



BRAND FOCUS 3.0

Rolex Brand Audit

Brand Inventory

"The name of Rolex is synonymous with quality. Rolex—with its rigorous series of tests that intervene at every stage—has redefined the meaning of quality."

—Rolex.com

History

Rolex began when German-born Hans Wilsdorf and his brother-in-law, William Davis, founded the London-based company Wilsdorf & Davis in 1905. Wilsdorf registered the brand, Rolex, in Switzerland in 1908 and in 1910 created a timepiece that was small enough to be worn on the wrist.

Rolex obtained the first official chronometer certification for a wristwatch that same year.

In 1912, Rolex moved its headquarters to Geneva, Switzerland, where it remains today. In 1914, a Rolex wristwatch obtained the first Kew "A" certificate after passing the world's toughest timing test. Twelve years

later, Wilsdorf developed and patented the now famous Oyster waterproof case and screw crown. This mechanism revolutionized the watch industry as the first true protection against water, dust, and dirt.³⁷

The Oyster was put to the test on October 7, 1927, when Mercedes Gleitze swam the English Channel wearing an Oyster. She emerged 15 hours later with the watch functioning perfectly, much to the amazement of all. Gleitze became the first of a long list of “ambassadors” Rolex uses to promote their wristwatches.

In 1931, Rolex pushed innovation in watches one step further by creating the Perpetual self-winding rotor mechanism. This rotor keeps the watch at an optimal tension and activates with the slightest movement of the wrist, therefore eliminating the need to wind the watch.

Private Ownership

Rolex is a privately owned company and has been controlled by only three people in its 100-year history. This has enabled the company to maintain a consistent focus on its core business. Andre Heiniger, managing chairman of Rolex through the 1980s, stated, “Rolex’s strategy is oriented to marketing, maintaining quality, and staying out of fields where we are not prepared to compete effectively.”

Product-Related Attributes

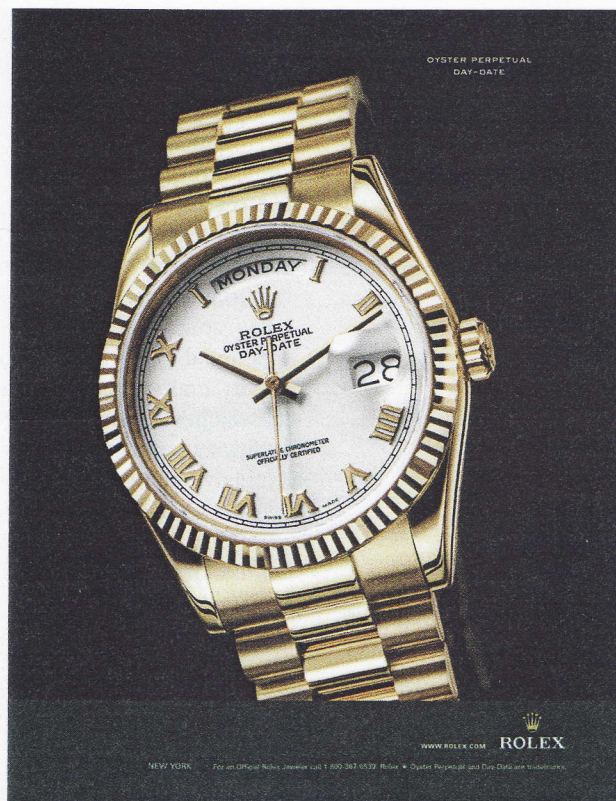
Throughout the years, Rolex timepieces have maintained the highest quality, durability, and prestige on which they originally were founded. Each Rolex consists of 10 unique features that the company states as its “10 Golden Rules:”³⁸

1. Waterproof case
2. Perpetual rotor
3. The case back
4. The Oyster case
5. The winding crown
6. The finest and purest materials
7. Quality control
8. Rolex self-winding movement
9. Testing from the independent Controle Official Suisse des Chronometres
10. Rolex testing

Rolex Brand Portfolio

Rolex includes three family brands of wristwatches, called “collections,” each with a subset of brands (see Figure 3-7).

