

# Rolex: Business Breakdowns Research

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## Primary Research Sources

- Podcasts: [The Rolex Submariner](#) & [The GMT Master](#)
- Website: [Rolex.com](#) | [HODINKEE](#)
- Social Media: [Linkedin](#), [Facebook](#), [Twitter](#)
- Best Secondary Resource: [The Case of Rolex](#)

## Summary

- Rolex is synonymous with quality watches. The more than a century-old brand epitomizes timeless elegance and prestige. Rolex watches are one of the most reputable and renowned timepieces in the world today.
- Rolex is a pioneer in watch development and has instigated numerous industry innovations over the years. Rolex was the leading innovator of waterproof watch cases, multiple time zone timekeeping, and the date feature on dials.
- Products are categorized into collections with varying styles and elegance. It has a variety of sizes and metals including gold, white gold, stainless steel, two-tone and optional diamonds, or mother of pearl dial. The versatility of these timepieces is guaranteed to satisfy the most sophisticated tastes. Each model has its own characteristic and evokes a unique feeling of adventure, power, and success.

## Company History

- **1905:** Alfred Davis and his brother-in-law [Hans Wilsdorf](#) founded *Wilsdorf and Davis* in London. They imported watch movements from Switzerland and placed them in high-quality cases which were then sold as white-label products to jewelers who added their own brand.
- **1908:** The trademark *Rolex* is registered for the first time, which became the brand name of watches made by Wilsdorf and Davis. Wilsdorf had been searching for a unique brand name that is easily pronounceable in any language and short enough to fit on the face of a watch.
- **1910:** The most accurate watches at the time were pocket watches. By submitting a Hermann Aegler-powered watch to the Official Watch Rating Center in Bienne, Switzerland, Wilsdorf and Rolex were able to put wristwatches on the map by being the first of its kind to be awarded the Swiss Certificate of Chronometric Precision.
- **1914:** Wilsdorf submits another wristwatch to the Kew Observatory in the United Kingdom, which ran more rigorous tests, culminating in the Rolex watch receiving an "A" certificate and an observatory chronometer grade:

- *“Kew, relative to even its Swiss and French counterparts, conducted the most stringent accuracy tests on watches in the world. For example, while most tests were conducted over fifteen days, Kew tested watches for 44 days, in several positions and temperatures.” - Hodinkee*
- *“An observatory chronometer is to watches what a formula one engine is to cars” - Max Studer, former technical director of Patek Philippe*
- **1919:** Wilsdorf moved the company's HQ from England to Geneva, Switzerland due to heavy post-war taxes levied on luxury imports and high export duties on the silver and gold used for the watch cases.
- **1925:** The company registered its iconic five-spiked crown as its trademark.
- **1926:** The Rolex Oyster was the first waterproof and dustproof wristwatch to be made by Rolex. The watch featured a hermetically sealed case that provided optimal protection for the movement. This innovation has since been copied by many companies making Rolex a pioneer.
- **1927:** British swimmer [Mercedes Gleitze](#) swam the [English Channel](#) with an Oyster on her necklace becoming the first Rolex ambassador. Rolex published a full-page advertisement on the front page of the Daily Mail for every issue for a whole month proclaiming the watch's success during the ten-hour plus swim.
- **1931:** Rolex patented a self-winding mechanism called a Perpetual rotor, a semi-circular plate that relies on gravity to move freely. In turn, the Oyster watch became known as the Oyster Perpetual.
- **1944:** Upon the death of his wife, Wilsdorf established the *Hans Wilsdorf Foundation*, a private trust to which he left all of his Rolex shares ensuring that some of the company's income would go to charity. To this day the Rolex company is still owned by a trust and is not publicly traded.
- **1945:** Introduced the first chronometer wristwatch with an automatically changing date on the dial ([Rolex Datejust](#)). An earlier wristwatch with a date-changing mechanism by MIMO was not chronometer certified.
- **1960:** Wilsdorf died. He left the company in the hands of the Hans Wilsdorf Foundation.
  - *“The Wilsdorf Foundation, set up by its childless founder, will disclose neither the destination of its income or even the names of its trustees. Its recently appointed chairman, only the fourth ever, is Bruno Meier, a former banker. The other directors are never named” - FT*
- **1971:** Release of the Explorer II, the first of two iconic updates to existing models in the catalog. Developed specifically for explorers, climbers and hikers navigating rough terrain, Rolex Explorer was launched to celebrate the successful ascent of Everest by the expeditionary team led by Sir John Hunt.
- **1982:** Release of the GMT-Master II which has gone on to be one of the most sought-after models produced by the brand.
- **2002:** [Widespread counterfeiting](#) pushed the company into inserting an almost microscopic laser etching of the crown trademark on its watch crystals.
- **2017:** A [Rolex Daytona](#) wristwatch manufactured in 1968 was sold by [Phillips](#) in its [New York](#) auction for [US\\$17.75 million](#). The watch was originally purchased by [Joanne Woodward](#) in 1968 as a gift for her husband [Paul Newman](#). A year later, a Rolex Daytona Unicorn sold at auction for [US\\$5.937 million](#).
- **2021:** Launch of a new range of models, including the [Oyster Perpetual](#) which incorporated a classic design and vivid colors seen in watches of the past.

