Analyzing the Marketing Strategy of Luxury Brands from the Perspective of Luxury Brand Positioning -- Taking Rolex Watches as an Example

Wotian Wang *
Shanghai Pinghe Bilingual school, shanghai, 200100, China
* Corresponding Author Email: wangwotian@shphschool.com

Abstract. Based on Rolex's sales situation, market overview and marketing strategy in the past 5 years, this paper analyzes Rolex's strategic objectives in 2024, aiming to make a reasonable and rational inference about Rolex's sales strategy in 2024. This paper mainly uses the literature survey method and case analysis method, through the comprehensive analysis of sales, secondary market stability, brand positioning, distributor cooperation, price strategy, innovation and other aspects of each year, to get part of the development strategy planning of Rolex. This study shows that luxury brands need to actively innovate in brand creation and product marketing. The Rolex brand needs to dynamically analyze the development situation of the industry in the new era, focus on digital marketing strategies, and break the traditional marketing model under the application of media carriers and modern technological means. Expand the scope of corporate services and luxury brands through the "online + offline" integration model. This can not only help enterprises to create greater economic benefits, but also stabilize the development position of enterprises in the industry, which is an inevitable trend of the development of the luxury industry in the direction of digitalization.

Keywords: Rolex, marketing strategy, Chinese market, luxury brand.

1. Introduction

The marketing of luxury goods is one of the key contents of this paper, and its importance lies in understanding how a luxury brand maintains its brand image. Zhou Ting, president of the Yaoke Research Institute, said that the international luxury goods industry is reshaping the international wealth pattern, and the Chinese luxury goods industry is becoming the core force promoting China's consumption growth. It is understood that in 2023, China's luxury goods market will achieve 11% growth, reaching 607.7 billion yuan [1]. The report predicts that in 2024, the growth rate of China's luxury goods market is expected to be around 12%, which will be slightly equal to the growth rate of the global luxury goods industry. In terms of the online market, in 2023, luxury brands' online business in China will grow by 17%, reaching 257.4 billion yuan, and online sales in China's luxury market will account for 42% [1]. Yaoke Research Institute predicts that in the next 3-5 years, online transaction volume of luxury goods will exceed 60%, and offline channel-driven brands will face huge challenges [2]. At the same time, competition in the luxury goods industry is becoming increasingly fierce, and more foreign luxury brands hope to enter China's first-tier cities, such as Shanghai and Beijing.

In luxury marketing, brands can also better find their target consumers and value positioning, as well as adapt to the cultural differences brought about by different regions. As one of the most valuable luxuries watch brands in the world, Rolex has its unique marketing strategy and price strategy, making it one of the most valuable brands in the watch market. In the 2023 Global Brand Value List, Rolex Ranked 191st, and is also one of the legends in marketing [1]. In 2022, the global luxury goods market will reach 1.4 trillion euros, of which the personal luxury goods market will account for approximately 25% [1]. In 2023, the overall sales of the Swiss watch industry reached a record high of 26.7 billion Swiss francs, equivalent to approximately 218.3 billion yuan [1]. Among them, the total sales volume in the watch field reached 16.9 million pieces, with sales of 25.5 billion Swiss francs, equivalent to approximately 209.2 billion yuan, an increase of 7.7%. It can be seen that the watch market actually has a lot of room for growth, and Rolex, as the leader, has great reference
significance. This paper will mainly study the strategic management analysis of Rolex. This paper discusses the brand positioning of Rolex and the cooperation contradictions of dealers.

Price strategy and market response, innovation and market competition predict Rolex's problem solving in 2024 and in the next few years.

2. Introduction of Rolex

2.1. Brief History of Rolex

In 1908, Hans Wilsdorf named the brand Rolex; in 1919, Rolex moved to Geneva, Switzerland; in 1953, the Explorer and Submariner were launched; in 1992, Rolex launched the Oyster Perpetual Yacht-Master watches and Pearlmaster watches. As of 2021, Rolex’s official website shows that there are 15 series of Rolex watches, including: Air King, Cosmograph Daytona, Datejust, Women’s Datejust, Day-Date, Explorer, GMT-Master II, and Magnetic, Oyster Perpetual, Pearlmaster, Sea-Dweller, Navigator, Submariner, Yacht-Master, Cellini.

The creation and the naming also have a long industry. Rolex is a Swiss watch brand founded in 1905. In 1908, Hans Wilsdorf named the brand Rolex.

The recreation of Rolex was also remarkable. In 1919, Rolex moved to Geneva, Switzerland; in 1926, the Oyster Perpetual series was born, which has strong sealing performance, durability and simple design style; in 1945, the Datejust was born, which was the world's first A self-winding watch with a calendar window; in 1953, the Explorer and Submariner were launched [3].

Rolex also continues its innovative. Rolex continues to launch new watch series, such as GMT-Master, MILGAUSS, etc., to meet the needs of different consumers. At the same time, Rolex continues to innovate in technology and design to improve the performance and quality of its watches.

