

## The Swiss Luxury Watchmaking Industry

A general overview and a closer look at the celebrity endorsement and sponsorship communication strategy used by the leaders.



Karine Gautschi

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Thesis Director, MIM: Professor Stéphane Garelli

Expert, Omega: Jean-Pascal Perret



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# 1 Introduction

In the 1970's, after around 1000 companies and 55'000 place of work disappeared, many analysts left the Swiss watchmaking industry for dead as it missed out the electrical revolution and was facing tough competition from cheaper Japanese watches. Today, the watch industry is Switzerland's third largest exporter after the machine and the chemical industry. Switzerland's production of finished watches amounts to around 26 million units for a value of 10 CHF billions. The average export price for Swiss watches is 378 CHF versus 7 CHF for Hong Kong and 61 CHF for French watches. Where does this huge price difference come from? Switzerland possesses close to 100% of the luxury market value (which represents 48% of the watch market value). Export of watches including precious metal represents only 5% in units, but 46% in value.

But watches are not only important in terms of revenues for Switzerland; it is also an important part of the Helvetic tradition. When kids get their first watch, it is usually a Flik Flak (Swatch Group). Then, most of the teenagers (and adults as well) go through what one could call a "Swatch mania". Colorful, cheap and fancy: everyone has at least one Swatch. Then, as adult, most of the people possess one ore more luxury watches. Nevertheless, behaviors changed a lot in the past years. Watches were typical present to offer at certain stage of the life (20<sup>th</sup> birthday, graduation, wedding, etc). One would wear the same watch his entire life. Nowadays, most of the people own more than one watch and like to consider it as a fashion accessory they can change as they like and that matches their cloths or envy of the moment.

The redaction of this thesis has been partially realized during an internship at Omega Headquarter, Bienne. This document is divided into four major parts. The first part (chapter 2 and chapter 3), includes a short introduction to the world of luxury watchmaking and then analyzes the prestige watchmaking industry according to the theory of Michael Porter. The second part is using the three generic strategies proposed by Porter in order to identify the strategies used by the main brand on the luxury watch market. Then, the third part presents the profile and strategy of Omega's main competitors which are also some of the main player on the market in terms of volume. These companies are Rolex, Cartier and TAG Heuer. Finally, the last part is an exploratory content analysis of Omega and Rolex paper advertisements using multiple celebrities. The aim is to assess the pertinence and coherence of the communication strategy with the other elements of the strategy and to better understand the use of celebrities in the luxury watchmaking industry.

The goal of this research is to provide Omega with an analysis of the strategy of its major competitors, which are Rolex, Cartier and Tag Heuer as well as assessing the validity of the celebrity endorsement strategy used by Rolex.



## 2 Luxury Watch Industry: A Short Overview

### 2.1 Definition and Price Segmentation

This study concerns the Swiss luxury watchmaking industry. In order to clarify what luxury means and includes in term of price, a classification taken from the Pictet report “The Watch Industry, What makes it tick?”, November 2003, will be used. The following table distinguishes four different segments which are exclusive luxury, accessible luxury, mid price and low price. Any time this report refers to “luxury watch industry”, it includes both the exclusive and the accessible luxury segment. What is more, as the Swiss luxury watchmaking industry represents close to 100% of the luxury watch market value, in this study, the expression “Swiss luxury watchmaking” or “luxury watchmaking” can be considered as equivalent.

PRICE SEGMENTATION IN THE WATCH MARKET (FACTORY-GATE)			
Price category	Definition	Technology*	Brand examples
Over CHF3,000 (over EUR2,000)	'Exclusive luxury' segment	M	<i>Patek Philippe, Breguet</i>
Between CHF500 and CHF3,000 (between EUR350 and EUR2000)	'Accessible luxury' segment	<b>M/Q</b>	<i>Rado, Zenith, IWC</i>
Between CHF200 and CHF500 (between EUR150 and EUR350)	Mid-priced segment	<b>Q/M</b>	<i>Tissot, Maurice Lacroix</i>
Below CHF200 (below EUR150)	Low-priced segment	Q	<i>The Swatch, Coach</i>

Sources: Pictet, FH

\* Q = Quartz movement; M = Mechanical movement; Bold typeface indicates dominant technology.

Table 1: Price segmentation in the watch market (factory gate) (Source: Pictet)

Luxury watches are defined as being those with a factory-gate price of over CHF 500, which corresponds more or less to a retail price in excess of CHF 1500. Accessible luxury watches are defined as those being sold for factory prices between CHF 500 and CHF 3000 (which corresponds to a retail price between CHF 1500 and CHF 9000). The technologies used are mainly based on mechanical movements and to a lesser extent quartz movements. The exclusive luxury segment represents watches with a factory-gate price in excess of CHF 3000 with no upper limit given. The production involves sophisticated craftsmanship and technologies are usually exclusively based on top-grade mechanical movements.

Conceptually, luxury, from Latin *luxus*, “excess”, is defined<sup>1</sup> as:

- “the comforts and beauties of life beyond what is really necessary
- the use of the best and most costly food, clothes, houses, furniture and amusements
- a thing that one enjoys, usually something choice and costly
- a thing that is pleasant but not necessary
- any form or means of enjoyment or self-gratification”

Danielle Allèrès<sup>2</sup> defines a luxury product as a

- *Perfect product* that is done with the use of the most precious material, the search of the most harmonious colors, the selection of the most innovative ideas and the most perfect realization and control.
- *Packaging* that enhances the perfection of the product: a prestigious product should be luxuriously presented.
- *Price*: an expensive product is not necessarily luxury but luxury is always expensive.
- *Selective distribution*: retailing should be coherent with the previous points and reflect the image of the product.
- *Selective communication*: a luxury product needs to have a history based on the legend or the past of the company, the brand, the founder or famous personalities.

Finally, Nueno and Quelch (1998) define luxury brands as “those whose ratio of functional utility to price is low while the ratio of intangible and situational utility is high.”

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<sup>1</sup> Definition taken from The World Book Dictionary, Thorndicke Barnhart, volume 2 L-Z ,1983

<sup>2</sup> Danielle Allèrès is the author of the book *Luxe ... Stratégie Marketing*, 3ème édition, Economica

## 2.2 Luxury Brands and their positioning



Figure 1: Matrix for watch brands (source: Pictet)

Figure 1 shows a chart displaying the most important brands in the watch industry. They are grouped into five different profiles resulting from their consumer image. The categories are the following:

- Connoisseurs/specialists
- Sport
- Fashion
- Lifestyle
- Jewellery

What is more, the chart is divided into four regions using three criteria: the price (low price – accessible luxury – exclusive luxury), the type of movement (mechanical and complication versus quartz) and the technology grade (technical content versus design content).

The brands that will be studied in more details have the following positioning: Omega is considered as a connoisseurs/specialist and lifestyle watch. Rolex is seen as a jewellery and lifestyle watch. Tag Heuer is positioned in the sport segment. Finally, Cartier is positioned in the jewellery segment.

### 3 Analysis of the luxury watch industry

Harvard Business School Professor Michael Porter developed a model for industry analysis, known as the “five forces model” that pictures an industry being influenced by five forces. The following five dimensions are interacting and shaping the competition in an industry:

*The threat of new entrants:* how easy is it for them to enter the market? This threat depends mainly on the presence of barriers to entry and the likelihood and capabilities of actual players to retaliate. The nature of the barriers to entry can be technological (the know-how is difficult to master, the actual players benefit of a patent), financial (economies of scale and/or of scope that a new entrant cannot achieve), strategic (the cost of building a brand) and linked to the actual legislation (protectionism, etc).

*The bargaining power of buyers:* how strong is their position? Their bargaining power might enable them to ask for price reduction and or service enhancement. Their power might be especially high if they work together in order to buy in bulk, there is a lot of substitute products (or sellers), the product is standardized, they threaten to integrate backward, they are well informed and knowledgeable and/or the industry is not very important for them.

*The bargaining power of suppliers:* how strong is their position? The reasoning is very symmetric to the one concerning the buyers. They may be able to increase the selling price. Their power is greater when there are a lot of buyers but few suppliers, the product is differentiated, they threaten to integrate forward, and/or the industry is not very important for them.

*The threat of substitute products:* how easy can the product be substituted? This depends mainly on the willingness of customer to substitute and the relative price and quality of the substitutes. In the presence of high switching costs, customers are not likely to substitute.

*The rivalry among existing firms:* how strong is the competition between the existing players? As the rivalry increases in an industry, its attractiveness and profits decreases. The competition on a market tends to be more intensive if the barriers to exit the industry are high, the growth of the market important, the players have the same size and are numerous.

This model permits to understand the dynamics of the competition structure as well as the profitability of the studied industry.

This chapter will heavily rely on this theory in order to make an analysis of the Swiss luxury watch industry. The choice of Porter's model is particularly pertinent for the Swiss luxury watchmaking industry because it enables to specify conceptually the nature of the competition with the amount of information available, which makes this methodology very flexible. In fact, one of the most important difficulties in the studied industry is related to the gathering of information: companies are still very secretive and not transparent, especially regarding financial information. On one hand, many companies are still family owned and do not have to publish information. On the other hand, the big groups publish consolidated figures and it is difficult to assess the contribution of each brand to the results. What is more, there are very few academic studies available on the Swiss luxury watchmaking industry. The main disadvantage of the method is that the government's power is not taken into account. Nevertheless, it does not penalize this study but could be an important limitation for industries that are heavily regulated.

The paragraphs 3.1 to 3.5 will analyze each of the five forces in the luxury watchmaking industry.

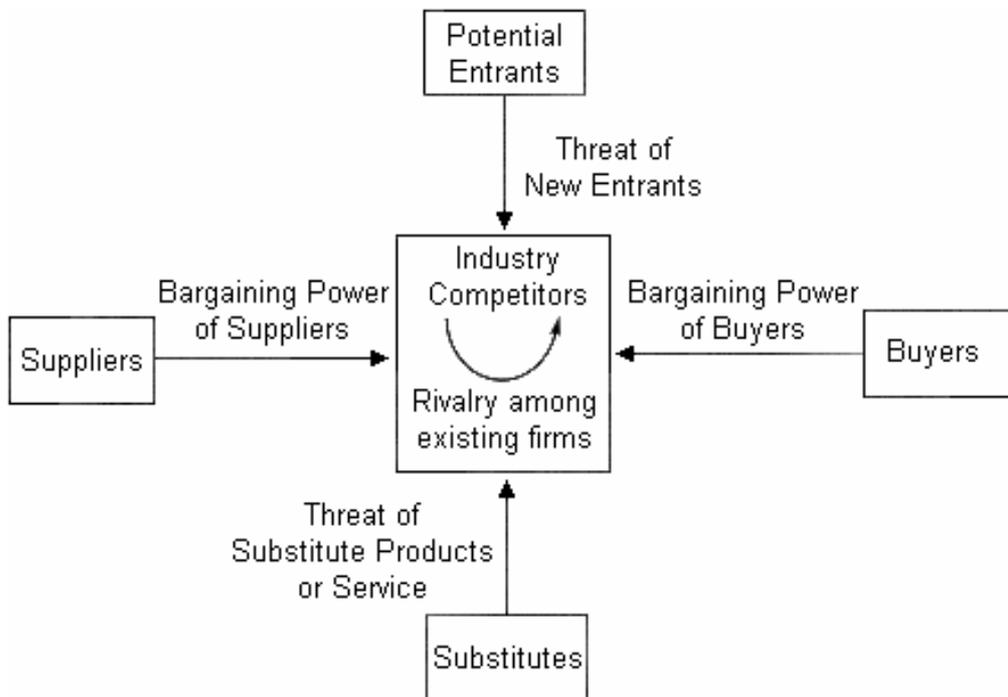


Figure 2: Porter's Five Forces

## 3.1 Threat of new entrants

The first force that is examined is the threat of new entrants. In fact, not only incumbent competitors represent a threat but potential new entrants are also a threat for actual players on a market. The presence of profits in an industry will attract new firms willing to take advantage of these profits. Over time, too many new entrants will drive down these profits, decreasing at the same time the attractiveness of the industry. The presence of various barriers to entry can minimize this threat. The world of luxury watchmaking possesses numerous barriers that cannot be overcome very easily. The main barriers have been identified as the need of important financial capabilities, the difficulty to build a brand capital and finally the complicatedness to be distributed in top retail stores. Each of these barriers is thoroughly explained thereafter.

### 3.1.1 Capital requirement

In order to be considered as luxury, a watch needs a brand that is recognized and considered by everybody as belonging to the world of luxury. Therefore, a new brand entering the market is compelled to invest in huge advertising campaigns in order to get fame and identification from the public. What is more, at first, a campaign to penetrate the luxury market should target a very large audience: an object possesses the title of exceptional and luxury only if everybody knows the brand and accepts it as a luxury object. Finally, recognition can also be a guarantee for quality. In fact, very few people would pay thousands of francs for an unknown brand. The dramatic and particularly dangerous point is that those costs are unrecoverable. If a new entrant fails in its attempt to conquer the market, he will face an unrecoverable loss.

### 3.1.2 Brand recognition

This barrier is tightly tied to the first one ... basically it is where the money goes. Luxury watchmaking relies heavily on differentiation strategies which require lots of investments in advertising and public relation (PR) events. Objectively, the product is, from a design point of view, very similar from one brand to another even though most companies claim their product is unique. It would be more correct to say that the brand and its communication bring life to the product, give it its identity and maybe has the potential to make it unique. "A product is something that is made in a factory; a brand is something that is bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated, a successful brand is timeless." (Stephen King from WPP Group). A good statement of this evolution is Mr. Nicolas Hayek<sup>3</sup> mentioning "We are selling emotion". It is

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<sup>3</sup> Nicolas G. Hayek is co-founder, Chairman and Chief Executive Officer of the Swatch Group. The strategies he developed in the early 1980s played a decisive role in the recovery and then to the success of the entire Swiss watch industry, which has regained worldwide leadership position since 1984. The Swatch group encompasses 20'000 employees and realizes more than 4 billion sales turnover.

no longer an utilitarian product that shows the time but a piece of time that incarnates a lifestyle. Therefore, the brand is an inestimable intangible asset in this industry; it is very costly and it takes time to be established.

Marketing and communication is undoubtedly the main differentiator between brands, while the role of design as a differentiator is gradually losing its importance. Every year, new trends are launched, like colorful straps, huge cases, diamonds married to diving watch, etc, and never cancel each other out. What is more, the unisex trend, born in the fashion world, has been slowly imported in the watchmaking territory. Male and female products are less and less differentiated. Chanel incarnates this idea perfectly with the launch in spring 2000 of their black J12 and later, in spring 2003 of the white J12, a unisex watch. This move is a clear proof of a strong evolution, because it is accomplished by a brand that has always represented feminine elegance.



Figure 3: white J12 from Chanel

Therefore we can consider that the influence of fashion<sup>4</sup> on one hand and a mature market (excluding emerging markets) on the other hand are the motor of a new trend: we see more and more brands trying to expand in every segment. Fashions are succeeding each other without canceling each other out. Giant cases and micro watches are seducing the same customer; diving watches are worn at evening dinners and diamonds to go work. Therefore,

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<sup>4</sup> In the 1960s, the youth resulting from the baby boom finds in clothes a way to dissociate itself from the adults. For woman, wearing pants was a first step in the direction of clothing for men and women. But it is in 1970 that the trend is born with Jacques Esterel's first unisex collection. In the 1990's, Calvin Klein dresses a very androgynous Kate Moss with men's underwear under her jeans, just before launching a unisex perfume: unisex fashion is born. Later, this trend expanded in the world of watchmaking as well.

brands keep increasing their range of products in order to cover a bigger part of the market. As a result, the market, from a design point of view, is more and more consolidated and the design differences between brands are fading away. For example, Omega has an enormous collection that includes gents' and ladies watches, chronographs, complications and jewellery watches available in different sizes, shapes and materials. De Grisogono, a brand taken over by Chopard, is even launching now "white diamonds" after its successful launch of black diamonds and Chanel's J12 in ceramic is also a hit. But this strategy has also some disadvantages: in this case, it is difficult to talk about a typical Omega watch, or to recognize an Omega watch at first sight. Even though design is not considered as a barrier to entry, a consistent style can reinforce the image of the brand. Rolex has also played this game and increased its range of products but, in this case, the basic shape is always very similar – a round watch - and the use of many different materials adds some variety. As a result, a lot of consumers are able to recognize a Rolex watch at first sight; design acts as a reminder of the strategy but is rarely a differentiator tool. As a proof, let's take a look at the following diving watches. We can admire, on Figure 4, Figure 5 and Figure 6, an Omega Seamaster Professional, a Tag Heuer Aquaracer and a Rolex Submariner. Of course, any watch geek would argue those models are very different, the details give each model its specificity. But let's face it; some people have been sharing inspiration when designing these three models.



Figure 4: Seamaster Diver Professional Omega (the James Bond Watch)

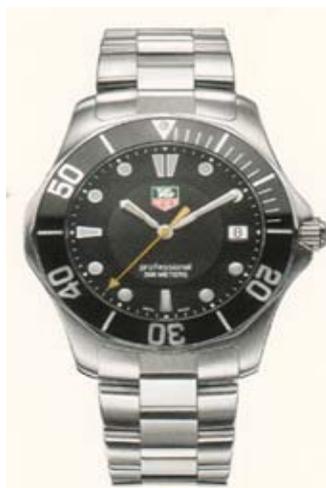


Figure 5: Aquaracer Tag Heuer

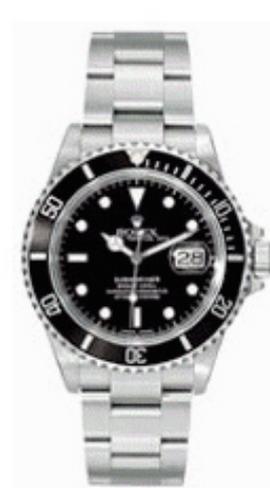


Figure 6: Oyster Perpetual Submariner Rolex

Finally, it is interesting to notice that Bernard Arnault<sup>5</sup>, president of LVMH, Louis Vuitton Moët Hennessy<sup>6</sup>, the first world luxury group, used many of its current renowned brands to leapfrog this barrier and enter the watchmaking industry with successful and famous fashion brands like Christian Dior and Louis Vuitton. PPR, Pinault Printemps Redoute, with its famous brand Gucci and family owned Chanel is also following this trend with its own brand. By doing so these groups achieved what could be considered as “economies of scope”, that is the cost of a single firm producing, say, two (or more) different products is less than the costs of the outputs produced separately by two (or more) firms. Concretely, the company could decide to join marketing expenses. For example, enterprises could advertise different kinds of products together; exploit synergies between its products or like most companies do, just count on the value of the brand to generate sales in a new range of products.

But this strategy, brand extension, is not totally risk free. It involves the use of an established brand name for new products in order to capitalize on the equity of the original brand name and to capture new market share (Kerin et al., 1996). If the new product is introduced successfully and lives up to the quality level of previous products, the entire action is a hit and the brand name might even gain more recognition than before. However, if a prestige-oriented brand launches a new product that does not respond to previous quality levels, then it might damage the entire brand name due to the introduction of conflicting information.

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<sup>5</sup> Bernard Arnault, the luxury-goods king, created and still manages the sprawling LVMH luxury-goods empire that includes everything from Louis Vuitton bags to Moët champagne to TAG Heuer watches.

<sup>6</sup> LVMH is active in wines and spirits (Dom Perignon, Moët & Chandon, Veuve Cliquot Ponsardin, Krug, Pommery, Hennessy, Hine), fashion and leather goods (Louis Vuitton, Loewe, Givenchy, Kenzo, Céline), perfumes and cosmetics (Christian Dior, Guerlain) selective retailing (DFS Duty Free Shoppers, Séphora) and watches and jewellery (Tag Heuer, Chaumet, Fred, Zenith).

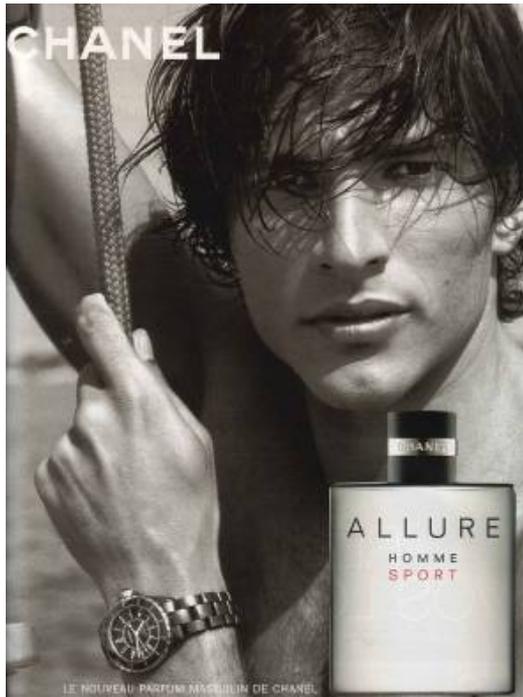


Figure 7: Chanel advertisements for the perfume Allure Homme Sport, published in Madame Figaro, June 2004

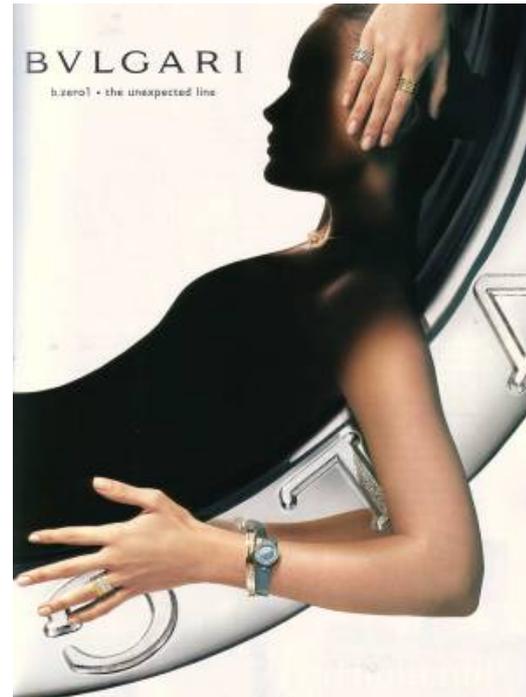


Figure 8: Bulgari advertisements for watch and jewellery, published in Edelweiss, July 2004

Figure 7 shows a Chanel advertisement for the perfume *Allure Homme Sport* but including very clearly a Chanel watch. Figure 8 shows a Bulgari advertisement. In this case, Bulgari is promoting its new line called *b.zero1* which includes rings, bracelet, necklace and watches. Figure 9 shows a Christian Dior swimming suit of the spring/summer collection 2004 and Figure 10 depicts a watch from the Riva Sparkling collection redesigned by John Galliano that matches the swimming suit. The material used for both the bracelet of the watch and the swimming suit are the same. He also designed a laced up strap like its basque and another one in denim that goes with the Diorling jeans line. This strategy is very powerful because Christian Dior uses its expertise and recognition in the haute couture industry to gain awareness in the prestige watchmaking industry. It means that anyone knowing the swimming suit will recognize the watch and identify it as being a Christian Dior as well even if it is the first time it is seen. On the other hand, the main disadvantage of this strategy is that it is “importing” one of the key difficulties of the fashion industry: how to deal with unsold goods once the season is over? In other words, once the fashion season is over, Christian Dior watches has to launch new models and the previous ones are “out”. This results in big quantities of material that are thrown away.



Figure 9: Hello, June 2004, Dior bathing suit



Figure 10: Dior Ad, Glamour UK, July 2004

Another notion that is often discussed at the same time as economies of scope is the idea of economies of scale. Luxury watchmaking doesn't benefit from it since the fixed costs are not very high; in fact, the size of a company doesn't directly influence the cost structure of the firm. The repeated appearance of "fashion brands" in the watchmaking industry has newly brought along this idea of economies of scope. These brands use the recognition they have in other luxury branches to expand in the watchmaking business. It doesn't prevent them from investing heavily in advertising but it already ensures the recognition of the brand, which is a "good start". This creates a competitive advantage for those firms who are first good in marketing and communication and makes it more difficult for totally new brands to differentiate themselves in a market that is becoming more and more saturated.

Finally, even though it is maintained that the most important differentiator is the brand and not the design, it is important to mention the case of a totally unknown brand that succeeded to gain market share in a very short time with the introduction of an innovative and unexpected design. TechnoMarine, born about six years ago, was, according to analysts doomed to failure or, at best, to last not more than a year or two. In 1997, Frank Dubarry imagines a sport watch combining plastic straps and diamonds – which had never been done so far. The combination of noble and cheap material sounds like an absurdity for most people, especially in the luxury industry. At first, he presented its model in 1997 at the Basel Fair with fake diamonds because nobody believed in its idea and no supplier wanted to work

with him. This was a huge mistake: the watch is a success and Frank Dubarry hits the jackpot. In 1999, the watch, called "TechnoDiamond", is finally produced with diamonds and success was immediate thanks to people like Madonna, Barbara Streisand, Sharon Stone, Arnold Schwarzenegger, Lenny Kravitz and Ringo wearing the watch. The production increased from 2000 pieces a month to 300'000 and turnover from 700'000 USD to 35 millions USD in a year. Now the turnover represents around 80 millions dollars and TechnoMarine is about to become a well established brand of prestige watchmaking. Frank Dubarry has been able to find a niche position on the market and succeeded with its innovative and imaginative design.

Figure 11 shows an original time piece of TechnoMarine.



Figure 11 : TechnoMarine, TechnoDiamond Chrono

### 3.1.3 Distribution

Last but not least, distribution is also an important issue for a new company willing to penetrate the market. The distributor is taking an important financial risk if he decides to supply a brand that is still unknown or that cannot ensure a certain amount of spending in marketing and communication to promote its products. The distributor has to pay for the products he buys and if he doesn't sell them he is the one supporting the net loss. Fortunately reality is not always that hard: even though there are usually no rules or written arrangements regarding this, in practice, companies sometimes do take back the unsold goods in order to preserve both the image of the brand and the financial capacities of the

distributor. This kind of measure is usually taken when a model is a failure and does not work at all to prevent the distributor from taking measures such as discounting the product. But of course, this is difficult to apply for a new company. Even if the new watch brand can offer securities, distributors will be cautious before buying it because if the company goes bankrupt, the distributor's investments will be lost no matter what has been decided. Finally, actors that have been present on this market for a long time have built strong relationships with the distributors and they often have the power to pressure their suppliers in order to hinder them to distribute competitive brands. And a watch which is not seen by the customer just does not exist. For example, Chaumet found it very difficult to be distributed in Latin America because some of the big watchmaking groups were pressuring distributors and one of them who wanted to distribute the brand was forbidden to do it. It is also very rare to see Chopard and Cartier distributed in the same jewelry store since they are close competitors (see Figure 1). But Chopard or Chaumet are not the most vulnerable brands, the issue is a lot more problematic for small brands. Bedat & Co, founded in 1996 by Simone and Christian Bedat joined the Gucci Group in 2000 and experienced that distribution remains a problem even with the support of a huge group. Since their brand name is still not very famous, distributors are reluctant to add this brand in their store even though it belongs to an important group. The company is now struggling with distribution problems and Christian Bedat presents the problem as a vicious circle: Retailers want the watches that their customers want. The customers want the brands that have a strong brand identity; they are usually produced by companies who have the capacity to impose their desires to retailers.

What is more, it is important to mention that the difficulty is not only to find a retailer but to find an adequate retailer that is coherent with the luxury strategy of the new comer.

As it has been mentioned for the preceding barrier to entry, brands like Christian Dior and Louis Vuitton who already benefit from a worldwide recognition are leapfrogging this barrier because they are less risky for their distributors and they can to some extent rely on their own points of sale.

In fact, these brands are already so famous that they don't represent a serious financial danger for the distributor. No matter what the price and the design are, there is surely is a market for these brands that can already count on years of marketing and communication of the brand name. What is more, the financial capacity of leading groups in the luxury industry represents, psychologically, a non negligible security.

The possession of points of sale is another valuable asset. Usually, those stores benefit from a very good location and perfectly incarnate the image of the brand. For example, Louis Vuitton sells its watches exclusively through its own retail stores. It gives them a valuable competitive advantage. First, they perfectly control their image and the implementation of the strategy because they are directly in contact with the end consumer. What is more, because

it is their own infrastructure, they can have access with no delay to a very large number of data regarding sales. Nearly instantaneously, they have the opportunity to know what product has been sold, the quantity still available in each store, etc. This kind of information is a valuable asset and a great help to manage stock and production effectively.

Table 2 presents the number of retail outlets owned by LVMH and Richemont. As it is presented, the number of point of sales owned by the groups is increasing. Companies understand that the brand is the key asset of their product and their own customized retail outlet is the best place for the brand to fully express itself. Annex II: Brands and Groups (Source: Pictet) shows in more details the brands owned by each groups present in the luxury watch industry.

	Number of stores			
	2003	2002	2001	2000
LVMH	52 <sup>7</sup>	40	Not available	Not available
Richemont	901 <sup>8</sup>	862 <sup>9</sup>	725 <sup>10</sup>	719 <sup>11</sup>

Table 2: Number of retail outlet stores worldwide

## 3.2 Bargaining power of buyers

In the Swiss luxury watch industry, even though companies tend to open more and more their own point of sales, the jewellers are still the main buyers. Luxury watch brands try to be presented in top jewellers stores in the best locations all over the world. But on the other hand, top jewellers also need to present top brands in their stores. Therefore, their bargaining power can be separated into two very distinct cases: the watch brand is an established player in the industry or the watch brand is a new entrant, still unknown by the final customer.

### 3.2.1 Established brand

If the brand is very famous, successful and appealing to customers, there is no obvious difficulty for distributors to sell the products: the marketing and communication efforts done by the brand will drive customers easily into the jeweller's shops. In this case, the bargaining power of the buyers is pretty low: he wants the product in order to sell it and gain benefits on the sales. Of course, the jewellers can influence the final customer's choice. But usually, for luxury consumption, final customers are knowledgeable about the different brands and

<sup>7</sup> This number includes of course only watch and jewellery stores

<sup>8</sup> This number includes 538 stores owned and 363 franchised

<sup>9</sup> This number includes 520 stores owned and 342 franchised

<sup>10</sup> This number includes 450 stores owned and 275 franchised

<sup>11</sup> This number includes 444 stores owned and 275 franchised

already have a clue of what they want. Established brands can pressure retailers when it comes about new entrants in order to hinder them to be distributed. What is more, the strength of a big watchmaking group should not be neglected: a group offering ten different brands that wish to have one more distributed is not likely to be refused.

Nevertheless, except in the rare cases mentioned here above, the parties involved consider their relationship more or less like a partnership. No one is seriously threatening to integrate backward (the jewellers) or forward (the brands) and each of the parties will win of a stable and even relationship. The distributor is the person in contact with the final customer and to some extent representing the brand but he knows that if the brand is a hit, he can make big profits on the sales. Watch companies know that the better the image of the store in which it is sold, the better the overall evaluation of the final customer. They also fear to see retailers discounting their products and therefore privilege honest and trustful relationships.

What is more, the number of top names in the exclusive luxury segment and accessible luxury segment is very limited, giving little opportunity for the retailers to switch from brands to brands. In addition, margins are usually high, and as long as the product is successful, the jewellers have no reason to stop the collaboration. Finally, the only trend that might create some anger among jewellers is the multiplication of retail stores owned by the brands since it is adding competition on the market and their supplier is becoming a competitor at the same time, but this phenomenon is still managerial.

