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USE OF MARKETING MIX TO LEVERAGE BRAND EQUITY: A STUDY IN THE SWISS WATCH INDUSTRY

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Abstract:

Switzerland has always been a pioneering force in the Watchmaking Industry, as much as to say that it has always enjoyed an unrivalled Monopoly when it comes to manufacturing and selling of fine watches. Swiss watches are known for their craftsmanship, precision and mechanical sophistication, created using skills which are rarely found beyond the Jura Mountains of the country, which ultimately helps Switzerland to capitalize from an international imitation Gap. However, there is a disproportionate inequality in the market share of the Swiss watch manufacturers to the level that just one brand controls approximately one-fourth of the total market share whereas all the other brands have to settle for a mere single digit market share. This arises the following questions: Does Brand Equity play a significant role in determining market share? Which is the more important determinant of brand equity- value proposition to consumer or just smart marketing? What is the sweet spot in the market that can be capitalized on for revenue maximization? Etc. This paper attempts to expound on these questions.

Key Words: quality control, brand image, optimal product, value retention.

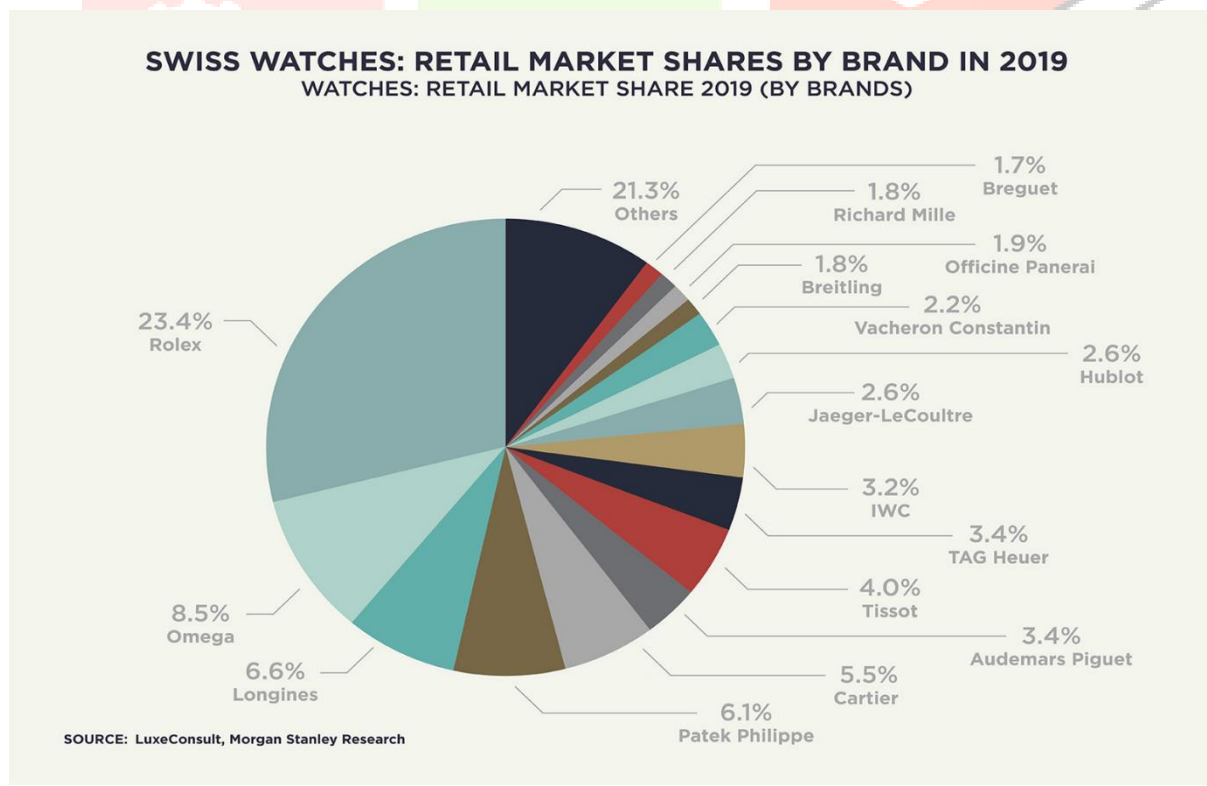
Introduction

Switzerland since time immemorial has been a pioneering force in the art of watch making (horology). Now considered as an industry which is in a league of its own was once a mere unorganized sector; a profession assumed by the scattered Swiss farmers to survive the harsh winters of the country. The industry originated with humble beginnings until the great potential that the terrains of Switzerland had to offer caught the great foresight of a small-time watchmaker from Boston called Florentine Ariosto Jones, who decided to set up a factory on the banks of the Rhine River, with the vision to create the best watches in the world, thus introducing the technique of industrialized production line for the first time in Switzerland. This was a turning point for the whole of the Swiss watch Industry as it standardized the quality control process undertaken to examine the tolerances of the plethora of small parts, gears and pinions that goes into the calibers of almost all the mechanical Swiss watches. And with technological advancement, Swiss watches too have gotten better and better, becoming more accurate, robust and sophisticated.

Today, Switzerland holds an uncontested monopoly in the horological industry. Swiss watches are known for their craftsmanship, precision and mechanical sophistication, created using unparalleled skills which are rarely found beyond the Jura Mountains of the country, which ultimately helps Switzerland to capitalize from

an international imitation Gap. Swiss Watches have accompanied men on their most enduring journeys throughout history, not just on Earth but in space as well. The Swiss Watches have conquest the moon as well as the deepest point on Earth. Watches now have become items which we (the common people) take for granted. But history wouldn't have been the same without them. Prior to the advent of digitization and the quartz era, doctors used to use a pulsation scale chronographs to measure the heart rate of their patients, soldiers used to use a telemetric scale chronographs to determine the distance they are at from their enemies from the sound of shelling, racing drivers used to use tachymetric scale chronographs to determine the average speed at which they were travelling, pilots used to use slide rule scale chronograph to do numerous calculations like fuel consumption etc. while navigating a flight and divers used timing bezels to time their dives and helium levels while resurfacing. These are just scratching of the surface of the contributions of the Swiss watch industry for mankind.

Because of all these contributions, Swiss Watches have become synonymous with reliability and such rich history has contributed towards collectability of such vintage watches, so much so that it has propagated a whole new generation of collectors, enthusiasts and watch connoisseurs. With almost all brand contributing something or the other which is significant in the legacy of mankind, it goes without saying that there is fierce competition within the Swiss Watch Industry itself. However, in the battle to the top, not all brands have been equal gainers from the competition. There is a disproportionate inequality in the market share of the Swiss watch manufacturers to the level that just one brand (Rolex) controls approximately one-fourth of the total market share whereas all the other brands have to settle for a mere single digit market share. This arises the following questions: Does Brand Equity play a significant role in determining market share? Which is the more important determinant of brand equity- value proposition to consumer or just smart marketing? What is the sweet spot in the market that can be capitalized on for revenue maximization? Etc. This paper attempts to expound on these questions to see if marketing mix actually plays a significant role in the leveraging of brand equity.



