have their own boutiques in the US, they will also transfer stock there up front. In both cases, you see frontloading."

– Interviewee 10

During the tariff debate, several representatives of the Swiss watch industry, including Richemont Chairman Johann Rupert and Jean Frédéric Dufour, the CEO of Rolex, travelled to Washington for a meeting with U.S. President Donald Trump. The meeting received broad media attention and drew focus to the planned changes in import duties. Shortly afterwards, U.S. authorities confirmed that the tariff rate for Switzerland would be set at 15% instead of 39% (Ruehl, 2025).

Swatch Group

With 10.9 seconds left in the third quarter, LeBron James scored a basket in January 2023 at the Crypto.com Arena that brought him to a total of 38,388 points, making him the highest scorer in National Basketball Association (NBA) history (NBA, 2023). Visible worldwide at that moment was the shot clock above the hoop, supplied by Tissot in every NBA arena. As the league's official timekeeper, the brand is present at every game and in every decisive moment. Building on this role, Tissot extended its partnership with the NBA, which has been in place since 2015, by another ten years in early 2025 (Swatch Group, 2025d). Other Swatch Group maisons are also active in the U.S. market. Omega, for example, set up a running track in Miami ahead of the Olympic Games where visitors could measure their times. The Swatch Group's presence in the U.S. is also reflected in its sales figures. In revenue terms, the Americas are the Group's third largest market, behind Europe and Asia (Swatch Group, 2025a).

After the announcement of potentially higher U.S. tariffs, the Swatch Group deliberately prepared for changing conditions in the American market. Depending on the brand and model, price adjustments of around 5 to 10% were communicated for the U.S., without extending them to other regions (Swatch Group, 2025e).

"So, first of all, no, we don't absorb nothing. There is no reason to absorb anything. If a country decides to raise taxes, and we will accordingly adapt our prices. We have strong brands, and we are sorry for the consumer in the United States, but we also have to protect our people in the United States, and we are also to support the retailers in the United States".
– Nick Hayek (Swatch Group, 2025e)

Even before any tariffs were introduced, large volumes of goods were shipped to the U.S., increasing inventory from roughly 6 to about 10 months of sales. As an additional measure to cushion potential tariff impacts, the Swatch Group simultaneously expanded its presence in the Caribbean cruise ship business and is now represented on more than 170 cruise ships, where watches are sold duty free, allowing the company to continue reaching U.S. customers in particular. This sales channel was not intended to replace the U.S. market, but rather to provide an additional way to sustain demand under changed conditions (Swatch Group, 2025e).

"One thing that helps them is that their clients travel. If you have the money for a watch, you probably travel once a year outside your country." – Interviewee 1

As a result, despite the announced tariffs, the Swatch Group managed to increase its business in the Americas by more than 10% in the first half of 2025, partially offsetting the decline in demand in Asia (Swatch Group, 2025a).

5 Teaching Note

The following chapter presents the teaching note for the case study, starting with a brief synopsis, then outlining the learning objectives and teaching strategy, and concluding with the assignment questions.

5.1 Case Synopsis

This teaching case study focuses on how the two Swiss luxury watch groups, Richemont and the Swatch Group, respond to a sequence of exogenous shocks. The case is set in the context of the Swiss luxury watch industry and begins with a brief overview of the industry and the positions of both companies. It then presents three external events that affected the industry within a relatively short period of time: the COVID-19 pandemic, the Russia–Ukraine war, and the introduction of U.S. tariffs on Swiss products. The case traces how both groups responded to these events and which strategic measures were taken across the three shocks. In doing so, recurring response patterns, organisational approaches, and managerial decisions become visible. In addition, the case addresses the role of key characteristics of the luxury industry, such as brand management, pricing, and exclusivity.

5.2 Learning Objectives and Contribution

This case can be used by instructors in courses on strategy and management. It enables an examination of how firms respond to exogenous shocks through a comparative case study from the Swiss luxury watch industry.