### **3.2.2 Newcomers**

The situation is totally different for new entrants. Jewellers are usually not especially risk takers and if they have no guarantee that the brand is a hit and will be easily sold, then one might have a hard time trying to convince them to buy ones products. All the power is in the hands of the distributors; with no distributors, the way to the customers is locked. What is more, distributors might be pressured by actual players to refuse to distribute new brands. Therefore, as we mentioned earlier, distribution is an important barrier to entry.

## **3.3 Bargaining power of suppliers**

The third force examined is the bargaining power of suppliers. A watch usually includes, as main components, a movement, hands, a case, a dial, a crystal glass and a bracelet. The Swatch Group<sup>12</sup> is an important movement supplier thanks to its company ETA and many other small ateliers supply the brands with some of the other components. Their power can

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<sup>12</sup> The Swatch Group is lead by the emblematic Nicolas G Hayek. The Swatch Group is now the first watchmaking group and, thanks to a strong policy acquisition, possesses an impressive brand portfolio including Blancpain, Longines, Omega, Tissot, Hamilton, Certina, FLik Flak, etc. The Swatch Group is not only an important producer of watches but also of movements and components.

vary depending on the company they are supplying. Actually, there is hardly any company that is fully autonomous. The only ones we could name are Rolex and the Swatch Group taken as a whole. They are highly vertically integrated and masters the entire value chain, in other words they are able to manufacture every single piece of a watch.

Most of the other players (Richemont, Bulgari, LVMH, Movado) are directly or indirectly dependent on the Swatch Group, usually for the most important part of the watch: its movement.

As it has already been mentioned, the luxury watch industry is dominated by mechanical technology; as a result, the procurement of mechanical movements is the high end brands' main concern. Qualified manpower can also be an issue that should not be neglected; the number of watchmakers able to produce some of the most intricate complications is very small. Therefore, these two issues are discussed in more detail hereafter.

### **3.3.1 Suppliers of movements**

The Swatch Group has a dominant position not only in the manufacturing of finished movements (ETA, Valjoux, Nouvelle Lemania, Frédéric Piguet) but also in the manufacturing of "ébauches" (plate, bridges, gear train, etc) where it controls 80% of the market and regulating organs (sprung, balance, pallets) showing a market share superior to 90%. (Annex I: Watchmaking Glossary (Source: Omega) present the definition of a watch's main components.) "Ébauches" can be considered as mechanical movements spare parts. Many small companies called Assembly Companies or workshops buy the spare parts they need at ETA in order to build their own original and customized mechanical movement, multiplying sometimes more than ten times the original value of the movement. These small firms then sell their products to some of the most famous brands of prestige watchmaking, including Ulysse Nardin, Hublot, Cartier, Louis Vuitton, etc. Some other well established brands, like Frank Müller, buy their mechanical movements "ready" at ETA. Regarding the manufacturing of regulating organs, more particularly springs, it is interesting to notice that Nivarox, a company of the Swatch Group, was, a couple of years ago, the only company producing this component that is indispensable for a mechanical watch's running. Now, some companies like Rolex and Jaeger-Le-Coultre have started to produce their own springs but still in limited quantities and only for their own use. Therefore they don't sell any springs outside their group and their production is still not high enough to avoid dependence on Nivarox' springs. In other words, Nicolas Hayek, who, by the way, promised years ago, to always supply any competitor and that kept his word, controls, through this element, the production of any mechanical watch.

What is more, the Swatch Group has also a vital importance in the production of hands (Comadur), the micromechanical components (Valdar) and its habillage, assembly, setting, case fabrication units.

At this point of the development it is valuable to mention the declaration that more or less shook the mechanical watchmaking industry in the summer 2002. ETA announced that it would gradually decrease the delivery of “ébauches” to finally completely stop it by the end of 2006 and instead sell only finished movements. Mr. Nicolas Hayek justified its decision with many complementary arguments. First, the production of ETA was barely enough to satisfy the demand of its own brands. Second, the production of the components requires high fixed costs and Nicolas Hayek doesn't want to be the only one investing in the production of ébauches while other groups are increasing their investments in marketing. In fact, ETA endorses the risks, in case of recession, on its own: the other players have the possibility to decrease their orders while ETA still faces fixed costs. Finally, many of the components sold by ETA to some of these finishers were found in counterfeit Rolex. Although it is very difficult to trace the provenance of components that are found in counterfeit watches, the arrest of Jean-Pierre Jaquet, CEO of Jaquet SA<sup>13</sup>, in November 2003 for theft of gold (that was the propriety of Rolex) and presumption of counterfeits is giving some more credibility to these charges.

On the other hands, small Swiss firms, like Sellita Watch Co, Soprod SA and Jaquet SA, specialized in the assembly of movements, have seen their existence and at the same time 750 jobs threatened. Many small companies are living off this lucrative business: movements are bought in kit for around 150 CHF and can be sold up to 2000 CHF to the high end brands. Their biggest strength is their small structures that enable them to customize complications as the final customer wants it, a service that ETA does not offer, and therefore, ensure a larger variety of movements to the prestige watchmaking world. Nevertheless, the human cost should not be overestimated. In fact, the chances are great that some of the jobs will simply be moved to ETA in order to respond to their increased demand. Finally, one important issue that this announcement brought is the fact that many brands belonging to the prestige world would have to “clearly admit” their dependence on the Swach Group. In fact, they would not be able to sign their movement with their own brand name but call it what it truly is: an ETA movement.

Now, after two assembly companies (Jaquet SA and Sellita Watch Co) sued ETA for abuse of dominant position, the COMCO<sup>14</sup> has conducted an examination and during the

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<sup>13</sup> Jaquet SA is a 160 employees company that is specialized in complication. Jaquet SA buys ebauches at ETA, assemble them and sell them as movements to the brands. The company still exists but Jean-Pierre Jaquet, who is still in prison, is not active in the company anymore.

<sup>14</sup> Commission de la Concurrence

inspection, ETA had to supply normally its customer. The COMCO declared in November 2004 that Swatch Group abused its dominant position but the two parties found an amicable arrangement: Swatch Group will have to fully supply its customers until 2008 and 50% of this volume in 2009 and 25% in 2010.

The situation already noticeably evolved with Richemont and LVMH investing in their own infrastructure in order to be able sooner or later to produce mechanical movements and some takeovers of small suppliers. Therefore, the bargaining power of suppliers is significantly changing: the entire industry tend to strongly integrate vertically in order to strongly decrease their dependence on external supply.

### 3.3.2 Watchmakers' training

Watchmakers do not exactly enter the definition of suppliers since they are not external to the company. And even though it might be a challenge for companies to find enough qualified manpower this cannot be considered as a barrier to entry because it is much a lesser problem than the other barriers cited.

Nevertheless, to avoid shortage of qualified watchmakers, some companies also invest in training. For example, Rolex has an internal research and development department but is also involved in various external projects. Rolex is a shareholder of the CESEM<sup>15</sup> and it issues mandates to universities and polytechnic schools.

## 3.4 Threat of substitute products

The fourth force presented is the threat of substitute product. It is difficult to talk, in a narrow and legal sense of close substitutes like it is meant when butter and margarine are compared. Nevertheless, counterfeit is a phenomenon that needs to be mentioned because it represents a non negligible threat for the luxury watch industry. Secondly, in a larger sense, other luxury products can also be considered as a substitute. These two elements are succinctly presented hereafter.

### 3.4.1 Counterfeits

According to the FH – Federation of the Swiss watch industry - counterfeit causes a damage of 800 billions to Swiss watchmakers. The fight against this illegal business is getting more intense but the business is so lucrative that it is attracting new individuals. In fact, very recently, millions of spams offering luxury watches for prices comprise between 200 and 300 dollars are filling email boxes. Unfortunately, it is very difficult to fight that kind of business because it is very difficult to find out who is behind the website. The web registers are easy to falsify and emails can be sent from a server in a country with no law or weak law

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<sup>15</sup> Centre Suisse d'électronique et de microtechnique

enforcement regarding cyber criminality (China). According to the Swiss newspaper Le Temps, this illegal activity could be even more profitable than drug traffic and less risky because it is considered as a minor crime. For some brands the number of counterfeits on the market is larger than the number of original pieces.

Beside the traditional counterfeits, high end counterfeit is becoming a worrying topic as well: in fact famous watchmakers or manufactures use authentic and counterfeit components in their products. The result can be so impressive that even the real manufacturer could sometimes be misled.

### **3.4.2 Luxury products**

Now if we think about a legal substitute, which could be fought with conventional marketing weapons, the issue is more complicated. First, it is important to notice that the utilitarian aspect of the watch is not the most important feature, its luxurious and fashionable aspects are. Therefore, any other object showing the time is not necessarily a competitor. For example, a cell phone and / or a personal digital assistant do not replace a nice Blancpain complication. But if the cell phone belongs to the category of high end cell phone, then the reasoning is not the same anymore. Therefore, while in a narrower sense substitute could be confined to jewellery, in a broader sense we have to include all the luxury goods available on the market.



Figure 12: Bolero, July 2004 (1: Audemars Piguet, CHF 67'900 - 6: Piaget, CHF 183'000 - 7: Calvin Klein, CHF 790)

Let's first take a look at the case where jewellery is considered as a substitute for luxury watches. If the object is regarded as a fashion accessory, the border between both products is less clear. Nowadays, manufacturers include more and more jewellery touches in their products. Some brands, like De Grisogono and Harry Winston, newly positioned on the market are even specialized in what one could call jewellery watches. They mix the finest art of jewellery and watchmaking in order to get fabulous timepieces. Figure 12 shows some examples of those masterpieces: watch or jewellery?

Finally, the idea that all the luxury goods are competing against each other is pretty new. It is a result of the changing consumption habits. Previously, luxury consumption had a strong symbolic value. Now, at least in Western Europe and North America, hedonistic consumption is taking greater significance. In other words, it is not necessary to buy expensive items with strong symbolic value to prove that one has succeeded in his life. People are self confident and buy luxury objects for their own pleasure and satisfaction. As a consequence, some customers could buy a watch while others would rather travel to tropical and exotic countries, or buy luxury cars or furniture. Are all those products a serious threat? The answer is not obvious and the question stays open.

Therefore, because the range of substitute products we can include is so broad and difficult to define clearly, it is rather difficult to assess accurately how serious the threat is.

### 3.5 Intensity of rivalry among existing competitors

Last but not least, the fifth force discussed here is the one presented in the centre of Michael Porter's model: the intensity of rivalry among existing competitors. Concerning the large trends, the past years, big groups were fighting over brands: each group wanted to increase its brand portfolio by taking over independent brands. Richemont entered the luxury watch industry in 1999 with the take over of TAG Heuer for over 1 billion CHF. Then, in order to strengthen its watchmaking business unit, LVMH acquired Ebel (has integrated Movado Group in 1994), Chaumet and Zenith. This frenetic buying quickly expanded to other brands. Thus, Swatch Group adds Breguet, Glashütte Original and Jaquet Droz to its impressive brand portfolio. Gucci Group acquired Boucheron and Bédard and Co. The highest and also culminate point of this battle was reached when Richemont bought LMH<sup>16</sup> for 3.08 CHF billion or about 60 times the estimated net profit and seven times the annual turnover. In the meantime the object of the battle has changed and now consists mainly in a run to components and spare parts.

The "day to day" rivalry evolves mainly around the use of advertising. This aspect is presented hereafter.

#### 3.5.1 Advertising Battle

In the world of luxury, the principal tool to compete between brands is the intensive use of advertising. Therefore, it would be more appropriate to call this a polite battle involving gentlemen. In fact, companies hardly ever suffer as much as when involved in a price war. Actually, brands positioned in the accessible luxury segment even try to improve their high end image in order to increase their price; this will allow them to access the high end luxury market where margins and market in value terms are bigger. For example, Rolex announced

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<sup>16</sup> Les Manufactures Horlogères, small watchmaking group including Jaeger-Le-Coultre, IWC and Lange & Söhne.

in 2002 a price increase from 15% to 30% depending on the watch while Zenith envisaged a 40% rise for models that were so far considered as a “bargain”. Another positive point about advertising battle is that it has the potential to increase the market size for the entire industry so that nobody leaves the battle worse off. Finally, as it has already been mentioned, companies perfectly know that this is not only a tool to compete against the other actual players but it is also an important barrier to entry for potential new entrants. It discourages patent competitors to enter the market and finally it reduces the customer choice (which cannot switch from one brand to the other indefinitely if he is not satisfied).

Although this marketing “weapon” seem very gentle, it is important to mention that advertising is a very expensive<sup>17</sup> competition tool and that, the tricky thing about it is that it represents an unrecoverable expense. What is more, the gentleness of this battle doesn’t prevent it from being intense. The following points help to capture the real nature of the competition:

*Equally balanced competitors:* no group is clearly leading by far the others. Therefore, each one has still the feeling he can become the leader if he shouts louder than the others.

*Slow industry growth:* Western Europe represents 30% of luxury watch market. Figure 13. show that the Swatch Group and Richemont are the most exposed to Western Europe.

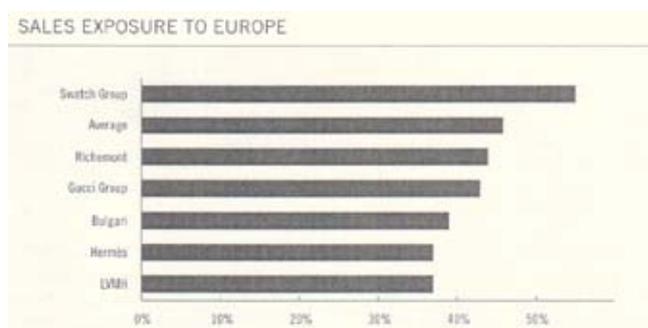


Figure 13: Sales Exposure to Europe (source: Pictet)

But unfortunately, according to Figure 14, Western Europe is also the geographical area with the smallest annual growth. It means that the only way for a brand to increase its market share is to decrease the one of its competitors. Therefore, while still competing at home in order to maintain their domestic market share, luxury watch companies are pressing ahead to expand in emerging markets, like China, India and Russia where opportunities are still enormous.

<sup>17</sup> For example a color page in Vogue US cost about 100000 USD.



Figure 14 : Annual Value Growth of luxury goods by region (1996-2002) (source: Pictet)

What is more, brands could not simply give up Europe because competition is just too strong. First, as it has just been mentioned, it is still the most important market for luxury goods. Second, Western Europe, especially France and Italy, represents good taste, refinement, sophistication and is still considered by many as the cradle of fashion. A totally unknown brand with little or no recognition in this part of the world would find it difficult to succeed only in another market in order to avoid the European competition. The acceptance and the success of a brand in Europe still represent somehow a guarantee of its luxurious character. To some extent all the women, all over the world, want to look like the women in Paris or Rome which are the mirrors of fashion and refinement. They hardly would like to buy a brand that is unknown in the rest of the world.

*High strategic stakes:* the eruption of LVMH and Gucci Group in the luxury watchmaking industry has undoubtedly brought some movement to a very stable industry. Some of these brands, thanks to the financial support of their group, advertise a lot more than one would expect given their turnover, in order to gain rapidly market share. These groups have already invested a lot of money in order to penetrate this market and they are ready for fierce competition in order to position themselves on it. As the Figure 15 shows, the luxury watch market represents a profitability of 6 billion Euros in the global luxury goods industry which is estimated to be worth around 60 billion euro. It is not negligible because the luxury watch industry is one of the most dynamic sectors with sales growth and EBITDA around 20%. Since these groups have little difficulties to overcome the barriers to entry, it becomes clear that the luxury watch market is very attractive for them.

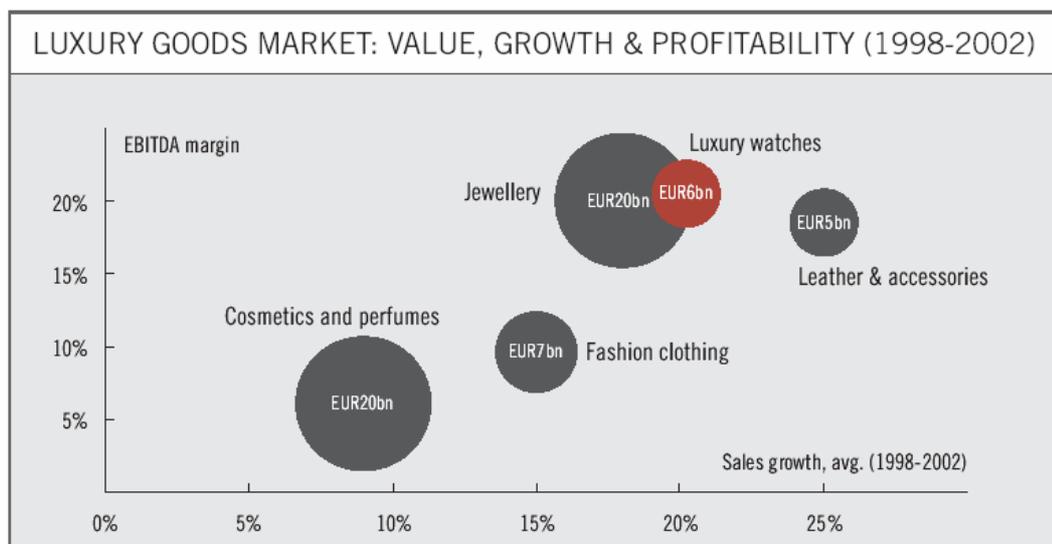


Figure 15 : Luxury goods market: value, growth and profitability (1998-2000), Sources : Pictet

*Low exit barriers:* no competitors are seriously stressed by the presence of exit barriers; anyone can easily leave the industry. Therefore, from the viewpoint of industry profits, luxury watchmaking belongs to the best category: potential newcomers are deterred by entry barriers and unsuccessful companies just leave the market. Thus, established corporations benefit from high and stable profits. High exit barriers would mean that companies will stay and fight and therefore, returns will be more risky.

### 3.6 Conclusion

The Swiss luxury watchmaking industry is a very profitable market but its nature and numerous barriers make it difficult for new entrants to successfully enter the market. Selling is for the actual players agreeable because they usually entertain good relationship with their distributors and if they have a strong brand it is easy for them to be distributed anywhere they want. On the other hand, the future of movements supply is still uncertain and it represents a serious issue for most companies. Therefore, the big groups try to integrate backward. The problem is that they are all trying to integrate backward and therefore, as demand for the same good increase, its price might also increase. Regarding substitutes products, no serious or close substitute threatens the industry even though counterfeits are, like for the entire luxury industry, a problem. Finally, the Swiss luxury watchmaking industry has been passably shaken the last years with first the arrival of LVMH as a major player and the gradual end of ébauches delivery by ETA. This is adding a lot of competition and rivalry on a market that was usually very stable.



## 4 Competitive strategy in the luxury watchmaking industry

Michael Porter uses the criteria of strategic advantage and strategic target to define three fundamental competitive strategies for outperforming competitors in a long term perspective. In order to implement these strategies correctly, companies need to develop different skills, gather particular resources and have an adequate organization of the company. Table 3 presents the three generic strategies: differentiation, overall cost leadership and focus. Each of these strategy provide defense against the five forces described in Chapter 3 Analysis of the luxury watch industry.

		Strategic Advantage	
		Uniqueness Perceived by the customer	Low cost position
Strategic Target	Industry wide	DIFFERENTIATION	OVERALL COST LEADERSHIP
	Particular Segment Only	FOCUS	

Table 3: Three Generic Strategies, Michael Porter

Companies usually set one of these strategies as their primary target, but it is rare to find these strategies totally “pure” and free from any influence of the two others.

### 4.1 Differentiation

The idea is to offer a product that is perceived as unique by the customer. The uniqueness can rely in the design -TechnoMarine, the brand who dares to mix plastic and diamond-, the brand image -Rolex and achievement, Cartier and art-, the technology used -Omega and the co-axial movement-, after-sales and customer services, etc. Of course, the company can not totally ignore the costs if it chooses a differentiation strategy but it is not the primary target.

A differentiation strategy is not an easy task: it relies heavily on intangible values and therefore it is slow to create the brand image and slow to penetrate new markets. Besides, the brands have a very sensitive relationship with the market: customers are usually

knowledgeable about the brand and identify themselves with it, therefore, companies have to be careful to nurture coherently the image of the brand and not disappoint them with mixed messages. In fact this is clearly showing a lack of innovation in marketing campaigns. No brand really dares to make something really different, imaginative or original and, therefore, strategies on the market are already much consolidated and look very alike. The implementation of the strategy is complex and difficult; the brand has not only to define intangible values but also to explain them and prove that they are different and apart from their competitors. But once the customer knows and understands the spirit of the product, the company can expect high margins on its product, a high degree of loyalty and lower sensitivity to price. Uniqueness can also protect from substitute because the more the product seems unique, the more it seems difficult to find close substitute. Moreover, as it has already been mentioned, the companies are protected from newcomers and benefit from high margin, thanks to this entry barrier.

A differentiation strategy requires from the company strong marketing abilities to develop the uniqueness factor and qualified manpower that will be able to deal with intangible values. The latter usually relies on tradition, prestige, credibility, reputation, etc. What is more, managing creative people can be difficult sometimes as Gucci has experience with the depart of Tom Ford and Cartier with a high turnover of top management. The risk of having the managers of these luxury products falling with their product is also current. In this case, management then loses a critical view over the strategy and the product and might “overdoing it”. This can result in overpricing, over complacency or simply in a lack of innovation. Another important disadvantage of this strategy is that it is often subject to fraud and imitation.

Luxury watchmaking brands rely on differentiation strategy which enables them to charge for important premium. Most of the brands are century old and therefore emphasis their long tradition in the industry, their reputation for quality tied with the Swiss made label, prestige and know-how. Taking a look at the communication strategies in the luxury watchmaking industry, the word “differentiation” sounds a little bit like an antilogy. In fact, the overall image of most of the brands rely on the values that have just been enumerated (tradition, prestige, etc). Concentrating only on the paper advertisement campaign, it is possible to identify five main approaches which are: product, sponsorship, technology, family and humor. Of course, most of the brands do not use a “pure” approach but can mix some of the elements. Nevertheless, the following categories are done mainly on the main message.

#### **4.1.1 Product Campaign**

This strategy is the most used one. The product is the star and nothing else is shown on the advertisement beside the product. The background is usually very simple but it can also be a lot more sophisticated. The watch is sometimes shown far or close-up and sometimes it is

just a part of the watch like the bezel that is represented. Brands using this kind of strategy include Bédard & Co, Boucheron, Bulgari, Cartier, Chanel, Chopard, Dior, Dunhill, Gucci, Harry Winston, Montblanc, Raymond Weil, Rolex (some of its advertisement), Tiffany, and Van Cleef & Arpels. Figure 16 and Figure 17 present a Chopard advertisement with a very simple background and a Dior advertisement with a much more sophisticated one.

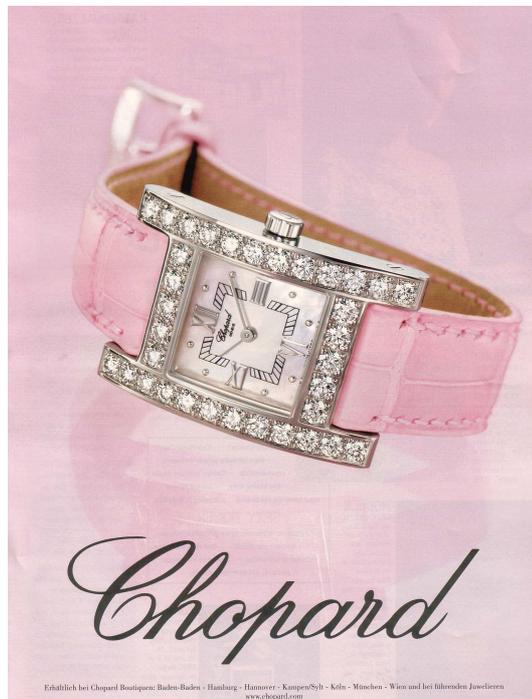


Figure 16: Chopard Advertisement, March 2003 (Vogue Deutschland)

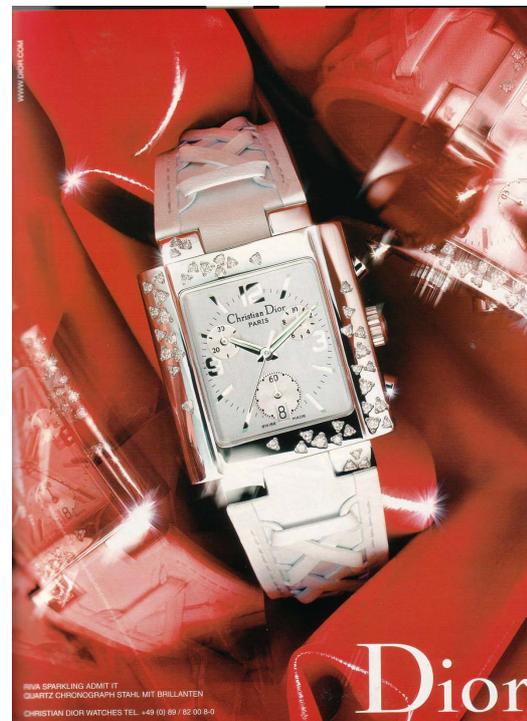


Figure 17: Dior Advertisement, June 2003, Vogue Deutschland

#### 4.1.2 Celebrity

In this kind of communication strategy, the brand can sponsor a person, an event or a team. Usually, brands use celebrities, dead or alive. This type of advertisement usually shows a picture of the ambassador as well as the watch and the logo of the brand. It is sometimes accompanied by a slogan or a story. TAG Heuer and Omega use superstars like respectively golfer Tiger Woods and top model Cindy Crawford while Rolex use “selective” celebrities, that is celebrities who are famous but on their domain only. Some other brands use pseudo celebrities like Carl F. Bucherer (see Figure 18). Breguet uses famous people who wore the watch (ranging from Napoleon Bonaparte to Queen Victoria) as well as famous citation written by writer of the literature of the 19<sup>th</sup> century mainly (Alexandre Dumas, Victor Hugo, Honoré de Blazac). Longines uses past icons of elegance Humphrey Bogart and Audrey Hepburn as well as some other actual ambassadors (see Figure 19). Rolex, Omega and

TAG Heuer's strategies are analyzed in more details at chapter 8: Case Study: the pertinence of sponsorship, especially multiple celebrity endorsement in the luxury watchmaking industry.

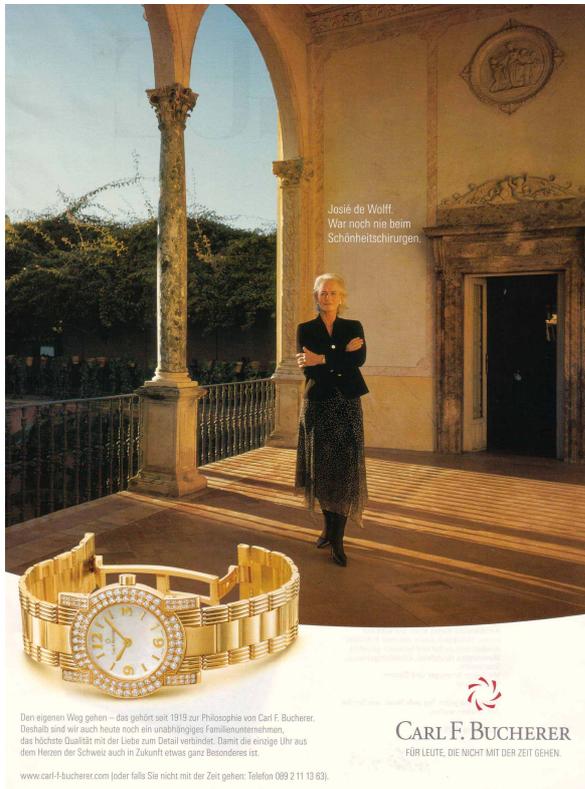


Figure 18: Carl F. Bucherer, December 2003, Vogue Deutschland



Figure 19: Longines advertisement, November 2003, GQ Deutschland

### 4.1.3 Technology and watchmaking tradition

This kind of communication strategy is mainly used by exclusive luxury brands which can rely on decades of know-how. This is mainly the universe of mechanical technology, highly complicated movements and century old manufactures. This type of advertisement usually shows the brand on a very sober and simple background and is accompanied of an explanation text of the features of the watch as well as the name and logo of the brand.

There is also sometimes a slogan. Some of the firms that are using this kind of advertisement are Daniel Roth, F.P. Journe, Girard Perregaux, Glashütte, Parmigiani and Ulysse Nardin. Figure 20 and

Figure 21 present respectively a Daniel Roth advertisement and an Ulysse Nardin advertisement.



Figure 20: Daniel Roth advertisement, Mai 2003, GQ Deutschland

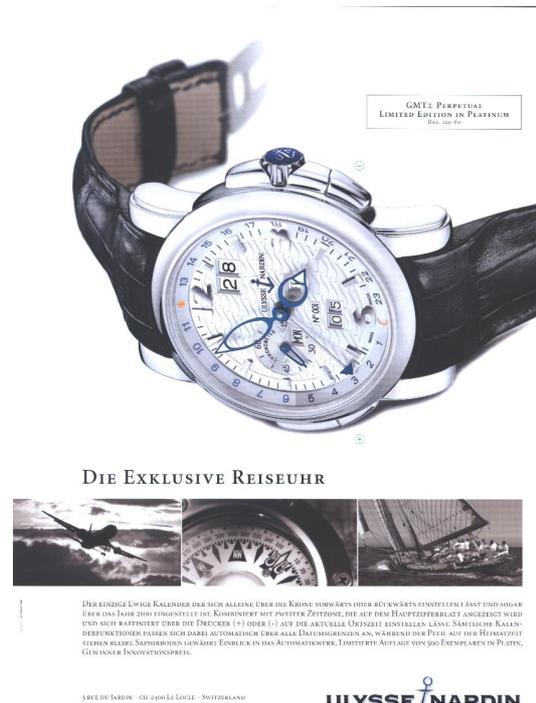


Figure 21: Ulysse Nardin advertisement, January 2005, NZZ Folio

#### 4.1.4 Family

While the focus of the preceding section was on the watchmaking tradition of the manufacture, this one is more centered on the tradition within the family. Here the goal is to enhance the emotional value of the watch. The two representatives of this strategy are Patek Philippe and Baume & Mercier. These advertisements show a catching image and slogan and the force of the message rely both on the image and on the slogan. Advertisements also includes a picture of the watch, the logo as well as the logo and the name of the manufacturer. Patek Philippe (see Figure 22) enhanced the idea of passing something to the next generation. In fact, Patek Philippe watches are especially famous for the extraordinary prices they can attain at auction. Many vintage watches have been sold for more than 1 CHF million, one of them attaining 6.6 CHF million. Baume & Mercier (see Figure 23) shows the important time of life, especially for a family.

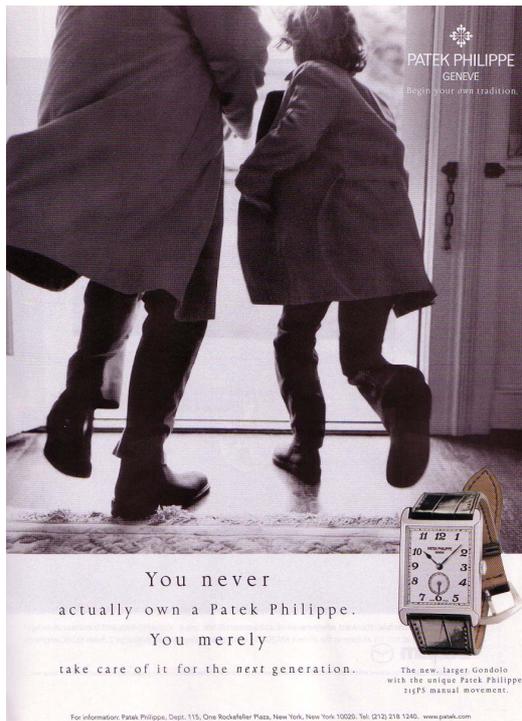


Figure 22: Patek Philippe Advertisement. January 2004, GQ USA



Figure 23: Baume et Mercier advertisement

#### 4.1.5 Humor

This last category is gathering some advertisements that play a humor card. These brands try to enrich the four traditional approaches described here above and propose an original and humoristic campaign. This is the case of IWC, Rado and Audemars Piguet. IWC (see Figure 24) plays on the eternal battle of the sex with some definitively misogynic jokes. Rado shows the picture of a piano having the same shape as its watch. Finally, Audemars Piguet (see Figure 25) presents the watch in unexpected situations in order to emphasize its innovative capabilities. Nevertheless, tradition and know-how of the brand are not abandoned; the bottom of the advertisement shows a short text explaining the features of the watch. Other visual includes a minute egg next to a chronograph, a tourbillon watch suspended by a balloon and a watch recall minute next to a clepsydra.