Literature Review

- A. In the Brand Z 2021 report published by Kantar Mill worth Brown, Client Director Alex Restell - Bridge (2021) mentioned that the Watchmaking Atelier Rolex Ranks ranks 5th the list of the most influential and valuable Luxury watch brand. It also happens to be the only firm engaging in the Watchmaking Business to make it to the list. Its brand equity stands at US\$ 8,129 Million, singlehandedly surpassing all of the Swiss Watch Brands. Despite the ongoing Pandemic, Rolex's brand equity has grown by almost 34% in comparison to the statistics of 2020. This has a lot to do with watches now being regarded as a highly liquid investment item which has experienced immense popularity amongst clientele located especially in China and other East Asian Nations. This phenomenon has been regarded as the Premiumization trend., which is especially evident at the national level. Also, the Watchmaking Atelier Rolex's success has also been attributed to its capacity to amalgamate a perfect balancing mix of heritage and directional design to attract a whole new generation of Watch Collectors, Enthusiasts and Watch Aficionados. The report also ends on a positive note stating that once overseas travel bans are lifted, it is going to stimulate a big push to the whole of the luxury industry.
- B. Ryan Raffaelli (2014) had published a Research Article titled "Why the Apple Watch is a Gift to the Swiss Watch Industry" in the Harvard Business Review wherein the researcher tried to analyse and see if the new Smartwatch movement actually poses any threat to the archaic Swiss Watch Industry. The Researcher has been able to draw a similarity between an event which occurred in the 1980s, often referred to as the 'quartz crisis', where the Swiss watch industry experienced a major crisis in the advent of the first quartz (battery operated) watch, courtesy of the Japanese, resulting in an exponential decline in the export volumes of the Swiss watch industry, as it made watches more affordable and accurate than the traditional mechanical watches produced by the Swiss. This was when the Swiss Watch Industry resorted to clever marketing tactics of repositioning itself in the luxury forte and stopped competing for supremacy in terms of technology. The paper also expounds that the Apple Watch might pose a threat to the affordable Swiss Watches but won't pose as a threat to the whole of the Swiss Watch Industry because, the largest fraction of the revenue of the Swiss Watch Industry happens to come from products priced well above US\$ 10,000. The paper also expounds those traditional goods does not become irrelevant when technologically superior products are launched by quoting a phenomenon from 2007 when Amazon decided to launch its electronic based reading device, which was originally predicted to terminate traditional bookselling but the data have shown that book readers do not see traditional books and digital reading devices being competition of one another but rather look at both the products as being complementary. Also, readers are less likely to replace one with the other.
- C. In an article published in Business Insider written by Dennis Green (2016) titled as "How Rolex became king of watches" expounds that the Watchmaking Atelier Rolex is a fairly new company, only established in 1900s compared to many much older Swiss horological Ateliers. The author states that the brand's foundation is based on utilitarian principles. Before it became a coveted luxury, the brand cemented its foundation by being a tool watch manufacturer, supplying consignments to military, pilots, explorers etc. The brand also produced the first waterproof case, an important milestone in the horological arena. By the time, the Second World War had ended, the brand became a household name in watches across the world. This provided the brand a reputable name equivalent to its much older contemporary counterparts in a very short period of time. Along with that, the brand also started to sponsor numerous world-famous events like in 1927, the founder of the company asked

the first women to swim across the English Channel to wear a Rolex watch to demonstrate the public of the reliability as well as the durability of the brand. When Mercedes Gleitze was photographed after her maiden swim, it also indirectly provided the brand a fairly good amount of coveted publicity. And the brand strategically placed such stories on common people's newspaper rather than advertising it originally to the rich because that way the common people could look up to the brand as something as a prize for success, as these were worn by successful people in the professional arena.

- D. The industrial outlook of the Watchmaking Industry (2020) published by the Federation of the Swiss Watch Industry (FHH) in the report titled "The Swiss and the World Watchmaking Industry in 2020" reported that 2020 was a depraved year for the whole industry with exports taking a huge hit, the slump of whose degree was comparable to the fall in exports experienced by the industry during the 2008 Global Recession. However, despite the setback experienced by the industry, the fall in exports for mechanical watches were recorded much lower than that of quartz watches, thus reinstating the fact that mechanical watches are considered as collectors' items rather than being treated as consumer durables, as is the case with its quartz counter parts. The document also asserts that fall in the export value of watches from Switzerland retailing over CHF 3,000 was exponentially less than the fall in export value of watches from Switzerland retailing under CHF 3,000. Another observation of the Industrial Outlook of the Watchmaking Industry in 2020 emphasized that despite the ongoing pandemic, demand for Swiss Watches especially in the Mainland Chinese Market didn't plunge like what was evident in case of the Rest of the World, instead it showed positive growth potential in purchases of Swiss watches passing through the region by the Chinese customers, as the second half of the year demonstrated recovery in the purchasing tendencies of Swiss time pieces domestically in the country.
- E. According to the Swiss Watchmaking Study Report (2021) published by Deloitte, a few key observations came across in the findings of the research in regards to the current trends in the Horological Market. Pre-Owned watches in the past decade has gained huge momentum in terms of their collectability and has given rise to a whole new Generation of Vintage watch collectors, and watch aficionados. They measure it to have risen by 11 points in comparison to 2021. The Horological Ateliers have identified this trend and it has started to influence the design language adopted by the Watchmaking Ateliers to launch their new products in the Retail Markets. Another observation of the study was that Millennials and GenZ, are more interested in purchasing Haute Horology mechanical timepieces as they happen to gain more financial independence and consider the Haute Horology timepieces as an investment item. And, with the interest of people rising in watches, the offerings of the Swiss have become concrete investment items. Globally, on an average 1 in 5 customers buy or collect watches as investment items. Also, numerous executives belonging to the Swiss watch industry who were interviewed are of the notion that the Luxury Segment of the Swiss watch industry, where watches are priced well above CHF 3,000 have huge growth potential and have their focus directed towards the mainland Chinese market. It was the only market in which the demand for the Swiss Horological items didn't shrink despite the pandemic. The average age of a mainland Chinese shopper for luxury is lower than the global average, which demonstrates that despite the Swiss watches being archaic, it hasn't failed to attract the new generation towards the collector's hobby which has the potential to keep the Swiss Watchmaking industry in the times to come in the future.