The central learning objectives of the case are to:

- Identify the challenges that exogenous shocks create for luxury watch companies
- Understand the overarching strategic decisions made by Richemont and the Swatch Group in response to the events described
- Identify the concrete measures taken by both groups in response to exogenous shocks
- Analyse which factors presented in the case help explain why Richemont and the Swatch Group respond similarly in some areas and differently in others

In addition, the case study makes the following contributions:

- Illustrating how luxury watch companies can respond to exogenous shocks while maintaining a consistent brand identity

- Demonstrating that adaptation in the luxury watch industry takes place within clear strategic boundaries
- Providing insights into how luxury companies adjust their responses across multiple exogenous shocks

Overall, the case provides a structured basis for analysing strategic decision-making under exogenous shocks in an industry characterized by strong brand orientation.

5.3 Teaching Strategy

For the preparation, students should first read the literature review. This helps them become familiar with the basic ideas of exogenous shocks, strategic adaptation, and the specific characteristics of luxury firms. With this background, it becomes easier to understand why luxury companies often react differently to exogenous shocks than firms in other industries.

After that, students should read the case itself. It is recommended to start with the overview of the industry and the introductions of Richemont and the Swatch Group. The three case sections should then be read one after another and linked back to the concepts discussed in the literature review. If necessary, additional sources listed in the references can be used to support the analysis.

5.4 Session Plan

To fully leverage the learning potential of this teaching case, a structured session plan is proposed for a 90-minute class discussion. Students are expected to read the case and the assigned literature in advance in order to enable focused analysis and efficient use of in-class time. *Figure 10* illustrates the proposed session plan.

Step	Activity	Time
1. Introduction	Brief overview of the case and its key themes by the instructor	15 min
2. Assignment Briefing	Case questions are distributed and explained	5 min
3. Group Work	Students work in small groups to analyse the case and solve the assignments	45 min

Figure 10: Session Plan (Own illustration)

The session is organized around two assignments that guide students through the case analysis in small groups of four to six students. During the discussion, each group appoints one representative to present the group’s key insights and lead the exchange, while other members may contribute as needed. This format is designed to support active participation and structured discussion.

5.4 Assignment Questions

This section introduces the assignment questions that guide students through the case. Each assignment is followed by a suggested answer to support the discussion.

Assignment 1

The case examines three exogenous shocks that can be grouped into three types: political, social and functional. Using this distinction, compare how Richemont and Swatch Group responded to these shock types. Structure your analysis along the degree, visibility, and reversibility of the strategic responses.

Answer

Building on Oliver (1992), the events described in the case can be assigned to different types of exogenous shocks. The following section compares how Richemont and the Swatch Group responded to these shocks:

1. COVID-19 pandemic

The COVID-19 pandemic affected both operational structures and demand patterns at the same time. It therefore represented a combined functional and social shock for Richemont and the Swatch Group.

Degree:

The degree of adaptation was very high for both groups. Worldwide boutique closures, disruptions to production, and restrictions on international mobility led to a temporary standstill of core business activities. In order to remain operational under these conditions, both companies adjusted their organisational and operational structures at short notice. Central sales and coordination processes were reoriented to maintain business continuity despite limited physical presence. A key element of these responses was the increased use of digital channels. Both Richemont and the Swatch Group intensified online sales and digital customer touchpoints and introduced new working arrangements such as remote work and more flexible working models.

Visibility:

Many of these adjustments were only indirectly visible to external stakeholders. From the customer perspective, the most noticeable change was the shift of sales and advisory activities into digital formats, such as online purchasing or virtual interactions. Other measures, particularly internal organisational changes, production adjustments, or labour-related instruments, largely remained in the background and primarily affected internal operations.

Reversibility:

Most of the measures were designed as temporary and were therefore largely reversible. As pandemic-related restrictions were gradually lifted, boutiques reopened, and production processes were normalized. At the same time, some adjustments proved to be more permanent. In particular, the expansion of digital sales and communication formats was retained and integrated into existing structures, as these changes continued to be considered useful beyond the acute crisis phase.