Figure 24: IWC advertisement, “Cleaning windows is a man task. Until 42 mm diameter”, January 2003, GQ Deutschland

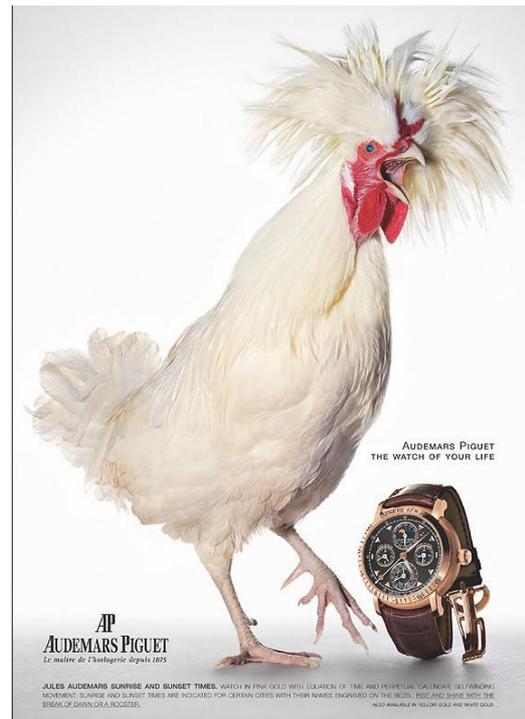


Figure 25: Audemars Piguet advertisement, 2004, www.audemarspiguet.com

## 4.2 Overall cost leadership

On the contrary, a cost leadership strategy is a lot easier to explain because the benefits are obvious; the main benefice for the customer is that the product is cheaper. It also allows the company to standardized the product and protects it from the bargaining power of the buyers. In fact, buyers can not try to get lower prices the price because they do not have an opportunity to be supplied at cheaper prices on the market. Usually, in this kind of scheme, a customer is loyal to the price and will jump from one brand to the other whenever it is cheaper. Some of the disadvantages of this strategy are that a company can loose its advantage very quickly if a new entrants or a new technology enters the market and it was not prepared. What is more, cost leadership usually return small margins but require big investment because the company has to attain a critic size and achieve economies through economies of scale and of scope.

As a consequence, in order to decrease price, companies following this strategy often decide to move their production where manpower is cheaper (India, China). What is more, the company has to control costs very carefully and try to achieve cost reduction through building of cost efficient-scale facilities and permanent cost minimization of any possible field (service, advertising, research and development, sales force, etc). But a company that has an overall cost leadership as its primary target can not totally neglect the differentiation part.

In fact, the product should be perceived as comparable to the other products on the market. If this is not the case, the company will have to reduce its price furthermore.

In the watchmaking industry, price is also an element of the strategy to differentiate the brands that have a identical positioning but this is never the focus. Brands rely on intensive management of their image.

### 4.3 Focus

Lastly, the final generic strategy presented by Porter is the focus strategy. Here, the idea is to focus on a particular segment, group of buyers. While the two first strategies goal is to achieve objectives industrywide, the aim of the focus strategy is to serve a particular target very well. The company in the niche market can better serve the needs of its customer or achieve lower cost than a competitor acting on the industrywide level. The focus strategy achieves low cost or differentiation but only on a niche market. Considering the entire watch industry, the luxury part of it could already be consider as a niche market but in this study, a brand is considered as positioned on a niche if its territory is restrictive and precise. This is the case of Breitling, with a brand territory limited to aviation and Panerai, an Italian watch, in naval military field.

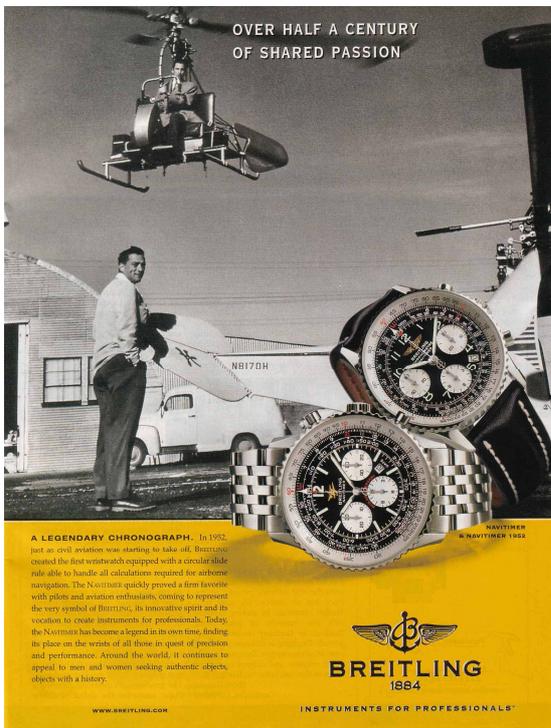


Figure 26: Breitling advertisement, April 2004, Time Europe

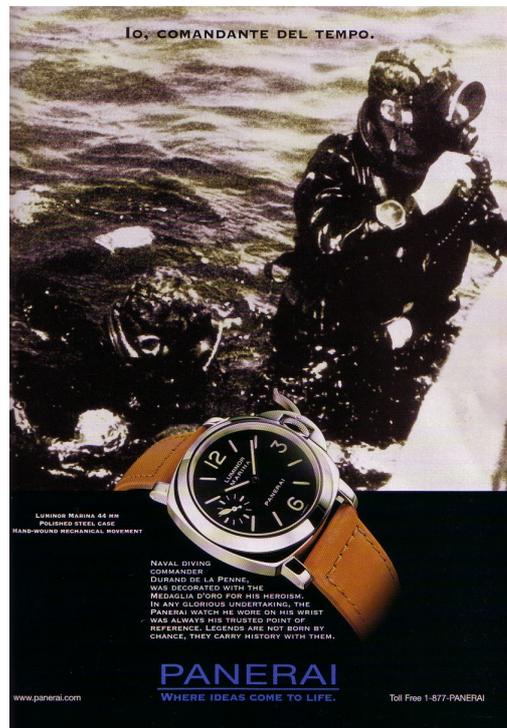


Figure 27: Panerai advertisement, November 2004, GQ USA

#### 4.4 Stuck in the middle

Usually, no company uses a pure differentiation or cost leadership strategy. Nevertheless, a company that fails to develop its strategy in one of the detailed approach is actually in a bad strategic situation. Therefore, firms should be cautious to choose an option in order to avoid to be squeezed “in the middle”, that is between two different types of strategy.

This kind of company loses the customers who want low prices as well as the high-margin business which is already targeted by firms achieving differentiation. A company that is in this position has to choose one of the above strategy and try to achieve it. In other words, the company can decrease its costs, find a niche or accomplish some uniqueness.

#### 4.5 Conclusion

All the brands in the luxury industry use a differentiation strategy whether it is focus or not. In fact, cost leadership and luxury are opposite concepts and therefore, even if companies do not neglect the price, it is never the focus.

But clearly, the factor of differentiation is not extremely visible from one brand to the other. Most of the brands try to express, one way or the other tradition, Swiss made, technological know how. Many brands have a very simple product campaign (product on a simple background). They show a nice product and the brand logo passes the message. For example, Chanel and Cartier do not have to say much for people to think about luxury and refinement. Nevertheless, a brand that is able to elaborate a “true” differentiation might be able to increase visibility.

A very interesting case of a brand who succeeded to follow at the same time a cost leadership and differentiation strategy is Swatch. When the Swatch was launched on the market, the Swiss watchmaking industry was struggling against Japanese competition and the quartz technology. The Swatch was an incredible innovation because, when it was launched, manager focused at the same time on differentiation with the other Japanese watches and cost leadership to achieve comparable prices than the Japanese watches. The Swatch appeared as a Swiss watch that is positioned on the low cost segment but that is also highly differentiated thanks to seasonal collection and very original and colorful design.



## 5 Competitive Analysis for Rolex

### 5.1 History

In 1905, Hans Wilsdorf<sup>18</sup>, a German citizen, establishes with his brother in law a firm called Wilsdorf & Davis and specializing in the distribution of watches. Then in 1908, he makes up a logo and a name that is easy to pronounce in every language and short enough to figure on the dial of the watch: it is the birth of Rolex. At that time, Swiss workshops produced mostly pocket watches as it was still difficult to manufacture small enough movements that could be used in a wristwatch. Thanks to its perseverance, in 1910, Rolex obtains in Switzerland the first official chronometer certification ever awarded to a wristwatch.

In 1927, Wilsdorf achieved, when he launched the Oyster, what could be called Rolex first big marketing coup. The use of testimonials, that is now a key success factor of the Rolex communication strategy, had already been used at that time with Mercedes Gleitze, one of the first women who swam across the English Channel (see Figure 28). Wilsdorf had the idea to ask her to wear the Oyster (see Figure 29), Rolex's water-resistant wristwatch, while realizing this achievement.



Figure 28: Mercedes Gleitze



Figure 29: Mercedes Gleitze's Oyster

After 14 hours and 15 minutes of immersion, her Oyster was still in perfect condition. The next morning, Wilsdorf reserved the first page of the Daily Mail and advertised the watch as being the "Wonder Watch that Defies the Elements" (see Figure 30). This is the start of the famous Rolex testimonial advertisement campaign that continues to this day.

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<sup>18</sup> Hans Wilsdorf was born on the 22nd of March 1881. Orphaned at the age of 12, he received an education at a leading boarding school in Switzerland.

Then, Rolex was continuously associated with some of the most extreme achievements; the companion of Sir Edmund Hillary and Tenzing Norgay when they became the first to summit Mt Everest in 1953 (see Figure 31) as well as the witness of the depth of the sea with Jacques Picard. This last unprecedented achievement was pretty amazing: the watch was attached to the outside of a submarine and went down to a depth of 3048 meter. At least two times deeper than the deepest rated sports watch made today can descend to.

**Daily Mail**

FOR NEWS AND COMMENT  
PUBLISHED DAILY AT 10.30

**Rolex introduces for the first time  
the greatest Triumph in Watch-making**

**ROLEX 'OYSTER'**

*The Wonder Watch that Defies the Elements.*

**MOISTURE PROOF  
WIND PROOF  
HEAT PROOF  
VIBRATION PROOF  
DUST PROOF**

**BEING** hermetically sealed the Rolex 'Oyster' is proof against changes of climate, dust, water, damp, heat, moisture, cold, sand or grease; it can, in consequence, be worn in the sea or bath without injury, nor would arctic or tropical conditions affect the wonderful precision of its beautifully poised movement. The introduction of the Rolex 'Oyster' model marks an unique development in the forward stride of the chronometric science, and perfect timekeeping under all conditions is at last a possibility.

**A HANDSOME, fully finished, beautiful timepiece, long life, perfect accuracy, together with the name of service, ROLEX, which has made it famous, and which is a guarantee of perfect work and ability to meet London Office.**

**Send for this coloured Brochure FREE!**

**ROLEX OYSTER PRICES**

The Oyster: £15. 10. 0  
4-in. Gold: £10. 10. 0  
5-in. Gold: £15. 15. 0

Fixed with gold  
ROLEX OYSTER  
ROLEX OYSTER

Approved by  
Mercedes  
Gleitze, Ltd.  
Mrs. Mercedes Gleitze married

Figure 30: Mercedes Gleitze, advertisement in the Daily Mail

*from the  
TOP OF  
THE WORLD*

*to the  
BOTTOM  
OF THE SEA*

**ROLEX proves dependable!**

In the same year when the roof of the world was at last conquered by the Rolex equipped Everest expedition, the Rolex Company produced a special 'Oyster' model watch which, affixed outside the bathyscaphe "Sicco," submerged to 10,150 feet ... and after surfacing was in perfect condition ... keeping perfect time.

With the new-found sports team ... "Alpine" ... and as a result of deep-sea testing, Rolex is now able to add to the equipment of divers with a unique, new water-proof, pressure-proof watch... the "Submariner." This instrument has a special breathing head, enabling the user to determine elapsed time at a glance; for instance, it keeps a diver alert to how much time he has before his supply of air will run out. The "Submariner" has almost all the advantages of a stop watch with none of the complications. Unconditionally guaranteed against any water pressure ... here is another truly incomparable Rolex masterpiece.

**BE SURE TO WRITE FOR THE SPECIAL FREE BOOKLET ON THE ROLEX "SUBMARINER"**

**ROLEX**  
*A Legend in the History of Fine Watchmaking*

THE AMERICAN ROLEX WATCH CORPORATION • 340 FIFTH AVENUE • NEW YORK 15, N. Y.  
Master of the National Geographic Society Medal 1953

Figure 31: advertisement mentioning the Everest and the Picard achievement

In 1960, at his death, Hans Wilsdorf, an heirless widow, created a private trust run by a board of director to insure the company would never be sold. Two years later the board of director appointed 41 years old André Heinger, who worked under Wilsdorf during 12 years, as Rolex new managing director. Then, the quartz boom of the late 1960s and early 1970s nearly killed the mechanical watch industry. After the storm calm down, more than half of Geneva watch manufacturers have gone bankruptcy. Fortunately, Rolex survive the crisis staying faithful to its conviction: quartz model did not represent more than 7% of the production and now this figure dropped to 2%.

In 1992, Patrick Heiniger is succeeding its father and became the third managing director in nearly one century.

## 5.2 Profile

Rolex has a very particular status; it belongs to the Wilsdorf trust and therefore can not be sold. Thanks to this organisation, Rolex has always had the ability to privilege a long term development strategy. They do 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 in order to content shareholders. As an example, Rolex is the only big player that is not following a multibrand strategy.

Another particularity of Rolex, partially linked to the previous one, is that the company is as hermetic as its main model, the Oyster. In fact, due to its organisation, the company does not have to publish financial information and top executives are usually very discrete and do not give interviews<sup>19</sup>. As a result the company is extremely secretive and all the numbers presented hereafter are only estimations.

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.

It is not all, Rolex also distinct itself from the others because, as we already mentioned, it is one of the last group that is not pursuing a multi brand portfolio. In fact, it has a long tradition of “one brand and one product” that has always, nearly been respected. The only exception to this rule is the “Tudor” brand, Rolex’s second brand, positioned as a “cheaper” Rolex. Rumor has it that the brand is performing really well but it is difficult to confirm this statement due to the lack of information concerning Tudor. But even though Rolex possesses a second brand it can not be compared to the frenetic takeovers that modified the watchmaking world in 1991. In the same idea, Rolex has not, so far, diversified its name away in the production of parallel products.

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<sup>19</sup> The last important interview that is available was published in Le Temps, the 20<sup>th</sup> of March 2001, Pour le patron de Rolex, les groupes horlogers ont tout à gagner d’une saine et loyale concurrence

Finally, Rolex is not only an empire of watches. The holding also invested in real estate and financial assets (banks –Union of Bank of Switzerland-, chemicals and insurances).

### 5.3 Collection

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.

### 5.4 Current Strategy

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.

#### 5.4.1 Communication

The current strategy features two distinctive categories of advertisement. The first depicts personalities or events that are associated with the watch. Personalities and events can be separated into three categories: celebrities, events and philanthropy. A detailed list of these groups is available at Annex V: Rolex Ambassadors. The second type of inserts is a pure product campaign. Each of these kinds of advertisements is shown in Annex VI: Rolex advertisement. The communication strategy of Rolex is very elaborated and specific. The key points of their strategy rely on the use of sponsorship and particularly celebrity endorsement and the emphasis on being a mysterious brand. The following paragraphs will principally discuss celebrity endorsement vs. sponsorship because ambassadors play a bigger role in the strategy than events and philanthropy.

#### Celebrity endorsement

The use of testimonials has always played a key role in Rolex communication strategy. Since the first advertisement in 1927 showing a testimonial, Mercedes Gleitze, and the watch, Rolex has always been faithful to this concept. Of course the strategy has evolved but the association of a successful personality to the brand is still the heart of the communication. In the first years, the ambassador task was to use the watch in extreme

condition and prove that the product was robust and worked under exceptional conditions. The ambassador was a guarantee of the quality and reliability of the product.

Nowadays the product's functionality is not an option but a must: everybody expects a watch to work properly and to be waterproof. Therefore, advertising does not need to praise the quality of a product. Celebrity endorsement had to adopt a new face.

Now the link between the ambassador and the product is a lot more subtle. Rolex tries to exalt individual success choosing strong personalities, representing their time and their discipline. From dance choreographer Maurice Béjart, ice skater Peggy Fleming, photographer Helmut Newton, opera singer Placido Domingo and golf player Arnold Palmer to the explorer Sir Edmond Hillary, Rolex has always chosen the best people of their category to represent them. The idea is not to transfer the fame from a super star (pop singer, actor, top model, etc) to the brand quickly but to choose people who have achieved something and that are or will be a part of history, so that Rolex can join them writing it. The main advantage when using the celebrity of a super star ambassador to make its own product famous is that the results are very quick; the product becomes well-known very fast. On the contrary, the main drawback is that the destiny of the brand is tied with the chosen character. It becomes risky if the recognition of the artist is linked to a fast fame with no or little underlying achievements. In fact, this celebrity can disappear as quickly as it came and the image of the brand can suffer from this. The damage can be greater if the brand has been closely associated with a unique ambassador that suddenly is obsolete.

Rolex is using famous personalities for its campaign, but the concept is different from the one we just described. In fact, the "Rolex" brand name<sup>20</sup> is already so famous that their campaign's main goal is not to gain notoriety but to fully express and develop furthermore the identity of the brand. Perfectly in line with the idea of a long term strategy, Rolex uses a selective marketing strategy which goal is to target very directly the desired customer. They do not use artists that are "hot in the moment" to have periodically picks of sales linked to the use of the superstar. On the contrary, the chosen celebrities have a sustainable character. In fact, Rolex ambassadors are famous only in "niche" activities like golf, equestrian and sailing just to name a few and are unlikely to provoke demonstration because most of the time they are unknown by the general public. Moreover, Rolex is diversifying its basic risk of having "a bad ambassador" away thanks to numerous outstanding ambassadors and exceptional events under contract. Choosing ambassadors is not an easy task but Rolex has developed

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<sup>20</sup> According to Business Week, the 2002 global brands scoreboard, the brand value of Rolex amounts to 3701 millions US dollars and ranks 69 out of 100. Rolex is the only pure watch brand present in the classification. Other luxury brands included in the classification are Louis Vuitton (brand value of 7053 millions US dollars, rank 41), Gucci (brand value of 5363 millions US dollars, rank 52) and Armani (value brand of 1490 millions dollars, rank 100). These brands also possess watches, but they are famous for their entire empire (fashion, bags, etc).

a talent to discover future champions. They find out young talents at their very beginning and accompany them until they become great champions. They are so good that they even inspired other brands sometimes in their choice. For example, Roger Federer, the young Swiss tennis player that actually ranks number one was representing Rolex a long time before being famous and is now since June 2004 representing Maurice Lacroix. Tiger Woods, best golf player worldwide, switched from Rolex second brand Tudor to Tag Heuer in 2002 and James Bond accomplished many mission with its Rolex before switching for Omega. In fact, as Annex V: Rolex Ambassadors shows, they beat all records not only because of the length of the list<sup>21</sup> but also because of the quality of the people representing them. All of them are considered as references in their field and are recognized for their achievements. Therefore, Rolex is the incarnation of success, accomplishment and going beyond one's limits. It is definitely the watch people buy when they have achieved something in their life. The design of the watch went through so minor changes that it is recognizable at first sight and most people could identify a Rolex very easily. At the same time, they will assume the person wearing it is an achiever and that he/she can afford it to buy a Rolex watch. The main drawback of this strategy is that there is only one little step from the noble status of success and achievement due to hard work, talent, passion, tenacity and courage to the very negative aspect of easy money and new riches who want to show off their fortune. In fact, this barrier has often been crossed and the name of Rolex is often pejoratively linked to the image of new rich who needs this kind of accessories to prove they are successful.

The image of an "arrogant" Rolex showing off sounds very contradictory with the low profile and humility of Rolex's top managers, but the brand is now strongly associated with symbolic consumption. Even ex prime minister of Singapore Lee Kuan Yew explained that for shirts to sell in China, the left sleeve must be cut an inch shorter as the newly rich Chinese wants to show off their Rolex watches.

Rolex has a very large range of communication themes, among them dance, equestrian, exploration, golf, racing, sailing, tennis, jazz, opera and classical music. What is more, Rolex is robustly involved in philanthropy: it is the initiator of a mentoring program, the Rolex Mentor and Protégé Arts Initiative, launched in 2002 as well as the Rolex Awards for Enterprises launched in 1978. The first one is a unique program, filling a void in art philanthropy, which gives five gifted young artists the opportunity to collaborate with contemporary masters. The disciplines covered are dance, literature, music, theatre arts and visual arts. The second one is "aimed at fostering a spirit of enterprise around the world, and recognize pioneering concepts and innovative thought by giving individuals the means to carry out a major undertaking. Aimed at fostering a spirit of enterprise around the world, the

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<sup>21</sup> The list only includes the personalities that are used publicly for advertising but in fact, the list is probably a lot longer and might encompasses a lot of young talents that are still unknown and therefore not used for advertising.

Rolex Awards recognizes pioneering concepts and innovative thought by giving individuals the means to carry out a major undertaking” (www.rolex.com as of July 2004).

It could not be possible to conclude this chapter without mentioning one of the most amazing cases of non compliance in the luxury watch industry. This happened when Japanese distributor Evance hired Brad Pitt for 5 millions us dollars in order to endorse the Rolex brand in Japan. Apparently, Evance does not even have a licence to sell Rolex watches. Therefore, they buy watches abroad on the grey market or even send their employees abroad in order to buy watches and resell them in their store. It shows the magnitude of the recognition of Rolex in Japan.

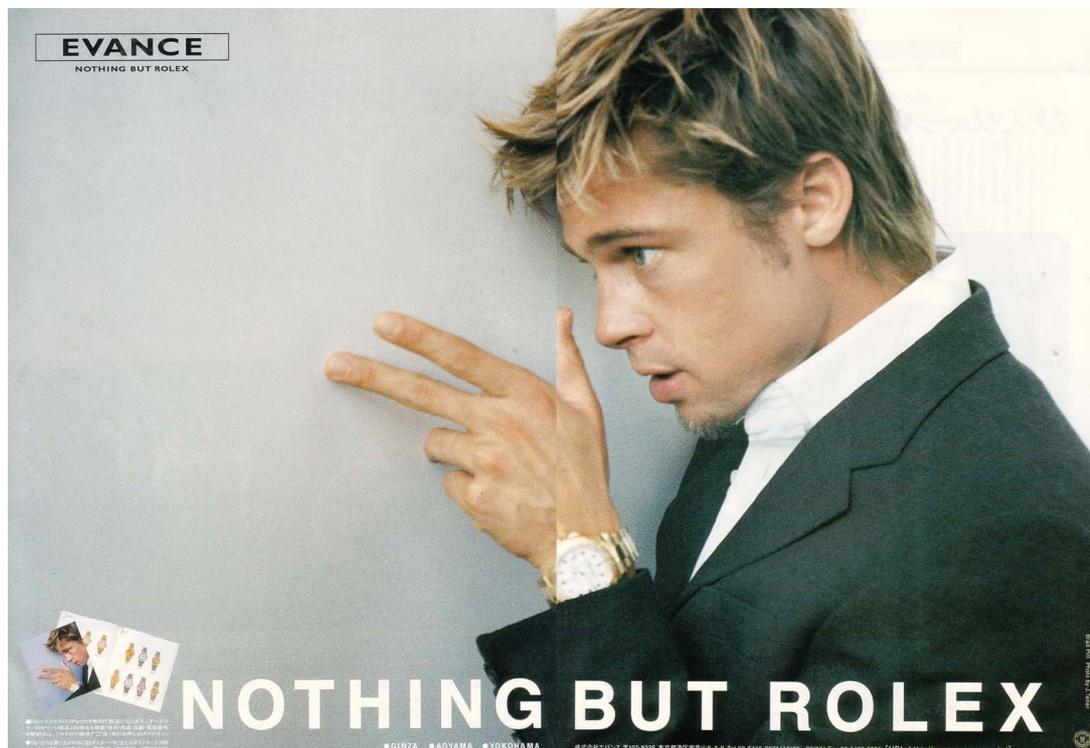


Figure 32: Rolex advertisement featuring Brad Pitt, for Japan only

## Mystery

“Mystery opens up emotion. Mystery adds to the complexity of relationships and experiences. It lies in the stories, metaphors, and iconic characters that give a relationship its texture. Mystery is a key part of creating loyalty beyond reason.” (Kevin Roberts, CEO worldwide Saatchi & Saatchi, The future beyond brands: lovemarks). According to Roberts, mystery consist for a company in telling great stories, combining the past, the present and the future; tapping into dreams and instilling inspiration thanks to the creation of myths and icons.

Rolex is certainly the most mysterious brand in the watchmaking world, not only due to its particular status and the lack of financial information but also thanks to some key points of its communication strategy.

First, Rolex tells great stories that feed the brand identity and build inspiration. The celebrity/event advertisements always start with a catching sentence followed by a short text presenting the achievement of the celebrity/event:

“You have 100 days to travel 3924 km on foot. By the way you are in Antarctica.

Alain Huber did it in 99 days. He is not one to shy away from challenges. In fact, you might say he provokes them. In 1997-98, he traversed the entire continent of Antarctica on foot and skis with a powerkite. His list of accomplishments read advertisements like a history book. Among others he was the first to climb the sheer wall of the Holtanna in Queen Maud Land, Antarctica. He’s crossed Greenland on skis. He’s been on the geographic North Pole and has attempted Everest five times without oxygen. If anybody embodies the perpetual quest for adventure, Alain Huber is that man.” (Rolex advertisement, Bloomberg Markets, December 2003)

Rolex is not boring its customer with the same perpetual old story. In fact, they can use so many celebrities and events that the reader feels like each story is always a new one. Even the story concerning an ambassador usually evolves with its career and therefore is renewed. As an example, every time that an ambassador wins a competition, Rolex publishes a “congratulation” advertisement that describes the success of the celebrity at this occasion. Rolex does not rely only on great stories but also on great pictures. It is always said that a picture is worth a thousand words: Rolex makes a great combination of the two of them.

Rolex strategy results in an impressive commitment or “loyalty beyond reason” from customers waiting up to five years for an Oyster Daytona. The Oyster Daytona, probably the most easily recognized and highly sought after watch, is one of the most wanted by Rolex enthusiasts all over the world. This is not only the watch of collectors but also the watch of speculators. In fact, the model is introduced with extreme parsimony on the market; the difficulty in finding one adds doubtless a lot to its status. The beginning of this fervor can be tracked back in the 1970s when Paul Newman was wearing it in the movie “Winning” where he was a race car driver. Now, the models are very demanded and can be bought in a jewellery store and resold right away with up to 20% added value. The principle of introducing the units little by little is known as the “rarity principle”: the product should not be over diffused in order to keep its luxury character. (Dubois *et al.*, 1995). Kapferer (1996) mentions: “luxury brands must be desired by all, consumed only by the happy few”.

## 5.4.2 Female customers

Rolex has always had more of a “male” identity and still sells a majority of their watches to men. The opportunity of increasing their presence on the female segment is identified, but that the company still seems having troubles implementing it and attracting woman. In fact, as Figure 33 shows, the company already tried in 2000 to target more specifically women with a very innovative campaign in breach with the preceding ones. But this campaign did not last very long.

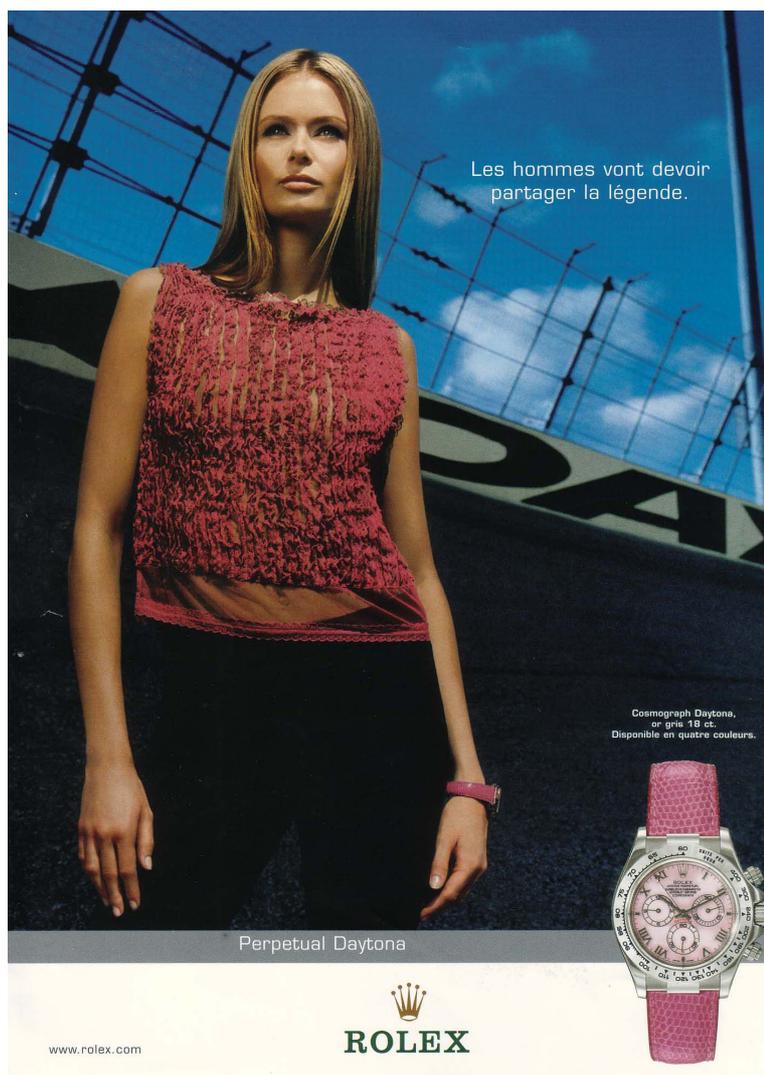


Figure 33: Journal Suisse d'Horlogerie, Octobre 2000: "The men will have to share the legend"

What is more, in the end of year 2004, Rolex has presented new pictures of some of its woman ambassadors in its advertisements. The pictures still presents the celebrity in her environment (golf, etc) but the picture look a lot more glamorous now. Finally, mechanical watches were usually designed for male with the idea that “women do not understand

technology anyway” and that quartz watch with a nice design were more appropriate for them. This tendency is slowly changing and women also want to buy technological timepieces. Therefore, Rolex cancelled all the quartz movement in the Oyster feminine line last year. This is a very innovative move compared to its competitors. For example, Vacheron Constantin does not have a single watch for man with quartz movement while its women lines still count 50% of quartz movement. Same story at Piaget with 20% of quartz watches for man and 80% for the woman. This shows that Rolex actively try to increase its potential on this segment.