- F. Alex Williams (2019) had written a Research Article titled “Watches are yet another easy way rich people make their money out of money” published in NY Times, wherein the author states that over the past few decades Watch collecting for investment has seen a huge momentum and have even compared buying a watch from a reputable watch brand as similar to buying a stock of a blue-chip company. This rise in collectors’ culture has also been a by-product of the influencer movement with celebrities flashing their watch collection to the general public. The author also considers watches to be investment safe haven as numerous high-profile celebrities have invested tens of millions of dollars into watches. This has stimulated a lot of curiosity in the younger consumer base about High Horology watchmaking nudged by the influencers on their social media feeds. The article also asserts that rationality doesn’t necessarily have a strong foothold in the watch collecting hobby. For instance, in the vintage watch market, collectors are nit-picky about the smallest of details. Just a small difference in the typography of the model’s name on the dial, or the shape of the hour indices or the colour of the bezel can fetch profits in thousands of dollars, because such watches have stood the test of time and only a very few of such examples survive the test of time. Also, since these watches are old, they happen to be very fragile and their structural integrity do not hold anywhere close to the current generation watches, and yet they fetch a premium in terms of their collectability and people are ready to pay pretty penny for them because these watches represent something that has survived the testament of time.
- G. Lauro Muff (2019) of Lund University had written a research paper titled “An ex-post utilization study of the Sino-Swiss Free Trade Agreement (SSFTA) in the Swiss Watch Industry” wherein the paper mentions that SSFTA has been an important determinant of success of the Swiss Horological Ateliers especially in Mainland China. The paper also exerts the importance and the relevance of the Chinese Market for Swiss Watch exports driven by a consumer demand pattern fueled by a rising middle-class in the country and its ever-rising penchant for consuming luxury goods. The SSFTA has also resulted in faster custom clearances of Swiss Watches directed towards the Chinese consumers allowing for faster penetration of Luxury watches in the country which ultimately helps the third largest exporting sector of Switzerland to stay buoyant in the international market. Also, the SSFTA has helped the Swiss Horological Ateliers to save up on its manufacturing costs by taking benefits of the low production cost of producing several primary watch components like case and straps in China. The SSFTA not just helps the Swiss Horological Ateliers to save up on operational costs, but is also predicted to likely fuel the export turnover of luxury watches from Switzerland to China as it will allow the brands to utilize the higher savings that it was able to realize from the Sino-Swiss Free Trade Agreement to be invested into advertising the product offerings to the masses. This paper also illustrates the ever increasing use of low cost foreign components in products perceived, marketed and realized as a luxury product.
- H. The Boston Consultancy Group (BCG) had published a report in 2020 titled “The New World of Luxury” wherein they have tried to analyze and draw a parallel of the influence of the Great Recession on the buoyancy of the Luxury Industry and try to demarcate a way forward predicting what the future holds for the same. The report asserts that the definition of Luxury has changed from materials of conspicuous consumption to items being now considered as having characteristics of an investment avenue while reflecting certain degree of exclusivity for the client. The report has also tried to identify the type of clientele that significantly and recurrently engage in purchasing Luxury products by differentiating between New-Money Rich and Old-Money Rich, the former having a higher inclination for conspicuous consumption while the later being having a higher inclination for being more careful with how they use their money along with having a disdain for conspicuous consumption. However, the spending Habits in Luxury items of the New and Old Money Rich are

quite distinguished from one another. While, the New Money Rich spend a higher proportion of their income on clothing and fragrances, the Old Money Rich tend to invest more in Watches as watches have proven to be a great source of investment and passive income for generating wealth.

- I. Satheeshkumar Rangasamy, Sushma Rawath, Gokula Krishnan and Raja Gopal D (2021) had written a paper titled “Gender Based Mood Analysis on Purchase of Wrist Watches in Bangalore, Karnataka” wherein they found that Brand image is the most important attribute that attracts a potential customer when considering to buy a watch. This is followed by the style also known as the design language of the watch. The researchers also point out that the wrist watch brands are highly skewed towards catering to the needs of the male gender instead of the female gender when advertising their product. Also, technical specifications of a watch have been found to be a far less important factor for customers when deciding on buying a watch. This observation highlights the importance of Horological Ateliers to resort to clever marketing instead of engineering a product that is of technological superiority, if they wish to push their sales and remain buoyant in the international watch market. The paper also asserts that people look for a sense of Community when deciding on buying a wrist watch. This observation is in line with herd mentality which brands often use to market their product through influencers which ultimately leads to satisfaction and positive emotions. This way the paper suggest that brands should try to invoke positive emotions when advertising their product to potential customers as emotional behavior also being referred to in the paper as customer mood is of significant importance which is subconsciously applied by potential customers on deciding when to buy a watch.
- J. In a Research Paper authored by Edouard Aubin (2018) titled “How Luxury Brands Mastered the Art of Growth” which was published by Morgan Stanley Research showcased that just like the product offerings of the luxury brands which are intrinsically artistic, the approaches that Luxury Brands employ to create customer base for their product offerings too are extremely creative. One of the strategies which ensure the buoyancy and the relevance of the Luxury Brands are that people happen to like associating themselves with them because of their legacy of prestige, which is also relevant in the employment market. This gives these brands access to talented minds who can propagate the brand even further into the future. Secondly, no one knows the importance of artistic pursuits better than the luxury ateliers, as they tend to constantly hold exhibitions, sponsor the creative and artistic minds in the artistic industry via meaningful collaborations etc. These brands also indulge in hiring the best architectural minds to decorate their brick-and-mortar stores and their boutiques globally as the luxury industry is not just about selling a product, it is about selling an experience wherein physical stores also contributes towards a large proportion of their annual sales. And since employing such strategies can be expensive, the paper states that it creates a arduous barrier thereby keeping a check on the competition from new entrants. Also, the promotional strategies pursued by the Luxury brands to be desirable is governed by the principal of scarcity which is ensuring that supply of the product is always below the demand of the product, thereby making their products desirable and mitigating obsolesce. Luxury Brands not only create their products in small batches while concentrating on robust quality control, but also resort to several digital marketing strategies like tagging a product as limited edition or promoting a product as being part of a limited run capsule collection. This is then picked up by the media which ultimately creates the hype. And lastly, brands employ controlled distribution of their product by picking up their clients instead of clients picking up their product. This strategy is facilitated by creating the concept of “waiting list”, making people wait for a long time before receiving their product from the brand as this too creates a community of exclusivity.