## Key People

- **Hans Wilsdorf - Founder.**
  - He was a German-British businessman, born in 1881 and best known as the founder of [Rolex](#) and its sister company [Tudor](#).
  - He was orphaned at the age of 12 and had to learn how to be self-reliant early in life. After school, he worked for three years at Cuno Korten, a company that exported Swiss pocket watches, developing a lifelong passion in the process. His ability to speak English and French in addition to his native German language was very instrumental in his international watch sales jobs.

- After leaving Cuno Korten, he moved to England where he worked for another watch company before founding Wilsdorf and Davis together with his brother-in-law and initial backer, Arthur Davis.
- His greatest philosophy was “Only great marketing is needed to make a company successful.” Wilsdorf published his autobiography in 1946 as part of a four-volume set of books named *Rolex Jubilee Vade Mecum*.
- **Jean-Frederic Dufour - CEO.**
  - Before joining Rolex, he spent 5 years as CEO of Zenith, another luxury watch manufacturer.
  - He is the sixth Rolex CEO and the fourth since 2008. He is both a friend and protégé of Jean-Claude Biver, a former CEO of Hublot who is credited with saving the watch industry from the ‘quartz crisis’ (the advent of competitors using cheaper quartz movements as opposed to the traditional mechanical movements favored by Swiss watchmakers).

## Business Model

- Rolex is a luxury brand that focuses on delivering high-quality watches at a premium price while owning the entire supply chain.
  - *“It is not with low prices but, on the contrary, it is with improved quality that we can not only hold the market but improve.” - Hans Wilsdorf*
- The Rolex Crown embodies the perpetual spirit which is based on a foundational belief in limitless human capability, sustained improvement, and life-long excellence.
  - *“The words Rolex and Switzerland are virtually synonymous these days. The giant watchmaker dominates its industry and is almost a cult among its wearers. Such images are enhanced by the fact that the brand is acknowledged – both inside and outside the company – as being unusually secretive.” - FT*
- The brand is run by a non-profit organization, and a large percentage of earnings go to charity, supporting various initiatives in social welfare, training, and culture. The remaining percentage is retained to invest in product development.

## Manufacturing

- **Supreme focus on quality with built-to-last watches:** They take a long-term approach to brand-building and strive for high levels of excellence in creating products that will last. Rolex’s pricing is in line with this quality, reflecting the precision and skill required to create its iconic timepieces.
  - *“It is not with low prices but on the contrary, it is with improved quality that we can not only hold the market but improve.”- Rolex Founder, 1912*
- *Innovation and technological advancement* have been key pillars in the success of the brand. Rolex has a long-standing *mutually beneficial partnership with EPFL* (the Swiss Federal Institute of Technology). Besides sharing a mutual objective of advancing science and education, Rolex recruits some of its top scientists and engineers from the EPFL.
- **Vertical integration:** By acquiring every supplier it could manage, the company became a vertically integrated manufacturer. This degree of integration enables it to be self-reliant:
  - *“It has its own Parachrom hairspring, made from a non-ferrous alloy, composed of niobium, oxygen, and zirconium. Being less open to magnetisation, it is held to be a great improvement on springs made by Nivarox, thus freeing itself from reliance upon supplies by the maker and market rival, the Swatch Group” - FT*
- All its operations are carried out within its four facilities:
  - **Les Acacias** serves as the international headquarters of Rolex and Tudor, and houses functions such as final assembly, quality control, sales & marketing, communications, design, and R&D.