2. Russia–Ukraine war

The outbreak of the war in Ukraine in 2022 constituted a political shock, as it was driven by state action and followed by far-reaching international sanctions. While the conflict itself was geographically concentrated, it directly affected the regulatory conditions under which Swiss luxury watchmakers operated.

Degree:

The degree of adaptation was more limited than during the pandemic. For both Richemont and the Swatch Group, Russia represented only a small share of overall business, and demand in other regions continued to develop positively. Nevertheless, the sanctions regime made it impossible to continue operations in the Russian market. Both companies therefore suspended their activities. Richemont withdrew fully, stopping sales and sourcing activities. The Swatch Group closed its boutiques and paused the operations of its Russian subsidiary. In both cases, the response was decisive within the affected market, while leaving the global business largely unchanged.

Visibility:

Externally, the reactions of both groups remained deliberately restrained. Unlike many international companies, neither Richemont nor the Swatch Group issued public political statements or positioned themselves visibly in relation to the conflict. References to the war were avoided in external communication and corporate reporting. For customers outside Eastern Europe, the suspension of activities in Russia was barely noticeable. Brand communication, marketing activities, and pricing in other markets continued without visible change.

Reversibility:

Both companies treated the situation as a suspension rather than a permanent exit. Operations in Russia were frozen, but not fully dismantled. In particular, the Swatch Group maintained its legal presence in the market, allowing for a potential reactivation should conditions change. Although Richemont recorded write-downs related to its withdrawal, a return to the market remains possible if regulatory constraints were lifted. Overall, the responses were structured to keep future options open rather than to close the market definitively.

3. U.S. trade tariffs

The announcement of substantially higher U.S. import tariffs on Swiss watches in 2025 represented a political shock, as it resulted from trade policy decisions and directly altered the institutional conditions of market access. While the shock was geographically limited to a single market, it affected one of the most important sales regions for the Swiss watch industry.

Degree:

The degree of adaptation was moderate to potentially high. Although the tariffs had not yet taken effect at the time of the announcement, they created significant uncertainty regarding future pricing and demand. Both Richemont and the Swatch Group were given a transition period, which allowed them to respond proactively rather than reactively. During this period, both companies adjusted their operational and commercial planning in anticipation of higher costs. The responses were targeted and market-specific, without requiring fundamental changes to the global business model.

Visibility:

The visibility of the responses varied across measures. Some actions were externally visible, particularly those related to political engagement. Industry representatives, including senior executives from Richemont and other major Swiss watchmakers, engaged directly with U.S. policymakers, and these efforts received media attention. Other responses remained largely invisible to consumers. Measures such as frontloading deliveries to the U.S. market or shifting parts of distribution to alternative channels took place primarily in the background. Potential price increases, by contrast, were expected to be clearly noticeable for U.S. customers and were communicated accordingly.

Reversibility:

Most of the measures adopted in response to the tariff announcement were designed to be reversible. Frontloading shipments was a one-time adjustment, and regional price increases could, in principle, be revised if trade conditions changed. Subsequent negotiations led to a reduction of the initially proposed tariff level, which further limited the need for long-term structural adjustments. Overall, the responses were aimed at managing short-term disruption rather than permanently reconfiguring business operations.

Assignment 2

Identify areas in which Richemont and the Swatch Group deliberately refrained from adapting or chose to adapt only to a very limited extent. What role did considerations of brand exclusivity and credibility play in these decisions? Based on the observed patterns, derive decision rules and apply them to a future shock scenario of your choice.

Answer

Building on the case evidence, several areas emerge in which Richemont, and the Swatch Group deliberately refrained from adapting or kept adaptation very limited in order to protect brand exclusivity and credibility:

1. **No price discounting and promotional selling**

   Both groups kept prices stable and avoided broad discounting, even during the COVID-19 pandemic when sales fell sharply. Instead of lowering prices to protect short-term volumes, they reduced production and adjusted retail operations. Price stability functioned as a clear boundary. Once a luxury product is openly discounted, it risks losing its sense of rarity, and credibility with core customers can suffer. By accepting lower volumes rather than cutting prices, Richemont and the Swatch Group protected the long-term meaning of their brands.