- K. Nicholas Manosous (2021) had written a research article for Hodinkee reviewing the KPMG Report on the British Horological Industry commissioned by the British Alliance of Watch and Clock Makers, wherein the key stakeholders were interested to know what the future holds for Britain when it comes to Horological pursuit. The report starts by quoting how the British Watchmaking Industry was the largest in the world in the 20th century and how it fell prey to the latent quartz crisis and external competition from the Swiss Ateliers which bred into a strong challenger due to the entrepreneurial microclimate in Switzerland. In the present time, the British Watchmaking industry is seeing some degree of resurgence, in terms of revival of dormant brands because of well-documented literature regarding the legacy of the brands, collectors' interest and the profound interest of the younger generation to pursue the creative field of horology. Another interesting observation of the research is that the new microbrands aren't exactly targeting the mass market but are actually targeting a niche clientele comprising of high-net-worth hardcore horological aficionados. This buys the new Horological Ateliers some time to create a firm consumer base in the market. Another important observation which was made during the research was that the British Watchmaking Ateliers import the watchmaking components from China for its reputation for being a cost friendly country while delivering quality and export the final High horology product to its primary market which is America.
- L. Claudia D'Arpizio, Federica Levato, Constance Gault, Joëlle de Montgolfier, and Lyne Jaroudi (2021) had published a report titled "From Surging Recovery to Elegant Advance: The Evolving Future of Luxury" for Bain and Company. The report found that after experiencing a slump after the advent of the pandemic, which lasted for nearly two years, the industry has seen slight improvements in its outlook fueled by a stable recovery rate to the level, prior to the pandemic. This traction is evident in almost all segments of the luxury sector. Amongst all the segments, the quickest to recover was the luxury watch segment, which was propounded by strong consumer demand traction in the Asian nations, especially China. This has established Asia as the prominent luxury safe haven in the world. Also, this was ensured by watches being regarded as the new highly liquid investment safe haven. Also, the second-hand market for luxury watches gained remarkable traction since the advent of the pandemic which is thereby ensuring the buoyancy of the whole of the luxury watch industry in totality.
- M. Sabine Becker, Achim Berg, Tyler Harris, and Alexander Thiel (2021) had written a report titled "State of Fashion: Watches and Jewelries" for McKinsey and Company. Projections mentioned in the report include that Luxury watch sales are going to further squeeze out the sales of mid-tier and low tier brands by 2025. This is resultant of changing market dynamics resulting from more and more people getting into watches, especially in Asia where there is been a steep rise in the younger customer demographic investing into watches. This also highlights the importance of higher brand interactions with customers using DTC Channels in the coming future especially for attracting the tech-savvy younger generation of watch collectors. Also, with watches gaining popularity as an item of investment amongst the youth, the pre-owned watch market is starting to gain more popularity especially for watches that aren't readily available in the primary markets. Also, due to the fierce competition exerted by the contemporary smart-watch segment, mid-tier fashion watch segment is likely to get redundant in the near future and this would result in the market expansion of the high-horology brands.

Research Methodology

Project Objective:

The following objectives serve as the basis of my dissertation study-

1. Identify the optimal product attribute and pricing combination that maximizes revenue for the Swiss watch Manufacturers.
2. Conceptualize revenue mapping of the Swiss watch industry in order to establish the sweet spot for Market Entry of new Entrepreneurs.
3. Establish relationship between Value retention in terms of collectability of the top 5 Swiss Watch brands in the secondary market and the average retail price charged in the Primary Market.
4. Elucidate on the Role and importance of Industrial design in Brand Establishment.
5. Elucidate on the importance of a background story in Brand Establishment.

Methodology:

Looking at the requirements of the study, the Research Design employed comprises of compilation and analysis of Secondary Data collected from numerous reputable sources relevant to the subject matter of the study like the "Federation of the Swiss Watch Industry" (FH) etc. Following the collection of the data, a deductive reasoning framework was extensively used to expansively analyze the data in order to offer a novel answer to the proposed research problem in justification to the aforementioned project objectives supported using empirical backing. Both Quantitative as well as Qualitative Research Technique was used to analyze the data. Lastly, the MS Excel application was extensively used to perform a large fraction of the quantitative data analysis.

Data Analysis

(A) Identification of optimal product attribute and pricing combination that maximizes revenue for the Swiss watch Manufacturers:

Year	TOTAL	PRECIOUS METAL	STEEL	BIMETALLIC	OTHER METAL	CERAMICS
2000	9,276.50	2642	3911	1478.2	851.1	314.1
2005	11417.7	3677.1	4954	1842.1	662.5	281.1
2010	15,154.40	5314	6137.1	2523.6	831.6	348.2
2015	20,238	7615.3	7686.2	3204	1220.7	511.7
2019	18,257.00	6965.6	8170.4	3715	1046.8	605

TABLE-1: SWISS WATCH EXPORTS BY MATERIALS (*Mil. Of CHF*)

Source: Federation of the Swiss Watch Industry

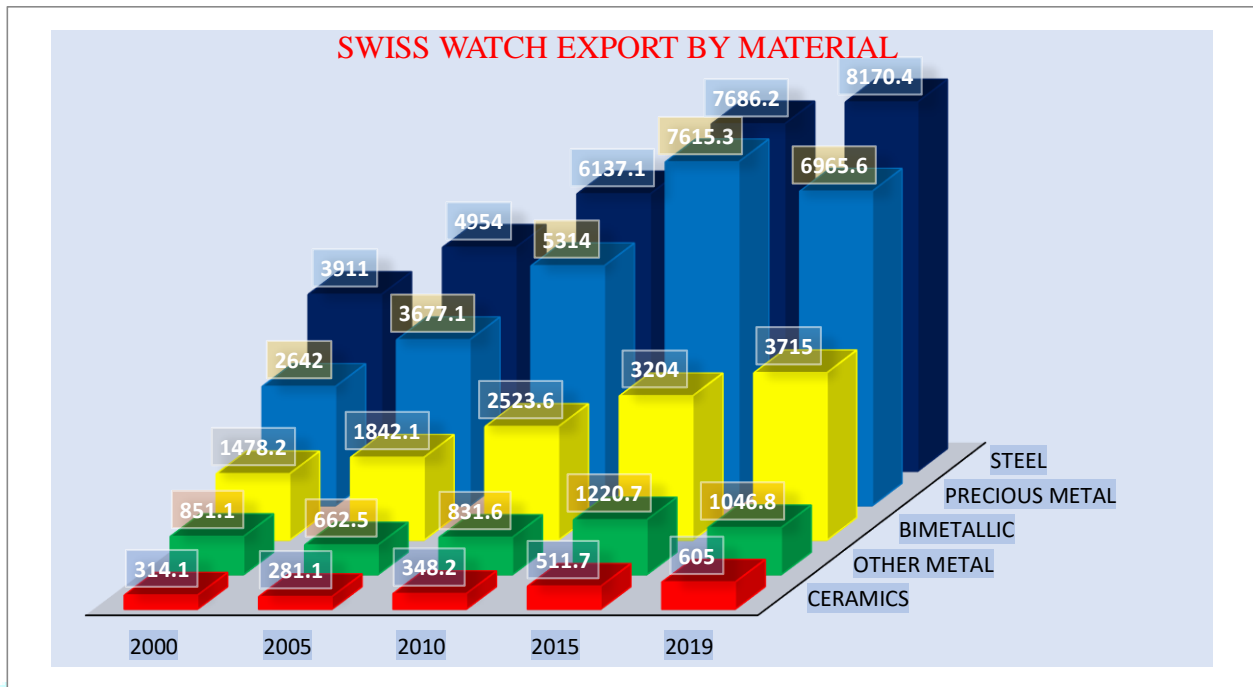


FIGURE-1: SWISS WATCH EXPORTS BY MATERIALS (Mil. Of CHF)