- The Oyster Perpetual Collection includes the “traditional” Rolex wristwatch and has eight sub-brands that are differentiated by features and design.



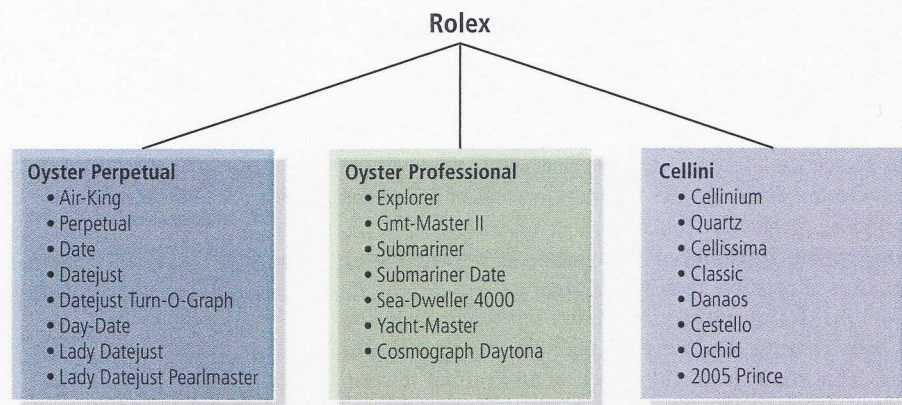


FIGURE 3-7

Rolex Product Portfolio

The Perpetual Collection targets affluent men and women.

- The Oyster Professional Collection targets specific athletic and adventurer user groups through its specific features and imagery. The Oyster Professional Collection includes seven sub-brands.
- The Cellini Collection focuses on formal occasions through its elegant designs and encompasses seven sub-brands. The Cellini Collection incorporates fashion and style features like colored leather bands and extensive use of diamonds.

Tudor. Rolex has many competitors in the \$43.6 billion watch and jewelry industry; however, only a few brands compete in the very high-end market.³⁹ Nevertheless, Rolex developed its Tudor brand in 1946 as a “fighter brand” to stave off competition from mid-range watches such as Tag Heuer, Citizen, and Rado. Like Rolex, Tudor has a range of family brands or collections, namely Prince, Princess, Monarch, and Sport, each of which encompass a number of sub-brands. Tudor watches are sold at own-brand specialty stores and also sold through the network of exclusive Rolex dealers.

Communications, Pricing, and Distribution

Rolex’s brand image has been maintained through communications focused on the product’s high quality and its associations with top artists, athletes, and explorers. Rolex’s image is also enhanced by its exclusivity, with premium pricing and limited distribution.

Rolex traditionally advertises its products in magazines. In 2003, Rolex spent \$32.4 million in magazine ads, ranked seventh overall in the world in terms of magazine ad spending.⁴⁰ In addition to product imagery, Rolex magazine ads serve to maintain the brand’s status by featuring its ambassadors, the sporting and cultural events it sponsors, and the philanthropic programs it supports.

Rolex also distinguishes itself through its premium pricing strategy. Prices start around \$2,500 for the basic

Oyster Perpetual and can reach as high as \$200,000. Within each style, prices can vary by \$2,000–\$12,000 depending on the specific materials used such as steel or white gold. Rolex does not merchandise any of its watches online and only sells through “Official Rolex Dealers,” of which there are approximately 60,000 worldwide.