- **Plan-Les-Ouates** is the largest of the four facilities and houses a central laboratory with world-class scientists, a private foundry. This is where polishing of finished components takes place.
- **Chêne-Bourg** is where dial production and gem setting take place.
- **Bienne** is where movements and other components unique to Rolex are produced.
- The facilities themselves are a fascinating marvel and epitomize a truly vertically integrated company:
  - *“Five of the storeys are below ground and incorporate a stock area, which consists of massive computer-controlled aisles housing 60,000 compartments. These contain watch components at various stages of manufacture as well as tools. Also below ground are stores for precious metals and a refinery for the company’s own exclusive Everose gold. The company needs the space, for it is probably the largest consumer of industrial gold in the country.” - FT*

## Marketing

- **Guarding the Brand:** The company has managed to maintain the brand’s reputation through advanced craftsmanship, the use of superior materials, savvy marketing techniques, and by creating scarcity and exclusivity,
  - The Rolex logo is designed in a manner that evokes royalty, and the tagline 'A Crown for Every Achievement' connects the brand with success and implies that giving a Rolex watch as a gift is an ideal way to celebrate an achievement, milestone, or special occasion.
  - *“We want to be the first in the field and Rolex should be seen as the one and only—the best.” – Hans Wilsdorf (1914)*
- Rolex carries out **remarkable product campaigns** through TV ads, print newspapers & magazines, embedded ads in movies, and sponsoring events. Importantly for a luxury brand, it is highly active on social media channels like Instagram and YouTube, increasing its reach. The brand also signs up “Rolex Testimonees” (distinguished brand ambassadors) and [partners with popular sports and historic events](#). The company does not give any discounts or offers as their clientele values quality over the price.
- **Sustainability** has become a key consideration for consumers over the last few years. Through its *Perpetual Planet* initiative, Rolex leverages its brand in order to raise awareness and fund research aimed at tackling global challenges.

## Distribution

- **Distribution:** The watches are distributed through exclusive stores with networks covering over 100 countries around the globe. Official Rolex Jewelers are equipped to advise clients and have the necessary expertise to adjust the watch to the client's comfort. Rolex offers a five-year international guarantee for all the timepieces purchased through the Official Rolex Jewelers. In order to create a personal connection with the customers, Rolex discourages buying the products online.
- **Worldwide network of after-sale services:** In order to ensure that every Rolex watch preserves its excellent performance and that it's maintained to the highest standards possible, the company has set up after-sale services in every country where its watches are sold.
  - Rolex World Service offers a watchmaking training program, for persons wishing to work in the after-sales service workshops.
  - The company also partners with watchmaking schools in the development of courses, and provides watches for trainees to practice on.

## Products

- The company continues to expand its range of products by releasing new and updated timepieces. Its range now includes the Rolex Submariner, Day-Date President, Cosmograph Daytona, Datejust, Yacht-Master, GMT-Master

II, Explorer II, Air-King, Oysterdate, Oyster Perpetual, Date Sea-Dweller, Deepsea, Day-Date II, Masterpiece, Lady Pearlmaster, and Lady-Datejust.



(Source: [@WatchAddictWT](#))