Source: Federation of the Swiss Watch Industry

Year	Quartz	Mechanical
2000	4862.4	4414.1
2005	4295.6	7122.1
2010	4229.7	10924.7
2015	3978.9	16259.1
2019	3383.1	17119.6

TABLE-2: SWISS WATCH EXPORTS BY MOVEMENT (Mil. Of CHF)

Source: Federation of the Swiss Watch Industry

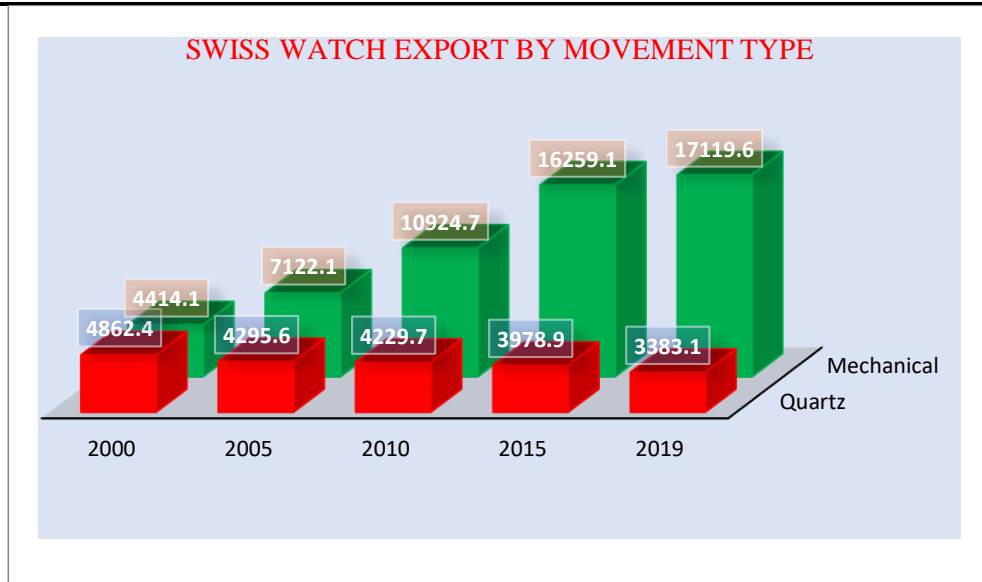


FIGURE-2: SWISS WATCH EXPORTS BY MOVEMENT (Mil. Of CHF)

Source: Federation of the Swiss Watch Industry

Year	CHF<200	CHF 200-500	CHF 500-3000	CHF>3000
2000	1231.2	1035.8	3856.2	3153.2
2005	1072.2	841.3	4285.5	5218.8
2010	1160	1042.5	3858	9093.8
2015	1236.8	1424.9	4161	13415.3
2019	818.1	1127.3	4277.9	14179.4

TABLE-3: SWISS WATCH EXPORTS BY MATERIALS (Mil. Of CHF)

Source: Federation of the Swiss Watch Industry

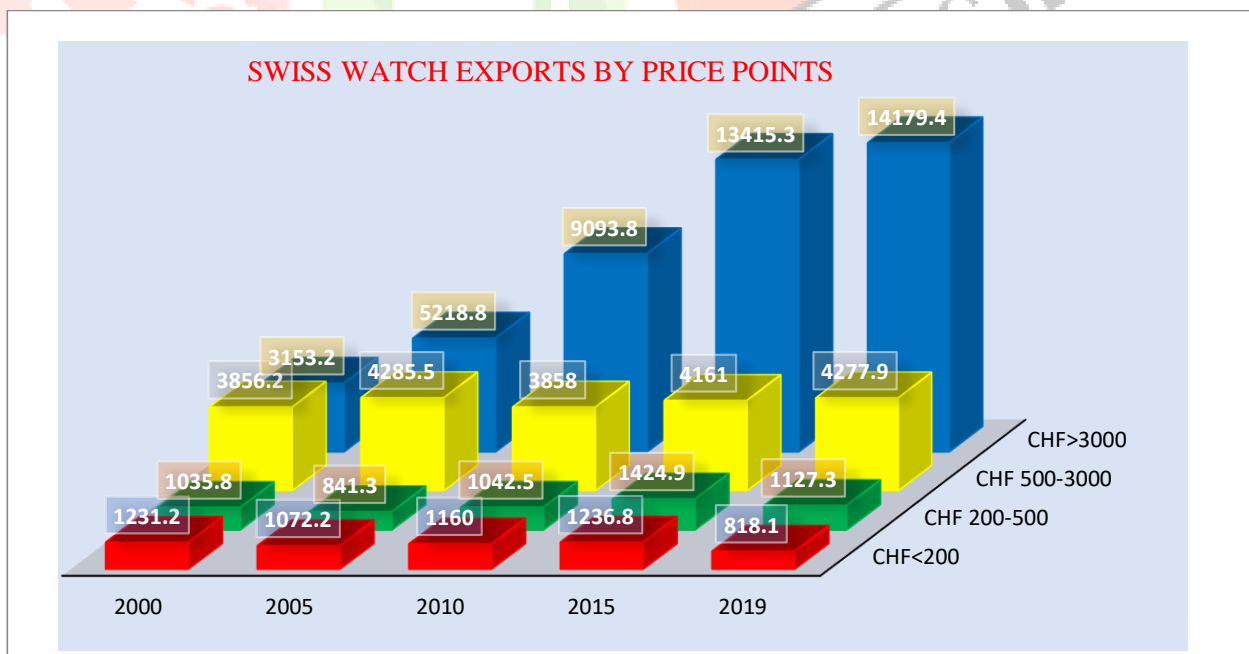


FIGURE-3: SWISS WATCH EXPORTS BY MOVEMENT (Mil. Of CHF)

Source: Federation of the Swiss Watch Industry

Interpretation:

The picto-graphical representation of Swiss Watch Exports by the Type of Material primarily being used in the manufacture of watch cases as represented by Table-1 and subsequently by Figure-1 show that the revenue generated from Export of watches constructed using stainless steel were the highest in comparison to watch constructed using other precious metallic and non-metallic elements.

Similarly, upon inspecting the Swiss Watch Exports by Movement Type as represented by Table-2 and subsequently by Figure-2 shows that the revenue realized from export of Mechanical watches have always been higher than the revenue realized from the export of Quartz watches.

Finally, on analysis of the Swiss Watch Exports by Price Points as represented by Table-3 and subsequently by Figure-3 shows that the highest contribution to the Export Revenue for the Swiss Horological Industry comes from the export of watches which are sold at a price marked up over CHF 3000.

It is important to note that the highest export revenue is realized for the Swiss Horological Industry at the luxury/highest price segment (i.e., CHF >3000) and when the watches are constructed using Stainless Steel, which is the most inexpensive material amongst the classification of materials primarily being used in case construction and when the movement used inside of the watches happen to be mechanical movements, which has a lower regulatory accuracy than quartz watches.