Rolex also focused on the environmental protection and sustainable development, which is a good interpretation of CRS. Rolex actively controls the use and consumption of energy, natural resources and raw materials, reduces pollutant emissions, and adheres to strict traceability standards. In addition, Rolex also advocates the principles of respect, mutual trust and openness and transparency, establishes long-term cooperation with all stakeholders, and promotes sustainable development.

Rolex is one of the most fantastic examples of social marketing and creates a lot of images to consumers to sell their product. Rolex watches are very popular in the market and sales continue to grow. In 2023, Rolex produced 1.24 million watches, with sales reaching 10.1 billion Swiss francs (approximately US$11.5 billion), exceeding US$10 billion for the first time, and its retail market share has been slightly more than 30% [4].

Rolex has become a leader in the global watch industry with its excellent quality, exquisite craftsmanship and spirit of continuous innovation.

2.2. Current status of Rolex Market

Rolex's sales in 2023 will reach 10.1 billion Swiss francs (approximately US$11.5 billion). According to a report from Morgan Stanley, in 2023, the Swiss watch brand Rolex produced 1.24 million watches and sales reached 10.1 billion Swiss francs (Approximately US$11.5 billion), exceeding US$10 billion for the first time, with a retail market share of slightly more than 30% [5].

2.3. Rolex Target Group

The first type of target customer group of Rolex brand is pilots, divers. These customer groups have strong demand for high-quality, multi-functional products, and they usually have strong purchasing power, although their purchasing power may be unstable.

The second type of target customer group of Rolex brand is transnational travelers, customers who often need to travel internationally. This type of customer group often needs to travel across countries and has high requirements for time accuracy, so they have a greater preference for Rolex's precise timing function.
The third type of target customer group of Rolex brand is artists, royal families, and European aristocrats. These customer groups have successful careers, high incomes, high education levels and brand preferences. They pursue high-grade and high-quality lifestyles, and the brand image of Rolex is in line with their identities and tastes.

The fourth type of target customer group of Rolex brand is mature and tasteful consumers who know how to appreciate famous watches. These consumers have an in-depth understanding and appreciation of famous watches. They choose Rolex not only because of the brand's high-end positioning, but also because of Rolex's product quality and brand image.

Rolex has always been committed to gaining a wide range of high-end consumer groups in the high-end market to maintain its brand image of high taste, high quality and high-status symbol in the market. This is one of the important reasons why Rolex’s target customer groups have always chosen Rolex watches.

3. Rolex Strategy Analysis

Rolex’s strategic status is mainly reflected in the following aspects.

3.1. Separated Production and Sales

Rolex adopts a business model that separates production and sales and has established a strong sales force through cooperation with industry-leading retailers. This model allows Rolex to not have to worry about inventory issues, giving it an advantage over other competitors that require large inventories [6].

3.2. Increase Production and Add Factories

Rolex plans to increase watch production by creating temporary production bases and adding factories to respond to growing market demand. This helps mitigate speculation in the second-hand market and increases the likelihood that collectors will purchase at a Rolex retail store. Although the secondary market will play a decisive role in consumers’ expectations for the future of this product, excessively high secondary market prices may lead to a slowdown in the growth of Rolex user groups, which is not conducive to the overall development of the brand [7].

3.3. Price Strategy.

Rolex's watch prices have always maintained a high level and are adjusted according to market conditions. In recent years, Rolex has made many global price increases, with the average increase ranging from a few to ten percent. This price strategy helps maintain Rolex’s brand image and watch value [8].

3.4. Secondary Market Price Stability

Many Rolex watches have stable values in the secondary market and may be purchased for more than the public price. This is due to Rolex's allocation mechanism and its pricing strategy.

In general, Rolex’s strategic status reflects its active response to market changes, increased production and expanded sales network while maintaining the brand’s high-end positioning to further consolidate its position in the global luxury market [9].

4. Rolex’s Current Strategic Issues

Rolex’s current strategic issues mainly include the following points.

4.1. Brand Popularity and Strategic Positioning

Brand popularity affects strategic positioning. Rolex’s brand strategy is affected by popularization, and its brand image may be lowered as a result. The influence of popularization will have an impact
on consumer aesthetics [10]. To cater to consumers, Rolex will make appropriate adjustments to its current products, causing some of Rolex's product design concepts to deviate from the high-end positioning products its customers need.

4.2. Price Strategy and Market Reaction

Rolex's price strategy often attracts market attention. For example, price increase plans may trigger different reactions from consumers and the market. Rolex needs to carefully balance price and market acceptance.

4.3. Innovation and Market Competition

Although Rolex has always been committed to innovation and research and development, in the highly competitive luxury market, how to continue to launch competitive new products to meet consumer needs is also one of the challenges it faces.