## Economics

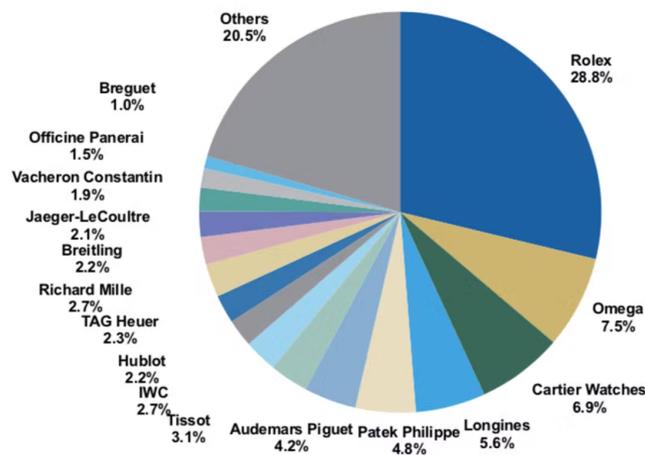
- Rolex does not disclose its financials and any information available is from third-party sources.
- A report by Morgan Stanley in collaboration with LuxeConsult estimated Rolex's total turnover in 2021 as **CHF 8 billion**. This accounts for 29% of the Swiss watchmaking industry's turnover in 2021.
  - This is significant growth from 2019 when Rolex had ~22% of the global market for Swiss watches. This amounted to a turnover of CHF 5.2 billion.
- Rolex produces approximately **1 million** watches per year. Rolex's strong pricing power is evident - other manufacturers like Longines and Tissot make more but Rolex still manages to earn more revenue compared to them.

## Competitive Position

### Competition and Industry;

- The Watches of Switzerland Group estimates that global retail sales of luxury watches in 2020 were approximately **\$37.8 billion** (this includes the Swiss market, repairs, and the contribution from non-Swiss luxury watch brands):
- The average selling price of Swiss watches has generated a 20-year CAGR of +3.4%, reflecting the status of watches as a valid investment class.
- In 2021, the global watch market grew by **31.2%** from 2020, partially explained by a bounce-back from effects of the Covid-19 pandemic. Growth in the industry is being driven by an increase in household wealth and accumulated savings, an increase in demand in the US and China, and the hyper-digitization of our lives causing more emphasis and value to be placed on tangible, luxury goods.

- Rolex is a clear leader in this market with a 29% market share in 2021. Some of its competitors include; Breguet, TAG Heuer, Cartier, Omega, Longines, Rado, Tissot, Hublot, Patek Philippe, Swatch, Chopard, Breitling, Seiko, Richemont, and Panerai.



(Source: Morgan Stanley + LuxeConsult)

- Despite stiff competition, Rolex has continuously been able to command the largest market share:

Rank	2017	2018	2019	2020
1	Rolex	Rolex	Rolex	Rolex
2	Omega	Omega	Omega	Omega
3	Cartier Watches	Cartier Watches	Cartier Watches	Cartier Watches
4	Longines	Longines	Longines	Patek Philippe
5	Patek Philippe	Patek Philippe	Patek Philippe	Longines
6	Tissot	Tissot	Audemars Piguet	Audemars Piguet
7	Audemars Piguet	Audemars Piguet	Tissot	Richard Mille
8	IWC	TAG Heuer	Richard Mille	Tissot
9	TAG Heuer	IWC	TAG Heuer	TAG Heuer
10	Richard Mille	Richard Mille	IWC	IWC
11	Jaeger-LeCoultre	Jaeger-LeCoultre	Hublot	Breitling
12	Hublot	Hublot	Jaeger-LeCoultre	Hublot
13	Vacheron Constantin	Vacheron Constantin	Breitling	Jaeger-LeCoultre
14	Officine Panerai	Breitling	Vacheron Constantin	Tudor
15	Breitling	Breguet	Officine Panerai	Vacheron Constantin
16	Breguet	Officine Panerai	Breguet	Officine Panerai
17	Bulgari	Bulgari	Bulgari	Bulgari
18	Swatch	Rado	Tudor	Breguet
19	Piaget	Swatch	Rado	Blancpain
20	Rado	Chopard	Chopard	Rado

Source: LuxeConsult, Morgan Stanley research

- Notably, in the lower-end segment of more affordable watches, the Swiss watch industry is losing market share to *smartwatches* made by popular tech brands such as Apple and Samsung. In the higher-end segments, the Swiss watch industry is stronger than ever.
  - *“Watches at the luxury end of the market have outperformed lower-priced segments and represent 91.6% of the value of global Swiss watch exports in 2019, compared to 38.7% in 2000 ” - Watches of Switzerland*

### Competitive Advantage

- **A fascinating history of innovation:** Rolex is well known for its innovations in the watchmaking industry. It created the first waterproof model (Oyster, 1926), the first watch to show two time zones at once (GMT Master, 1954), and was the first watchmaker to earn the "chronometer" certification for wristwatches. Some of its products are considered an investment asset class.