2. **No deviation from the brand core**

   Even under pressure, neither Richemont nor the Swatch Group altered the core positioning of their brands. No luxury brand was shifted toward a lower market segment. During the COVID-19 period, Richemont did not introduce cheaper sub-lines or simplify its offering but continued to focus on established maisons and long-standing brand narratives. The Swatch Group likewise kept its existing brand portfolio intact and avoided repositioning brands downward. By keeping the brand promise unchanged, both groups protected exclusivity and avoided sending mixed signals to their customers. Adaptation took place in how products were sold and communicated, not in what the brands fundamentally stood for.

3. **No loss of control over distribution and communication**

Across all three shocks, both groups drew clear lines around distribution and communication. They avoided quick or reactive moves that could have led to outcomes they could no longer manage. In their external communication, neither Richemont nor the Swatch Group relied on outside actors to carry brand messages, nor did they take visible positions in political or social debates. A similar logic applied to distribution. Even as online sales became more important, brands continued to sell through their own or tightly controlled channels rather than opening up to mass online marketplaces, and some products remained available only in selected retail settings. Maintaining this level of control helped ensure that brands continued to appear consistent and familiar to their core audiences, even as external conditions changed.

4. **Neutrality and long-term stakeholder relationships over short-term positioning**

Both groups avoided turning crises into moments of public positioning. During politically or socially sensitive periods, communication stayed close to products and ongoing brand activities, while political statements were largely absent. This was not about taking a stance, but about avoiding missteps in markets with very different expectations. Rather than chasing attention or short-term approval, Richemont and the Swatch Group focused on keeping relationships with core stakeholders intact. A restrained approach reduced the risk of alienating customers and helped the brands remain stable and familiar during periods of uncertainty.

Taken together, the case shows recurring boundaries that Richemont and the Swatch Group were not willing to cross. From these boundaries, the following decision rules can be derived:

- **Preserve rarity even at the expense of volume**
  When demand weakens, both groups reduce output or accept lower sales rather than compromise on price or availability. Scarcity and price stability remain protected.

- **Adapt primarily behind the scenes**
  Adjustments focus on internal processes and structures, while outward-facing changes remain limited and carefully managed.
- **Put the brand before short-term gains**
  Strategic decisions are filtered through their consistency with established brand meanings, even when this constrains short-term flexibility.

Applied to a future shock scenario, such as a sudden shift in values in which customers place much stronger demands on environmental and sustainability standards, the derived decision rules help anticipate likely strategic behaviour. Such a development would represent a significant challenge for both companies, as it combines societal pressure with expectations for visible change while directly touching core elements of brand meaning.

In this situation, Richemont and the Swatch Group would likely follow a brand-first logic, developing their brands further without abandoning their core positioning. Sustainability would be strengthened within existing brand identities, for example through certified materials or higher production standards, rather than through rapid repositioning or opportunistic messaging. Consistent with a behind-the-scenes approach, many adjustments would take place internally, such as reducing emissions or changing sourcing practices, while external communication would remain measured in order to maintain credibility. At the same time, both groups would likely accept the loss of certain customers rather than lowering prices or shifting toward mass-market sustainability offerings. Instead of producing large volumes of lower-priced sustainable products, they would be more likely to produce fewer pieces under stricter sustainability standards, preserving desirability through scarcity.

6 Conclusions and Limitations

This case study examined how Richemont Group and the Swatch Group responded to a sequence of exogenous shocks in the Swiss luxury watch industry. It focused on how both firms adapted their strategies while preserving core characteristics of luxury, particularly brand exclusivity and credibility.

The case was structured as a comparative and chronological analysis of three exogenous shocks affecting the Swiss luxury watch industry. By tracing how Richemont and the Swatch Group responded to each event, the case was designed to support discussion on strategic adaptation under external pressure and to serve as a teaching tool for analysing managerial decision-making in luxury contexts.