This shows that the market for luxury watches operate in a way which is in contrast to the market for all other conventional luxury goods. While most of the luxury goods derive their value primarily from the material used in their construction, such as jewelry deriving its value from the kind of precious material being used in the construction of the product; watches on the other hand do not operate similarly. Since the sale of watches constructed using Stainless steel outperform the sale of watches constructed using precious material and since the sale of watches having a mechanical movement outperform the sale of watches having a quartz movement, hence the derivation of value of a luxury watch doesn't depend upon tangible factors but rather can be attributed to intangible factors, primarily clever marketing.

Hence, the optimal product and pricing mix that maximizes revenue for the maximizes revenue for the Swiss Watch Industry would be: Watches constructed using Stainless Steel + Mechanical Caliber / Movement + Priced over CHF 3000.

(B) Revenue mapping of the Swiss watch industry in order to establish the sweet spot for Market Entry of new Entrepreneurs

<i>Watch Brands</i>	<i>Average Price Charged (CHF)</i>	<i>Market Share</i>
<i>Tissot</i>	615	4%
<i>Longines</i>	1377	6.60%
<i>Omega</i>	5473	8.50%
<i>Rolex</i>	10079	23.40%
<i>Cartier</i>	12000	5.50%
<i>IWC</i>	12301	3.20%
<i>Hublot</i>	18000	2.60%
<i>Vacheron</i>	30962	2.20%

TABLE-4: Relationship between Average Price Charged (in CHF) and Market Share of Top 8 Watchmakers

Source: *Morgan Stanley Research (Market Share)*

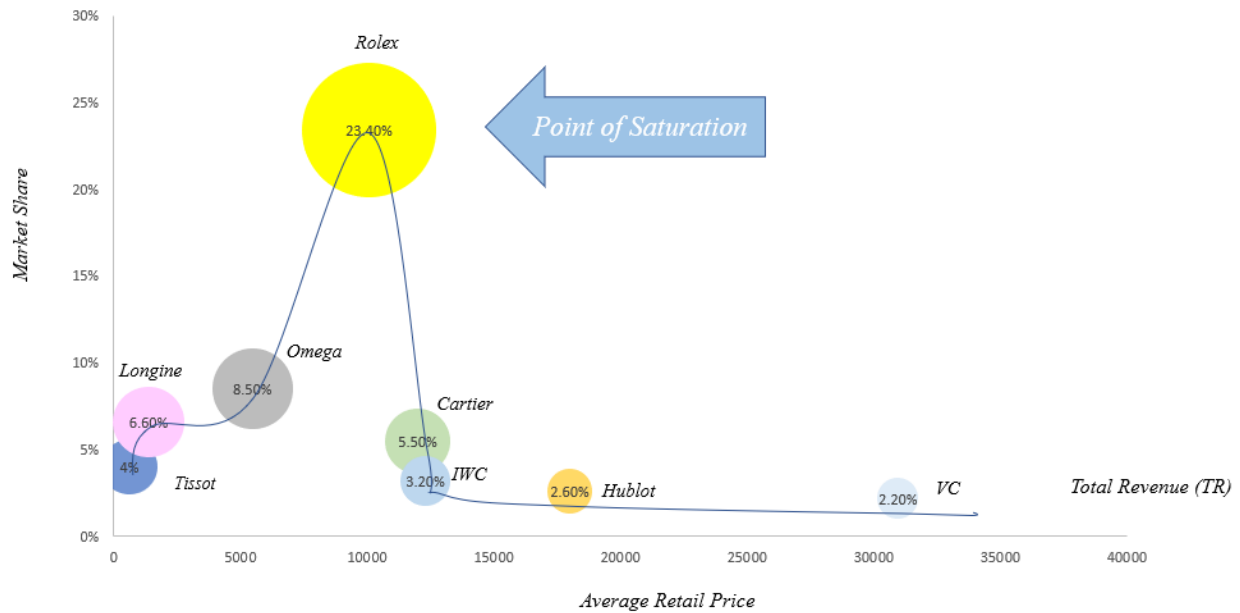


Figure-4: Relationship between Average Price Charged (in CHF) and Market Share of Top 8 Watchmakers

Interpretation:

Analysis of the relationship between the Average Retail Price (in CHF) and the Market share of the Top 8 Watchmakers shows that the Market share of Brands tend to increase as they increase their retail price to the retail price charged by Rolex (Point of Saturation), such that the Total Revenue of the brands increase simultaneously until it reaches the point of saturation. Following which when brands increase their retail price, their market share tends to shrink ultimately leading to a fall in the total revenue share of the brand.

This also indicates that the Average Retail Price Charged by Rolex is the sweet spot in the market for the Haute Horological Industry that Maximizes the revenue in the industry. However, one must be wary of the fact that in the Price Segment lower than the point of saturation price of the Swiss haute horological industry is where the 3 largest watchmakers belonging to the largest Swiss Watch Holding Company i.e., the Swatch Group operates, thereby making it difficult for the new entrants to compete with these giants because to maximize their revenue at lower price points, the new entrants have to consider sales maximization technique to maximize their revenue, which also results in the incurrance of high costs, taking into consideration that the new entrants won't have a consumer base and will have to build up their own reputation from the bottom.

Despite the retail price charged by Rolex maximizes the revenue in the Swiss Watch Industry, it's fairly reasonable to assume that new entrants cannot compete with a horological giant like Rolex because for years now the brand has single handedly absorbed one-fourth of the total Market Share of the Swiss Horological Industry by building a concrete market base for itself backed by a strong legacy and uniform industrial design.

Hence, it would only make sense for the New Entrants to charge a price which is higher than the saturation price because it come with a lot of benefits, namely, the brand doesn't have to concentrate on Mass Marketing, reducing the pressure to build more watches off the watchmakers, which would

also help ensure extensive quality control as at this price point, people/ customers aren't into watches to be treated like any other consumer durable but rather, if they are willing to pay such an exorbitant amount of money for purchasing a watch, it is a clear indication that such a person is a watch aficionado and appreciates higher horological pursuits. At this price point, all that brands have to do is come up with a unique selling proposition in terms of horological complication and there are chances that their pursuit would be recognized by the watch community, and since the competition in the higher price point is low as it caters to a niche clientele namely hard-core watch collectors, who have numerous watches in their possession and wear them in rotation, chances are that the buoyancy in the watch market would be slightly more buoyant at the upper echelon of the price segment.

This is the reason why the new independent haute horology ateliers are targeting this segment of the market and the evidence of the aforementioned interpretation can be seen in the pricing strategy of the widely acclaimed and respected Swiss Horological Ateliers like Richard Mille (Estd. 2001) which starts at a retail price of over \$60,000 (CHF 55,925), F.P. Journe (Estd 1999) which starts at a retail price of around \$26,000 (CHF 24,234), MB&F (Estd 2005) which starts at a retail price of around \$14,000 (CHF 13,049) etc.