- **The Rolex Way:** "The Rolex Way" exemplifies the lengths the measures the company takes in order to ensure each watch it creates is perfect, standing head and shoulders above the competition. No other watchmaker can point to such a storied history of successes and innovations.

*The Rolex Way*  
**ROLEX-MADE  
 IN SWITZERLAND**

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**Rolex-made in Switzerland** /switz • er • land /:

1. Conceived, designed, manufactured and tested by Rolex in Switzerland. 2. The only way to ensure every part, every element and every assembly meets our own impossible standards. 3. Not the easiest way to make a watch. 4. The only way to make a Rolex. 5. The Rolex Way.

(Source: *Rolex Magazine*)

- **Non-profit business model & vertical integration:** The non-profit model has enabled the company to channel its earnings toward building better products and investing heavily in marketing. The business is in total control of its process as it designs, develops, and produces all the essential components in-house.
- **Excellent customer service:** Its employees make clients feel valued and appreciated through the high standard of customer service and care they provide. The company strives for perfection and excellence in every stage of production. Customer satisfaction is the driving force behind Rolex's obsession with quality. High customer satisfaction and loyalty leads to repeat purchases and word-of-mouth recommendations.
- **Strong Brand Positioning:** The strong brand positioning is based on many years of experience, a strong track record of innovation, and decades of category leadership:
  - **Scarcity:** Limited supply and increased demand have field growth of the industry: The growth of the market is supply-driven given the labor-intensive nature of the process (takes like 1 year to make a Rolex) and the dependence on highly skilled watchmakers in Switzerland.
  - It **sponsors and promotes its products at high-end events** which it leverages to target prospective high-status and net worth customers. Events such as The Australian Open, Shanghai Masters (both tennis), Formula One, The U.S Open (golf), and Rolex Grand Slam of Show Jumping are attended by people with influence and purchasing power which can boost the company's sales and popularity.
  - **The Rolex brand is synonymous with "accomplishment" and "achievement":** Rolex has been marketed as an ideal celebratory gift for any achievement or milestone crossed.

### Risks to Competitive Position

- **The changing customer:** Customers' tastes and preferences keep on changing, and the nature of luxury is shifting over time. The younger generation, who has grown up online, values speed and connectivity over functionality and aesthetics. Rolex has to find a way to appeal to this segment of the market in order to stay relevant in the future.
- **Imitation:** Whilst counterfeiting of watches has always been an issue, price controls and supply shortages has led to the corruption of key players in the distribution channel and accelerated the development and growth of the black market. Global trade for counterfeit Swiss Watches was estimated to be **CHF 3.35B** in 2018. Although the company has taken some measures to counteract this, the market for fake watches is still significantly large and dampens legitimate sales.

## Useful Resources

Title	Type	What You Will Learn (sub-140 characters)	URL (Must be https://)
Inside The Manufacture Going Where Few Have Gone Before – Inside All Four Rolex Manufacturing Facilities	Article	A history of Rolex and a look inside its magnificent manufacturing sites.	<a href="#">🌐</a>
HODINKEE Radio	Podcast	A series of weekly discussions on vintage and modern wristwatches.	<a href="#">🌐</a>
Jake's Rolex World	Podcast	An exploration of the fascinating history, and design of Rolex Watches.	<a href="#">🌐</a>
The Rolex Podcast	Podcast	A series of episodes on Rolex	<a href="#">🌐</a>
The Deloitte Swiss Watch Industry Study 2021	Article	A detailed report on the Swiss Watch Industry, and the changing landscape.	<a href="#">🌐</a>
Rolex: Secretive and powerful, a canton within a canton	Article	Learn how a big business Rolex is and the secretive nature of its operations.	<a href="#">🌐</a>
State of the Industry – Swiss Watchmaking in 2022	Article	A look at the performance of Rolex and its competitors.	<a href="#">🌐</a>
What Does Price Mean When There's No Supply?	Article	Growth of the black market due to price controls and supply shortages.	<a href="#">🌐</a>
The Watch Book Rolex	Book	Respected wristwatch expert and historian Gisbert L. Brunner explores Rolex's tradition, its in-house manufacturing processes, and the wide variety of collections in the brand.	<a href="#">🌐</a>