### 5.4.3 Backward vertical integration

Anticipating the battle for the watch components, it is a couple of years now that Rolex is following a backward vertical integration strategy in order to be able to ensure a total independence from competitor groups. This pattern shows through the numerous takeovers of suppliers that took place lately. Among them: the bracelet firm Gay Frères SA in 1999, the dial firm Beyeler in 2000 and the crone firm Boninchi SA in 2001.

What is more, Rolex was using until 1999 a movement designed by Zenith, El Primero<sup>22</sup>, for all the Oyster Daytona models. After Zenith’s takeover by LVMH, Rolex started to design its own movements in order to avoid having to rely on its main competitors.

Finally, Rolex has always been two separated entities: Rolex SA (Geneva) the company that is owned by the Wilsdorf foundation and Rolex Bienne, which produced movements exclusively for Rolex SA Geneva. In 2004, in line with its strategy of vertical integration, Rolex Geneva has decided to buy Rolex Bienne to ensure its provisioning of movements. The two companies were linked, since around 1920 by a tacit deal: Rolex Geneva was buying mainly its movements at Rolex Bienne and they will sell their movement exclusively at Rolex Geneva.

With this strategy, Rolex confirms that it is a true watchmaking group that privilege the total control of all aspects linked to the quality of its product instead of the development of a multi brand portfolio.

## 5.5 Capabilities

The capabilities of Rolex are examined with the use of a SWOT model. SWOT stands for Strengths, Weaknesses, Opportunities and Threats and is a basic tool that enables to list the

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<sup>22</sup>Developed in 1969, El Primero is the one and only movement that beats 36 000 alternations an hour which enables a precision of one tenth of second. It is still considered as the best mechanical chronograph movement worldwide.

major factors affecting competitiveness. The environment information is divided into internal (strengths and weaknesses) and external (opportunities and threats) concerns. Then the analysis indicates what could assist the company in order to achieve new or actual goals (strengths and opportunities) and what could or hinder it to accomplish those goals and should be overcome (weaknesses and threats).

### 5.5.1 Strengths

The strength of a company corresponds to what a company does well. They are the basement to build on.

#### Financial

Even though information is scarce, we know that Rolex has huge financial capabilities. Many signs let us think that their financial capacities are pretty good. For example Rolex inaugurated, by the end of 2004 a new 42000 m<sup>2</sup> industrial complex worth 1 billion Swiss francs and that is entirely self-financed. As it has already been mentioned, many takeovers took place and has always been self-financed. What is more, the takeover of Rolex Bienne might enable them to increase profitability and by the way their financial capacities.

#### Brand Awareness

Brand awareness relates to consumer's capacity to recall (give the name of the brand when the product category is cited) or recognize (the customer remembers previous exposure) a brand. It can play an important role in the purchasing decision because people usually prefer to buy familiar brands. Brand awareness has been computed for various brands and is available at Annex IV: : Brand Awareness. This figure shows that Rolex has an awareness of 97%. As it has already been mentioned several times, the Rolex brand value is very high and the name is known all over the world.

#### Ambassadors and events

The quality and diversity of Rolex's ambassadors is difficult to imitate for its competitors. Some rumors say that some of Rolex's ambassadors are not or nearly not paid. It seems that the honor to appear on an advertisement compensate the low earnings. What is more, concerning sponsorship, Rolex is not only sponsoring events in order to have their name and logo placed on the event's location. Rolex also uses these events on paper advertisement in order to increase their association with some precise field or sports (sailing, golf, etc).

### 5.5.2 Weaknesses

Weaknesses are the problems that are faced by the company. To list them should attract the attention of managers who should try to overcome them.

## Prisoner of its strategy

The strategy has been so well defined that it would be difficult for the company to change radically its strategy or be more innovative. It might be difficult to explain a new strategy to the actual customer without confusing them. The disadvantage is that it could leave some unattainable segments on the market that Rolex will not be able to win. For example, if the fashion goes to square watches, Rolex might be penalized because even if they decide to product square watches, everybody expects a Rolex to be round. In this case, it would be difficult to get a market share of “square watches” market. Furthermore, Rolex’s name is very strongly associated with luxury watches; some people often say “They are not making watches, they are making Rolex”.

### 5.5.3 Opportunities

Opportunities, like threats, concern only the external environment. They can arise, for example, from a favorable change in the environment that enables a company to launch a new service or product. The opportunities should match with the internal strength.

#### Diversification

Rolex brand name is extremely valuable. It seems that it could be diversified in related fields like jewellery. The takeover of Gay Frères gives Rolex the capabilities to produce jewellery. Actually, an article of Le Figaro (March 2001) announced that Rolex was launching a jewellery line. This information is difficult to believe since there is no Rolex jewellery on the market but still could be taken as a sign. Rolex has also lately sponsored the opening of the jewellery gallery at the Musée des Arts décoratifs in Paris<sup>23</sup>. This addition of clues could make us imagine that Rolex is thinking about entering the jewellery industry.

If this is not the cause, it seems that Rolex already has the technical (Gay Frères), as well as financial and strategic (see *Strengths p.49*) competences to launch successfully a jewellery line. The only problem they might encounter is that their name is too strongly associated with watch (see *Weaknesses p.49*). In this case they could create a new brand in order to avoid dilution of the actual brand, but this would mean that they abandon all the advantages linked to the brand capital.

#### Strengthen position in emerging markets

As Table 4: World distribution of Swiss watch exports (Federation of the Swiss Watch Industry) depicts, emerging countries present an enormous potential with a very high growth rate. For example, China had a 450.1% cumulative growth rate for the period 2001/2003.

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<sup>23</sup> The Musée des Arts décoratifs in Paris presents its collection for the first time. “Some 1,200 pieces on show offer an exemplary panorama of the history of jewels and jewellery from the Middle Ages to the present day. Rings, necklaces, bracelets and brooches are presented in a chronological installation which is accompanied by a more technical overview of the jeweller’s art.” ([http://www.ucad.fr/galerie\\_bijoux/01presentation/presentation-gb.html](http://www.ucad.fr/galerie_bijoux/01presentation/presentation-gb.html))

COUNTRIES	2003	2002	2001	Change in %			
	Value in mio CHF			2003/2002		2003/2001	
				(+)	(-)	(+)	(-)
1. USA	1,534.1	1,507.6	1,482.0	+1.8%		+3.5%	
2. HONG KONG	1,300.3	1,413.4	1,396.5		-8.0%		-6.9%
3. JAPAN	896.7	997.4	978.0		-10.1%		-8.3%
4. ITALY	671.3	747.6	773.4		-10.2%		-13.2%
5. FRANCE	556.7	610.4	667.4		-8.8%		-16.6%
6. UNITED KINGDOM	538.7	519.7	468.0	+3.7%		+15.1%	
7. GERMANY	515.9	580.6	718.7		-11.1%		-28.2%
8. SINGAPORE	359.2	379.2	409.6		-5.3%		-12.3%
9. SPAIN	313.5	298.1	306.6	+5.2%		+2.2%	
10. UNITED ARAB EMIRATES	212.2	221.3	176.4		-4.1%	+20.3%	
11. CHINA	179.6	80.4	32.6	+123.3%		+451.1%	
12. THAILAND	173.5	166.6	166.6	+4.1%		+4.1%	
13. TAIWAN	170.7	169.8	180.8	+0.5%			-5.6%
14. SAUDI ARABIA	146.3	164.4	163.7		-11.0%		-10.6%
15. RUSSIA	127.1	101.7	103.0	+25.0%		+23.4%	
16. NETHERLANDS	81.9	99.9	105.8		-18.0%		-22.6%
17. MEXICO	80.4	79.0	66.2	+1.8%		+21.5%	
18. AUSTRIA	76.4	90.6	113.8		-15.6%		-32.8%
19. AUSTRALIA	71.7	95.2	103.8		-24.7%		-30.9%
20. TURKEY	63.6	55.6	45.9	+14.4%		+38.7%	
21. GREECE	63.0	60.1	65.3	+4.9%			-3.6%
22. CANADA	59.8	73.0	58.6		-18.1%	+1.9%	
23. PORTUGAL	59.2	69.5	77.2		-14.9%		-23.4%
24. SOUTH KOREA	56.6	58.8	59.2		-3.7%		-4.4%
25. BELGIUM	55.6	69.0	88.8		-19.4%		-37.3%
26. KUWAIT	53.5	50.0	41.3	+6.9%		+29.7%	
27. QATAR	45.2	45.3	48.2		-0.2%		-6.2%
28. PANAMA	41.4	76.4	87.7		-45.8%		-52.8%
29. SWEDEN	40.4	45.1	44.1		-10.5%		-8.4%
30. ISRAËL	39.9	37.5	39.8	+6.3%		+0.3%	
<b>TOTAL 30 COUNTRIES</b>	<b>8,584.3</b>	<b>8,963.2</b>	<b>9,069.1</b>		<b>-4.2%</b>		<b>-5.3%</b>
SHARE IN %	92.6%	92.5%	92.2%	+0.2%		+0.4%	
<b>TOTAL VALUE</b>	<b>9,270.4</b>	<b>9,694.9</b>	<b>9,835.6</b>		<b>-4.4%</b>		<b>-5.7%</b>

Table 4: World distribution of Swiss watch exports (Federation of the Swiss Watch Industry)

Therefore, in view of the great financial potential represented by China, Rolex should keep investing in this region. Analysts suggest that China will become the main luxury market in about 10 years and that today, 3 to 5 millions Chinese can afford it to buy luxury products. In fact, if only 0,1% of China's population is millionaire, it represents already 1.3 million persons. But, beside the exceptional growth rate, the Chinese culture and tradition seem to be particularly receptive to luxury brands. In fact, the Chinese culture is governed by the Confucian principles and the face concept support heavily the tradition. Because of the importance of "keeping face," people in Confucian cultures are more concerned with other people's perceptions of them, and with the maintenance of their own status. What is more, the motivation for luxury consumption is driven by symbolic value rather than hedonic experience, the public meaning of goods is more important than the private meaning of goods, consumers will tend to use publicly visible possessions, especially luxury goods to emphasis and mark this hierarchy. Finally, people tend to be judged more for the group they belong to than for their personal abilities, therefore the origin as well as the affiliation of a good plays also a non negligible role (Wong *et al.*1998). For these reason consumers are keen on symbolic consumption. What is more, besides tradition, the "unique child" policy modified attitude toward the kid: two parents and four grandparents spend their money on one unique child.

India is not yet on the list of big importer but this is only a question of time. With an estimated 300 millions new riches, India has also a big potential to become one of the next important importer.

### **Building brand community**

The creation of a brand community can increase the loyalty to a brand and by the same way customer retention. According to McAlexander *et al.* “a brand community from a customer-experiential perspective is a fabric of relationships in which the customer is situated. Crucial relationships include those between the customer and the brand, between the customer and the firm, between the customer and the product in use, and among fellow customers.”

Famous example of successful brand community building includes Ferrari and Harley Davidson.

### **5.5.4 Threat**

#### **Youth does not recognize this brand**

There is an important paradox between brand managing and fashion. Brand should inscribe itself in duration and therefore its identity should not vary greatly in the short time. On the contrary, by definition, fashion is a temporary phenomenon with a short cycle of life. Rolex is definitely a brand that is leaving its imprints in the world of watchmaking, but purposely ignoring the fashion to much can be a dangerous game ending in a next generation who does not recognize the brand. What is more, this strong reliance on tradition can also be perceived as a lack of idea and innovation.

On the other hand, the brand could eventually count on indirect source of marketing. For example, intergenerational (IG) influences could be used as a way to attain youth. “Broadly constructed, IG influence refers to the within-family transmission of information, beliefs and resources from one generation to the next”. (Moore, Wilkie, Lutz 2002) In fact, theory and prior researches suggests that family has an influence in children brand preferences development. In fact, Patek Philippe’s slogan contains the idea that the children will one day on the same brand (through the product): “You actually never own a Patek Philippe. You merely take care of it for the next generation”. (see Figure 22)

#### **Difficulty to control the brand**

It seems that sometimes, Rolex is loosing the control of its brand identity. A brand is a brand thanks to the customer who gives it this status. Kevin Roberts, CEO worldwide of Saatchi & Saatchi writes “The fact is that lovemarks are created and owned by the people who love them. Where you have a customer in love, you have a lovemark” and considered that Rolex belongs to those brands that are loved by customer. It means that, little by little, customers are appropriating the brand and interpreting the brand communication a certain way, which is

normal because, one need to be two in a love relationship. The problem arises when communication is maybe misunderstood or distorted and if the company does not try to rectify the alteration to its brand identity with a calibrated communication. In this case, a company might slowly loose its brand while the customer is taking control. It seems that Rolex has not always been fully in control: its name is often associated with “showing off” and “arrogant”. The customers who like Rolex for its refinement, simplicity and traditional design might be confused to see the last hot rapper wearing the same watch than him.

## 5.6 Future

The future seems very bright for Rolex. They have the opportunity to expand geographically as well as on the women segment. As it has already being mentioned earlier, the brand has a strong symbolic consumption value. If we put this in light with the very strong emergence of India, Russia and especially China as major purchasing entity, it becomes clear that the brand has still an important margin of development available especially knowing that symbolic consumption is widely spread in emerging markets. Women also represent a segment in which Rolex could expand. The aging of population could also represent an increased market size. In fact, these people has an increased purchasing power (the children are grown up) and know the brand best. What is more, the notoriety of the brand could enable it to diversify in other fields (jewellery, etc). The ambassador campaign, more detailed in chapter 8.2, is also a valuable asset, which can not be copied by competitors and therefore can protect Rolex from its competitors.

Regarding its internal organization, Rolex seems to be very stable: top management, product design and communication strategy do not change much. The backward vertical integration might enable them to increase their margin and will enable the company to be fully independent in term of components supply.

Nevertheless, Rolex has to increase efforts in order to be recognized by the young generation. Management of the brand identity should also be stricter and more controlled in order to avoid to extend furthermore the image of a “new rich who need to show off their money” watch.



## 6 Competitive Analysis for Tag Heuer

### 6.1 History

In 1960, Edouard Heuer<sup>24</sup> is the founder of a watchmaking workshop in St-Imier. In 1887, the story of the brand really starts with the invention by Heuer of the famous "oscillating pinion" that is still used by major watchmakers for mechanical chronographs. The association of TAG Heuer watches and car racing has always been prominent and the love story, that seems to be never ending already started at the beginning of last century. In fact, the first automobile dashboard clock was developed in 1911. In 1933, Heuer launches the AUTAVIA, the first dashboard stopwatch for racing cars followed in 1969 by the first automatic chronograph with a microrotor mechanism. By the end of the 1970s the company is struggling to survive as electronic watches are flooding the market. In 1982, the company is taken over by some suppliers and the Piaget family who owned 97% of the shares. But this situation was not to last: in 1985 the acquisition of a majority stake by TAG<sup>25</sup> (Techniques d'Avant-Garde) gave the company a new life and a name: TAG Heuer. Three men from the Boston Consulting Group, including Christian Viros, future CEO of the company, are mandated to restructure TAG Heuer: in the end they take the lead of the company. Arrived in 1986, Christian Viros and the top management decided, in order to survive and be profitable, to reposition the brand on a new niche. Therefore, they transitioned from a manufacturer producing technically sophisticated watches and chronographs to a luxury watch manufacturer putting a greater emphasis on the esthetics and on "avantgarde" design. Old product lines were gradually dropped as new product lines came on-line. Progressively nearly all the previous model names were substituted by numbers. So out were the Carrera's, Kentuckys, Pasadena's, and in were 1000's, 1500's, 2000's, 3000's, 4000's, 6000's, S/EL's, etc. This strategy was accompanied with a strong outsourcing policy.

In 1996, TAG Heuer enters the Swiss stock market. The price of the share drops from 245 CHF at his introduction to 73 CHF in October 1998. Again, Tag Heuer has many debts and needs liquidity. Finally, in mid September 1999, TAG Heuer joined LVMH, the world's leading luxury group. The cost of the transaction sums around 1.2 billion Swiss francs. TAG Heuer is now, in LVMH's watchmaking business unit, the only company that is breaking even.

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<sup>24</sup> Edouard Heuer is born in 1840 in Brügg (canton of Bern). Son of a shoemaker, he learned trade in St-Imier

<sup>25</sup> TAG was an investment company set up in 1977 by Syrian-born Saudi Arabian entrepreneur Akram Ojeh who wanted to invest the huge sums he had made in arms sales and aimed to promote commercial activities between Europe and Middle East. The company was based in Geneva and specialised in top end technology. TAG was especially well known for being the sponsor of the Porsche-Motor for McLaren formula 1: TAG-MCLaren team.

## 6.2 Profile

As mentioned, TAG Heuer is a company of the LVMH group. There are many advantages due to this affiliation. First, TAG Heuer can count on the expertise of the group in the luxury industry as well as their know-how in marketing and their huge financial capabilities. A group has also the advantage to enable “grouped purchase” of advertising, for example, and benefit of important discounts.

TAG Heuer sells around 360000 watches a year for a turnover amounting to around 520 CHF millions. As Annex III: Top 20 watch brands (sales) factory price. (Source: Pictet) shows, in terms of sales (factory price) TAG Heuer is far behind Rolex, Omega and Cartier. TAG Heuer employs a workforce of 370 employees in Switzerland and has 17 subsidiaries worldwide. Finally, the brand has the opportunity to profit from synergies with other watch brand present in LVMH portfolio. For example, Zenith, specialized in traditional watchmaking and father of El Primero started to produce this movement for TAG Heuer that is equipping one of its model with this legendary movement.

The arrival of LVMH brought some organizational changes along. Succeeding to Christian Viros, Jean-Christophe Babin is since year 2000 the new CEO of TAG Heuer. Christian Viros was promoted CEO of the business unit “watch and jewellery” for LVMH. He is famous for his successful repositioning of the brand as a luxury sport watch and increased the turnover from around 66 millions Swiss francs to 380 millions Swiss francs in 10 years. Jean-Christophe Babin’s affiliation with the luxury industry is less obvious. Ex-CEO of the business unit “detergent” of Henkel in Italy, TAG Heuer is his first experience in the luxury industry and in the watchmaking world. But his wife was already working for LVMH as marketing director for Moët Henessy Italy. He was actively participating to the events organized by his wife and that is the way he started to enjoy the world of luxury.

## 6.3 Product

The current Tag Heuer collection includes Formula 1, Alter Ego, 2000 Series, Link, Kirium, Kirium F1, Microtimer, Targa Florio, Carrera, Monaco and Monza.

Carrera represent about 15% of the turnover; they stopped to produce it in the 1980s and reintroduced it in 1996. What is more, Tag Heuer has a strong masculine connotation. In 2001, 70% of the models were sold to men. Therefore, because women represent a big potential of growth, TAG Heuer decided to design and to launch in 1999, a line for women, Alter Ego.

Products are the same worldwide; there is no adaptation from one country to the other.

## 6.4 Current Strategy

### Communication

Celebrity endorsement is the heart of TAG Heuer's communication strategy today. But before analyzing in more detail the actual campaign; let's have a look at the previous ones. In fact, TAG Heuer has a tradition of very rich and imaginative advertisement. Realized by the BDDP<sup>26</sup> agency, the campaign "Don't crack under pressure" (1991-1994) and "success, it's a mind game" (1994-1997) were showing a very noble vision of sports. The goal was to enhance the image of the brand and, therefore, they enhanced the level of sports. TAG Heuer shows that mental force makes the difference. The first campaign, featuring Ayrton Senna and pictures of sportsmen in crucial moments, showed that concentration and self control are key success factors for an athlete. In the second campaign, TAG Heuer puts an emphasis on the mental aspects of sports. The athlete goes beyond his limits and imagines rivals: the swimmer competes against sharks; the hurdler has to jump over giant razor blades, the sailor sailing around Niagara Falls and battling against the nature. The most impressive visual was certainly the hurdler one which earned numerous awards including the Lion d'argent at the Cannes international advertising festival. These advertising campaigns were very different from what was done in the industry and therefore putting TAG Heuer apart from its competitors with a new vision of sports and achievements. Visuals of these two campaigns are shown in Annex VIII: : "Don't Crack Under Pressure" and "Success It's a Mind Game".

The actual campaign uses famous ambassadors like golf champion Tiger Woods or actress Inès Sastre. The striking point in the campaign is the ambassadors' look. All of them have a very strong and determined look; this is the continuation of the previous campaign with the same idea of "enhancing the level of sport". This campaign is not as subtle as the preceding ones and is a lot more in line with what TAG Heuer's competitors do and especially Omega. It is nearly impossible to think about TAG Heuer's strategy without thinking about Omega; for much of their existence, the two brands have been chasing the same customers and their positioning on the market is very close. The actual campaign "What are you made of?" (see Annex IX: "What are You Made of?) is very close from the "Choices" from Omega. TAG Heuer's slogan is an interrogation that somehow implies a choice; the customer has to choose, to decide "what he is made of". Omega's catchphrase is an affirmation that to some extent implies the question "what is your choice".

The slogan is not the only similitude that the two brands share. In fact, the visuals are very similar: they both include an ambassador, the slogan, the logo and the watch. TAG Heuer 's strategy seems to have to major aims: first to have a pure and conventional translation of notoriety from the testimonial to the brand with the extensive use of superstar Tiger Woods

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<sup>26</sup> TBWA-Paris now

and second to position themselves as “true achievers” with the use of personalities instead of superstars. Unfortunately, TAG Heuer has not been as successful as Omega in its ambassadors “choices”. Indeed, to be able to choose the sports and testimonials that will represent the brand adequately is not an easy task. To bet on a future champion while he is still a champion encompasses always the risk that the athlete will never become, as it is hoped, a champion. As mentioned, Rolex has become very good at this activity. Some of the best sportspersons of their targeted fields are or were wearing their watch. Not only the character has to perfectly embody the image of the brand but still he has to become successful. Then, it is best to start a relationship with this artist while he is still unknown ... this requires some precious talent to identify young future talents. Last but not least, it is dangerous to base one’s entire communication strategy on a limited number of testimonials. The consequences can be pretty dramatic if one of them has an accident, dies or just stop showing good sports result or is involved in illegal affairs (doping, etc). TAG Heuer had to learn this the hard way as legend Ayrton Senna died on the circuit in a bowl of fame. But it seems that Tag Heuer did not learn its lesson: the last campaign is strongly using previous Rolex ambassador Tiger Woods and unfortunately it is two years that the still golf world champion has not win any major tournament.

Finally, this kind of strategy requires also some originality which has maybe be lacking to TAG Heuer who just “steals” Rolex or Omega’s ambassadors, respectively Tiger Woods and Shaka Khan.

### **6.4.1 Positioning**

Tag Heuer is trying to increase progressively its prices and combine it with a decrease in volume but an increase in sophisticated products.

### **6.4.2 Distribution**

TAG Heuer is trying to eliminate progressively the retailers that do not correspond to the positioning of the brand anymore. The goal is to have a better control of the image of the company as well as increase the quality of the retailing network. In the countries where TAG Heuer does not possess the distributor, they try to develop a close relationship with them in order to have a good representation of the brand. Nowadays, TAG Heuer controls more than 80% of its distribution channel. So far, LVMH has not open multibrand stores but this could be an innovation to come.

Finally, like most of its competitors, TAG Heuer does not sell watches through the Internet though it could be expected the brand is added to the web site e-luxury, Bernard Arnault luxury web site.

### 6.4.3 Vertical Integration

The battle for components has started. TAG Heuer took over the dial manufacturer Kohli SA based in Tramelan, Cortech SA a company producing cases and Morellato SpA Artelink a company producing steel bracelet. TAG Heuer was Kohli's main customer and was facing financial difficulties. TAG Heuer was also already a partner of Cortech and Morellato before taking them over.

### 6.4.4 Diversification

Tag Heuer has diversified in the production of sunglasses with the brand Sport vision that has been launched in 2002. TAG Heuer has signed a licence agreement with the glasses manufacturer Logo. They totally control design, marketing and distribution; the communication strategy is similar than the one for the watches with the same ambassadors (mainly Alain Prost). It is a brand new kind of glasses designed by the London Ross Lovegrove. The concept of the eyeglass is very avantgardiste.

## 6.5 Capabilities

### 6.5.1 Strengths

#### LVMH

LVMH entered the luxury watch industry recently. Therefore, one could expect that, in order to get positive results from its investments, LVMH is ready to compete and therefore to invest more money in order to gain a significant market share. For example, the endorsement by Uma Thurman, Brad Pitt, Juan Pablo Montoya and Maria Sharapova (starting the 1<sup>st</sup> of January 2005) of the TAG Heuer watch might not have been possible without the financial support of LVMH.

### 6.5.2 Weaknesses

#### LVMH

Even though LVMH is an important financial support, its expertise might be misleading for TAG Heuer. The conception and selling of a watch is still different from the one for perfumes and bags.

#### Communication

The communication strategy has been following Rolex and Omega positioning with, as an example, the use of golf as a communication theme. Instead of following the leaders, TAG Heuer should assert its own identity and therefore, get closer to its previous positioning which was including formula one and the idea of up scaling the vision of sport or definitely changed its positioning. The arrival of new ambassadors active in show business reflects the

envy to probably change a little bit their positioning. What is more, the use of superstars could help increase brand awareness (see Annex IV: Brand Awareness).

### **6.5.3 Opportunities**

#### **Conquer feminine customers**

Male customers represent around 70% of the sales. TAG Heuer has therefore an opportunity to increase sales on the feminine segment. In fact, women become important customers: time have changed, they do not expect anymore men to give them watches and jewellery as a present. Nowadays, women are working and buy their watches and jewellery themselves.

#### **Strengthen position in emerging market**

As it has been mentioned for Rolex, TAG Heuer could also increase sales in emerging countries which represent an enormous potential.

#### **Diversification**

TAG Heuer has already diversified in sunglasses. They could also try to diversify in jewellery. Actually, the jewellery market can be divided into two main segments: branded and unbranded jewellery. The sale of branded jewellery represent only 10% of the sales, therefore, there is an opportunity for brands to expand in this market.

### **6.5.4 Threat**

#### **Up scaling might not be accepted**

Customers might not recognize the new positioning and therefore, they might not be ready to pay more for a TAG Heuer watch. In this perspective, repositioning would fail and TAG Heuer's brand image would become unclear for customers.

## **6.6 Future**

TAG Heuer nearly went bankruptcy three times. But it seems that this time, with the support of LVMH the brand is there to last. Nevertheless, last years, the positioning of TAG Heuer was unclear. It seemed that TAG Heuer wanted to keep the previous idea of "enhancing the level of sport" and, at the same time, go into multiple celebrity endorsement. With the arrival of new super stars ambassadors, it seems that TAG Heuer want, above all increase brand awareness with the use of celebrities that will increase attention on the brand. Nevertheless they also welcome new ambassadors Maria Sharapova, winner of Wimbledon 2004 and formula 1 racer Pablo Montoya. The campaign and the slogan "What are you made of" are the same.

One could expect that TAG Heuer will also change the slogan and campaign in the future: the idea of enhancing the level of sport (represented in the very strong look of the ambassadors and the slogan) makes certainly sense ... on the contrary, enhancing the level of show business seems a lot more difficult. Therefore, even if the campaign is a hit, customer might not understand it (but like it anyway because of the choice of ambassadors) and the contribution to the brand identity will not be coherent in the long term.



## 7 Competitive Analysis for Cartier

### 7.1 History

Cartier was founded in 1847 by 28 years old Louis-Francois Cartier who took over the jewellery workshop of his teacher Adolphe Picard. In 1853, he opens its own boutique and, very quickly, Cartier becomes the "Master jeweller" to Europe's Crowned Head of State, including customers such as Empress Eugenie, spouse of Napoleon III. In 1872, Louis-Francois Cartier makes his son, Alfred, a partner. By the end of the 1890's the Modern Style appears and becomes very fashionable. Louis-Francois Cartier does not like this new design and develops a new style: the guirlande style. This style will put Cartier apart of its competitors. A lot of contemporary Cartier watches (and jewellery) are still based upon the distinctive designs of founder Louis-Francois Cartier. By the end of the 1890, the three sons of Alfred Cartier (Louis, Jacques and Pierre) enter the family company as well. In 1902, Cartier London is inaugurated. In 1904, Louis-François Cartier died. The same year, his grandson Louis Cartier creates the first Cartier wristwatch, the Santos, for his friend Alberto Santos-Dumont, aviator. In 1906, Louis and Pierre Cartier go into partnership as Cartier Frères while Jacques Cartier takes over the management in London. In 1909, Pierre Cartier opens a branch in New York. Cartier keeps designing jewellery for the most prestigious personalities: the world's smallest wristwatch is given to Princess Elisabeth in 1938, in 1948 the Duke and Duchess of Windsor buy a panther (which will become Cartier's fetish animal) motif brooch, Richard Burton acquired in 1969 what would be called later the Taylor-Burton diamond in order to offer it to Elisabeth Taylor. In 1945, after the death of Louis and Jacques Cartier (1942), Pierre Cartier takes over the direction of Cartier Paris and Jean-Jacques Cartier, son of Jacques Cartier takes over Cartier London.

In 1972, Cartier Paris enters a new era when it is taken over buy an investor group headed by Joseph Kanoui and, at the same time, is no longer family-owned company. In 1973, Robert Hocq, newly appointed president of Cartier Paris creates with Alain-Dominique Perrin the "les must de Cartier" concept. This idea marks the beginning of luxury democratization and will be quickly followed by the other players in the luxury industry. In 1976, Robert Hocq meets Anton Rupert<sup>27</sup> in Paris. The two men become friends. At this time, Anton Rupert started to buy little by little the capital of the famous Parisian jeweler boutique and finally

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<sup>27</sup> Anton Rupert, father of Johann Rupert, is considered as one of the best South African entrepreneurs. Graduated from Pretoria University in 1939 and starting from nothing, Anton Rupert takes a loan (600\$) and buys a laundry shop. Then he starts a tobacco manufacture with a Rothmans franchise. He quickly controls the headquarter Rothmans Tobacco Holdings-Cigarettes Dunhill and then Alfred Dunhill (which will buy Montblanc)! In 1979, he acquires Cartier.

Cartier became the propriety of the Rupert family. In 1979, Cartier New York, Cartier London and Cartier Paris are reunified with the creation of Cartier Monde. Cartier is now a brand of the Vendôme Luxury Group. In 1984, The Fondation “Cartier pour l’art contemporain” is created. The first chief retrospection “L’art de Cartier” is held at the Musée du Petit Palais in Paris in 1989/90 followed by another major retrospective in 1992 in the Ermitage Museum in Saint Petersburg. In 1997, Richemont, who already possessed 70% of Vendôme Luxury Group, buys the 30% remaining in order to fully control it.

Now Cartier is a member of the group Richemont and Johan Rupert<sup>28</sup>, the son of Anton Rupert, controls 9% of Richemont’s market capitalization but 50% of the voting rights. To become truly a luxury group, Richemont has merged its tobacco activity Rothmans with British American Tobacco in 1999 and kept only 21% of the shares of the new tobacco group that still accounted for more than half of the overall benefits of Richemont in 2001.

## 7.2 Profile

As it has already been mentioned, Cartier is a company of the Richemont Compagnie Financière Group the second worldwide luxury group and the first worldwide luxury watchmaking group. The group depends heavily on the brand that realizes approximately half of Richemont Group’s turnover and 60% of the operational benefit. Their estimated turnover is 900 millions euros with an estimated average volume of 350000 watches a year. Cartier’s activities consist of watches (55%), jewelry (35%) and others (leather products, perfumes, pens, eyewear and lighters) (10%).