Brand Exploratory

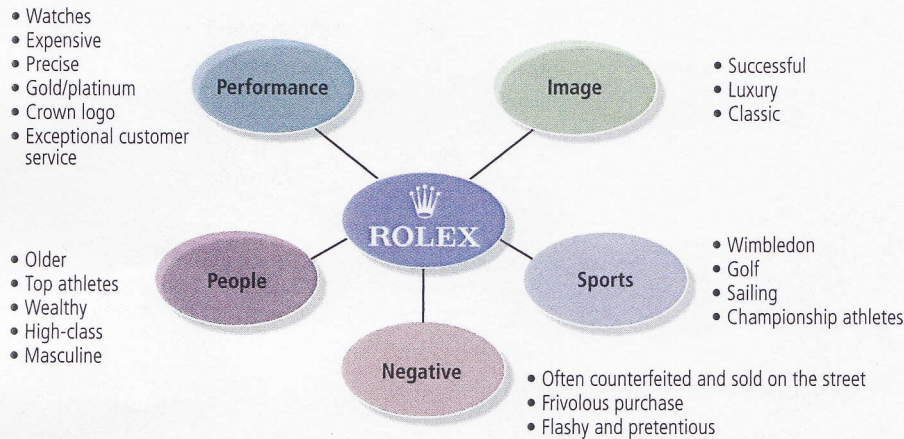
Customer Knowledge

Rolex has successfully leveraged its history and tradition of excellence along with innovation to become the most powerful and recognized watchmaker in the world. Typical consumer brand associations for Rolex might be “sophisticated,” “prestigious,” “exclusive,” “powerful,” “elegant,” “snobby,” “flashy,” “high quality.” Figure 3-8 displays a hypothetical Rolex mental map.

Sources of Brand Equity

The Rolex name, one of the most recognized luxury brands in the world, is inarguably the company’s most important source of brand equity. Its crown logo is also a key source of equity. Equity is contributed by the functional benefits Rolex provides the user, namely the quality, craftsmanship, and innovation that go into making its watches as mandated by the “10 Golden Rules.” An additional source of equity for Rolex is its image as an exclusive status symbol, which confers emotional and self-expressive benefits to the user and is reinforced by its premium pricing and limited distribution. Three other key sources of Rolex brand equity are Ambassadors, Sports & Culture, and Philanthropy.

Ambassadors. Ambassadors is the term Rolex uses to describe its celebrity endorsers. They fall into four categories: Artists, Athletes, Explorers, and Yachtsmen (see Figure 3-9). Rolex ambassadors have scaled Mt. Everest, broken the speed of sound, reached the depths of the ocean, and walked on the moon.



Rolex Brand Mantra:
Classic Designs, Timeless Status

FIGURE 3-8

Rolex Mental Map

Sports & Culture. Rolex sponsors a variety of elite athletic and cultural events, thus targeting very specific consumers. Some of these events include Wimbledon, Rolex Trans-Atlantic Challenge, U.S. PGA, U.S. Open Championship, Ryder Cup, Rolex 24 Daytona, and Grand American Rolex Sports Car Series.

Philanthropy. Rolex has established two philanthropic programs:

1. The “Awards for Enterprise” is awarded every two years and recognizes innovative work in preserving the world’s natural and cultural heritage.⁴¹
2. “The “Rolex Mentor and Protégé Arts Initiative” seeks out extraordinarily gifted young artists around the world and pairs them with established masters.⁴²

The Customer-Based Brand Equity Pyramid (CBBE)

The Rolex customer-based brand equity pyramid is equally strong on the left-hand and right-hand sides. It is also strong from bottom to top, enjoying the highest brand awareness of any luxury brand as well as high repeat purchase rates and high customer loyalty. Rolex has successfully focused on both the superior product attributes and the imagery associated with owning and wearing a Rolex. Figure 3-10 highlights the key aspects of the Rolex CBBE pyramid.

