

Rolex's competitive advantage



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This report will analyse Rolex and its competitors, in particular focussing on:

- The importance of strategic marketing

Without doubt, marketing is the single most customer orientated department within an organisation. Without the customer there is no company.

Marketing is the process carried out to identify, this report analyses the current marketing situation

1. 2 An industry analysis

The Swiss luxury watch-making industry is a very lucrative market and the many barriers make it extremely difficult for new entrants. Established companies such as Rolex maintain strong relationships with their distributors but are able to be very selective when it comes to choosing distributors to maintain the company's image and market position.

Regarding substitutes products, no serious or close substitute threatens the industry even though counterfeits are, like for the entire luxury industry, a problem.

Competitive strategy in the luxury watchmaking industry

Michael Porter uses the criteria of strategic advantage and strategic target to define three competitive strategies for outperforming rivals in the long-term..

2. 0 The story so far – situational analysis

2. 1 The Company

Arguably one of the most famous brands of all time, Rolex has a long history steeped in innovation and excellence, and a strong association to prestige, mystique and accomplishment in the minds of its customers.

Established in 1905 by Hans Wilsdorf and his brother in law, the London based company – originally named Wilsdorf & Davis – specialised in watch distribution. In 1908, Wilsdorf decided to create a new name for the company that was pronounceable in all languages and concise enough to display on the dial of its watches – and the super-brand Rolex was born. The company's headquarters relocated to Geneva, Switzerland in 1910 and remain a major contributor to the economic system today by employing more than 3300 employees.

Ironically, the company is as hermetic as its renowned Oyster case. Wilsdorf – an heirless widow at his death in 1960 – left Rolex to the family Wilsdorf Trust so Rolex could never be sold and ensuring Rolex was able to stay true to Wilsdorf's values and long-term vision of excellence and prestige without interference from shareholders. This unique position also means that Rolex does not publish financial or sales data and therefore the figures contained in the remainder of the report are estimations unless otherwise specified/referenced.

Annual production of Rolex watches are estimated at 750, 000 per year – a key feature of Rolex's strategy is to ensure that demand is always higher than supply.

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The loyalty to the brand is also clearly evidenced by the 5-year waiting list for its stainless steel Daytona model.

- Competitors

The brand's main competitors are OMEGA, TAG Heuer and Breitling who compete in similar market segments for watches which form follows function,

Rolex remains the market leader with its competitive advantage of almost a century of sporting, innovative breakthroughs as described below.

2. 1. 1 Key achievements

It can be argued that Rolex's innovative achievements are second to none and unmatched by any rival competing in the luxury segment:

Among the company's innovations are:

Unlike its competitors, Rolex is in a strong strategic position – its founder Hans Wilsdorf ensured that the company can never be sold and it today belongs to the Wilsdorf trust. Rolex does not have to deal with the pressure of shareholders who require short term benefits in order to show a profit from their investments through the redistribution of dividends. On the contrary, Rolex has the opportunity to reinvest the benefits in the company to improve distribution and after-sale services and to increase research and development. What is more, they are not pressured to follow the general trends of the industry to please shareholders. To date, Rolex is the only luxury watch brand not following a multi-brand strategy.

Rolex employs about 6000 persons worldwide of whom 3300 employees are based in Geneva; setting Rolex as one of the main employers and tax payers of Geneva. They are selling around 750000 watches each year for an estimated turnover included between 2.5 and 3 billions CHF. As Annex III: : Top 20 watch brands (sales) shows, Rolex is the first brand of the luxury watch industry in term of sales (factory price). Moreover, Rolex possesses 22 subsidiaries companies spread all over the world

2.6 Product Offering

Rolex produces only round watches since more than 40 years. The brand encompasses only two collections: the Oyster that represents around 140 models and 80% of the sales and the Cellini. The design has always been very conservative and the only radical innovation was brought in 2000 with the launch of a colorful Oyster Daytona.

- Current strategic approaches

Celebrity endorsement:

Conservatism and tradition are the credos of Rolex strategy: same product and same communication in the last decades. Its unique communication strategy and differentiation enabled the company to gain a sustainable competitive advantage over the years. The brand embodied achievement and keep nurturing this myth thanks to successful celebrity endorsement. Rolex also maintains a part of mystery around its brand in order to cultivate the legend. Rolex has been considered a long time as a male watch; they are trying to get the woman to like it to. Another important theme of the strategy is the backward vertical integration in order to secure

future supply and definitely loose dependence on competitor groups. Finally, emerging market represent also a priority due to its foreseen potential.

The next sections are discussing these points.