Richemont follows a strong multibrand strategy and its portfolio encompasses brands like Piaget and Baume & Mercier (1988), Vacheron Constantin (1996), Panerai and Lancel (1997), Van Cleef & Arpels (1998), Jaeger-LeCoultre, IWC and A. Lange & Söhne (2000). The last acquisition also marked a pause to this frenetic buying: in fact, Richemont acquired LMH for the extraordinary price of 3.1 billion CHF ... a deal of this size has never happened before.

It seems that Cartier has a hard time finding the adequate CEO since the departure in 1998 of Alain-Dominique Perrin, the Cartier man. He arrived at Cartier in 1969 and was CEO since 1981 and is pretty much the person who built the brand in order to give it the image and the

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<sup>28</sup> Johan Rupert, second largest fortune in South Africa, graduated from Stellenbosch University (Cape Town), started its career as an investment banker at the Chase Manhattan Bank, then at Lazard in New York and he finally founded its own bank in Johannesburg. In 1988, as South Africa is punished by draconian international penalties, Johan Rupert creates in 1988, in Zug, Switzerland, Compagnie Financière Richemont SA which reunites the international investment of the Rupert family. Johan Rupert is heading the family empire since 1993, he played an important role in helping his father in the various diversification (television, cell phone, wine and luxury, etc) that took place for the two family groups, Rembrand (tobacco, mine, investment banking, real estate, etc) in South Africa and Richemont in Switzerland. In 1999, Johan Rupert merged the tobacco activity with British American Tobacco and is now counting predominantly on the luxury.

identity we know today. He is also the man who launched the collection “must de Cartier”. The actual CEO of Cartier is Bernard Fornas. This very refined and cultivated man has graduated from Lyon Business School and has a MBA from Northwestern University, Kellogg School of Management. He worked at Procter and Gamble, International Gold Corporation, Guerlain before joining Cartier in 1994 as international marketing director. In January 2002, this old car collector is appointed CEO of Baume & Mercier. Eight months later, he comes back to Cartier but as CEO, succeeding to Guy Leymarie. Guy Leymarie was evicted from his position just 17 months after accepting it in April 2001. He was himself succeeding to Richard Lepeu who stayed around 15 months as Cartier’s s CEO. In January 1999, Richard Lepeu was succeeding to Alain-Dominique Perrin. It is nothing less than four different CEOs in six years.

### 7.3 Collection

The collection of Cartier is very broad. It includes the following models:

- *Santos* is designed in 1904 by Louis Cartier for its Brazilian aviator friend, Alberto Santos-Dumont.
- *Tonneau* designed in 1906
- *Tortue*, an extension of the Tonneau, launched in 1912.
- *Baignoire* launched in 1913
- *Tank*’s first design is done in 1917; Louis Cartier was fascinated by the armored cars and decided to design a watch inspired from them. The tank is available in five collections: Louis Cartier, Française, Américaine and Divan. It is the most successful collection of Cartier representing one third of the turnover.
- *Panthere* launched in 1983
- *Pasha* launched in 1985. It is the typical men watch that women love to wear.
- *Ligne 21* created in 1986
- *Roadster* launched in 2002
- *Declaration* launched in 2003 and is elected “watch of the year” the same year by the Swiss magazine “Montres Passion / Uhrenwelt”. It is the first time that a women watch with a quartz movement won this distinction.

On top of this collection, Cartier has an entry level line of jewellery, watches, perfumes, etc known as the “Must de Cartier”. This line is an important part of Cartier’s success and gives an opportunity to, once in a lifetime, buy a Cartier good.

### 7.4 Current Strategy

The current strategy is marked by the strong presence of Johan Rupert in the heart of the group and the strategy. Cartier, Richemont’s cash cow, has just gone through its two worst financial years. In October 2003, Alain-Dominique Perrin, ex CEO of Cartier and who was

appointed CEO of Richemont is replaced by Johann Rupert who wants to take a greater control in the company after the last two disastrous years.

### 7.4.1 Communication

The advertisement campaign is a pure product campaign presenting the watch on a red background. An example is presented at Annex X: Cartier's advertisement, December 2003, Elle Deutschland.

Born a little bit more than twenty years ago, the collection "Art de Cartier" encompasses some 1200 pieces of jewelry. It is mainly old Cartier pieces that Cartier bought back in auctions or private collections and that represent the evolution of the brand over the last 150 years. There is no fix location to present the collection; on the contrary, the objects are presented worldwide in itinerant exhibitions. The collection has already been presented, among others, in Paris (first exhibition in 1989), Saint-Petersburg (1992), Tokyo (1995), Lausanne (1996), New York (1997) and London (1997), Mexico (1999), Berlin (2202) and Shanghai (2004). This strategy is very well thought of because now, Cartier's jewellery and timepieces are considered as art pieces. The creation of the Cartier Art Magazine also increased this vision a lot. Cartier is also sponsoring many art events but they do not use this sponsorship in their advertising campaign.

Cartier has a representation contract with Monica Belluci. It means that, anytime she is wearing jewellery, this is Cartier jewellery. There are actually many celebrities who wish to have that kind of contract or ask to borrow jewellery.

Cartier is also the sponsor of various events, locally, like the Cartier Polo World Cup on Snow.

### 7.4.2 Distribution

The distribution network has been decreased and some stores have been renovated on the impulsion of Johann Rupert. In fact, one of the key success factors to launch a luxury watch is to have a selective distribution strategy as well. Cartier had way to much distribution points and selectiveness was decreasing. Furthermore, the direction was trying to progressively eliminate the lower range of product ("les Must de Cartier"). Therefore, one can imagine that distribution and price strategies were not on the same level.

### 7.4.3 Product range

Lately, after the very bad results of exercise 2002-2003, the worst in its history, the product range has been broadened with entry level product for already 1800 CHF (new Tanks). What is more, the "Les Must de Cartier" collection will be conserved and renewed. As it has just

been mentioned, the direction wanted to get rid of this collection because it was damaging the brand identity and prestige.

## 7.5 Capabilities

### 7.5.1 Strengths

#### Brand Awareness

As Annex IV: Brand Awareness shows, Cartier has also a very high brand awareness that reaches 95%. What is more, Cartier embodies refinement, French tradition and luxury.

### 7.5.2 Weaknesses

#### Human turnover is high

Turnover has been high the last five years at Cartier in spite of permanent organizational changes, dismissals and departure of some managers. As an example, Jean-Christophe Bédos, ex CEO of Cartier France is now CEO of Boucheron -Gucci Group- and Guy Leymarie, who worked 18 years for Richemont, ex CEO of Dunhill and Cartier, is now working for De Beers –LVMH- after his eviction. What is more, Cartier counts four different CEO in 6 years. In June 2003, when the brand is doing extremely badly, Franco Cologni is joining CEO Bernard Fornas in order to turn the brand around. He explains this high turnover the following way “There are too many over-dimensional egos in the luxury industry and particularly at Cartier. Nevertheless, there is a golden rule in this business: managers go by but the brand stays”.(Le Temps, 3.7.03)

What is more, Cartier closed a plant in Villeret, Switzerland and canceled 200 work places in the watchmaking industry in Switzerland. The bad situation of the market is not the only explanation. M. Rupert comments that “the last successful years conducted to complacency” and that “with complacency progress stops” In fact, the production decreased to 230000 watches in 2002 versus 350000 in average the precedent years.

#### Financial Results

Cartier is just coming out of two disastrous years with two years in a row a declining turnover and net benefice.

#### Watchmaking Competencies

Cartier still relies heavily on its suppliers. Contrary to LVMH, Richemont, financially weakened after LMH's takeover, has not been able to integrate backward as much as its competitors.

### 7.5.3 Opportunities

#### Strengthen their position in emerging markets

This concerns pretty much all the brands. Cartier is already doing extremely good in China but could still try to improve its position.

### 7.5.4 Threat

#### Complacency

Cartier is a brand that embodies perfectly refinement and high end luxury. Managers usually like their product a lot and there is always a great chance for them to fall in love with it. This results very often in lack of innovation and increase in price. The increase of prices was occurring little by little with the gradual elimination of the collection “les Must de Cartier” and also shows in the lack of new products launched between 1986 and 2002. Of course, the brand was still launching variation of its actual products but the product line was relying on “classics”.

## 7.6 Future

Richemont and Cartier have just restructured most of their organization. The distribution network has been decreased; the production facility has been improved in order to be more flexible the product range has been broadened in order to have a wide entry level line and financial results seem to get better. It seems that Cartier is now getting the benefits of the restructuring it started in order to renew the management and the creativity.

In the future, it is also expectable that Richemont will try to reduce its dependence on Cartier. This is already the case with the increase and restructure of production and the reorganization of distribution of IWC and Jaeger-le-Coultre. It shows that Richemont is trying to push its other brands in order to avoid such a strong dependence for the future.

## 8 Case Study: the pertinence of sponsorship, especially multiple celebrity endorsement in the luxury watchmaking industry

Sponsorship, especially celebrity endorsement, sounds like the magic formula that is increasingly used in the watchmaking industry. Rolex has made a tradition of sponsorship strategy, Omega has been associated since years with the smile of Cindy Crawford and TAG Heuer has also decided to follow its two competitors and recently renewed its testimonials in welcoming tennis champion Maria Sharapova, super star actor and actress Brad Pitt and Uma Thurman as well as formula 1 racer Juan Pablo Montoya to its family of ambassadors. The contracts are taking place the first of January 2005. But sponsorship is not only the game of the big companies. Wyllier Vetta benefits from the charisma of famous actor Richard Gere, Century is under the charm of Miss Switzerland 2004, and tennis world champion Roger Federer represents Maurice Lacroix for the five next years.

Financially speaking, according to Le Figaro, sponsorship is even ignoring economical crisis. In fact, the estimated market should amount 33,2 \$ billions by the end of 2004, which represents a 10.3% increase since 2002. This amount has been pretty much doubled in six years and could even exceed 49 \$ billions in 2006. Its strategic importance is also recognized and some authors explain that it could bring a competitive advantage to a firm (Fahy *et al.*, 2004, Amis *et al.*, 1999).

Joining this raising interest for sponsorship, this chapter is an exploratory content analysis which goal is to understand the structure of the paper advertisements of Rolex and Omega. Their strategies are heavily based on sponsorship. This study will enable to estimate the internal coherence of two different approaches as well as their pertinence compared to the actual situation of the company. The advantage of content analysis is that it can assess the frequency of certain characteristics in advertisements. First a short overview of the sponsorship strategy will define this strategy and describe its advantages and disadvantages. Then, the following two chapters are dedicated to the two studied brands. Finally, the last section compares the two strategies.

### 8.1 Sponsorship: a short overview

Sponsorship is defined as “an investment in cash or kind in an event, team or person in order to secure sponsors’ access to the commercial potential associated with that event, team or person.” (Fahy *et al.*, 2004, Meenaghan 1994). In the case of the use of a famous person,

the term “celebrity endorsement” is generally used. A celebrity endorser can be defined as “any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement” (McCracken, 1989)

### **Main Advantages and Disadvantages**

Sponsorship strategies can be extremely expensive, especially when the celebrity endorser is famous. Therefore, sponsorship strategies should be carefully managed in order to secure the investment benefits. Usually, this money is invested with the hope that celebrity endorsers will attract attention on the brand and transfer the fame and image from the celebrity to the product or service. (O’Mahony *et al.*, 1997/98). What is more, companies usually benefit from exclusivity contracts, in other words the ambassador can not represent another competing brand. This gives an opportunity for a company to develop a unique strategy that can not exactly be copied by its competitors. Finally, the sponsorship strategy can permit the company to build a global brand identity. The choice of worldwide celebrities (David Beckham, Nicole Kidman) or event (Olympic Games) can help a brand to construct a global advertising campaign and, therefore, benefit from economies. (Fahy *et al.*)

The main disadvantages occur when the choice of the partner is not ideal: the ambassador is dishonest and involved in illegal affairs (doping, etc), he loses its recognition in his field (lost of recognition, unsuccessful, etc). Another problem can arise in the case of multiple celebrity endorsement if the “ambassador family” is too disparate and therefore introducing confusion in the consumer’s mind.

### **Successful Sponsorship**

An important factor to achieve a successful celebrity endorsement is the congruence between the celebrity endorser and the endorsed products (O’Mahony *et al.*, 1997/98, Fahy *et al.* 2004, Hsu *et al.* 2002). In fact, it is important that the customer perceives a link between the ambassador, his life style and the product. Literature also suggests that the source credibility, that is the positive characteristic of the ambassador, is an important factor of success. Credibility could be separated in the concepts trustworthiness, expertise and attractiveness (Ohanian 1990). The first concept refers to which extent the consumer trusts the ambassador and therefore will be persuaded by him. Expertise refers to the knowledge that a person has of the product. Finally, attractiveness refers to the physical beauty, likeability and sexiness of the ambassador. Unfortunately, the information in the academic literature concerning the characteristics of a successful endorser is far from clear and the findings are still divergent. Ohanian affirms that “it is important to recognize that highly credible sources are not always more effective than less credible ones”.

### **Effect on consumer behavior**

Some studies have looked at the effect of sponsorship on consumer behavior. Unfortunately, results are sometimes contradictory.

O'Mahony and Meenaghan (1997/1998) study shows that consumers are favorable to celebrity endorsement even though they do not think it is "convincing or believable". The intention to purchase the product is not significantly influenced by the trustworthiness, likeability, attractiveness and personality of the source. However, credibility and expertise had the greatest impact on respondent purchase intention. Nevertheless, if the source exhibits the previously cited qualities, it can increase attention on the brand. Consumers expect congruence between the product and the celebrity.

Hsu and McDonalds find that using multiple endorsers can affect the consumer in a way that he feels that there is a consensus among testimonial. Furthermore, the use of many celebrities can help cover the entire audience. Multiple endorsers can also reduce boredom in providing many different advertisements but it may also confuse consumers if they are not related. Finally, the congruence of the product and the celebrity is of crucial importance.

Bush, Bush and Martin in their investigation find that the use of celebrity sports athletes have a positive influence on youth that translates into favorable word-of-mouth and brand loyalty. This suggests that celebrity sports are important to adolescent when they make brand choices and talk about these brands positively.

## 8.2 Rolex

Rolex has a true strategy of multiple celebrity endorsement and sponsorship strategy. As an example, in order to assess how much each celebrity and event is used, 71 exemplars of 15 different magazines counting a Rolex advertisement (including the titles Bazar Singapore, Bloomberg Markets, Elle US, Female Malaysia, Forbes, Fortune, GQ Deutschland, GQ USA, Le Point, Newsweek International, Vogue Deutschland, Vogue US, Tatler, Time Europe, and Vanity Fair) have been read from Mai 2003 to Mai 2004. Even though the main interest of this study is principally on celebrity and event use, each four different types of advertisements (see Annex VI: Rolex advertisement) have been counted in order to evaluate diversity of advertisement use.

34 (48%) advertisements were celebrity advertisements, 25 (35%) were product advertisements, 8 (11%) were events advertisements and finally the last 4 (6%) were dedicated to the philanthropy themes. Among the 34 celebrity advertisements, 26 different testimonials were used in 28 different layouts (2 personalities has been used two times but with a different text and picture), leaving only 6 times the exact same advertisement. The product advertisements were showing 21 different models, in 23 different layouts, leaving only 2 times the very same advertisement. The advertisements regarding events and philanthropy were all different. Table 5 summarizes this information:

	Num of advertisements	Type of advertisement			
		Celebrity (C)	Product (P)	Events (E)	Philanthropy (P)
	Num of unique	26	21	8	4
	Reused but in different settings	2	2	0	0
	Similar advertisement	6	2	0	0
	TOTAL	34	25	8	4

Table 5: Use of Celebrity, Product, Events and Philanthropy advertisements at Rolex

As it has already been mentioned, Rolex has a very strong experience in celebrity endorsement. Its origin goes back to 1927 when Mercedes Gleitze swam across the English Channel and her name was associated with the brand. Since that time, Rolex has always tried to be represented by personalities who are true doer with strong moral values. The main theme of communication is personal achievement. Another important notion observed in many advertisements is adversity. In fact, the personality has to fight in order to be victorious and the battle is not easy, one need to have the will, the determination, the talent and/or work hard in order to succeed. The challengers can be the nature, the other competitors or even oneself (in the case of the adventurer who goes beyond its own limits).

### 8.2.1 Decomposition of the advertisement

More technically speaking, as Annex VI: Rolex advertisement shows, the actual layout of the advertisement campaign, designed by The J. Walter Thompson Agency<sup>29</sup>, is presenting a picture of the personality usually in his environment occupying around one third of the page, and, under it, a head sentence written in big letters followed by a very good text summarizing the achievements of the testimonial (with no mention of the watch; the testimonial is not even always wearing it). At the bottom of the advertising, the watch is shown in the center and the logo is on the right. Finally, the background's color is the corporate green of Rolex.

The advertisement is presented in a way that first the picture and the head sentence will attract the reader, then, just after reading the text, the eyes of the reader will see the watch

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<sup>29</sup>The J. Walter Thompson agency was created in 1864, making them the world's oldest advertising agency. Today they have a network of 8,500 employees in 150 cities and 86 countries. .J. Walter Thompson ranks as the 4th largest global agency and the largest US agency. They count among their clients, beside Rolex, Nestlé, Roche, Vodafone, Ford, Unilever, Kellogg's, Kraft, Pfizer, Diageo, Merrill Lynch, etc.

and the logo and little by little construct an association between “accomplishment, going beyond physical limits and adventure” (for the advertisement text presented in the next paragraph) and Rolex in its memory. Memory is usually described using nodes and links. The stored information (nodes) is connected by the links which can differ in strength. Keller (1993) describes the process of activation of the nodes:

“A spreading activation process from node to node determines the extent of retrieval in memory. A node becomes a potential source of activation for other nodes either when external information is being encoded or when internal information is retrieved from long-term memory. Activation can spread from this node to other linked nodes in memory. When the activation of another node exceeds some threshold level, the information contained in that node is retrieved. Thus, the strength of association between the activated node and all linked nodes determines the extent of this spreading activation and the particular information that can be retrieved from memory.”

For instance, a customer who wants to buy a watch might think of Rolex because the watch is a “congratulation” gift for someone who just achieved something (graduation, etc), or because he wishes to show his success with the watch of a winner. Therefore, the goal of the brand is to build a strong node in consumer’s memory (brand knowledge) and an important network of links going and coming to this node. The remarkable point about Rolex paper advertisements is that, thanks to the head sentence and the text, it clearly describes achievement, an abstract notion. Then the association network is not only built between a field (i.e golf) and Rolex but between achievement, golf and Rolex. The way the elements are presented seems very well thought-out because the picture first catches the attention and then the head sentence (and the text) expresses achievement, and finally the eyes of the reader see the Rolex logo. This kind of pattern might help building a strong memory association network.

### **8.2.2 Methodology**

The 42 “celebrity endorsement” advertisements have been taken from the internet website <http://www.rolex.com/> as of December 2004 and they are available in Annex XI: Celebrity and events used for the content analysis for Rolex. The layout of the advertisements on the homepage is not exactly the same as in magazines but the content is similar. The layout on the homepage shows only the picture of the celebrity as well as the head line and the text that is used in newspaper and magazines’ advertising. It does not display the watch and the logo.

Each visual has been classified according to the five following criteria: name of the celebrity, gender (male or female), age (young adult, adult, senior), field of action (art –it encompasses jazz, piano, violin, opera and classical ballet-, golf, adventure, tennis, equestrian, sailing,

motor sports), attribute of celebrity to be transferred on the product (will, determination and self control; going beyond human limits; emotion; seduction; setting new standards; write history, being a legend; passion and dedication). The attributes will be associated with Rolex and thanks to multiple expositions to the advertisement; the customer will transfer those attributes to the brand image. If the advertisement describes more than one of the attributes, it is the one expressed in the head line that will be use for the codification. Each of the attributes is shortely described starting at page 75.

The author as well as one other researcher coded the 42 advertisements. The intercode reliability score was computed with the formula of Perreault and Leigh (1989) and reaches 93% for the attributes, 94% for the age and 100% for the gender, the name and the field of action of the celebrity. The Perreault and Leigh's computation of reliability has been chosen for its advantages over the simple computation of a percentage of agreement. The method takes into account the number of categories; if there is a great number of categories, the probability that equal encoding is due to hazard is lower than in cases with a small amount of categories. What is more, the method does not assume that each category has the same probability to be chosen. Then, the three researchers identified the advertisements that were coded differently and, by consensus, agreed on the best way to code the item.

It has been decided not to include the advertisements concerning events and philanthropy. The 25 advertisements concerning events sponsorship are also available on the website <http://www.rolex.com/> as of December 2004. A scale for the event's attributes has also been developed with the following attributes: challenge: requires multitasking abilities from the competitor; challenge: it is a battle against nature; challenge: the other competitors are extremely good; prestige and recognition; mentoring. The level of reliability was calculated as well with the formula of Perreault and Leigh (1989) and reached only 72%. This is rather low for such a small sample and therefore it seems that the scale might be inappropriate to correctly classify these advertisements. This is explained by the fact that the advertisements often use many of the attributes and that the head line usually does not help to determine which one suits best. Therefore, it seems that the scale should be readapted and retested.

The advertisements concerning philanthropy were not depicted on the website. The consideration of philanthropy had hardly altered the result. But It does not seem that the results will be severely altered. As Table 5 shows philanthropy and events do not represent an important amount of advertisements. The product advertisements have not been used because there is no transfer of information and therefore do not concern this study. Nevertheless Table 5 shows that it is also an important part of Rolex communication strategy and that they also rely on this type of advertising.

## Attributes Description

### Will, determination and self control

This refers to celebrities that have an especially strong mental power. Mastering the technique is basics, to have the determination and the will to win can makes the difference. What is more, one has to be able to show its best technique also under pressure. The head line for Adam Scott says that “his strength is not in his swing. It’s in his head.”

### Going beyond human limits

These people go beyond physical limits in accomplishing extraordinary tasks. It refers to adventurers who, for example, achieved to climb Mt. Everest or cross Greenland by foot. An example of this attribute is the advertisement about Ed Viesturs stating that “apparently, the human body is evolving to survive without oxygen.”

### Emotion

This attribute describes mainly artists whose performance transports the spectator with emotion. It is said about Angela Gheorghiu that “the power of her voice does not come from her mouth but from her heart.”

### Seduction

Seduction refers to the ambassadors who, thanks to their great performance, are enchanting people watching or listening them. Rolex says about Diana Krall that “her piano will woo your heart while her voice seduces your heart”.

### Setting new standards

The excellence of a performance sets it apart from what has been done so far and it seems like there is a before and an after this presentation. “Meet the voice that is changing the opera” when talking about Anna Netrebko.

### Write history, being a legend

This is all about being a legend and leaving its imprint in our world. About Annika Sorenstam: “It’s not just her opponents she’s challenging. It’s also the history of golf”.

### Passion and dedication

This attribute refers to celebrities who exhibit a degree of commitment to their domain that is so impressive that one can call it passion. Rolex says about Placido Doming that “when it becomes clear that no one else shares your level of passion, you are where you belong”.

## 8.2.3 Results

The results of the content analysis are presented in the following sections. First the characteristics of the ambassadors (gender, age and field) are briefly presented. Then, the

combination of the attributes with the other items is analyzed in order to assess which characteristic of the ambassadors are used in order to express one precise attribute.

### Characteristics of the ambassadors: gender, age and field of activity

On the 42 advertisements analyzed 26 (62%) show male ambassadors and 16 (38%) show female ambassadors. Even though men still represent the majority of the visuals, women also correspond to an important part of the advertisements. This shows that Rolex is trying to make a more important place for women in its strategy. What is more, all the advertisements illustrate only one individual except for one advertisement showing two sisters playing the piano in a duet. This concept stresses the idea of self achievement versus team effort.

Among the 16 visuals showing a woman, 10 (62.5%) are young adults, 6 (37.5%) are adults and there is no seniors. Among the 26 advertisements showing a man, 8 (31%) are young adults, 12 (46%) are adults and the 6 (23%) remaining represent seniors. Globally, there are 18 (43%) young adults, 18 (43%) adults and 6 (14%) seniors.

Here, Rolex misses one or more senior females that could incarnate feminine achievement. The proportion of young adult and adult is at parity and shows a clear desire of Rolex to attract the younger buyers as well.

Figure 34 shows the importance of each domain in the total visuals. Most of the celebrity endorsers are active in golf and art with respectively 15 (36%) and 13 (31%) of the advertisements. Adventure corresponds to 5 (12%) visuals, equestrian 4 (10%), tennis 3 (7%), and motor sports and sailing each has 1 (2%) occurrence on the total number of advertisements.

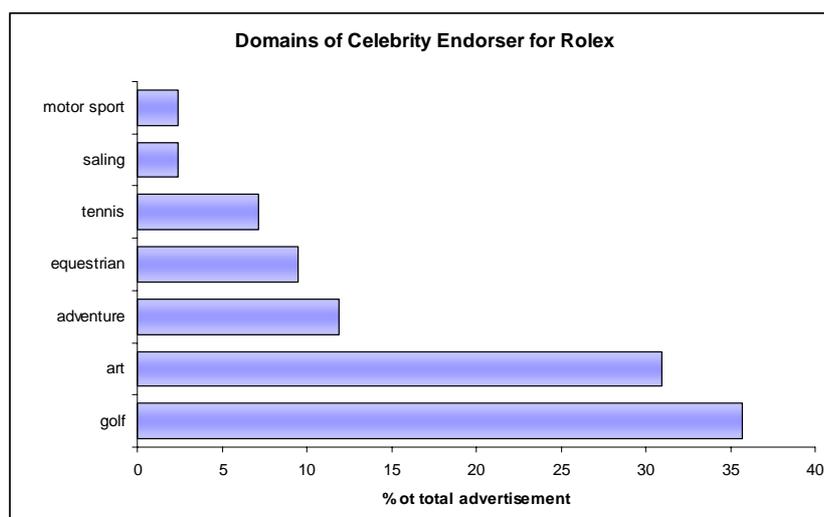


Figure 34: Domains of celebrity endorsement

As Figure 35 shows, 12 (29%) occurrences represent adult males, followed by 10 (24%) visuals of young adult females. Young males are represented on 8 (19%) advertisements and finally, senior male and female adult are equally represented with 6 (14%) occurrences each.

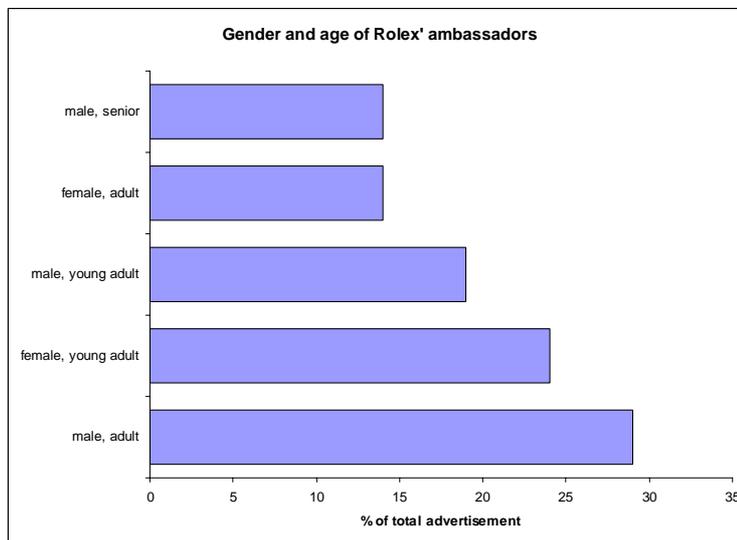


Figure 35: Gender and age of Rolex' ambassadors

Again, the number of young women representing the brand witnesses that Rolex wants to conquer the youth and the feminine customer.

### The attributes and the ambassadors

This section will examine the links between the use of a certain attribute and the other characteristics of the ambassadors. This will permit to show what are the role of woman versus male in the advertisement as well as the use of young adults, adults and seniors. Finally, the relations between the domains in which the endorser is active and the attributes will also be discussed.

Figure 36 shows the frequency of each attribute. The attribute “write history, being a legend” and “setting new standards” are shown on around half of the advertisements with 10 (23.8%) occurrences for each of them. These attributes are also the one which have the tightest link with achievement and success and therefore, their predominance is not a surprise. “Will, determination and self control” is the step before, eventually, becoming a legend. This attribute is represented on 8 (19%) advertisements. “Going beyond human limits”, “passion and dedication” and “seduction” are each pictured on 4 (9.5) advertisements. Finally, emotion is shown only on 2 (4.9%) visuals.

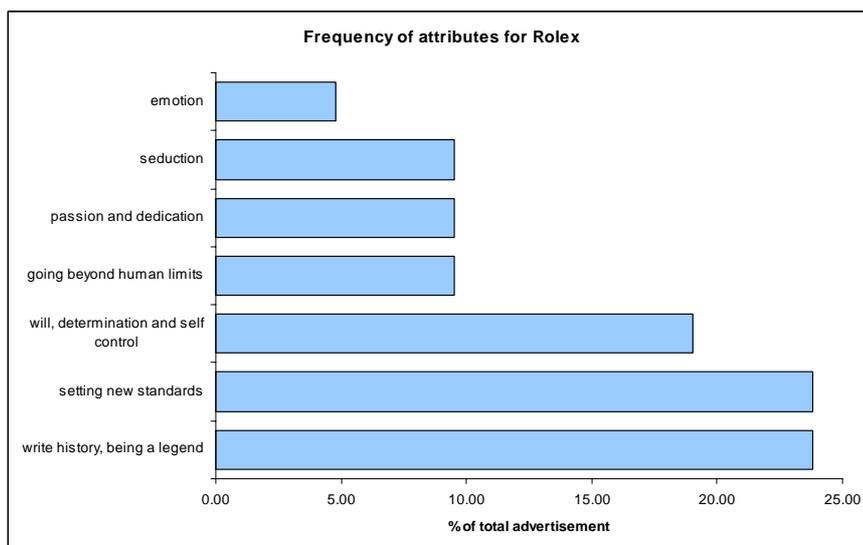


Figure 36: Frequency of attributes for Rolex

Figure 37 shows, among the 42 advertisements, the male and female proportion used to represent each attribute. A homogenous repartition of the genders should reflect the proportion of male and female. This means that each attribute should be represented by around 60% of men and 40% of women.

The advertisements expressing “Seduction” and “emotion” are using mainly women with respectively 3 (75% of all “seduction” advertisements) and 2 (100% of all emotion advertisements) occurrences featuring a female ambassador. Thus, conforming to stereotypes, advertisement that appeals more to feelings than Cartesian thinking are mainly feminine. Male are associated only in 1 (25% of the “seduction” advertisements) advertisement with the “seduction” field while no man is used for its “emotion” ability.

“Setting new standards is pictured 6 (60%) times with a woman (their main use) and 4 (40%) with a male, “writing history, being a legend” is expressed only with the use of 2 (20%) women but with 8 (80%) men. “Will, determination and self control” presents 2 (25%) ambassadors but 6 (75%) men. “Passion and dedication” is expressed with the presentation of 1 (25%) woman and 3 (75%) men. Finally, “going beyond human limits” seems to be typically masculine since it is represented by 4 (100%) male and no women.

The expected proportion of male and female for each of the attribute is not respected and clearly, the results shows, somehow, still a traditional view of men and women tasks. Men mainly embody the values of achieving great actions, being determined with a strong mental power and writing history while women express themselves in the “emotive” fields. Of course, women are also often used to set new standards, but talking to modern women,

Rolex should try to associate more women with unconventional messages, unexpected values proving that women are also able to accomplish breath taking achievements.