Counterfeiting: Threat to Equity

Counterfeiting Rolex watches has become a sophisticated industry with sales exceeding \$1.8 billion per year. Counterfeits damage the company’s brand equity and present

<p>Artists</p> <ul style="list-style-type: none"> • Emanuel Ax • Cecilia Bartoli • Eric Clapton • Placido Domingo • Renee Fleming • Angela Gheorghiu • Sylvie Guillem • Carla Maria Izzo • Dame Kiri Te Kanawa • Diana Krall • Marielle and Katia Labeque • Yo-Yo Ma • Lorin Maazel • Sophie Mautner • Yuan-Yuan Tan 	<p>Equestrians</p> <ul style="list-style-type: none"> • Nadine Capellmann • Pippa Funnell • Steve Guerdat • Rodrigo Pessoa <p>Explorers</p> <ul style="list-style-type: none"> • David Doubilet • Sylvia Earle • Henri-Germain Delauze • Sir Edmund Hillary • Alain Hubert • Christine Janin • Erling Kagge • George Schaller • Jean Troillet • Ed Viesturs • Chuck Yeager 	<p>Golfers</p> <ul style="list-style-type: none"> • Retief Goosen • Charles Howell • Trevor Immelman • Carin Koch • Bernhard Langer • Paula Marti • Phil Mickelson • Jack Nicklaus • Lorena Ochoa • Arnold Palmer • Grace Park • Gary Player • Justin Rose • Adam Scott • Annika Sorenstam • Sam Torrance 	<p>Racing Driver</p> <ul style="list-style-type: none"> • Sir Jackie Stewart <p>Tennis Players</p> <ul style="list-style-type: none"> • Vijay Amritraj • Juan Carlos Ferrero • Justine Henin-Hardenne • Andy Roddick • Marat Safin <p>Yachtsmen</p> <ul style="list-style-type: none"> • Paul Cayard
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FIGURE 3-9

2005 Rolex Ambassadors

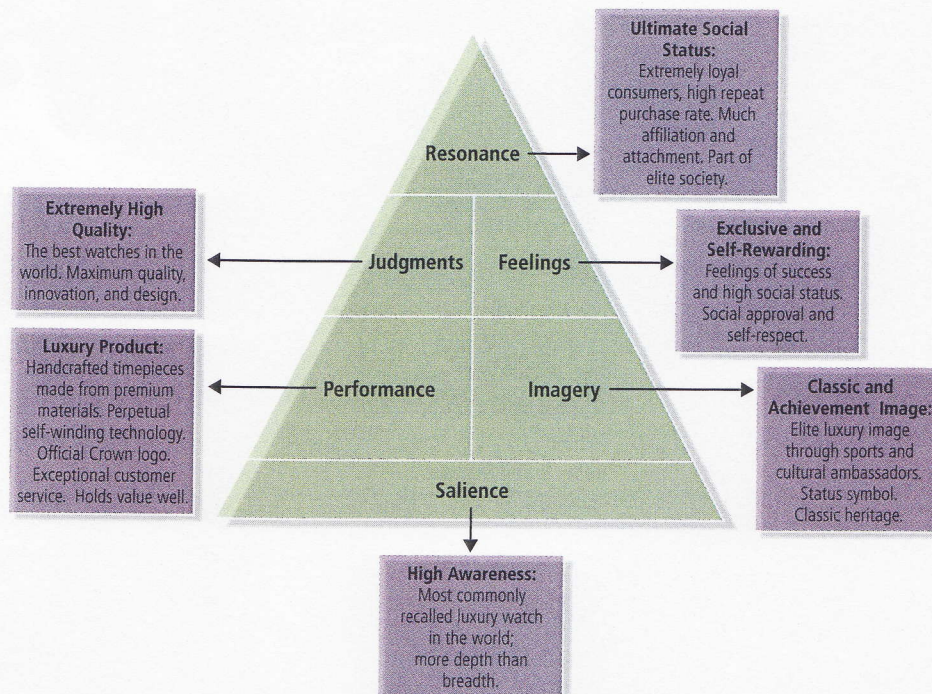


FIGURE 3-10

Rolex CBBE Pyramid

a huge risk to the brand. In fact, Rolex dedicates extensive resources to fight the illegal use of the brand, including sponsoring the International Anti-Counterfeiting Coalition and suing companies that allow the sale of counterfeit Rolexes.

