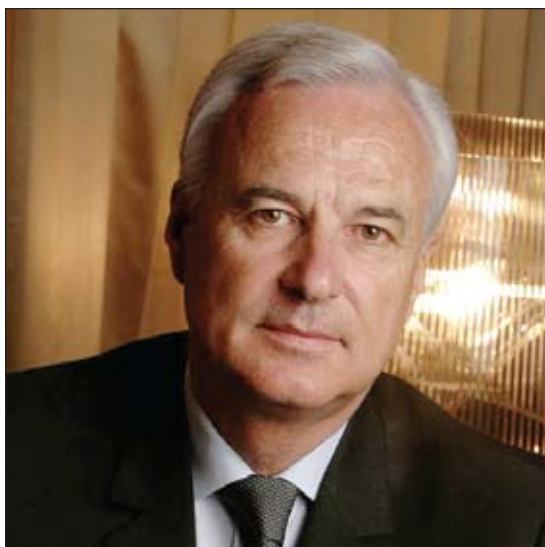


Interview

Respecting the Brand

An Interview with Bernard Fornas,
President and Chief Executive Officer, Cartier International SA



Bernard Fornas

EDITORS' NOTE Bernard Fornas has been President and Chief Executive Officer of Cartier International SA since 2002. Prior to joining Cartier as International Marketing Director in 1994, Fornas worked with a number of companies in the consumer products field and subsequently became Chairman and Managing Director of Baume & Mercier. Fornas has been a Director of Richemont SA, a directly held, wholly owned subsidiary of Compagnie Financière Richemont SA, which functions as the Management Board since 2002. He graduated from Lyon Business School and holds an M.B.A. from the Kellogg School of Management, Northwestern University.

COMPANY BRIEF Founded in 1847 by Louis-François Cartier and headquartered in Paris, Cartier SA (www.cartier.com) was deemed "the jeweler of kings, king of jewelers" by no less a connoisseur than King Edward VII. Today, it remains one of the world's most esteemed luxury brands, designing and manufacturing exclusive collections of fine jewelry, wristwatches, leather goods, accessories, fragrances, pens, eyewear, and scarves, which are distributed worldwide through more than 280 Cartier boutiques. In addition, Cartier watches and accessories are distributed through select dealers. The firm is a subsidiary of Compagnie Financière Richemont SA, a Swiss luxury goods conglomerate.

Cartier is celebrating its 100th anniversary

in America. How has the history and tradition of the brand evolved, and where do you foresee it moving in the future?

We call it *maison*, because it's better than a brand – it has a family history. It has nearly 165 years of existence, and after world wars, many recessions, and many revolutions, this *maison* is stronger than ever. One of the reasons is that we have always been very careful to respect the DNA of this brand. The DNA is very strong, and we've built it over the years and over the decades, which makes the *maison* very authentic compared to what is on the market, and very credible with an unequalled savoir faire. Where do we see Cartier going? Cartier will continue. If you build up and respect a brand, you can continue to create.

When you develop new collections, is it important that the history and tradition be preserved?

The DNA should remain. You have to be creative because you have to add new things and also look contemporary, and not just take what you did in the past and do the same with different materials – this is not creativity. You have to find a new way of doing things and new ideas, because the world is changing, there are new materials, new shapes, and new combinations – we go with all of this, but we maintain that Cartier smell, as I call it, or that Cartier touch. I know a Cartier watch when I see one – it means something. And this is very important, because it's about maintaining hundreds of details. My teams and I spend a great deal of time deciding on the dial, the figures, the numbers, and on the final shape. But at the end of the day, that will make the difference.

What does innovation mean to the brand?

Luxury is innovation, so I strongly believe that we should always innovate. As long as I'm here, we will innovate not only on the shapes, materials, and ideas, but everywhere, the whole scope, because that is what the whole of luxury is about. What has made Cartier different from any other brand is the phenomenal creativity.

With regard to the global nature of the brand, do you try to launch pieces consistently worldwide, or do you look at specific markets and what works in certain areas?

I'm convinced that beauty has no border. Our Ballon Bleu is a success across the board. Our Love bracelet, an iconic piece of our jewelry, is a worldwide success. If your creation is

well-designed and in tune with the times, it will be a success. So there will be only one same creation for the world.

The word luxury has been used very often in recent years by many brands that don't have Cartier's history and tradition. Has the word lost some of its meaning, and how do you define true luxury today?

In the past four or five years, we've seen this explosion of new wealth everywhere in the world, so using the word luxury became about increasing margin and prices. But then it has a boomerang effect, because if you want to use this word, you need to back it up in terms of creativity, quality, aesthetics, sophistication, and savoir faire. If you don't have it and just use the word, it will come back to haunt you. There was a kind of abuse of the word. Now, a lot of new brands with little credibility or legitimacy that felt they should be at the top of the luxury segment and charge top prices, are paying for it.

You offer very high end pieces, but you also have pieces that are more affordable. How broad is the market for the brand, and has that changed or evolved?

For many years, Cartier has been able to provide its clients with what we call initiation products, which start at a couple hundred U.S. dollars. So today, if customers comes to a Cartier boutique, they will find a lot of initiation products, some of which will undoubtedly make them happy because there is emotion behind the products, as well as differentiation from other products on the market. These tend to be the same customers who eventually want to buy exclusive and very expensive pieces, because we give the same care when you purchase an initiation product as when you buy the more expensive product. Initiation products are very difficult to develop because they have to be creative and of fantastic quality, no matter what the price point is. It has to be at the level of the Cartier standards.

In terms of the global landscape today, as you look at growth for the brand, have emerging markets presented strong opportunities for you?