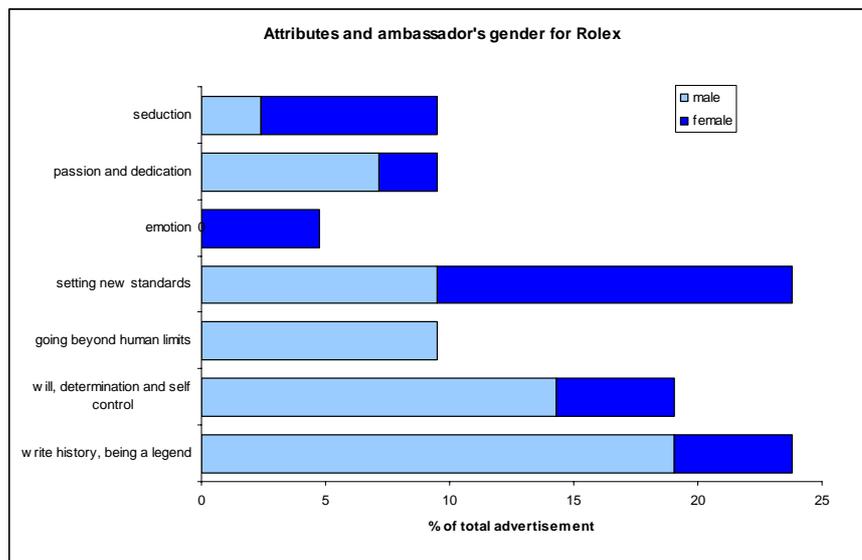


Figure 37: Attributes and ambassadors' gender

Figure 38 shows the repartition of the three generations among the attributes for all the advertisements. In order to respect the actual proportions of ages among ambassadors, each attribute should be expressed with 43% of young adults, 43% of adults and 14% of seniors.

“Seduction” 4 (100%) is only expressed with the use of young adults. “Passion and dedication” With 7 (87.5%), and 3 (75%) of all the occurrences, the youth is mainly used to express “will, determination and self control”, “seduction” and “passion and dedication”. Young adults are also utilized 2 (20%) times with the aim to represent “write history, being a legend” and “setting new standards”. Young adults are never used with the attribute “emotion”.

Adults largely occupy, with 8 (80%) and 4 (100%) advertisement, the concept of “setting new standards” and “going beyond limits”. They are also associated in 3 (30%) visuals with “write history, being a legend”, 2 (100%) times with “emotion” and 1 (12.5%) with “will, determination and self control”. Adults are not present in the contexts “passion and dedication” as well as “emotion”.

Finally seniors appear in 5 (50%) visuals “writing history, being a legend” and in 1 (25%) advertisement they are associated with “passion and dedication”. Seniors are not represented in the other categories.

Clearly, the proportions are not respected but this is done in order to get close to usual conceptions: young adults are motivated, passionate and powerful, they work hard to become achievers and their youth is seducing. When they are adult, this seduction transforms in emotion and thanks to their hard work, adults sets new standard. Once they are seniors, they do not have to prove anything anymore, they are legends.

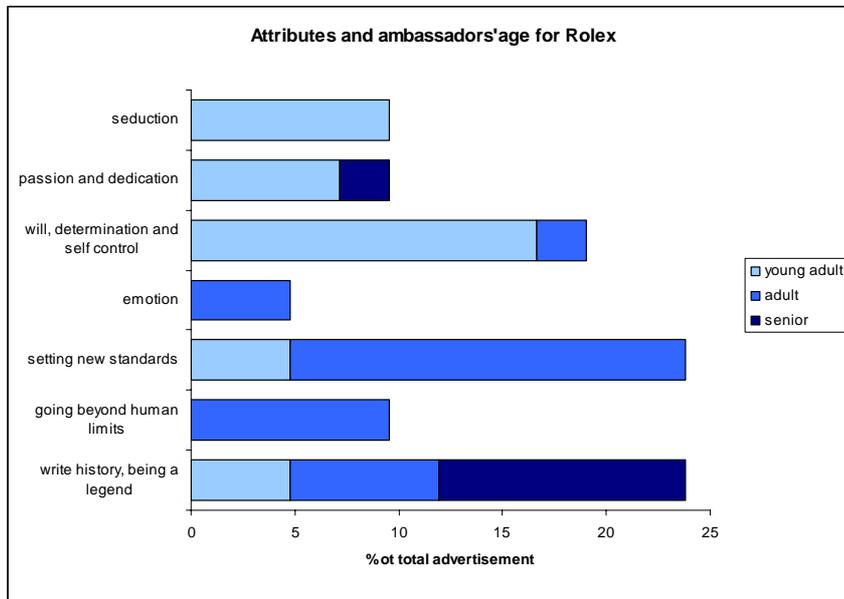


Figure 38: attributes and ambassador's age for Rolex

Finally, Figure 39 shows how the different domains of activity are divided into the attributes. To match actual proportion, each attribute should present 36% of golf, 31% of art 12% of adventure, 10% of equestrian, 7% of tennis 2% of motor sports and 2% sailing. Of course, since some of the attributes encompasses only three or four advertisement, these proportion can not be hold.

Golf is associated 5 (50%) times with the attribute “write history, being a legend” and 5 (62.5%) with “will, determination and self control”. It is represented 3 (75%) and 2 (20%) times with “seduction” and “setting new standard”. Golf is never used to express going “beyond human limits”, “emotion” and “passion and dedication”.

Adventurers are used in respectively 4 (100%) and 1 (10%) advertisement expressing respectively the attribute “going beyond human limits” and “write history, being a legend”. Adventurers are not associated with other attributes.

Tennis players are shown in 2 (25%) and 1 (25%) advertisement respectively for the attribute “will, determination and self control” and “passion and dedication”. Tennis players are not related to other attributes.

The yachtman is shown in 1 (2.4%) advertisement expressing “will, determination and self control”. No other yachtman is presented with other attribute.

The formula 1 racer is associated with the attribute “write history, being a legend” 1 time (2.4%). Finally, equestrian is shown in 2 (4.8%) advertisements “setting new standards” and 1 time (2.4%) for each attribute “write history, being a legend” and “passion and dedication”.

As expected, proportions are not respected. Nevertheless there is no real pattern in the use of the attribute and the domains except for adventurers who incarnate the idea of going beyond one’s limits.

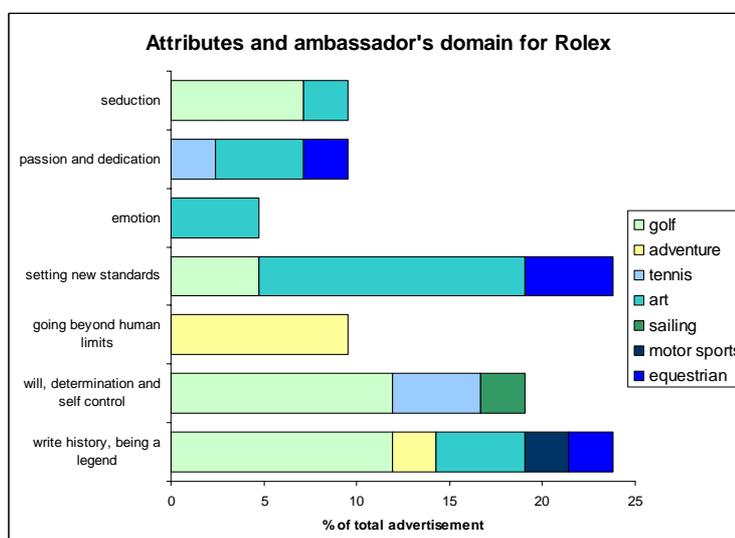


Figure 39: attributes and ambassador's domain for Rolex

## 8.2.4 Summary of key findings

Golf and art are the main domain used for advertising. The important use of golf can be explained by the fact that it is played all around the world (with the United States of America and Japan leading) by around 50 million licensees and major tournaments are followed by around 100 millions viewers. Among them, some 60% to 70% can afford it to buy a luxury watch.

Adult males are the most represented among Rolex’s ambassador. It corresponds to Rolex’s main customers. Rolex is using an important range of generation in its advertisement. It enables the actual customers, who are growing old, to still recognize themselves in the brand and attract new customers as well. What is more, emerging countries, contrary to Europe and North America, still nurture the idea that seniors are the most valuable generation of the society and that they are the guardian of wisdom.

The most used attributes are “write history, being a legend” and “setting new standard”. This is not a surprise because these attributes represent achievement best. Women are principally used to express emotion and seduction while men are essentially used for their ability to go beyond their limits and become a legend. It shows a conservative vision of the use of men and women characteristics. Rolex could use women in more innovative way without hurting its image of a “traditional” brand and thus penetrate furthermore the feminine market. For example, Rolex could add, among its celebrities, female adventurers.

Rolex use of the different generations of age corresponds to what one could expect in reality. The young adults are primarily representing the determination, the passion and the seduction. This is the energy and the motivation of the youth. Adults, thanks to their previous hard work and dedication can set new standards as well as go one step further, trying to go beyond their limits. More mature than young adults, it is also the times of emotion. Finally, seniors are the legends. They have been through the two first steps (young adults and adults) and are now recognized for their achievement and remembered for their accomplishments.

There is no clear pattern to explain the use of one particular domain with a particular attributes, except for the adventurers who are expressing the concept “going beyond one’s limits”. All the attributes aim to communicate the same message: achievement. The message is expressed independently of the domain or, in other words, all the domains are used with all the attributes to consolidate the message. It enables Rolex to clearly define its brand identity and territory and represents the unity of the campaign. Rolex covers many definitions of achievement and it makes the communication strategy very flexible. Rolex could manage the brand identity through the addition or subtraction of the different attributes without changing the main message.

### **8.3 Omega**

Omega, which lends his name from the 24<sup>th</sup> and last letter of the Greek alphabet, signifies accomplishment and follows also a multiple celebrity endorsement strategy. The slogan and theme of the actual campaign is “Choice”. The interpretations can be manifold. It can be a watch for every situation and every occasion in life. There is an Omega watch that will suit to an evening dress and another one that can be used on a sailing tour, etc. Another interpretation is the idea to raise the interpretation to an intangible level. Life is full of choice, the customers, like the ambassadors, face also those dilemmas every day. Omega’s celebrities choose to be winners, to enjoy life doing what they like or just to be beautiful as it will be discussed in more details with the choice of the advertisement attributes.

### 8.3.1 Decomposition of the advertisement

More specifically speaking, as Annex XII: : Celebrity and events used for the content analysis for Omega shows, the picture is used on the entire visual (no background) and is the first thing that is catching the attention. The name of the brand is written transparently in big letters across the picture. The watch is not necessarily worn by the ambassador and is pictured on the right bottom. Left from the watch figures the name of the ambassador, on the right the slogan “Choices” is presented and finally the logo is written beneath the watch.

The force of the message is carried primarily by strong images for the ambassador coming from the sport’s field and attractive images for ambassadors from the show business.

### 8.3.2 Methodology

The 14 « celebrity endorsement » advertisements have been taken from the website [www.omega.ch](http://www.omega.ch) as of December 2004 and are available in Annex XII: Celebrity and events used for the content analysis for Omega. The layout of the advertisement is exactly the same as the one used in magazines and newspaper. As for Rolex, only the celebrities have been taken into account. Each visual has been classified according to the following criteria: name of the celebrity, gender (male, female), age (young adult, adult, senior), role (swimming, tennis, show business which encompasses acting, singing and modeling, golf, surf, sailing and motor sports) and attributes use for the transfer of image from the celebrity to the brand (victory, beauty and hedonism). The attributes are detailed in more details on page 84.

The author as well as one other researcher coded the 14 advertisements according to the above criteria. The intercode reliability has been computed with the formula of Perreault and Leigh (1989) and reaches 94% for the attribute and 100% for the name, gender, role and age of the celebrity. The unique ambassador that was coded differently by the two researchers on the item “attribute” was identified and, after discussion, a common attribute was chosen.

It has been decided, for this study, to use only the celebrities. Nevertheless, there is three important theme, space, co-axial escapement and James Bond that are not represented by real personalities on the advertisement but played and are still playing an important role in Omega’s communication strategy. First, Omega’s Speedmaster model becomes famous after being worn on the moon by astronaut Neil Armstrong and being the choice of NASA. Now Omega still has two astronauts as ambassadors (Captain Eugene Cernan and General Stafford) who are presented during Omega events but they do not appear on the advertisement campaign, instead the “space” theme is still used with advertisement mentioning “the only watch worn on the moon”. The second topic, James Bond, has helped to increase the sales of the Omega Seamaster model. The first product placement was in “Goldeneye” (1995), showing Pierce Brosnan’s first appearance as James Bond, and with a

true role thanks to the laser gun that is incorporated in the watch. Omega's partnership will continue with "Tomorrow Never Dies" (1997), "The World is not enough" (1999) and "Die Another Day" (2001). The brand can use James Bond's advertisement only during certain periods of time (before and after the launch of the film) and is therefore not a continuous theme of advertising. Finally, Omega developed, with professional horologist George Daniel, the co-axial escapement. Here again, George Daniel is an ambassador of the brand but he does not appear on the advertisement, instead of his name appears the mention "co-axial movement". Here again, George Daniels is often associated with Omega events.

As it has been said, the advertisement concerning James Bond can not been used all year long and the space theme as well as the co-axial escapement are marginally used compare to super star Cindy Crawford and Anna Kournikova and formula 1 racer champion Michael Schumacher. Therefore, the impact on the overall results will be small.

## **Attributes Description**

### **Beauty**

In this case, the celebrity is usually an attractive super star. It is difficult to define a message that is send to the customer. The idea here is principally to increase the notoriety and attract the attention on the brand thanks to the celebrity and the attractiveness of the ambassador.

### **Hedonism**

Here, the idea is to express the research of one's own pleasure. This concept is usually opposed to symbolic consumption. This attribute is usually not expressed through the use of a super star but with the use of a celebrity in a domain. This is, for example, Ellen MacArthur enjoying the pleasure of sailing on a beautiful day. Hedonism can be identified on the advertisement on the face of the ambassador: relaxed and happy-

### **Victory**

This last attribute expresses victory. Here it is usually used with successful celebrities such as Sergio Garcia. This attribute can be identified through the expression or the position of the celebrities that suggest victory. He can seem determined to win or it can shows through an outbreak of happiness.

## **8.3.3 Results**

The results of the analyzed data are presented in the following sections. The next section describes the characteristics of the ambassadors (gender, age and field). Then, the combination of the attributes with the other items is discussed.

### Characteristics of the ambassadors: gender, age and field of activity

On the 14 advertisements analyzed 9 (64%) show male ambassadors and 5 (36%) show female ambassadors. The visuals illustrate only one person; it enhances the concept of individualism.

Among the women, 4 (80%) are young adults and 1 (20%) is an adult. For the men, 5 (55%) are young adults and 4 (45%) are adults. Globally, there are 9 (64%) young adults and 5 (36%) adults. There is no senior in Omega's advertisement. The choice of young ambassador expresses Omega's will to be recognized by the youth.

Figure 40 shows the domain in which Omega is active through the use of its ambassadors. The most important domain is the show business. This field encompasses actors, top models and singers and represents 4 (28.6%) advertisements. Then swimming corresponds to 3 (21.4%) advertisements, sailing and golf are each pictured on 2 (14.3%) advertisements. Finally, tennis, surf and motor sports encompass each 1 (7.1%) advertisement. Omega is present in many domains, but each time with a small number of celebrities. The important presence in show business confirms that Omega wants to attract attention on the brand in order to increase the brand awareness among customers.

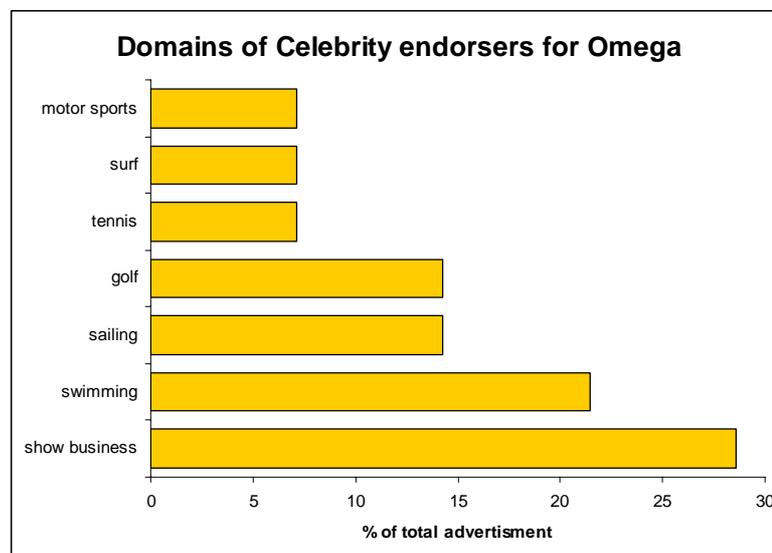


Figure 40: Domains of celebrity endorsers for Omega

Figure 41 shows that a majority of the advertisement (4 ads, 35.7%) shows male young adults. Female young adults and males adult appear equally on 4 (28.6%) visuals. Finally, there is 1 (7.1%) advertisement showing a female adult.

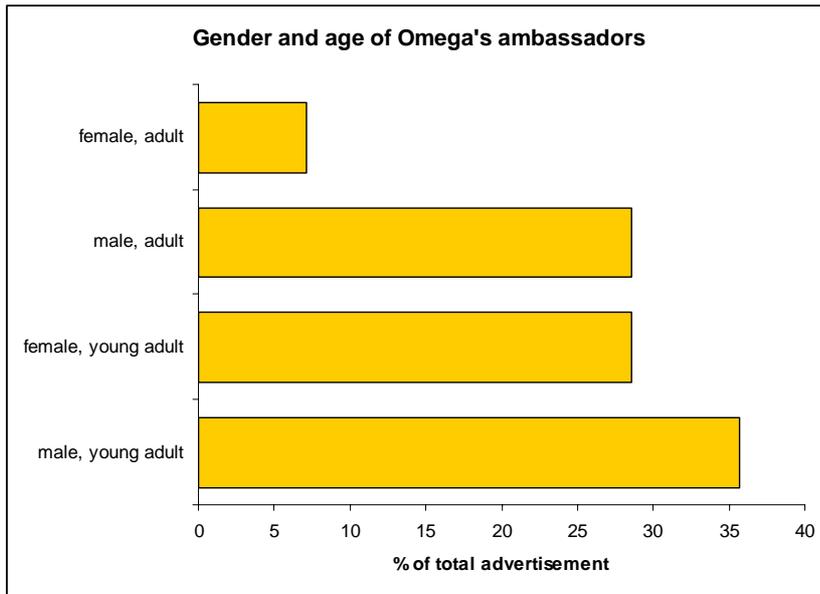


Figure 41: Gender and ages of Omega's ambassadors

Figure 42 shows the repartition of the attributes among advertisements. Hedonism is shown on 4 (28.5%) advertisements. Victory and beauty are each used for 5 (35.7%) of the advertisement.

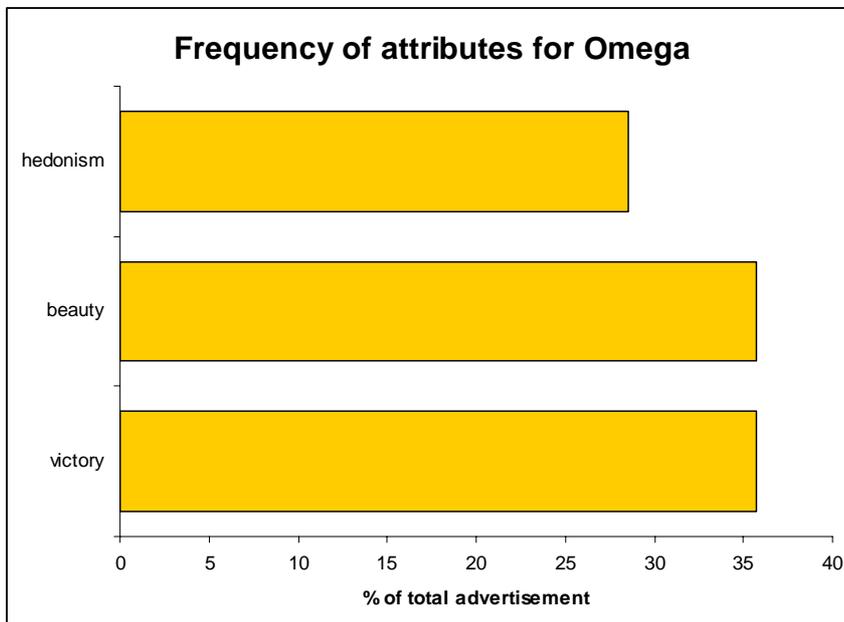


Figure 42: Frequency of attributes for Omega

Figure 43 shows the repartition of the gender for the attributes. In order to respect, actual proportions, each attribute should encompass around 60% of male ambassadors and 40% of female ambassadors.

Victory is pictured as a male concept with 5 (100% of the victory ads) advertisements associating victory with a male ambassador. Hedonism is pictured with the use of male in 3 (75%) cases and woman in 1 (25%) case. Finally, beauty is incarnated by women in 4 (80%) cases and by men in 1 (20%) case.

Proportion is not respected; the repartition of the gender among attributes follow common interpretation of male and female tasks: women are pretty and men are strong, they achieve victory.

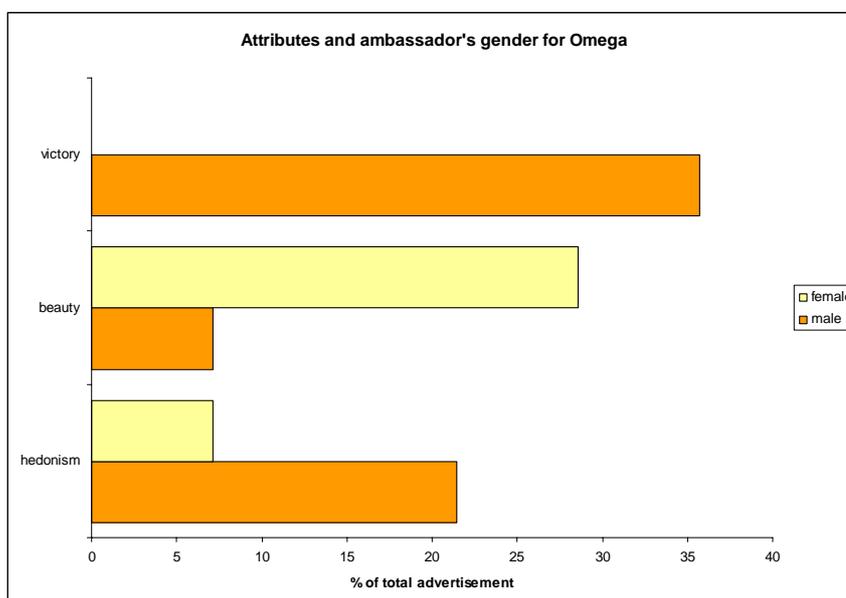


Figure 43: Attributes and ambassadors' gender for Omega

Figure 44 shows the proportion of adults and young adults that is used to represent each of the attributes. Considering actual proportion of young adults and adults, each attribute should contain, respectively 64% and 35%.

Victory and beauty are represented 3 (60%) times with young adults and 2 (14.3%) times with adults. Hedonism is represented 3 (75%) with young adults and 1 (25%) time with an adult.

Proportions are close to be respected; it means that Omega uses ambassadors homogenously among attributes. The three different attributes are represented buy young adults and adult.

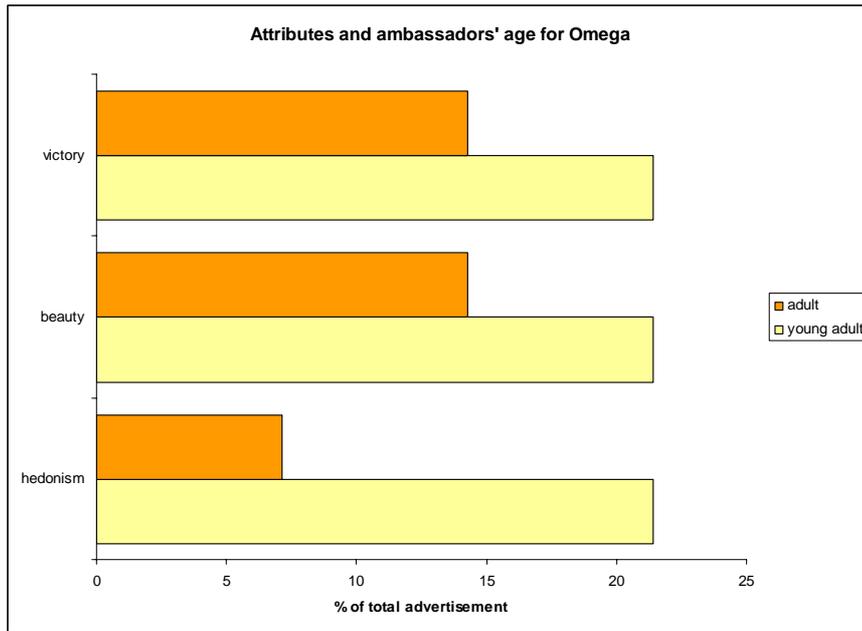


Figure 44: Attributes and ambassadors' age for Omega

Figure 45 shows that each domain represents essentially one of the three attribute. Beauty is pictured with 4 (80%) ambassador coming from the show business and 1 (20%) ambassador of the world of tennis. Hedonism is represented with the use of the surf (1 ad, 25%), sailing (2 ads, 50%) and golf (1 ad, 25%). Finally, victory is associated with swimming (3 ads, 60%) motor sports (1 ad, 20%) and golf (1 ad, 20%)

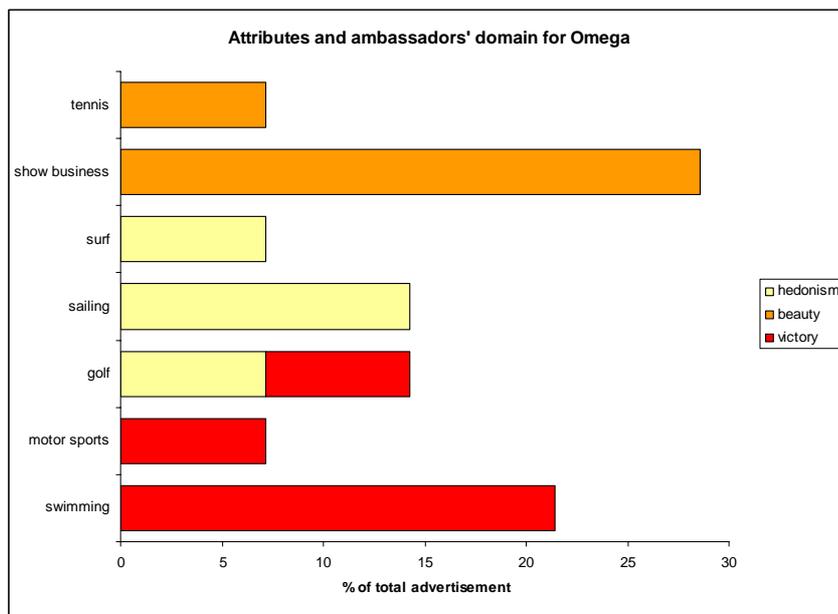


Figure 45: Attributes and ambassadors' domain for Omega

## Key findings

Omega has an important number of celebrities active in the domain of show business. Anna Kournikova has been classified in the “tennis” domain but she is not likely to be used as such, considering her average results on the field. Therefore, even though she is a tennis player, she can be used as a member of the show business. What is more, the “show business” celebrities can not be considered as the most stable one. First of all, ambassadors from the show business might be difficult to manage and their future behavior is usually unpredictable. As an example, Anna Kournikova is often the target of paparazzi and her vacation pictures are often found on the front page of newspaper. Therefore, publicity and brand image developed with this ambassador might be difficult to control for the company. Nevertheless, Bush et al. (2004) suggest that Anna Kournikova belongs to the athlete that can favorably influence generation Y<sup>30</sup>. Celebrities in the show business could be compared to a fashion phenomenon: one is a star today and tomorrow is forgotten. Brand is a phenomenon that should find its roots in duration, which is pretty much the opposite of fashion. Therefore, Omega rightly chooses to use multiple endorsements in order to avoid dependence on one ambassador and diversify its risk of a bad celebrity away.

The majority of the advertisements picture male young adults. This shows that Omega really tries to increase recognition on this segment. In the past, Omega was suffering of an old fashioned image. Therefore, communication is aimed at youth.

The repartition of the advertisement into attributes is much equilibrated. The “beauty” attribute rely mostly on attractive super stars ambassadors, like Cindy Crawford, active in the field of show business. The main goal is to transfer the notoriety of the testimonial to the brand and, thus increase brand knowledge among customers. The “victory” attribute is mainly expressed through champion celebrity like, for example, Michael Schumacher. The goal is to make Omega the watch of winners. Finally, the hedonistic attribute’s aim is to present the watch in “enviable” situations. Omega becomes the watch of great moments. Omega is building its image on multiple sides and could therefore, after brand awareness is enhanced, concentrate on more hedonistic advertisement for example.

The distribution of the ambassadors’ gender among attributes follows common stereotypes. Men are mostly used to express victory while women are use for their attractiveness. Omega could help its expansion into the women segment with a broadening of its advertisement scope for women in adding female ambassador associated with victory or hedonistic situations. This could help Omega improve its position on the women segment which represents around 40% of the sales. The recent launch of a jewellery line also suggests using all the actual advertisement attributes with women.

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<sup>30</sup> Generation Y encompasses individuals born between 1977 and 1994

The ambassadors' age is equally distributed among attributes. Omega is not using seniors' ambassadors.

Omega is active in a lot of different domain with its ambassadors, 7 different domains for 14 celebrities! It suggests that Omega is trying to reach every segment without being really involved in one. They should focus more particularly on one domain in order to define more precisely their territory. On the other hand, among the attributes, territories are well defined: show business for beauty, surf and sailing for hedonism, motor sports and swimming for victory. Golf is used both for the hedonistic and the victory attribute. This coherence can maybe help the customer to understand the communication better.

Finally, as it has already being mentioned, Omega is using Pierce Brosnan as James Bond whenever it is allowed to do it. The use of Pierce Brosnan as himself can help prolonged the "James Bond" effect when the company is not allowed to use it anymore because of some confusion. The customers already associate James Bond's with Pierce Brosnan and with Omega. The association of Pierce Brosnan and Omega can be a judicious way to recall this successful partnership.

## 8.4 Conclusion and Discussion

Rolex and Omega both use a multiple celebrity endorsement strategies but their approaches are different. Omega uses different types of celebrities in order to broaden its message and therefore touch different segment on the market (hedonism – victory – beauty). On the contrary, Rolex uses its celebrity to enforce one main message that remains constant and that is general enough to concern everyone.

Both strategies are coherent with the actual situation of the companies. Rolex has already very high brand awareness and can afford it to use a "specific" advertising strategy with the choice of celebrity famous only in their territory. On the other hand, Omega still tries to increase brand awareness and the use of super stars is a good way to achieve it.

The two strategies use approximately the same proportion of women and men. But the repartition of ages is different, given that Rolex also uses seniors in its ads (what Omega does not do). It shows that Omega wants more to be a "fashionable" brand than Rolex and, therefore tries really hard to seduce the new generation (use of Anna Kournikova, surf).

Some of Omega and Rolex advertising domain are the same: tennis, sailing, golf and motor sport but their use is very different. First, it can not be really said that Omega is active in tennis because Anna Kournikova is used as a young attractive and fashionable women and

not as a tennis player. Motor sport is used to show victory, golf to present hedonism and victory and sailing represent hedonism. For this last field, the comparison is the most striking: Omega shows a relaxed Ellen McArthur enjoying a sailing trip while Rolex emphasizes the difficulty of the sport, the element being an adversary of the sailor. Rolex uses all the domains to express achievement through the different attributes.

