



REICHER WATCHMAKERS CASE STUDY

 **ÜLYSSES**

DIGITAL STUDENT COMPETITION ON FAMILY BUSINESS



Erasmus+



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SLOGAN/TAKE AWAY MESSAGE:

"Where different perspectives meet: From academia to entering new markets."

KEYWORDS:

Maintaining the family brand despite internationalisation and product line expansion.

ABSTRACT:

Reicher is a family-run watch and jewellery shop founded in 1972. The company that carries the family name started as a watchmaking studio, which over the decades turned its sole-service approach into sales. The founder, Senior Steven Reicher, a gold-cruised watchmaker, is now in his retirement years, but he remains active in the company's bloodstream, still playing a major role in the repair of watches. However, he has recently handed over the reins to the only son, Steve Reicher Jr., who has returned to the family business from a completely different career as a fresh graduate in the field of humanities. He has set himself the goal of continuous development, which includes expanding the original profile of the company. Now the wedding and international markets are among the company's primary targets. Today, nearly forty brands are available in their stores, including well-known names such as Casio, Calvin Klein, Pandora and Zeppelin. However, this has been accompanied by a shift away from the craftsmanship for which they have been known and this has also led to some crucial strategic issues.

INTRODUCTION TO SITUATION (STORYTELLING)

Ring, Ring, Ring, - Steve Junior's phone rang as he was arranging his notes on his desk in the great lecture hall at the University of Tübingen in Germany, preparing for his next class. It was his father calling. He would never have expected his call at this hour.



"Is something wrong at the workshop?" - was the first thing that came to his mind. Unfortunately, the problem was even bigger than he had anticipated... "Hello, Son! I'm in hospital, but don't worry!", he greeted him. "That doesn't sound very good! What happened? Are you okay?" he was desperate to know. "To tell you the truth, I am okay now, but I've just had a stroke." Senior Steven wanted to continue, but he had failed to reassure his son, who kept interrupting him: "What? Are you sure you're okay? How bad is it? When will they let you go home?". "I have to stay here for another day for observation, but fortunately, there are no complications. I was lucky this time, but now the doctors have advised me to rest for a few weeks... I don't know what will happen with the workshop... I should have 2 watches ready for next week. I'm never late with these things..." - he began to worry. "Daddy, don't worry about that now! Your health is the most important thing!" - his son tried to steer the clockmaker's thoughts in the right direction. "Sure son, but business is business, and timeliness is part of our reputation. ... Well, it'll all work out somehow!" - concluded Senior Steven. "I'll reorganise my work and go home this weekend to help you at home until you get your strength back," - the young man decided, not realising at the time that the illness of his father was not only a milestone in his father's life, but also a prelude to his own entrepreneurial life.

But back to the present. The company, which has its roots in clockwork expertise, was the first step towards the future of Mr. Steve Reicher's leadership, as the company has undergone continuous development. The next step in this development process was internationalisation and the expansion of the product range. In addition to the company's regional successes, they also wanted to take advantage of the company's fortunate location, as Sopron (where the four stores are located) is close to the Austrian-Hungarian border, so they are looking to expand internationally. "We don't want to open a physical store, because the market is quite saturated, but we want to target the Austrian audience with online sales. We have done an extensive competitor



analysis and we see that we can offer better prices and a wider range of products compared to similar sized companies in Austria, and they typically don't have an online shop, so we want to exploit this gap in the market. Reicher Watches and Jewellery has a huge geographical advantage over other Hungarian shops in the Austrian market, being able to deliver via the Austrian Postal Service, which is a significant cost saving opportunity." In addition, they can offer a variety of their products at extremely favourable prices compared to Austrian watch and jewellery shops, making them attractive to customers.

"In Austria, small and medium-sized companies like us don't really have an online store, it's more typical of big companies like Amazon. Therefore, we want to expand to this market niche." - says Steve. The background processes for implementation have already started, but communication and positioning will require further strategic decisions. Among the many issues to be decided there are crucial questions. Should they keep the current online shop and create a version in German, too, or should they create a completely new webshop for the Austrian target market specifically? Another question is to determine if and how the brand name should be translated to convey its family tradition to the new target audience on the new international market.

The current reputation and brand are now the results of more than 50 years of family expertise, experience, and reliability, but it has been linked to the father's watchmaking craftsmanship for a long time. By contrast, the company now has an expanded profile, with watches, jewellery, wedding jewellery and wedding rings. *"Last year was our first year with an expanded profile, but so far this range has not delivered the expected results."* - says Steve. Few people know about and/or order the hoop rings that are still marketed by Reicher, and promoting them is a priority, as the company sees huge potential in this area, too.

At the same time, the online retail of unbranded jewellery is also a new target for the



company. Maintaining the success of the brand is the priority for the management, but the aim is to launch unbranded jewellery products in such a way that these lower quality products would not damage the existing reputation of the brand's success.

DESCRIPTION OF CHARACTERS AND FAMILY BACKGROUND

The founder, the father:

Gold-crust watchmaker Steve Reicher opened his watchmaking workshop in 1972. He based his business on professionalism and craftsmanship, *"a very different entrepreneurial approach from those who seek to start a business primarily to make money. So, my dad brought home less of an entrepreneurial mindset and more of a passion for his profession."* He ran his shop as a repair service workshop until the change of regime, then in the 1990s he started opening up to the trade and added jewellery to his range. Involving his son in the business proved to be a good decision in many ways, but it presented him with many difficult choices. It was also a time when he was very sceptical and distant about the launch of the company's webshop, but in the end he was happy to see young, innovative ideas. Now retired, he continues to devote his free time to his watches in his downtown shop but is no longer involved in the management of the company.