(C) Relationship between Value retention in terms of collectability of the top 5 Swiss Watch brands in the secondary market and the average retail price charged in the Primary Market.

PRICE	SCORE
CHF <200	1
CHF 200-500	2
CHF 500-3000	3
CHF >3000	4

TABLE-5: RANKING OF RETAIL PRICE POINTS FOR PERCEPTUAL BRAND MAPPING OF TOP 5 SWISS HOROLOGICAL BRANDS

Source: Federation of the Swiss Watch Industry

BRAND HEIRARCHY	VALUE RETENTION SCORE
TOP TIER	7
ULTRA-LUXURY	6
LUXURY	5
QUASI-LUXURY	4
ENTRY-LEVEL LUXURY	3
GREAT WATCHES	2
DEPARTMENT STORE	1

TABLE-6: SCORE SHEET OF VALUE RETENTION OF BRANDS BY BRAND HIERARCHY IN SECONDARY MARKET.

Source: Chrono24.com

BRAND	PRICE (1-4)	VALUE RETENTION (1-7)	MARKET SHARE
ROLEX	4	5	23.40%
OMEGA	4	4	8.50%
LONGINES	3	2	6.60%
CARTIER	4	3	5.50%
TISSOT	2	1	4%

TABLE-7: PERCEPTUAL BRAND MAPPING OF TOP-5 SWISS WATCH BRANDS AND ITS VALUE RETENTION IN SECONDARY MARKET.

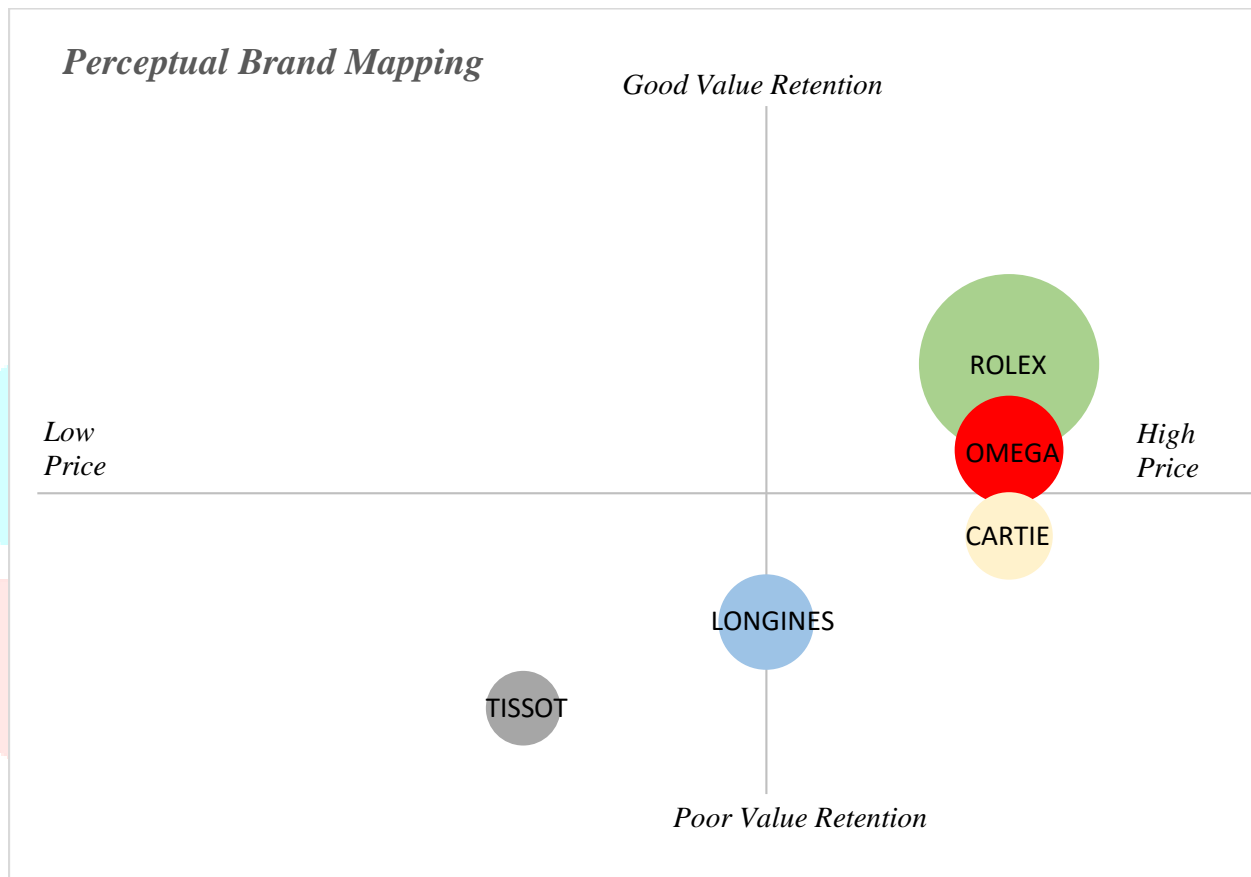


FIGURE- 5: PERCEPTUAL BRAND MAPPING OF TOP-5 SWISS WATCH BRANDS AND ITS VALUE RETENTION IN SECONDARY MARKET.

Upon closer inspection of the perceptual brand mapping of the Top 5 Swiss Watch Brands in Relation to the Score of Price Charged in the Primary Market and Value Retention of the Brands by Brand Hierarchy in the Secondary Market, it is observed that the Brands that Target the Mass Market and position themselves relatively affordably in the Primary Market do not Hold their Value in the Second-Hand or Secondary Market as these brands are perceived to be consumer durables rather than collectable items of artistic value.

A positive relationship can be observed from the Perceptual Brand Mapping of the relationship between Average Price Charged in the Secondary Market and Returns on Investments in terms of Value Retention in the Secondary Market. Hence, if new Firms wish to enter the Horological Market, they should position themselves at a higher price point, as watches that sell for a premium in the Primary Market, which can be achieved by restricted supply and intricate craftsmanship have a tendency to transform into collectable items in the Secondary Market. This rarity nudges a desire in the collectors to acquire such pieces and

thus sell for a premium in the Secondary Markets. And since these pieces sell for a premium in the Secondary Market, hence these watches become highly liquid items of investment.

Discussion

(D) Role and importance of Industrial design in Brand Establishment

According to the Swiss Watchmaking Report (2021), published by Delloite, pre-owned watches in the past decade has gained huge momentum in terms of their collectability and has given rise to a whole new Generation of Vintage watch collectors, and watch aficionados. This in turn has resurrected an unprecedented trend in the Primary Market for wrist-Watches i.e., Reissue of Vintage Inspired Horological Pieces.