Limitation of this study is that each ambassador has been given a balance equivalent to 1. This means that this study assumes that each testimonial has the same weight. This hypothesis is certainly fully acceptable for Rolex. As it has been mentioned earlier, Rolex uses a great number of different advertisements. On the other hand, this hypothesis might be restrictive concerning Omega because they rely more on top model Cindy Crawford than on some of their less famous testimonials.

Further studies could take this study as a base for additional research in the multiple celebrity endorsement strategy. It could be interesting to develop another scale that would enable to take into account the weight of each ambassador in the strategy.

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## Annexes

### Annex I: Watchmaking Glossary (Source: Omega)

<b>Amplitude</b>	Maximum angle by which a balance or pendulum swings from its position of rest.
<b>Axis</b>	Imaginary line round which a body rotates. In watchmaking, synonym of arbour, balance-staff.
<b>Balance</b>	Circular piece which by oscillating regularises the movement of a watch train.
<b>Balance-spring</b>	Small spiral spring fixed by its inside end to the collet and by its outside end to the balance-spring stud. The balance-spring and the balance form the regulator part of the watch.
<b>Balance-spring stud</b>	The outer end of the balance-spring is pinned to the stud. The stud itself is fixed into the lug of the balance-cock.
<b>Co-axial</b>	Having the same axis.
<b>Collet</b>	Small split cylinder fixing the inside end of the balance-spring. The collet is itself fixed by driving in on the balance-staff.
<b>Dart</b>	Part of the pallets' fork which prevents overbanking of the pallets during the oscillator's supplementary arc.
<b>Escapement</b>	Mechanism fitted between the train and the regulating organ of most timepieces. The purpose of the escapement is to maintain the oscillations of the balance.
<b>Fork of the pallets</b>	Part of the pallets composed of the entry-pallet, in which works the impulse-pin, the horns and the dart.
<b>Frequency</b>	Number of oscillations per second, expressed in hertz, Hz.
<b>Horns</b>	Horn-shaped extremity of the pallets' fork, preventing the overbanking of the pallets at the beginning of the escapement function.
<b>Impulse-pin</b>	Ruby part, fixed into the roller and works with the fork of the pallets.
<b>Index</b>	Part for altering the daily rate or the frequency of a watch by lengthening or shortening the active portion of the balance spring. The index carries 2 pins embracing the spring.
<b>Isochronism</b>	Property of an oscillator to have equal periods of time in relation to its amplitude.
<b>Isochronous</b>	Occurring in equal periods of time. The oscillations of a pendulum or a balance are isochronous when their duration is independent of their amplitude.

<b>Locking</b>	Resting position of the escapement during which the balance (oscillator) is describing the supplementary arc.
<b>Non-isochronous Oscillator</b>	Oscillation occurring in unequal periods of time. Apparatus for producing or maintaining mechanical or electrical oscillations. The sprung-balance is a mechanical oscillator.
<b>Oscillation</b>	Act and result of oscillating. When a pendulum or a sprung-balance oscillates, it reaches two extreme positions. The swing from one to the other, and then the return to the starting point, make one oscillation. One oscillation equals two vibrations.
<b>Overbanking</b>	The unexpected movement of the pallets from one extreme position to the other apart from the escapement function.
<b>Pallets</b>	Part of the escapement of a watch. It transmits the energy from the wheel train to the oscillator, transforming the rotative movement of the wheel train into the alternating movement of the oscillator.
<b>Pallet-stone</b>	Ruby part fixed on the pallets, which works in contact with the teeth of the escapement wheel.
<b>Period</b>	Duration of one oscillation.
<b>Pinion</b>	A toothed part, generally with a small number of teeth.
<b>Roller.</b>	Part of the escapement fitted to the balance-staff and carrying the impulse-pin. The impulse-pin transmits to the roller and to the balance the impulses given by the pallets.
<b>Ruby</b>	Synthetic stone in the form of aluminium oxide crystal $Al_2O_3$
<b>Self-compensating</b>	Describes an alloy whose elasticity varies but slightly within the range of ordinary temperatures.
<b>Sprung balance</b>	Oscillator composed of the balance, spring, collet, balance-spring stud, balance-staff and roller-staff.
<b>Supplementary oscillation arc</b>	Arc made by a watch-balance outside the functions of the escapement.
<b>Tooth</b>	Projecting part on the periphery of cogwheels, pinions, gear-wheels, escape wheels, etc.
<b>Unlocking</b>	In a lever escapement, the unlocking is the angle through which the lever moves to unlock the escape wheel.
<b>Vibration</b>	Movement of a pendulum or other oscillating body, limited by 2 consecutive extreme positions. Two vibrations make one oscillation.
<b>Wheel or toothed-wheel or gear-wheel</b>	Circular part revolving round an axis whose purpose is to transmit power or motion. A toothed wheel with a large number of teeth.

## Annex II: Brands and Groups (Source: Pictet)

POSITIONING OF WATCH BRANDS										
Movement	Watch market	Segment definition	Retail price	The Swatch Group	Richemont	Bulgari	LVMH	Hermès	Gucci	Others
Mechanical 33%	48% of total watch market value	Exclusive LUXURY (22% of market value)	More than EUR10,000	Breguet Glashütte Original	A. Lange & Söhne Piaget	Daniel Roth Gerald Genta				Patek Philippe FP. Joume
			EUR10,000 to EUR6,000	Jaquet Droz Léon Hatot Blancpain	Vacheron Constantin					
Quartz 66%	52% of total watch market value	Accessible LUXURY (26% of market value)	EUR6,000 to EUR2,000	Omega	Jaeger-LeCoultre IWC Cartier Van Cleef & Arpels Officine Panerai	Bulgari	Zenith			Rolex Girard Perregaux Chopard
			EUR2,000 to EUR1,000	Longines Rado Union	Baume & Mercier Montblanc Dunhill		Chaumet Ebel Louis Vuitton			
Sales from watch business	52% of total watch market value	Mid Price	EUR1,000 or lower	Tissot Mido Certina Hamilton ckWatch Pierre Balmain Endura Swatch Flik Flak						Eterna Festina Maurice Lacroix Mondaine Sector Seiko Casio Others
			Low Price							
		Asia (nearly 70%)								
Sales from watch business				EUR1,986m	EUR1,705m	EUR293	EUR552m	EUR114m	EUR221m	

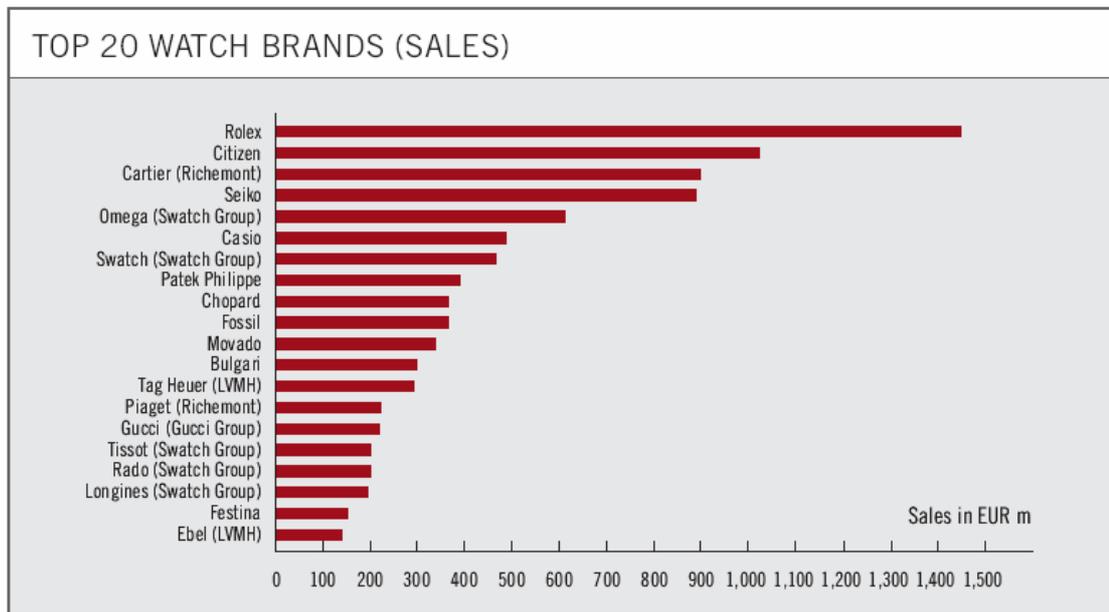
\* Of luxury watch market value

Source: Pictet

In red: non listed companies

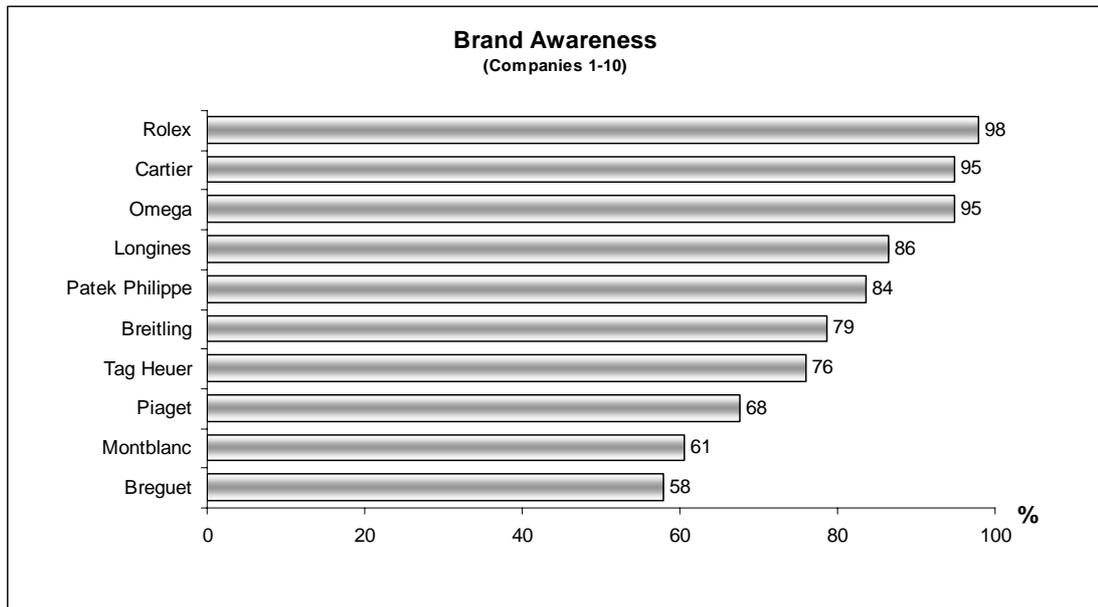


### Annex III: Top 20 watch brands (sales) factory price. (Source: Pictet)





## Annex IV: Brand Awareness



Source: adapted from EMM 2001, version 1 – Sample 1'311, Population 241'490



## Annex V: Rolex Ambassadors

Field	Ambassadors	Events
Arts	Cecilia Bartoli Renée Fleming Angela Gheorghiu Sylvie Guillem Diana Krall Marielle and Katia Labèque Sophie Mautner Anna Netrebko Yuan-Yuan Tan Emanuel Ax Eric Clapton Placido Domingo Yo-Yo Ma	Operalia
Equestrian	Nadine Capellmann Pippa Funnell Steve Guerdat Rodrigo Pessoa	CHIO World Equestrian Festival Spruce Meadows 'Masters' Geneva CSI-W Rolex Kentucky 3-Day Event Mitsubishi Motors Badmington Horse Trials Burghley Horse Trials
Exploration	Sir Edmund Hillary Alain Hubert Earling Kagge Jean Troillet Ed Viesturs	
Golf	Carin Koch Paula Marti Grace Park Annika Sorenstam Nicolas Colsaerts Fred Couples Retief Goosen Charles Howell Trevor Immelman Phil Mickelson Jack Nicklaus Arnold Palmer Gary Player Justin Rose Adam Scott	The European Tour International Shedule The Open Championship Evian Masters Senior British Open US PGA Championship Ryder Cup Matches
Motor Sport	Sir Jackie Stewart	Rolex 24 at Daytona Le Mans 24 hours
Tennis	Justine Henin-Hardenne Juan Carlos Ferrero Andy Roddick	Wimbledon
Yachting	Paul Cayard	Rolex IMS Offshore World Championship Giraglia Rolex Cup Sardinia Rolex cup Maxi Yacht Rolex Cup Rolex Farr® 40 World Championship Rolex Swan Cup Rolex Middle Sea Race ISAF Rolex World Sailor Rolex Sydney Hobart Yacht
Philanthropy		Rolex Award for Entreprise Rolex Mentor and Protégé



## Annex VI: Rolex advertisement

Celebrity (Source: Tatler, February.2004)



### SHE LEAPT INTO THE AIR AS A DANCER AND GRACEFULLY LANDED AS **A LEGEND.**

Some are born into nobility. Sylvie Guillem gracefully danced her way into it. She's earned nearly every accolade known to ballet, and in 2003 she was appointed Honorary Commander of the British Empire. Nicknamed "Mademoiselle Non" for her unwillingness to give interviews and frequent tendency to get her way, Guillem has a personality that is more frequently compared to the legends of Hollywood than with other dancers. Even on stage, it is difficult to compare her style to other dancers. Her physical virtuosity and passionate interpretation of nearly every ballet is unequalled. Her defiant energy has, without question, taken classical ballet to new heights.



  
**ROLEX**

OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER - [WWW.ROLEX.COM](http://WWW.ROLEX.COM)  
FOR INFORMATION ON THE ROLEX RANGE WRITE TO  
ROLEX UK, 19 ST. JAMES'S SQUARE, LONDON SW1Y 4JE OR TELEPHONE 020 7024 7300



SEE THEM FOR WHAT THEY WERE.  
**LAUNCHING PADS**  
FOR THE FUTURE OF AUTO RACING.



What does a 485-hp '66 Ford GT sound like? How about a '67 Shelby? A '32 Bugatti?

To the heart of a racing fan, they sound like some of the finest cars ever to hit the track.

As Rolex hosts the 31st Annual Monterey Historic Automobile Races, these cars will be lining up for the sake of history and competition. Back in 1974, 66 cars lined up here; today, close to 400 will.

Legendary cars. Legendary drivers. Modern-day fans. That'll be the hum coming out of Laguna Seca.

ROLEX MONTEREY HISTORIC AUTOMOBILE RACES, MAZDA RACEWAY, MONTEREY, CA., AUG. 13TH - 15TH, 2004.



  
**ROLEX**

OYSTER PERPETUAL COSMOGRAPH DAYTONA · WWW.ROLEX.COM

FOR AN OFFICIAL ROLEX JEWELER CALL 1-800-367-6539. ROLEX, OYSTER PERPETUAL AND COSMOGRAPH DAYTONA ARE TRADEMARKS.  
NEW YORK



## EINEN ROMAN ZU VOLLENDEN IST ERFÜLLEND. DAS SPANNENDSTE ABER IST, IHN ZU SCHREIBEN.

Die Rolex Mentor and Protégé Arts Initiative gibt talentierten jungen Künstlern die Gelegenheit, ein Jahr mit den Meistern ihres Faches zu verbringen. Im Rahmen dieser Initiative ist es Rolex in der Sparte Literatur gelungen, Toni Morrison als Mentorin und Julia Leigh als ihre Meisterschülerin zusammenzuführen. Als Julia Leigh den letzten Satz ihres Debütromans tippte, hätte sie nie gedacht, dass es die New York Times als „Notable Book of the Year“ auszeichnen würde. Ein Jahr lang hat Julia Leigh mit der Autorin und Nobelpreisträgerin Toni Morrison als Mentorin ihr zweites Buch ausgearbeitet. Und dabei hat ihr das Schreiben sicherlich genauso viel Freude bereitet wie später das fertige Buch in ihren Händen.



[WWW.ROLEXMENTORPROTEGE.COM](http://WWW.ROLEXMENTORPROTEGE.COM)

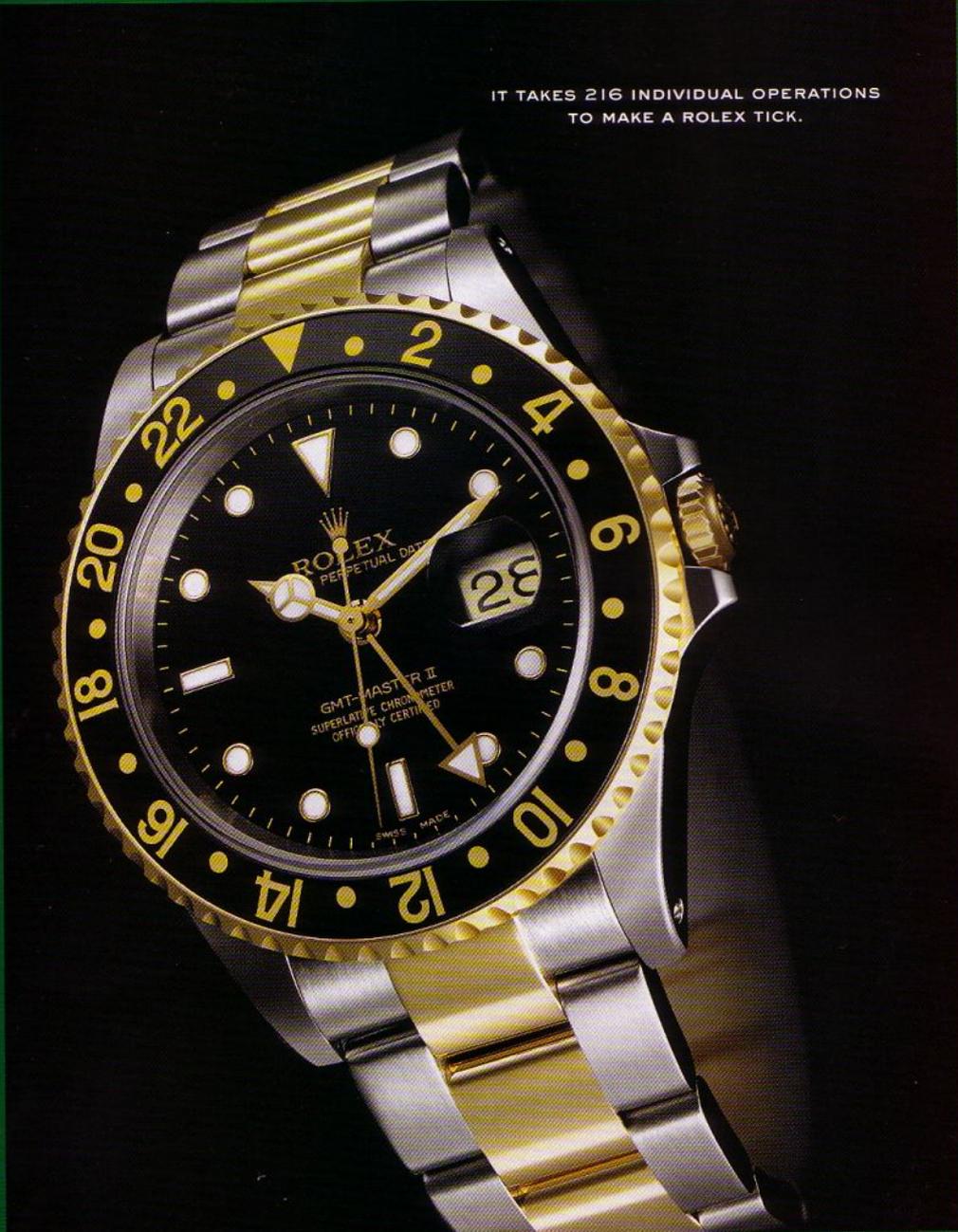
MUSIK  
SIR COLIN DAVIS  
JOSEP CABALLÉ DOMENECH

TANZ  
WILLIAM FORSYTHE  
SANG JIJIA

LITERATUR  
TONI MORRISON  
JULIA LEIGH

BILDENDE KÜNSTE  
ÁLVARO SIZA  
SAHEL AL-HIYARI

THEATER  
ROBERT WILSON  
FEDERICO LEÓN



IT TAKES 216 INDIVIDUAL OPERATIONS TO MAKE A ROLEX TICK.

Creating a Rolex is truly a journey, one that often takes up to a year. Originally designed for pilots, the GMT-Master II with rotatable bezel and 24-hour hand is still at the height of watchmaking. OYSTER PERPETUAL GMT-MASTER II • WWW.ROLEX.COM



NEW YORK

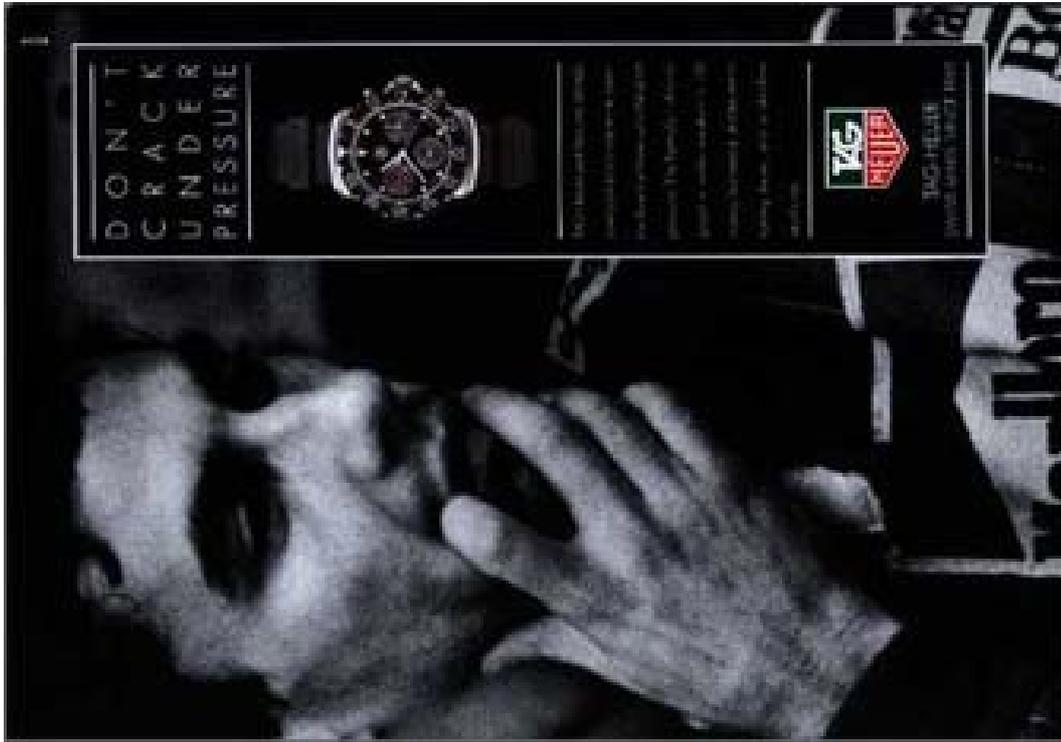
For an Official Rolex Jeweler call 1-800-367-6539. Rolex, Oyster Perpetual and GMT-Master II are trademarks.

## Annex VII: Tag Heuer 's Ambassadors

	AMBASSADORS
SHOW BUSINESS	Brad Pitt Uma Thurman Inès Sastre Steve McQueen
FORMULA ONE	Juan Pablo Montoya Kimi Raikkonen
BASKET BALL	Yao Ming
TENNIS	Maria Sharopova
GOLF	Tiger Woods Nick Dougherty
	Ian Poulter
Free Diving	Tanya Streeter



## Annex VIII: : “Don’t Crack Under Pressure” and “Success It’s a Mind Game”





## Annex IX: "What are You Made of?"

100% PRESTIGE  
100% PERFORMANCE

**TAG HEUER** **TAG Heuer**  
WHAT ARE YOU MADE OF ?

BER WOODS UND SEIN TAG HEUER LINK AUTOMATIK CHRONOGRAPH

SWISS AVANT-GARDE SINCE 1860

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**Annex X: Cartier's advertisement, December 2003, Elle Deutschland**





# Annex XI: Celebrity and events used for the content analysis for Rolex

## Adventure

**ALAIN HUBERT**



YOU HAVE 100 DAYS TO TRAVEL  
**3,924 KM ON FOOT.**  
BY THE WAY, YOU'RE IN ANTARCTICA.

Alain Hubert did it in 99 days. He is not one to shy away from challenges. In fact, you might say he provokes them. In 1997-98, he traversed the entire continent of Antarctica on foot and skis with a powerkite. His list of accomplishments reads like a history book. Among others he was the first to climb the sheer wall of the Holtanna in Queen Maud Land, Antarctica. He's crossed Greenland on skis. He's been to the geographic North Pole and has attempted Everest five times without oxygen. If anybody embodies the perpetual quest for adventure, Alain Hubert is that man.



OYSTER PERPETUAL EXPLORER II

**ED VIESTURS**



APPARENTLY, THE HUMAN BODY IS EVOLVING TO  
**SURVIVE WITHOUT OXYGEN.**

Ed Viesturs was hailed by National Geographic as one of the strongest high-altitude mountaineers on Earth. He's gazed from the summit of Mt. Everest five times. Three of those times he pushed to the top without supplemental oxygen. A feat few people in the world will ever accomplish. In Ed Viesturs' own words: "Getting to the top is optional, but getting down is mandatory". He plans to climb all 14 of the world's highest peaks without oxygen. So far: 13 down, one more to go. There are exceptional explorers on this planet, but there is only one Ed Viesturs.



OYSTER PERPETUAL EXPLORER II

**ERLING KAGGE**



AFTER WALKING TO THE  
**ENDS OF THE EARTH,**  
HE CLIMBED TO THE TOP OF IT.

Erling Kagge is a man of steely resolve. Carrying food, water, conviction and himself, he walked to the South Pole alone in 50 days. A feat made only the more unbelievable because before he trekked south, he laid claim to skiing to the North Pole. Both times, he travelled without dogs, motorised equipment or contact with the outside world. With the ends of the world behind him, he set out to climb to the top of it. He did so, easily taking Everest's peak. As the first person to take all three poles, he offers sage advice for those willing to follow his intrepid footsteps: "Think ahead, travel light and leave your fears behind."



OYSTER PERPETUAL EXPLORER II

**JEAN TROILLET**



FOUR DAYS WITHOUT SLEEP, NO OXYGEN AND A BLIZZARD IS COMING.  
**LIFE IS GOOD.**

Jean Troillet's philosophy is simple: climb the highest summits without oxygen, as rapidly as possible, with a minimum of equipment. And, when possible, take a route nobody's ever taken. Incredibly, this plan has taken him to the peaks of Everest, K2, Kanchenjunga, Lhotse and many of the world's other highest peaks. However, his zeal for challenge is not limited to mountains. He's attempted to cross the Arctic Circle on skis pulled by reindeer. And he's proved himself a champion sailor. In Jean Troillet's own words: "You cannot be cured of a passion, you would like it to be contagious."



OYSTER PERPETUAL EXPLORER II

**SIR EDMUND HILLARY**



PEOPLE DO NOT DECIDE TO BECOME EXTRAORDINARY. THEY DECIDE TO ACCOMPLISH  
**EXTRAORDINARY THINGS.**

On May 29, 1953, at 11:30 a.m., Sir Edmund Hillary and Sherpa Tenzing Norgay became the first men to stand on the summit of Mt. Everest. But the top of the mountain was just the beginning of Sir Edmund's journey. More than half a century later, his perpetual pursuit of things once imagined has resulted in the construction of schools, hospitals, medical clinics, bridges and freshwater pipelines for the people of the Himalayas. He may have left his footprint on a mountain, but he put his indelible imprint on the world. Proving once again that some people are simply destined to rise to the top.



OYSTER PERPETUAL EXPLORER I

**Art**

**ANGELA GHEORGHIU**



THE POWER OF HER VOICE COMES NOT FROM HER MOUTH, BUT  
**FROM HER HEART.**

Angela Gheorghiu has been called the most diva-ish of divas. She doesn't just have a powerful voice on stage, she has a presence that penetrates all the way back to the last seat in the last row of the upper balcony. With her raven-black hair and one of the greatest soprano voices of our time, she commands attention. And she's earned it on stage and off, winning virtually every award in the recording industry, including Female Artist of the Year in Britain. Perhaps Angela said it best when she said, "When music is done well, and it comes from the heart, then it goes to the heart."



OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER

ANNA NETREBKO



**MEET THE VOICE**  
THAT IS CHANGING THE FACE OF OPERA.

Passion is what drives Anna Netrebko. From her debut with the Mariinsky Theatre in St. Petersburg in 1993 to recent triumphs on the stages of the world's greatest opera houses, she has dazzled audiences with her beautiful voice and compelling stage presence. Her artistry, grace, and rare beauty are setting new standards in opera around the world.



CELLINI CELLISSIMA

CECILIA BARTOLI



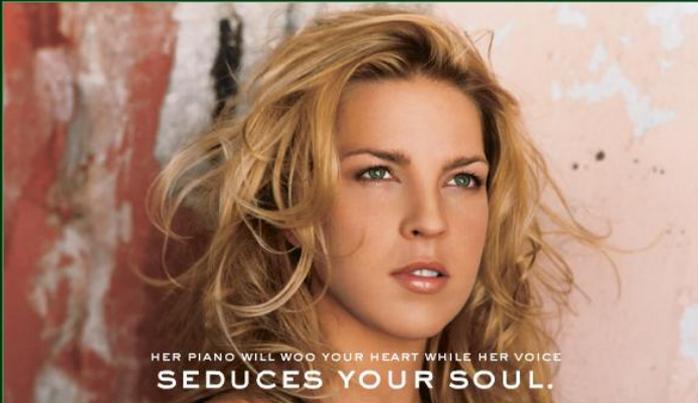
IN THE HEARTS OF THE TRULY GREAT,  
**PERFECTION**  
IS NEVER ACHIEVED, ONLY ENDLESSLY PURSUED.

When Haydn, Handel and Vivaldi put pen to paper, the voice they were writing to could have been none other than Cecilia Bartoli's. She's taken the most famous operas and made them national treasures. She's taken the most obscure operas and made them famous. She's taken classic arias and redefined them, building them dramatically. As she continues to top "Best of Year" lists all around the world, her voice reminds us that perfection is an endless pursuit.



OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER

DIANA KRALL



HER PIANO WILL WOO YOUR HEART WHILE HER VOICE  
**SEDUCES YOUR SOUL.**

Diana Krall's fingers dance across the piano keyboard with delicious grace and delicate power. Her voice will grip your heart with its gravelly texture in one moment, and then melt it with its sensual smoothness the next. She creates a sound that not only satiates the most sophisticated jazz purists, but has broadened the aural pleasures of pop audiences around the world. Her hits tend to linger at the top of the charts for months, not weeks, regardless of music trends. And at award shows, her name is becoming a regular. Among the great divas of jazz, there is a new name: Diana Krall.



OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER

EMANUEL AX



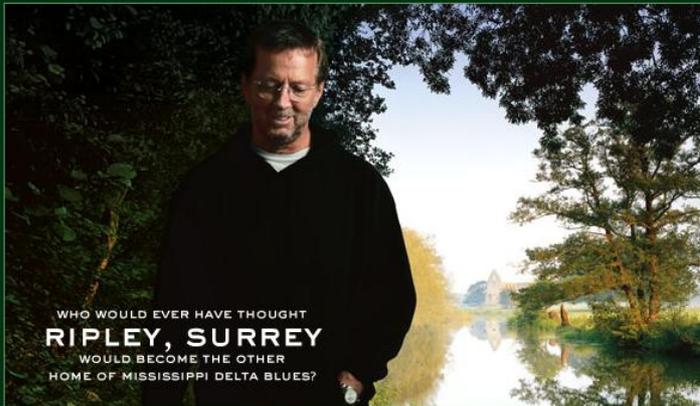
TEN FINGERS. EIGHTY-EIGHT KEYS. HE'S MORE OF  
**A PRESTIDIGITATOR**

There are concert pianists, chamber pianists and recital pianists. And then there is Emanuel Ax. One man who embodies everything piano. More comfortable in jeans than concert tails. Manny, as he prefers to be called, is the fellow next door who just happens to be a musical genius. He's in constant demand by orchestras around the world. He plays the classics as if they were written for him. But he's also an energetic supporter of modern composers, recently giving three world premieres. Emanuel is living proof that when you love what you do, the results are magical.



OYSTER PERPETUAL DAY-DATE

ERIC CLAPTON



WHO WOULD EVER HAVE THOUGHT  
**RIPLEY, SURREY**  
WOULD BECOME THE OTHER  
HOME OF MISSISSIPPI DELTA BLUES?

A world from Mississippi, a young man listens to Delta blues on the BBC. He feels its intent. Appreciates its ethos. Unwilling to just mimic those legendary riffs, he takes a hand at reworking them; and at 17, Eric Clapton takes his passion for blues to London. Over 45 albums later, the end of his career is nowhere in sight. Just like the Mississippi's delta from the centre of Ripley.



OYSTER PERPETUAL DAY-DATE

MARIELLE AND KATIA LABÈQUE



WHAT THEY DO WITH PIANOS  
**IS MORE OF A DUEL**  
THAN IT IS A DUET.

Don't let their casual chic appearance fool you. Marielle and Katia Labèque will unleash classical and contemporary piano compositions on you with an unbridled fury. They practise together for up to eight hours a day and have arranged duets for compositions that were never composed for two pianos. On any given evening, their repertoire can take you from Brahms to Stravinsky to Gershwin to ragtime to avant garde 20th-century compositions. And after 30 years, their performances will leave you gasping. Some call it dedication. The Labèque sisters simply call it a passion for doing something they love.



OYSTER PERPETUAL LADY-DATEJUST

PAULA MARTI



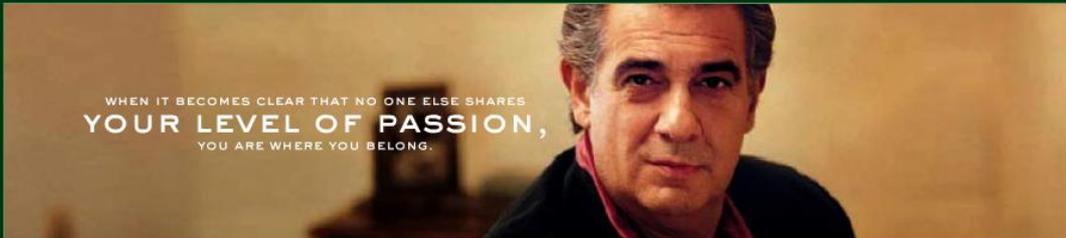
THE REAL BEAUTY  
IS IN HER GAME.

Paula Marti has the face of a model and the heart of a lioness. Facing her first play-off, in just her fifth professional tournament, she shrugged off any fear, and literally took the challenge and won. Fearlessness. That is the beauty of Paula Marti's game.



OYSTER PERPETUAL LADY-DATEJUST

PLACIDO DOMINGO



WHEN IT BECOMES CLEAR THAT NO ONE ELSE SHARES  
YOUR LEVEL OF PASSION,  
YOU ARE WHERE YOU BELONG.

Plácido Domingo defines opera. It is his life. It is his love. Incredibly, it wasn't his voice that brought him to music, it was conducting. Thankfully he was sidetracked into vocal training. The rest is history. He has performed over 4,000 times and opened the Met on 20 occasions. He sings and conducts all over the world and is the General Director of the Washington and Los Angeles Opera companies. He founded Operalia, a competition where talented young voices can be heard. It is without question that Plácido Domingo is right where he belongs. In the spotlight. Centre stage or not.



OYSTER PERPETUAL DAY-DATE

RENÉE FLEMING



SHE DOESN'T JUST GIVE HER  
CHARACTERS A VOICE,  
BUT A SOUL.

Renée Fleming is not just one of opera's most celebrated sopranos, but perhaps its most convincing actress.

A consummate artist, her one and only role when she stands in the spotlight is to breathe so much life into the opera's main character that audiences lose themselves in her unforgettable performances. That is the passion of Renée Fleming.



OYSTER PERPETUAL LADY-DATEJUST

SOPHIE MAUTNER

AT 11, SHE WENT TO THE  
PHILHARMONIC ORCHESTRA OF MONTE CARLO.  
**AS A PERFORMER.**



At the age of five, Sophie Mautner sat down at the piano, put her fingers on the keys, and they began to dance. Born with the gift of perfect pitch, she could understand the notes nearly as well as a trained musician. Working with the finest teachers throughout Europe and the United States, she went from talented protégée to virtuoso by the age of ten. Whether playing with a philharmonic orchestra or performing solo, her love and ability are greater than any stage she's ever played on.



OYSTER PERPETUAL LADY-DATEJUST

SYLVIE GUILLEM

SHE LEAPT INTO THE AIR  
AS A DANCER AND GRACEFULLY LANDED AS  
**A LEGEND.**



Some are born into nobility, Sylvie Guillem gracefully danced her way into it. She's earned nearly every accolade known to ballet, and in 2003 she was appointed Honorary Commander of the British Empire. Nicknamed "Mademoiselle Non" for her unwillingness to give interviews and frequent tendency to get her way, Guillem has a personality that is more frequently compared to the legends of Hollywood than with other dancers. Even on stage, it is difficult to compare her style to other dancers. Her physical virtuosity and passionate interpretation of nearly every ballet is unequalled. Her defiant energy has, without question, taken classical ballet to new heights.



OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER

YO-YO MA

IF YOU EVER HEARD YO-YO MA PLAY,  
YOU KNOW HOW WELL  
**HIS CELLO CAN SING.**



Yo-Yo Ma's brilliant talent is what gives his cello a voice. Yet it's his belief in music's power of communication that makes his cello sing a different tune. With the world as his influence he has taken music from the far reaches of the ancient Silk Road to centre stage. Because he is a master cellist, we put a spotlight not just on his talent to play music, but the lengths he goes to discover it.



OYSTER PERPETUAL DAY-DATE

## YUAN-YUAN TAN



### HER MOVEMENTS

TELL A STORY FOR WHICH NO LANGUAGE HAS WORDS.

Yuan-Yuan Tan's destiny rested on the flip of a coin. Heads, she followed the traditional Chinese path of her father's choice. Tails, she pursued her mother's dream and would attend the Shanghai Dance School. Luckily, that coin set the young dancer's career in motion. Her jaw-dropping performances have captivated audiences and judges at international competitions around the world. Today, Yuan Yuan is a principal dancer with the San Francisco Ballet, and articulates what she does best: "Ballet is not only about technique, but it is the way you move that tells the story."



OYSTER PERPETUAL LADY-DATEJUST PEARLMASTER

## Equestrian

## NADINE CAPELLMANN



THAT TWINKLE IN HER EYE,  
THAT'S HER BURNING DESIRE FOR  
**PERFECTION.**

The trophy case in Nadine Capellmann's home is growing increasingly monochromatic. Thirteen gold medals to her name, she is the world champion in dressage. From the time her horses reach the age of five, she begins coaching them, conditioning them, understanding their individual ability and personality. Years later, when the horses enter the competitive arena they will flex their intelligence and muscle and ride with a true understanding of both the exercise and the woman guiding them. For a competitor like Nadine, gold isn't just on her shelf, but in her heart.



OYSTER PERPETUAL LADY-DATEJUST

## PIPPA FUNNELL



IN REALITY, THERE ARE  
**NO MORE HURDLES**  
FOR HER TO CLEAR.

If perfection is a hurdle, Pippa Funnell has cleared it. Since the age of 13, her titles, wins and records have been front-page news. But the story of her talent doesn't end there. There was one title that had eluded her and every other competitor: The Rolex Grand Slam of Eventing. Three separate and consecutive events at Kentucky, Badminton and Burghley, where riders must excel in the disciplines of dressage, cross country and show jumping. True to form, she won it on her first attempt.



OYSTER PERPETUAL LADY-DATEJUST

**RODRIGO PESSOA**



THE WORLD MOVES FORWARD ON THE BACK OF  
**ACCOMPLISHMENT.**

Rodrigo Pessoa knows something about what it takes to create a legend. In the world of international show-jumping, he is perhaps the most accomplished rider ever to mount a horse. He became the first to win the prestigious FEI World Cup Show-Jumping final, three years in a row. When the quest for perfection is perpetual, nothing's out of reach.



OYSTER PERPETUAL DATEJUST

**STEVE GUERDAT**



ON THE ROAD TO VICTORY,  
**THERE ARE NO SHORTCUTS.**

Steve Guerdat's rise to stardom hasn't come without sacrifice. No stranger to hard work, he now spends an average of ten hours each day training at the renowned Jan Tops Stable in the Netherlands, riding up to twelve mounts. And although he's just in his early 20s, he's already learned what the greatest have always known. Winning isn't about luck. It's about dedication and hard work.



OYSTER PERPETUAL DATEJUST

**Golf**

**ADAM SCOTT**



**HIS STRENGTH**  
IS NOT IN HIS SWING. IT'S IN HIS HEAD.

Adam Scott's strategy is quite simple: win. He drives the ball like it was fired from a cannon. He handles his irons like scalpels around the green. In 2001, he won the first tournament he played as a member of the European Tour. In 2002, he finished the Diageo Scottish PGA Championship 26 under par and a record 10 shots ahead of second place. In 2003, he became the youngest Australian to win on the PGA Tour and finished 11th in the Volvo Order of Merit. Adam Scott's head is in the game. His name, however, is usually somewhere else: high up on the leader board.



OYSTER PERPETUAL DAY-DATE

**ANNIKA SORENSTAM**



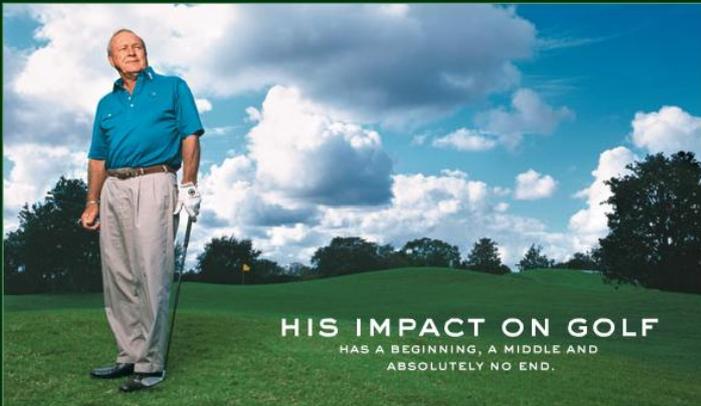
IT'S NOT JUST HER OPPONENTS  
SHE'S CHALLENGING. IT'S ALSO  
**THE HISTORY OF GOLF.**

Behind Annika Sorenstam's gentle smile is golf's most driven player. Having won a phenomenal seven Majors, she is the only woman to ever shoot 59, an achievement only four men in the history of golf hold. Despite all her records, she tees up every weekend with the same intention: to change the course of golf.



OYSTER PERPETUAL LADY-DATEJUST

**ARNOLD PALMER**



**HIS IMPACT ON GOLF**  
HAS A BEGINNING, A MIDDLE AND  
ABSOLUTELY NO END.

It's virtually impossible to honour Arnold Palmer in just one single paragraph. His wins. His titles. His duels. His courses, tournaments, foundations and leadership. How many Sundays did you sit on your couch and watch him? Dozens? Hundreds? To date, Arnold Palmer and his army have charged up the 18th fairway in more than 1,000 different tournaments. Winning nearly 100 times. His very first PGA win came at the Canadian Open. The year was 1955. Back then in grainy black and white it was hard to see that he would change the course of golf. We should have seen it coming, for certainly he did.



OYSTER PERPETUAL DAY-DATE

**CARIN KOCH**



SHE TAKES THE GAME'S  
PRESSURE AND  
**PUTS IT SQUARELY**  
ON HER OPPONENTS.

Carin Koch's wins often come in brilliant fashion. In her first visit to the Solheim Cup, she led her team to victory by sinking one of the tournament's most impressive shots. Standing up to a challenge has become something of a trademark for Carin. She makes the critical shots time and time again, leaving her opponents not just under the pressure of her game, but the weight of her talent.



OYSTER PERPETUAL LADY-DATEJUST

**CHARLES HOWELL**



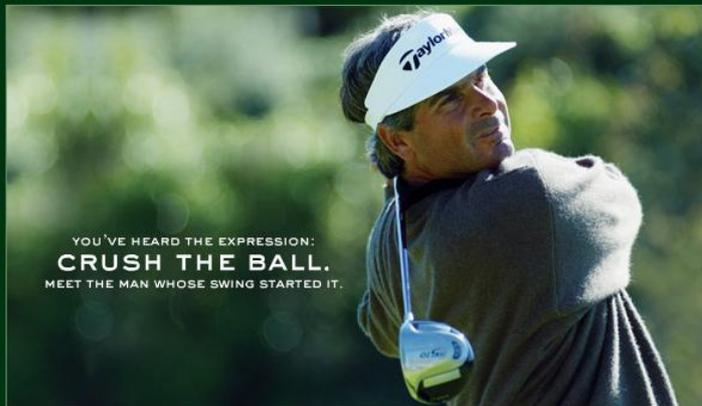
**HIS MANNER WILL CHARM YOU.**  
 HIS LONG GAME WILL BRING YOU TO YOUR KNEES.

Growing up in Augusta, Georgia, Charles Howell III was practically born into two of life's most elegant pleasures: sweet Southern charm and the game of golf. At age seven, he began swinging a club. By 11, he had already won five tournaments. His performance on the PGA Tour has been even more impressive. Let this be fair warning: if you tee it up against Charles, you will definitely be charmed. Until you look at the scorecard.



OYSTER PERPETUAL DATEJUST

**FRED COUPLES**



YOU'VE HEARD THE EXPRESSION:  
**CRUSH THE BALL.**  
 MEET THE MAN WHOSE SWING STARTED IT.

Most players quietly enter the U.S. PGA Tour hoping to make a name for themselves. Fred Couples didn't enter the U.S. PGA quietly. His compact swing, and ability to crush the ball, quickly earned him the nickname "Boom Boom". And it's stuck too. He's been ranked in the top three in driving distance six times in his career. Being long off the tee helps, especially if you're sharp around the greens. And Fred has been. He's won two Players Championships, a Masters, played in five Ryder Cups and taken home the Vardon Trophy in back-to-back years. There's a pattern in Fred's game, it's called brilliance.



OYSTER PERPETUAL DAY-DATE

**GARY PLAYER**



IS IT POSSIBLE FOR ONE PERSON TO  
**CONTRIBUTE TOO MUCH**  
 TO A GAME?

Try as they might, players and champions are getting a lesson in futility trying to achieve what Gary Player has. Dubbed the International Ambassador of Golf, he's the only man in the 20th century to have won The Open Championship in three different decades. To match his 163 global wins, you could combine the victories of two of the greatest players and still be short. And for the record, he's one of only five players to capture the career Grand Slam. But this isn't just about lists. Whether competing or designing courses, it's about a man who's dedicated his life to perpetuating a winning attitude. Fifty-one years on tour hasn't slowed Gary Player down, but hastened his status as a legend.



OYSTER PERPETUAL DAY-DATE

## GRACE PARK



**HER GRACE**  
IS WHAT DOMINATES  
THE GAME.

Grace Park's swing has been called the most beautiful and fluid in golf. And the power that comes with it can turn heads. But it's her ability to combine this power with a graceful short game that lets her dominate.



OYSTER PERPETUAL LADY-DATEJUST

## JACK NICKLAUS



EVERY GOLFER TO EVER PLAY THE  
GAME WILL COMPARE HIMSELF TO  
**ONE MAN.**

In the Who's Who of Golf he's the man who has done virtually everything. The record books say he's won six Masters, five U.S. PGA Championships, four U.S. Opens and three Open Championships. Win them? As the man who's won more Majors than anyone else in the game's history, we believe he took them. His power and control off the tee and on the fairway tormented opponents, thrilled crowds and made history. No golfer is more revered or respected. Almost every player who's had to go up against Jack Nicklaus on a Sunday in a final round has bowed to his game. And so do we.



OYSTER PERPETUAL DAY-DATE

## JUSTIN ROSE



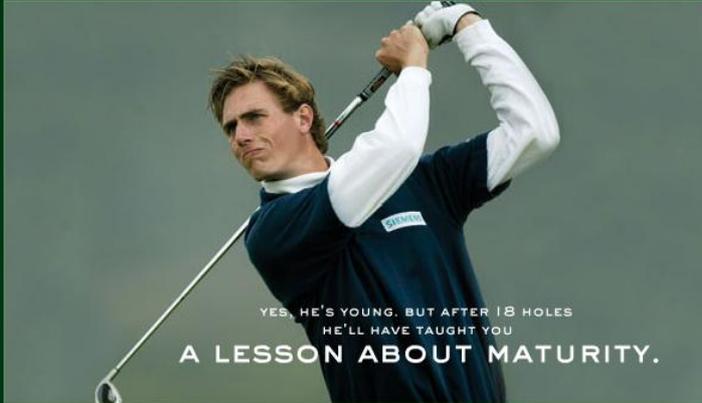
HE IS NO STRANGER TO ADVERSITY.  
**OR TO THE LEADER BOARD.**

Justin Rose knows how to fight through adversity. He turned pro at the age of 17 after finishing fourth in the Open Championship as an amateur. But, while his career beginning would have broken the will of most young golfers, Justin came out a stronger golfer, a stronger competitor and a stronger person. Recently, his name has been frequenting the leader board, and if drive, resilience and determination have anything to do with it, his name will be up there for years to come.



OYSTER PERPETUAL DAY-DATE

NICOLAS COLSAERTS



Nicolas Colsaerts set his turntables and disc jockey dreams aside and decided to take his teenage passions out on the golf course. As an amateur, he had one of the most outstanding careers in European golf. He won nearly every championship in his native Belgium. He played on the Continental and Junior Ryder Cup Teams. In 2000, on his 18th birthday, he turned professional and proceeded to become the youngest player ever to earn his European Tour Card. There is no doubt that you will see Nicolas Colsaerts' name in the future. Most likely, somewhere high up on the leader board.



OYSTER PERPETUAL DAY-DATE

PHIL MICKELSON



When Phil Mickelson looks into the mirror, his reflection harks back to the legends and founding fathers of golf. He plays with respect for the game: its rules, its history and its heritage. But ultimately, a player is remembered for his wins. Phil Mickelson's record commands respect from anyone who's ever played the game. And it is his integrity and humility on and off the course that makes him a champion, a gentleman and a true ambassador for the game of golf.



OYSTER PERPETUAL DAY-DATE

RETIEF GOOSEN

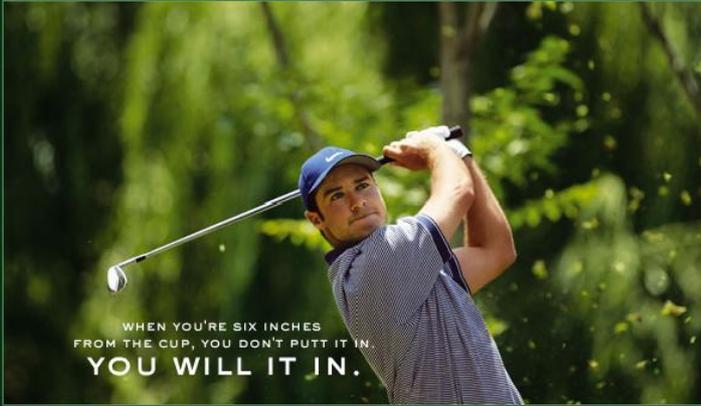


Retief Goosen hits his woods like a lumberjack. He uses his irons like an alchemist. Some call him the "Little Easy" for his laid-back character and velvety-smooth swing. But he's far from laid-back on the leader board. He won the 2001 and 2002 Volvo Order of Merit. In 2001, he claimed the title at the US Open. In 2002, he came in second at the Masters Tournament. And in 2003, he won the Chrysler Championship on the PGA, and shot 18 under par, winning the 34th and last Trophée Lancôme in Paris. If anybody can dissect a course with surgical precision, Retief Goosen is that man.



OYSTER PERPETUAL DAY-DATE

TREVOR IMMELMAN



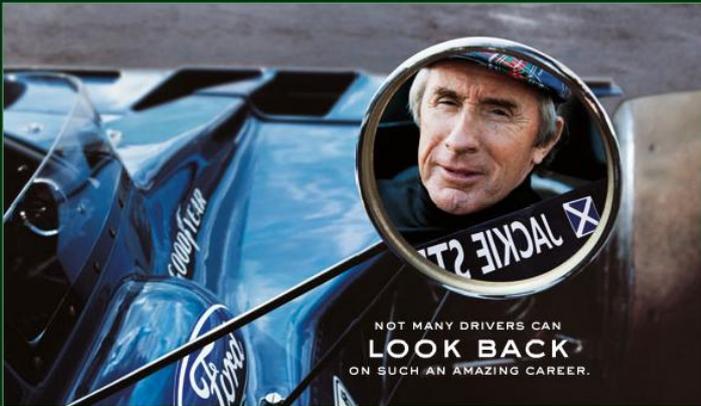
Trevor Immelman shunned the pressure and tapped in a six-inch putt for victory in front of his home crowd at the 2003 South African Airways Open. A nerve-breaking win and a terrific start to what would be a banner year. He also went on to win the Dimension Data Pro-Am and took second at the Volvo PGA Championship. He had top-three finishes at the Dunhill Championship and the BMW Asian Open. Trevor is relentlessly driven, climbing from 253rd to 88th to 14th on the 2003 Volvo Order of Merit. And in 2004, he'll do everything necessary to climb even higher.



OYSTER PERPETUAL DAY-DATE

Motor Sport

SIR JACKIE STEWART



Sir Jackie Stewart's racing career is legendary: 27 wins in 99 starts and three World Championships. Yet somehow, around every turn, he's managed to redefine himself. He's been a fashion icon, racing team owner, marksman for his country and a passionate campaigner for the awareness of dyslexia. But perhaps his greatest victory has come from revolutionising safety in motorsport. Sir Jackie himself may have retired, but the mark he left on the sport remains as visible as ever.



OYSTER PERPETUAL COSMOGRAPH DAYTONA

Sailing

PAUL CAYARD



Paul Cayard doesn't get cold feet even when racing in icy waters. A seven-time world champion, five-time America's Cup veteran and the first American skipper to win the Whitbread Round the World Race, he can handle whatever the sea throws at him. His philosophy: "If you're not going to give it 100%, don't bother going out" has more than paid off. A master tactician, revered motivator and fast driver, he has steered his determination to earn line honours, racing boats in five different classes. It's been said, "no man can tame the ocean". Paul Cayard, sailor, man, is not done trying.



OYSTER PERPETUAL YACHT-MASTER

# Tennis

## ANDY RODDICK

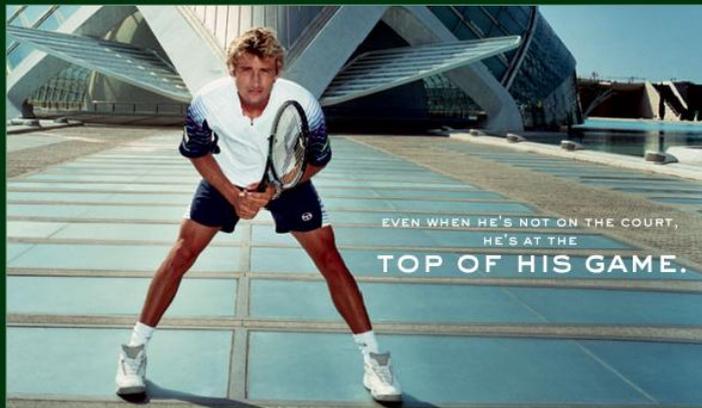


Andy Roddick's serve is the most feared in tennis. His ball is known to scream across the net at over 150 mph, but it is his raw determination that has made his game so lethal. It's no surprise that he rocketed to the top of the rankings just three years after turning pro. Opponents beware: Andy Roddick's serve might be broken, but his will to win cannot be.



OYSTER PERPETUAL DATEJUST

## JUAN CARLOS FERRERO



Juan Carlos Ferrero is known for his blistering speed and relentless athleticism. But what makes him such a remarkable person is his integrity off the court. Professional wins aside, his most meaningful contribution to the sport was the opening, in 2001, of an academy to promote youth tennis in his hometown of Villena, Spain.

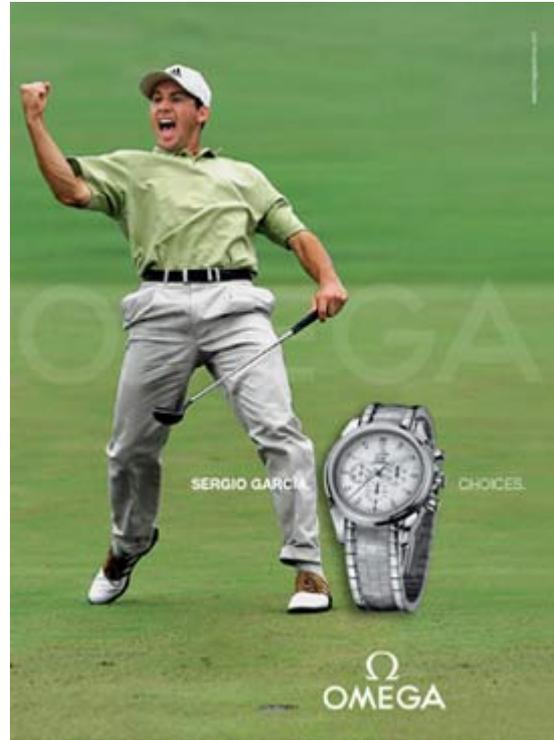
The spirit that took Juan Carlos Ferrero to the top of the tennis world also inspires everything else he does.



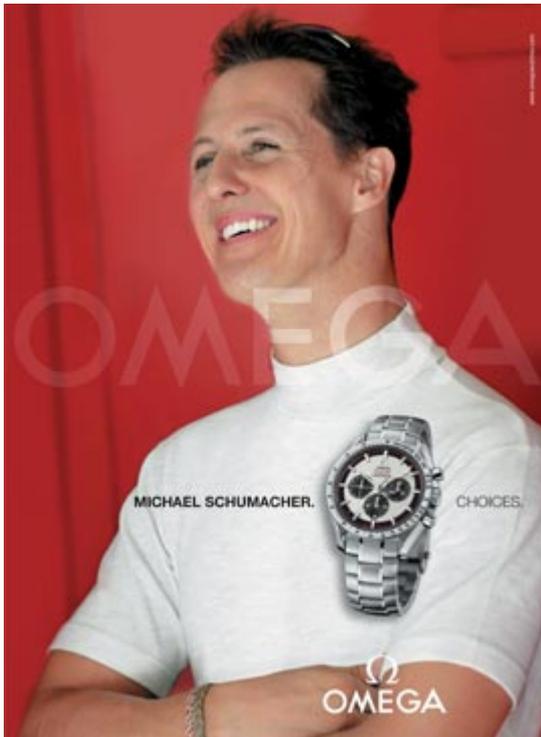
OYSTER PERPETUAL DAY-DATE

## Annex XII: Celebrity and events used for the content analysis for Omega

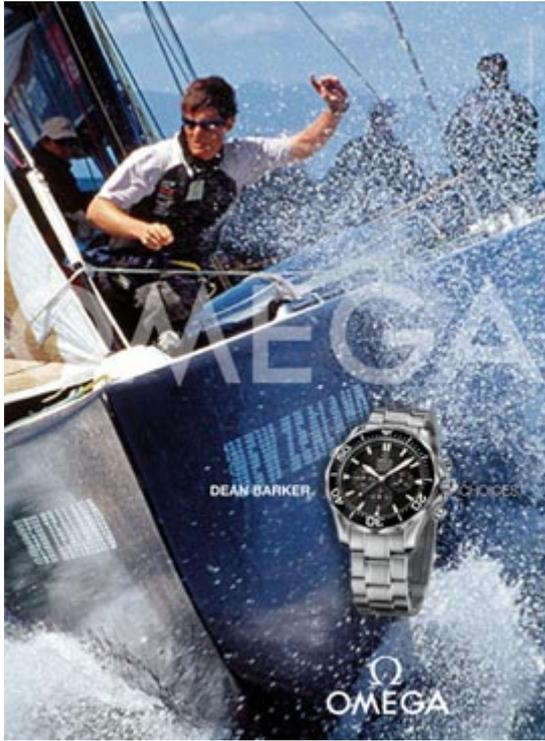
### Golf



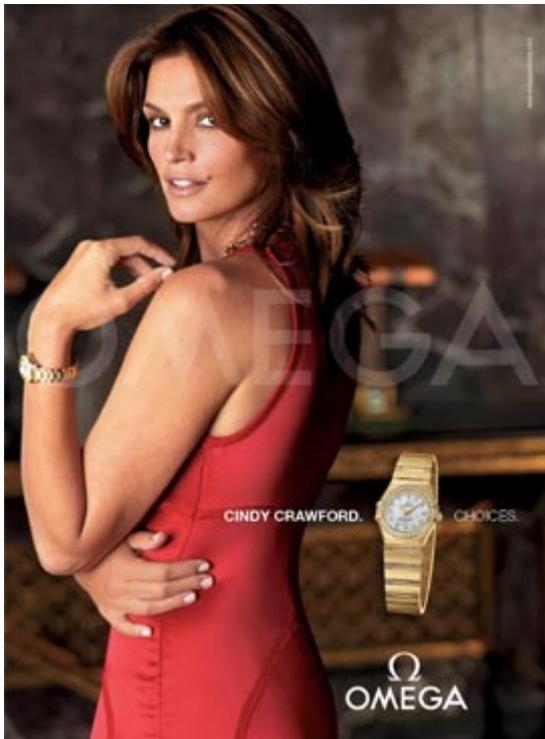
### Motor sport

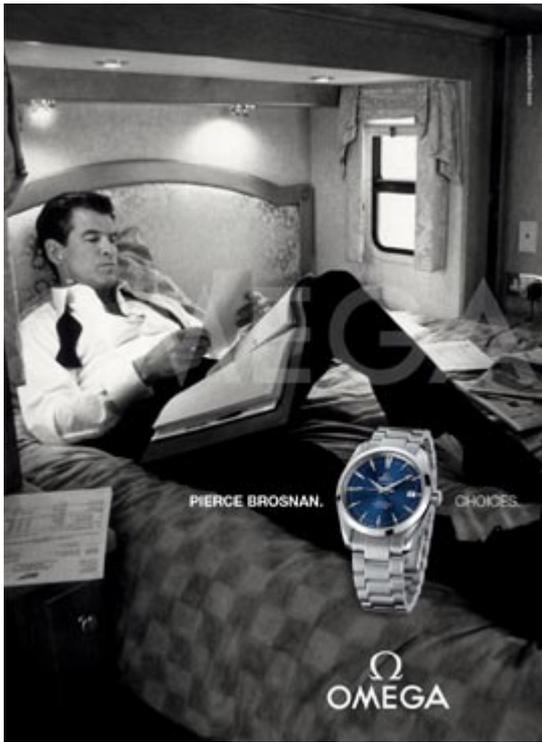


### Sailing



### Show business





Surf



## Swimming



## Tennis