We are strong in the Americas, and very strong in Europe, in Asia including China, in Italy, and in Japan. We have done quite well because 15 years ago, we went to all these emerging countries. It has been exhilarating to penetrate these countries in past years. Cartier is number one in China with 35 stores already. Cartier is

the number one brand in the Middle East. Cartier is number one in the former USSR Republics: in Kazakhstan, Azerbaijan, Uzbekistan, Georgia, and Ukraine. So if we did not have these engines in place today, I would be more concerned about the future because the U.S. and Japan are more difficult than before. But luckily, Europe and the Middle East are still on track. So if you put that in the basket and mix the whole thing up, you will survive very well. My whole objective is to pick up market share when things are bad because I've always prepared Cartier for the worst during good times. If you stop considering what you should do when the tough times are coming, then you end up in trouble.

Cartier has always been thought of not only as a jewelry brand but as an art, and you have a strong tie-in with Art Basel. Has that progressed the way you wanted, and how important has that relationship been?

We've always been involved in the art area. In 1984, we opened the Cartier Foundation for Contemporary Art in Paris at a time when contemporary art was not so popular, but now that's a different story. So we have those two facets at Cartier: the traditional side, which is a very big private collection of exceptional jewelry pieces, watches, and other objects, which is our *savoir faire* side; and we've got this contemporary side with the Cartier Foundation for Contemporary Art. So we'll continue because we believe that it is in our DNA.

With regard to innovation, your pieces have that handcrafted touch, which some say is a lost art. Are you still getting the talent you need for this kind of work?

We've been obliged to create our own jewelry school and watch school, simply because when you are the number one jeweler in the world, either you find skilled help or you decide to train people yourself. So every year at our school, we train polishers, jewelers, and teach skills for the various facets of the jewelry world. When those students graduate from our school, they are incorporated into our workshops, and they work as young junior artisans, and after some time, they fully join us. When they have built 10 or 15 years of experience, then they can work alone on more important pieces. But we're very careful to have a transmission of *savoir faire*, because we are here for eternity. Those who have been here for five years now might be my successors in a number of years. We'll continue to make all these beautiful, creative things, and to use what we create today to show our future artisans how the old guys were doing it in the past.

How has the Ballon Bleu watch line been received?

This is an important line, because we're the number two watch brand in the world. We are known for the Pasha, but I wanted another strong round watch. But there are thousands of round watches on the market, so we needed to have a different round watch. We always want to look different – that's one motive that we always have. To find that, we created a distinctive rewind feature and unique detail, which forms the personality of the brand. It went beyond my expectations.

You have a retail network of about 300 boutiques around the world. Is that the



Ballon Bleu de Cartier, a limited edition of 20 pieces celebrating 100 years of Cartier in America

right number or do you foresee changes to that?

A network is not a static thing. I think 350 to 400 is okay, because we want to remain exclusive. I prefer to have bigger retail shops – one rather than two small, because it will give better service, better intimate possibilities, and we'll have enough space to show the variety of creations we have in our 10 product categories. We need a lot of space to display properly and to have the right assortment for the market. For example, we opened a boutique in India, where high luxury taxes cause jewelry to cost 60 to 70 percent more than in Dubai or in New York. But the Indian market will take off nicely. China will certainly go to 50 or 55 boutiques from about 35 today. But it's not just a question of numbers; it's a question of being at the right place with the right boutique and the right people.

Many have discussed the challenges of marketing to China. Have you been happy with the impact you've made in that market?

We are the number one luxury brand in China today. We've been in the country from 1992, with strong acceleration starting in 2001. There are many cities of 10 million and 20 million people, and there is a creation of new wealth coming. So China is doing extremely well for us.

You currently have 10 different product categories. Are there other areas you intend to expand into?

At the moment, we're very happy with what we do. I believe that before expanding into something else, or stretching your brand, you better first take your segment to the extremes. There is a highway in front of us, but it is not for exploring tomorrow.

A key part of Cartier's DNA is giving back. How much is philanthropy a part of the culture, and from a leadership point of view, do you see that as a responsibility?

We have always been a very responsible *maison* company for two reasons: the most important one is because we have our moral standards, and from the President to all of our colleagues, we are responsible; the second reason is that when you are the leader of an industry, you should be an example that the others will follow. For instance, about a year ago, I declared on TV that as long as the current problems continue in Burma, we would not buy any rubies from them. The whole industry then decided that they would not buy from Burma. We also put up a public fight against blood diamonds. So in everything we do, we try to be more responsible than what is normally done.

In an industry where you hear of high turnover, you have many people who have been with this brand for a long time. What is it about the culture that makes this a place where you are able to keep talent?

There is a family spirit, and an ambiance and a mood in this *maison*, which you won't find anywhere else. Many of our employees are here for no less than 10 years. They accumulate experience, the knowledge of the *maison*, the DNA, and the history, and they're passionate.

When you look now at the next 100 years, what are the key priorities for the brand, especially in these challenging times?

The critical thing is to respect the brand and not to expand everywhere just to make a few more dollars short term. We are not short-term people; we are long-term people. During tough times, there are brands that become lost. The opportunities where they can make money are taken, but maybe at the end of the day, this will contribute to diluting their image and their identity. When you are in tough times, you don't need to dilute; you need to focus on your authenticity, because when everything goes well, people will buy an authentic brand.

Our long-term objectives are to continue on this highway that we have defined, and stick to what we know how to do. We are the king of jewelers and the jeweler of kings, and the prince of watchmaking. It's vital for us to continue on that highway, and respect the brand.

Those who know you say you will never slow down. Do you ever think about taking time off?

No, as long as God gives me good health, I'll try to run this *maison* with passion because passion is the common denominator of the people working for Cartier – they are passionate. And with passion, you make miracles.

Your passion for the brand and the excitement for the future are evident. Are you really having this much fun?

I have the most beautiful job in the world. After being with Cartier, what else is there? ●