From a philologist to an entrepreneur:

The son of the founder, Dr. Steve Reicher Jr., the sole CEO of the company, was an only child who dreamed of a different career. Motivated to become a researcher and educator, he set out on his path as a PhD student at the History of Education Department of the University of Tübingen. First, he was a scholarship student, then held



a contract at the university, until an unexpected illness opened new opportunities for him in the family business. His father had a stroke and needed help to keep the business going. He then experienced a transitional period of living his dreams and running the family business all at the same time. Around 2010 he realised he had reached crossroads. He gave up his academic career and put his family business first. *"I found the initial period challenging, as I had no basic entrepreneurial skills as a liberal arts student. I had to find a way to make up for this lack of skills, so I self-taught myself and took part in a mentoring programme, where I was lucky enough to find someone who could give me advice on how to run the business."* In contrast to his father's professional and artisanal orientation, Steve Jr. saw his future in trade, so he took an effort to strengthen his skills. Ever since, he expanded the business from one downtown store to 4 and developed an entirely new online retail channel for the company. *"At first we ran the business together, but then I took on the leading role fully. The new shops and the online direction initially took some time to convince my father, but once they were on the right track, he started to believe in them, too."*

INFORMATION ABOUT FAMILY BUSINESS

General information about the company:

The watchmaking salon, which started as a small craft enterprise in 1972, began as a one-man workshop in Sopron, where service and expertise were at the heart of its activities until the Hungarian regime change in 1989. After that, Senior Steven started to deal with trade, so not only repair but also sales became part of the company's profile. The company is a regional market leader in the watch and jewellery trade, with a stable workforce of over 20 people working in its 4 branches. On a broader scale, the market leader company of the sector is located in Győr, followed by Reicher Watch and Jewellery, competing directly with a company from Szombathely. In terms of online



sales, Reicher is one of the companies with the highest growth potential.

Milestones in the company's market penetration:

The current form of the company (LLC - limited liability company) was founded in 2002, 2 years after which the family business opened its second shop in a shopping mall in Sopron. In 2006, they doubled the floor space of the first shop and built a new workshop, followed by a major technological upgrade in 2008, which resulted in the opening of a third shop in another shopping centre, Alfa Park. The latter one was relocated to Tesco in 2014, and in 2016 they added a new shop to the list. From then until the COVID-19 pandemic, which affected the life of every company, they renewed and expanded their existing shops (e.g., with a ticket corner) and their range of goods every year to ensure that they were always ready and able to meet the needs of their customers. Meanwhile, they were among the pioneers to launch their online shop in 2011, but at that time it was not a major focus. Online sales really took off during the pandemic, and although their plans would have included a focus on the online space eventually, circumstances pushed the implementation to move forward rather quickly. As a result, they achieved a nearly 70% increase in sales from 2021 to 2022.

2022 was a truly landmark year for the company, as the 50th anniversary celebrations spanned through the whole year. During this period, the focus was on strengthening the brand and improving the underlying processes. In Sopron, for example, an exhibition called 'FIVE YEARS OF FIVE MOVIES' was organised, featuring 50 unique clocks - special table and wall clocks, mantel clocks, a pocket watch from the First World War, an alarm clock with a wooden case. The event demonstrated the Reicher family business' dedication to watches, but also featured other online initiatives to strengthen the brand, including prize draws.

Future goals:



"At the moment, we have identified three objectives to strengthen online sales. We would like to strengthen online sales for one of our flagship brands, to show non-branded products on the web and we would like to open towards Austria, but exclusively online. Offline, the aim would be to strengthen the lines of jewellery and wedding products. So far, wedding rings have not reached the expected volume." Said Steve. In addition to these, maintaining the already established reputation is also a constant objective, so the above goals must be achieved with this in mind.

PROBLEM TO SOLVE

Continuous development and expansion are the virtues of good business. However, in case of a family business, you may face general principles and operating models that take a 180-degree turn to achieve progress. The question therefore arises as *how a family watchmaker can become a leading watch and jewellery retailer at an international and national level, while retaining the original virtues that have defined the company from the onset*. This raises the question of how future goals can be achieved while preserving family and professional values. How should the family brand be introduced to the Austrian market? How should Steve introduce the family brand to the Austrian market so that it can be competitive, but still reflect his father's handiwork? Introducing other product lines would also broaden the potential market but could also potentially infringe on the company's family values that go back 50 years. It would therefore make sense to find a solution where both can be achieved at the same time.

QUESTIONS

1. How to achieve the objectives set, while respecting the traditional family brand?



2. How can the company maintain its original values based on expertise while internationalising and expanding with new product lines?
3. How would you introduce unbranded, more affordable products, while maintaining the achievements and the essence of the family business?
4. What difficulties might arise when entering the Austrian market? How can these be overcome?
5. What management decisions do you consider essential for the success of the expansion to Austria?

INSTRUCTIONS FOR STUDENTS

- Students should answer the questions posed above.
- Handing in: Written solution (5-6 pages)
- Video presentation → can be video of team, animation etc. pitch 3 min.

EVALUATION

- Aims and Process: the team was able to identify the problem/crisis/issue, defines clear and comprehensible aims on how to solve it and describes its approach and the reasoning behind it
- Structure & Form: the form and structure of the final output and its presentation is creative (editing, tools used, design, attractiveness), comprehensible (red line), follows academic standards (citations), and uses adequate language.
- Research (literature and theory): the approach and processes to



solve the problem are based on relevant literature and theory
(→tbd)

- Content / Solution / Outcome: the team's solution provides an added value for the family business and its members. Relevant criteria:
 - Level of Creativity
 - Level of Innovativeness
- Level of Feasibility / Possibility of implementation



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Ulysses Contest – Digital Student Competition on Family Business

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