The comparison indicates that Richemont and the Swatch Group did not treat exogenous shocks as triggers for fundamental strategic reorientation, but rather as situations requiring careful calibration. Across the three shocks, both firms adapted selectively, combining operational flexibility with a strong emphasis on continuity in brand positioning, pricing logic, and control over visibility. This pattern highlights how luxury firms manage disruption by balancing adaptation with the preservation of long-term brand meaning.

These results should be read with a few limitations in mind. The comparison between Richemont and the Swatch Group is influenced by differences in how the two groups structure and report their activities. In particular, watches and jewellery are reported jointly at the Swatch Group, while at Richemont, Cartier, an important watch brand, is embedded within the jewellery division, which makes a precise comparison at product level difficult. In addition, the case study is limited to two Swiss luxury watch groups. While this narrow focus allows for a detailed examination of their responses to exogenous shocks, it also means that the findings are difficult to extend to other industries or luxury segments.

Future research can address these limitations by extending and testing the patterns identified in this study. Since the work is exploratory, one next step would be to test these patterns with quantitative data or with a different research design. It would also be worth looking at internal shocks such as leadership changes or organisational restructuring and then comparing those responses with what was observed under exogenous shocks in this case. Internal disruptions can create similar pressure on strategic consistency and decision making, but they come from within the organisation and may therefore play out differently.

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Appendix 1: Synthesis of the Literature Review

Perspective	Literature Section	Theoretical Focus	Relevance for the Research Question
2. 1 Adaptive Strategy	2.1.1 Exogenous Shock	Exogenous shocks disrupt routines and make planning and coordination under uncertainty difficult.	Establishes a consistent basis to classify and compare shock conditions, so that adaptation is analysed in relation to the nature of the shock.
	2.1.2 Controlled Adaptivity	Adaptation can occur incrementally and within clearly defined boundaries.	Clarifies forms of adaptation that allow change while preserving strategic consistency, which is central to maintaining brand exclusivity and credibility.
	2.1.3 Dynamic Capabilities	Adaptation relies on routines that enable the recognition of change, decision-making, and structural renewal.	Specifies how adaptation becomes possible in practice through routines that support coordinated change without undermining the overall brand logic.
2.2 Luxury Strategy	2.2.1 The luxury watch industry	The luxury watch industry is strongly shaped by tradition, craftsmanship, and controlled forms of change.	Explains why adaptation in luxury watchmaking is particularly constrained by concerns of exclusivity and credibility.
	2.2.2 Luxury Value Protection	Luxury value is protected through scarcity, price integrity, distribution control, and authenticity.	Provides concrete criteria to assess whether adaptive actions preserve exclusivity and support brand credibility.
	2.2.3 Resilience in Luxury	Resilience is reflected in a brand's ability to remain stable and retain trust despite change.	Offers the evaluative logic for the analysis, where adaptation is considered effective if exclusivity and credibility are sustained after the shock.

Source: Own illustration

Appendix 2: Interview Guide

Topic: "*Luxury under External Pressure – A Case Study of Strategic Adaptation at Richemont and the Swatch Group*" Position of the Interviewee: Date of Interview: Duration:
Introduction
• Thank the participant for agreeing to the interview • Short self-introduction and background of the study • Brief explanation of the research topic • Overview of the interview process (approx. 45–60 minutes, semi-structured) • Confidentiality and data protection statement • Consent for recording the interview • Clarify if the interviewee has any questions before starting
Beginning of the Interview
After we have now clarified the formal aspects and I have given you a short introduction to the topic, I would like to start with the actual interview. **Introductory Question:** How would you describe the current situation of the luxury watch industry: stable, under pressure, or in transformation?
Core Questions
Question 1: Looking back at the past years, which events or developments have most influenced the luxury watch industry, and why?
Question 2: Thinking about the COVID-19 pandemic, how did Richemont/Swatch Group react in the first phase?
Question 3: From your own experience, how did Richemont/Swatch find the balance between acting quickly and maintaining brand stability during COVID-19?