Recommendations

The Rolex brand audit reveals a very strong brand with significant equity. However, there are five main areas of opportunity:

Introduce new designs

- Research shows that there is a trend toward more jeweled watches. Only 7 of Rolex's 22 sub-brands feature diamond watches. Rolex could increase this ratio slightly in order to capitalize on the trend without compromising the classic and timeless qualities it is known for.
- Luxury handbag maker Louis Vuitton benefited in terms of both PR and sales when it hired Japanese designer Takashi Murakami to design a limited edition line of bags. Rolex may consider partnering with an established designer for a limited edition watch that freshens the brand and creates a buzz while remaining consistent with its image and values.

Connect with the female consumer

- Women make the majority of jewelry and watch purchases. Rolex's image campaign, however,

emphasizes males to a greater extent. Of its 70 official ambassadors, only 20 are female. Rolex may want to consider more female ambassadors of elite status, such as successful athletes like Serena Williams, artists like Norah Jones, or explorers like Ann Bancroft.

- Along the same lines, Rolex should enhance its sponsorship of female-attended sporting events. Whether it is ice skating, golf, or equestrian, Rolex should consider raising its profile with female sports enthusiasts and fans.
- Rolex's watch styles are predominantly aimed at male consumers as well. Of the 22 sub-brands contained in its 3 family brands, only 6 feature watches geared specifically for women. Rolex may want to consider increasing this number, or perhaps introducing a family of female-only watches.

Attack the online counterfeit industry

- The boom in e-commerce has taken counterfeit Rolexes from the street corner to the Internet, where fakes can reach far more consumers. Consequently, the age-old problem of counterfeiting is a bigger threat than ever before. To maintain its limited distribution, Rolex does not authorize any of its watches to be sold on the Internet. In order to combat the online sale of counterfeits, however, Rolex may consider building an exclusive online store, or an exclusive distribution site from which all official e-retailers must link.

Understand how younger consumers relate to luxury

- It is unlikely that young consumers' attitudes toward luxury goods will evolve in the same manner as did their parents'. As a result, Rolex should be researching the questions: How will prestige be defined in the 21st century? Will the same formula "work" for the millennial generation as they age and move into the Rolex target market?
- In addition to researching how their tastes will evolve, Rolex should research the current tastes of the many younger consumers who are already in the market for Rolex watches. Its marketers should consider tailoring campaigns and watch designs to these consumers, who generally part with their disposable income more freely than the older set.

Communicate long-term value

- Rolex competes with a host of other types of goods for a share of the luxury buyer's wallet, such as clothes, shoes, and handbags. Many are less durable over time than a Rolex watch and are susceptible

to falling out of fashion. Rolex should leverage its superior value retention—both in resale value and in its "heirloom" quality—in order to better compete for luxury spending with brands outside its category.

- Swiss luxury watch competitor Patek Philippe used print advertising to communicate the "heirloom" quality of its watches, with copy stating "You never actually own a Patek Philippe. You merely take care of it for the next generation." Rolex could pursue a similar approach, perhaps using its more visible ambassadors, to communicate its own "heirloom" quality.
- Rolex watches retain their value better than almost any other type of good. Used Rolexes sell at or near their original retail price, and some rare vintage Rolexes are quite valuable. Rolex could make a subtle, sophisticated reference to its resale value through advertising and PR, being careful not to overtly drive consumers to the secondary market for used Rolexes.

Points of Parity	Points of Difference
<ul style="list-style-type: none"> • Swiss watchmaker • Durable • Fine materials • Quality craftsmanship • Accurate • Attractive 	<ul style="list-style-type: none"> • History and heritage • Crown • Exclusive imagery • Premium price • Innovation • Distribution

FIGURE 3-11

POP vs. POD