Rolex needs to comprehensively consider the market environment, consumer demand, brand image and other factors to formulate and adjust strategies to maintain its leading position in the global luxury market.

5. Problem Solved

5.1. Brand Positioning Issues

To maintain high-end, Rolex can take measures to reduce store openings and control market shipments. Secondly, Rolex can choose to sponsor high-end sports. Rolex now invests heavily in tennis sponsorship (title sponsorship of the Shanghai Masters). However, most of the sponsorship of this sport is now taken over by companies such as Nike. These brands the target group is the public, which is very different from Rolex’s target group. Rolex needs high-net-worth customers, so it would be more sensible to sponsor sports such as golf, fishing, snooker, etc. And Rolex can shape its brand image through movies, such as sponsoring movies and letting business elites and workplace elites wear Rolex watches to shape its brand image.

5.2. Rolex’s Brand Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Valuation</th>
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<tbody>
<tr>
<td>2022</td>
<td>$8.3 billion</td>
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<tr>
<td>2021</td>
<td>$7.94 billion</td>
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<tr>
<td>2020</td>
<td>$7.9 billion</td>
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<tr>
<td>2019</td>
<td>$8 billion</td>
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<tr>
<td>2018</td>
<td>$6.3 billion</td>
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<tr>
<td>2017</td>
<td>$6.9 billion</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>revenue</th>
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<tbody>
<tr>
<td>2022</td>
<td>$9.7 billion</td>
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<tr>
<td>2021</td>
<td>$13 billion</td>
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<tr>
<td>2020</td>
<td>$5.1 billion</td>
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<td>2018</td>
<td>$11.6 billion</td>
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<td>2017</td>
<td>$4.6 billion</td>
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Though the revenue of Rolex gone down in 2022, but the valuation of the brand is still getting greater since the marketing is going well as shown in table 1 and table 2. Rolex produces approximately 1 million watches annually, with a reported output of 1.24 million timepieces in 2021.
as shown in table 1 and table 2. The brand’s commitment to precision and top-notch craftsmanship justifies their relatively high but controlled production volume.

In 2021, the Classic collection accounted for 54.6% of all Rolex watches, while the Professional collection comprised the remaining 45.4%. The Daytona had the highest proportion among the Professional collection, closely followed by the Submariner and GMT-Master. In contrast, the Datejust model significantly surpassed all other models within the Classic collection. The Cellini line had the lowest production volume, aligning with Rolex’s emphasis on sports and tool watches. Since Rolex kept the market need and desire, they can greatly sell the watch in a good price and this could be shown by the revenue. However, to constantly make the brand value becoming greater, it is a good idea for them to do more online sale.

5.3. Price Strategy and Market Reaction

From the underlying logic, the pricing strategy adopted by Rolex is a premium pricing strategy, which itself targets social elites, high-net-worth individuals, and the relatively affluent middle class. A comprehensive analysis of Rolex’s price increase record in recent years. The price increase in 2020 was 3.5%, in 2022, some watch styles in mainland China will increase by about 10%, and in 2023, and some watch styles will increase by 6% to 10%. Rolex’s average annual price increase is about 8%, and popular models will increase by about 10%. In fact, this will not let it lose customers, because many customers are willing to buy Rolex watches because of their value preservation. A slow price increase can stabilize its price in the secondary market and make potential consumers willing to buy. Customers with resources and strength can buy at a premium.

5.4. Innovation and Market Competition

Rolex should change the pattern and color of the dial without changing its distinctive crown. One of the biggest features of its brand is the oyster perpetual function and the crown. Rolex can completely use the technology it has always had, and then innovate through cooperation with local traditional brands and designer brands, and other series people can also innovate this way.

6. Conclusion

This study draws the following conclusions through an in-depth analysis of Rolex brand strategy.

First, Rolex needs to have a clear brand positioning and should not be too influenced by popularization and subculture. This conclusion has been verified through reading and researching many documents. This discovery is of great significance to the development of the Rolex brand. It not only explains why Rolex’s growth rate has slowed down in China and internationally in recent years, but also provides a valuable reference for the development of Rolex and other luxury brands.

Secondly, this study also reveals that Rolex should adopt flat dealer management. In the case of Xiaomi’s successful flat management, employees can directly make proposals to their leaders, which greatly improves communication efficiency, which further supports the hypothesis. This conclusion helps to deepen the understanding of Rolex’s corporate profits.

In addition, Rolex’s pricing strategy and market reaction could be improved. This conclusion is drawn based on the total revenue of Rolex. It not only enriches the existing knowledge system, but also provides new ideas for solving potential challenges of the reaction of the market.

In summary, this study has achieved remarkable results in the analysis of Rolex’s brand marketing and pricing and provided new insights and inspirations for how can luxury brands improve their marketing and pricing strategy. However, the author also realize that this study still has some limitations, such as not enough data to support the paper.
References