Follow-up: Is this decided centrally, regionally, or globally and is a specific strategic framework or model used to guide these adaptations?
Question 4: During the pandemic, what kinds of strategic changes were introduced, and which of them proved to be temporary versus long-lasting?
Question 5: Considering the war in Ukraine and the resulting geopolitical tensions, how has Richemont/Swatch Group responded so far, especially regarding markets, exports, and communication?
Question 6: When facing politically sensitive situations like the Ukraine war, what factors influence whether Richemont/Swatch Group takes action, stays neutral, or remains silent?
Question 7: Regarding new trade barriers and tariffs, how is Richemont/Swatch Group adjusting its strategies in areas such as pricing, distribution, and sourcing?
Question 8: How are lessons from COVID-19 and the Ukraine crisis shaping how Richemont/Swatch Group prepares for future uncertainties, including trade and market risks?
Question 9: In your view, how important is communication - both internally and externally - for maintaining trust and credibility when responding to disruption?
Question 10: Looking across these situations, what separates watch companies that remain resilient and relevant from those that struggle to adapt, both in the short and the long term?
Closing Questions
Closing Question 1: In your opinion, what is often misunderstood when people talk about adaptation in the luxury watch industry? **Closing Question 2:** Is there anything we haven't discussed yet that you believe is important to understand about how watch companies deal with change? That brings us to the end of the interview. Thank you very much for taking the time to participate.

Source: Own illustration

Appendix 3: Category System

Hypothesis	**Main Category**	**Subcategories**
Hypothesis 1: Luxury watch companies respond to shocks with small, reversible actions rather than large, irreversible changes to maintain identity and exclusivity.	Adaptive Strategies	1. Digitalization 2. Market Adjustment 3. Portfolio Adjustment
Hypothesis 2: Adaptive measures prioritize restricted access, controlled distribution, and price integrity to preserve symbolic value and exclusivity.	Luxury Value Logic	1. Price Discipline 2. Exclusivity 3. Brand Identity
Hypothesis 3: Strong Sensing–Seizing–Transforming routines enable faster, more consistent adaptation and resource reallocation during shocks.	Dynamic Capabilities	1. IT Capabilities 2. Responsiveness 3. Crisis Learning
Hypothesis 4: Brand-coherent communication emphasizing heritage, authenticity, and continuity determines stakeholder trust and acceptance of adaptive measures.	Communication & Legitimacy	
Hypothesis 5: Firms that balance adjustment with continuity achieve greater stability during and after shocks.	Resilience in Luxury	2. Brand Clarity 3. Organisational Strength
Hypothesis 6: Responses are more effective when they match the nature of the shock, as each type imposes distinct constraints and coordination needs.	Exogenous Shocks	

Source: Own illustration

Appendix 4: Coding Framework

Category	Category label	Definition	Coding rules	Anchor examples
Main Category 1	Adaptive Strategies	Strategic responses that preserve brand identity during external changes	Captures statements describing small, temporary, or reversible actions	*“I can imagine that during COVID they fired many contractors, because they couldn’t have the boutiques open.” - Interviewee 10*
Subcategory 1	Digitalization	Use of digital tools, channels, or remote interaction to maintain operations or client relationships.	Captures statements that describe shifts toward digital tools, online sales, video consultations.	*"They had transformed a VIP salon into a kind of studio." - Interviewee 9*
Subcategory 2	Market Adjustment	Strategic adjustments to markets, regions, or supply flows in response to exogenous shocks	Captures statements that describe reallocating products across regions and shifting focus between markets.	*"That has forced us to think much more in terms of balanced geographic portfolios." – Interviewee 3*
Subcategory 3	Portfolio Adjustment	Changes to product collections, model availability, or assortment strategy.	Captures statements that describe stopping collections or refocusing assortments.	*"They stop some collections, reduce some expenses, and focus more on explaining what makes them different." - Interviewee 9*