Many Brands have identified an opportunity in the design aesthetics of the watches of the bye-gone era, capitalizing on buyer's fascination with the past.



Picture (*Left*): Longines Big-Eye from 1960s.

Picture (*Right*): Longines Big-Eye Reissue from 2018Picture (*Left*): Omega Speedmaster from 1969Picture (*Right*): Omega Speedmaster from 2021

Now that numerous Watchmakers are aligning their current line of watches with the catalogue of their Vintage Designs, Rolex has been doing this since the very beginning. This is the reason why Rolex Designs are taken as the archetypes for almost any field of watches be it Dive Watches, Dress Watches, Chronographs or Pilot Watches.

Industrial Design plays a crucial role in Brand Establishment, because it provides recognizable idiosyncrasy/Character to any Brand making the offerings of the Brand Instantly recognizable to the general public, which also helps people associate the design features with the Brands.

Picture (*Left*): ID in terms of distinct Grills of an Aston Martin CarPicture (*Right*): ID in terms of Triangular Shape of Toblerone Chocolate Bar

Cobb-Douglas Production Function:

- $X = b_0 L^{b_1} K^{b_2}$
- b_0 (Efficiency of Production) is the place where Rolex outperforms Omega.
- b_0 here would be Industrial Design of the Products offered rather than technological superiority.

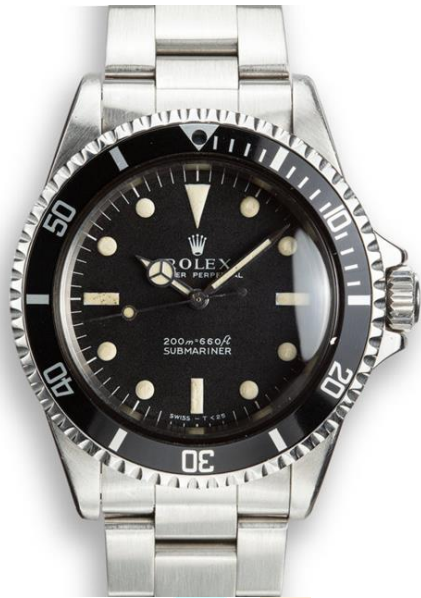
Rolex	Omega
<ul style="list-style-type: none"> • COSC Certified • 1000 Gauss • Soft-Iron Hairspring • Variable Inertia Rotor Plate held with screws 	<ul style="list-style-type: none"> • METAS CERTIFIED • > 15,000 Gauss • Silicon Hairspring • Variable Inertia Rotor Plate held with Ceramic Ball Bearings

TABLE-8: COMPARISON OF GENERAL TECHNOLOGICAL SPECIFICATION OF ROLEX AND OMEGA WATCHES.

On comparing the Top-2 Watchmaking Ateliers in terms of Market Size i.e., Rolex and Omega, the former makes relatively less technologically forward product than the later as illustrated in Table-8. Despite making far superior products, the later hasn't been able to compete with the former in capturing the majority of the market share.

A reason for this would be the general lack of awareness amongst the public about the technological specifications of a mechanical watch. People tend to put higher weight into aesthetics when considering buying a watch (Satheesh Kumar Rangasamy, 2021) and with the trend of Vintage Reissue (Deloitte, 2021), Industrial Design has been even more significant in the Watch-Making Business in today's day and age.

Rolex has been the Trail-Blazer in the Watch-Making Business when it comes to understanding the importance of Industrial Design and hence the Brand has always kept its catalogue of offerings simple and its Industrial Design Consistent.



Picture (*Left*): Rolex Submariner from 1960s

Picture (*Right*): Current Generation Rolex Submariner from 2020.



Picture (*Left*): Rolex GMT-Master from 1960s

Picture (*Right*): Current Generation Rolex GMT-Master from 2021.



Picture (*Left*): Rolex Date-Just from 1980s

Picture (*Right*): Current Generation Rolex Date-Just from 2021.

Hence the Key to Success in the Horological Industrial Setup is align the new product offerings with the vintage offerings while being consistent with the Industrial Design of the Watch Model. This showcases to the watch-collectors and watch-aficionados that the brand has confidence in its product offerings and sends forward a positive message which ultimately helps the brand remain buoyant in the market without being irrelevant. While the brands have the liberty to tweak its designs ever so slightly, however the principal design language should show consistency.

(D) Importance of a background story in Brand Establishment

Background Story plays a significant role in securing a distinct legacy of any brand which ultimately aids the brand to market its products. Its significance is even more evident in the watch industry where collectors perennially have always pegged watches to certain stories, more specifically distinct moments in History. Background Stories makes a watch even more collectible because it makes the item a conversation piece, allowing the collector to feel the gratitude of having the ownership of a piece of history.

Omega, for instance, was the first atelier to put a horological timepiece on the moon, more specifically the Speedmaster. Till this date, the model serves as the flagship of the brand, simply because it makes the owner feel special as to owning a piece of history along with joy of owning a professional instrument. This has allowed the brand to secure a name for itself in the legacy of not just high horology but also mankind.

Similarly, Rolex has been sponsoring major milestones throughout history (Business Insider, 2016) with fiats to its name like first diver watch, first watch worn on Mt. Everest, Watch of Choice of James Bond etc. This leverages the recognizability of the brand thereby leveraging Brand Equity.

This marketing technique is fairly effective because the brands do not have to resort to falsified stories presented using professional cinematography to appeal its customers, as history would be the witness in

support of the testaments of its claims which allows brands to invest less in advertising and more in product development.

Conclusion

This paper is a testament to the postulation that Marketing is the most Visible Component of any Business. This is especially evident in the Swiss Horological Industry, wherein the watches being produced in Switzerland does not derive its value based on Tangible factors and rather derives its value based on Intangible factors.

The demographics (niche clientele) that is targeted by the industry values not only consistency in Industrial Design, but also, a good background story so that the watch they own isn't just any ordinary consumer durable commodity, but is actually a conversation piece. These are intricate idiosyncrasies of the Swiss Horological Market that brands have to keep in mind in order to stay relevant in the competition and ensure their buoyancy in the market in the long-run.

Also, the paper elucidates that it is in favor of the new entrants to target a niche clientele and price their products as high as possible, because namely, the new entrants don't have to concentrate on Mass Marketing, reducing the pressure to build more watches off the watchmakers, which would also help ensure extensive quality control as at this price point, people/ customers aren't into watches to be treated like any other consumer durable but rather, if they are willing to pay such an exorbitant amount of money for purchasing a watch, it is a clear indication that such a person is a watch aficionado and appreciates higher horological pursuits. At this price point, all that brands have to do is come up with a unique selling proposition in terms of horological complication and there are chances that their pursuit would be recognized by the watch community, and since the competition in the higher price point is low as it caters to a niche clientele namely hard-core watch collectors, who have numerous watches in their procession and wear them in rotation, chances are that the buoyancy in the watch market would be slightly more buoyant at the upper echelon of the price segment.

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