Main Category 2	Luxury Value Logic	Measures that maintain exclusivity through scarcity, controlled distribution, and price integrity.	Captures statements about limited editions, selective channels, price discipline, or storytelling reinforcing rarity.	*“Even if they lose money in one year, it’s better to lose money for one year than to lose the brand.” – Interviewee 6*
Subcategory 1	Price Discipline	Maintaining fixed pricing to protect exclusivity and avoid discount-based adaptation.	Captures statements that reject price reductions, discuss price integrity or avoid discounting.	*“Prices were kept stable, and the positioning of the collections did not suddenly change just because of short-term pressure.” - Interviewee 5*
Subcategory 2	Exclusivity	Maintaining scarcity, rarity, or tightly controlled distribution as part of luxury identity.	Captures statements that emphasize scarcity, waiting lists, limited supply, protecting exclusivity, or avoiding mass strategies.	*“Then we saw crazy waiting lists for some models. Because nothing was available on the new market, the second-hand market also went crazy.” - Interviewee 1*
Subcategory 3	Brand Identity	Preserving core brand codes, heritage, history, or narrative consistency.	Captures statements that describe the need to stay true to brand heritage, avoid radical changes or protect brand DNA	*"We will not integrate those features. That’s not what we do, that’s not who we are." – Interviewee 6*
Main Category 3	Dynamic Capabilities	Organisational abilities to detect and respond to change.	Captures statements mentioning monitoring systems, early signals, decision-making processes or structural adjustments.	*“We were looking at KPIs for the teams, making them deliver faster but also with better quality.” – Interviewee 7*

Subcategory 1	IT Capabilities	Development of tech capabilities for data, systems, AI, or digital operations.	Captures statements that mention investments in data systems, or digital infrastructure.	*“There was an equivalent to ChatGPT which is completely internal to Richemont.” – Interviewee 8*
Subcategory 2	Responsiveness	Ability to adjust quickly to disruptions or changing conditions without harming the brand.	Captures statements that describe rapid adaptations, operational agility or temporary responses.	*"There were days when new restrictions came in overnight, and you had to re-do work you had done the day before." – Interviewee 4*
Subcategory 3	Crisis Learning	Insights gained from past shocks that influence future preparedness.	Captures statements that reflect learning from shocks or how previous crises shaped current strategies.	*"That experience changes how seriously you take scenario planning." – Interviewee 5*
Main Category 4	Communication & Legitimacy	Communication aligning actions with heritage and authenticity to sustain trust.	Captures statements about internal and external messaging, brand-consistent framing, and coherent narratives across channels.	*“If you tell them they will receive a certain quantity by a certain date and then you do not deliver, and you also do not explain why, trust is damaged.” – Interviewee 8*
Main Category 5	Resilience in Luxury	Ability to adapt while preserving continuity and stability of value	Capture statements about learning from previous shocks, controlled change, and maintaining identity during adaptation	*“The industry does not react fast, and that’s frustrating sometimes. But it’s also part of what protects the brands from making huge mistakes.” – Interviewee 10*

	Subcategory 1	Brand Clarity	Clear understanding and consistent execution of what defines the brand.	Captures statements that highlight staying focused on strengths or core differentiation.	*"Companies that know what they stand for, who they serve, and how they create value can navigate turbulence more coherently."* *– Interviewee 3*
	Subcategory 2	Organisational Strength	Internal structures, talent, and collaboration that support long-term resilience.	Captures statements about work culture, stability, internal collaboration, or strong organisational foundations.	*"We also invest more in cross-training employees."* *– Interviewee 5*
	Main Category 6	Exogenous Shocks	External events that disrupt planning and require tailored responses.	Captures statements describing the type of shock, its impact on operations or strategy, and how the response was adapted to its characteristics.	*"With COVID, suddenly the entire basic structure changed. Flights were cancelled, some countries were almost impossible to ship to for a while and others had strict lockdowns."* *– Interviewee 10*

Source: Own illustration based on Mayring, 2022