

The Case of Rolex: A Study in Competitive Strategy, Longevity, Valuation and Full Potential Using a Comprehensive Model of Firm Valuation

I. Introduction

This article has been a labor of love. I think Rolex is a vivid example of seeing a firm's competitive strategy, its longevity for employees, suppliers and other stakeholders and its ongoing valuation for owners/shareholders in dynamic play over time. All of this as it reaches its current Full Potential and then continues to morph to a new Full Potential in a never-ending cycle. Rolex is what is called a dominant product company. This means it basically sells only watches and related services. Thus it is not like General Electric and others that have multiple unrelated business units. This further helps Rolex to be an excellent case study.

This article will apply my comprehensive causal model of firm valuation to Rolex. I could have used other premium products like jewels and jewelry, writing pens, automobiles, firearms and musical instruments. These can all exhibit premium prices and have something that customers find very valuable for such prices. You can add your favorite premium products and services to this list.

I also think the dynamics of my model play out more easily for a premium-priced differentiator than for low cost/low price or commodity type of products. Most adults in the developed world know of the brand of Rolex and can more easily identify with what we will discuss in this article, especially if one owns a Rolex or other premium brand watch.

As for my personal affinity for the brand of Rolex let me give you a quick story. My father passed away in the summer of 2016. When my brother and my sister-in-law were going through some of his things at his home, they found a Rolex watch we did not know he had. The crystal was broken and for some reason he did not wear it anymore. I obtained the watch during the reading of his estate and took it to our certified Rolex watch repair store in our city. They replaced the crystal, cleaned the internal workings and buffed the stainless steel band to brilliant luster for \$600. They also checked the serial number and easily found via the Rolex store website that the watch was made in 1951, a year after I was born. I wear the watch on occasion and over time I have noticed special things about it. The way light reflects off of the face and numbers, the shear, smooth luster of the band, its heavy weightiness and presence all impressed and still impress me. Such is the allure of a finely crafted product. My father's watch was not of the super high end of price point for Rolexes in 1951. But I learned I could sell the watch as of October 2020 for \$6000. This is one of the attributes of many premium products that interest me: how they appreciate over time in value.

So I thought I would apply my comprehensive model to Rolex. You can use it to understand my model and if you find it useful can use this case study to do your own case study of your firm. I

think key insights will emerge for you that will be new and cannot be had currently by any other framework of which I am aware. I know this seems boastful, but this is the way I see other useful but in some aspects deficient frameworks. You will be the judge. OK let's get started.

II. Process to Analyze Rolex

Here is a link to an article I published earlier in 2020 on the comprehensive causal model of firm valuation as it moves to its Full Potential:

<https://billbigler.com/notes-on-growing-wealth-in-the-for-profit-firm-2020/valuation-and-stock-prices-in-these-crazy-times/>

Following the Wave ordering of that article I will present the model in five Waves and put them together for the comprehensive model at the end of that section of the article. You will notice the number of each Element in this article is not in numerical order. They correspond to the numbering in the Wave model. Also note some of the Elements are repeated in the Waves for emphasis of their role in the overall causal model. Here are the steps in the article:

1. I will briefly describe and discuss each of the Elements in the five Waves in terms of what I can know or glean about Rolex from published sources. I did not even try to approach Rolex for interviews for this article. What I have read about this private company is that it is very secretive. I felt my offer to conduct interviews would be declined so I have relied on published sources. For those Elements where I cannot find much definitive information, the font will be in **Blue** and I will make a reasoned guess as to the content of that Element. And you will see most of the Elements descriptions are in **Blue**. This is suboptimal but should not be a concern given the purpose of this article, which is to demonstrate how my causal model works and most importantly how you can apply it to your firm. For definitive information that I did find from published sources, those Elements' font will be in Black.
2. We will discuss what causation is in business by way of a link to a short article I published a short while ago. A key feature in this article is to grade each Element's "Strength of Causal Influence". This is the speed of and the impact that a Causer Element has on a Causee Element. The grades in this article in general and for Rolex in particular are based on my average experience and proof over the last twenty years when I first started measuring causal impacts. The grades are High, Moderate and Low causal influence. Note just because an Element has a low Strength of Causal Influence does not mean it is not important. Element #12. Current Supplier Satisfaction is one of those kinds of Elements. These kinds of Element causation are "sleeper" in nature. That is the low or weak impact can remain unnoticed for a while. But it can rear its ugly head if left unattended for too long if the satisfaction is low.

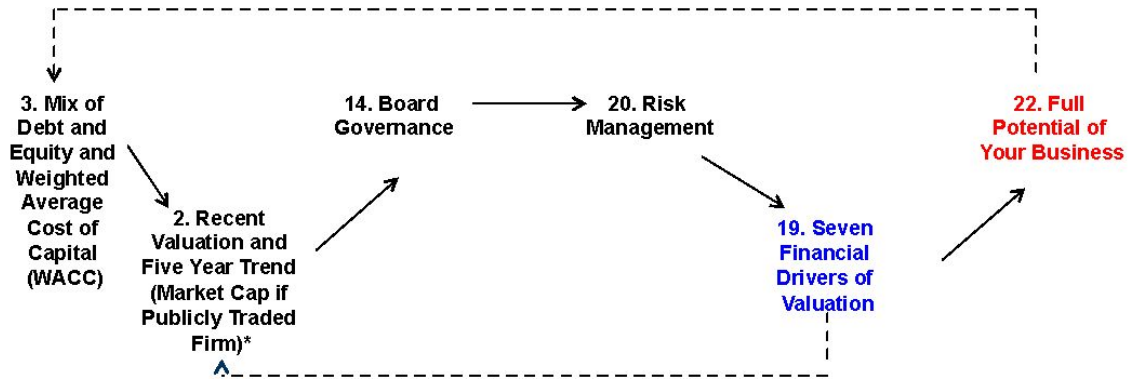
I will also assess the Implications for Rolex As of 2020 as **Good, Neutral or Bad**. This assessment comes from isolating the Strength of the Causal Influence in General with what is going on at Rolex currently, given what I can know from published sources. For example if the Strength of Causal Influence in General is High and Rolex has problems with this Element, the current situation would score Bad for Rolex. Conversely, if the Strength of the Causal Influence in General is High and Rolex has a good solution for that Element the current situation would score Good at Rolex. For those Elements where the Strength of the Causal Influence in General is Low to Moderate and Rolex has problems with this Element, the current situation would score Neutral. Rolex would have ample time to fix the problems in that Element.

3. After #s 1 and 2, I will make an assessment of Rolex's potential to grow its valuation from \$7.6 billion in 2020 as it moves to my view of its Full Potential. Note we will not discuss the feedback causation from the Full Potential back to the other Elements designated by dotted lines. This feedback causation shows that the current attainment of a firm's Full Potential triggers further rounds of activity and causation in the designated Elements. A discussion here would only lengthen our discussion and is not necessary for the purpose of this article.
4. Finally, I will briefly offer a procedure by which you can assess your firm's ability to grow its valuation as it moves to its Full Potential from a baseline number based on the learning in this article.

III. The Five Waves and Observations About Rolex

A. Wave 1 - Finance and Governance Mix

Causal Model: Wave 1 – Finance and Governance Mix



* Measure rolling trend over any last five year period. Label **Valuation Creator**, **Destroyer** or **Steady State Firm**

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3. Mix of Debt and Equity and Weighted Average Cost of Capital (WACC)

Most private firms dislike debt. So I am guessing 20% debt and 80% equity as the capital structure. I think a WACC of 9% would be a good ballpark guess.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

2. Recent Valuation and Five-Year Trend (Market Capitalization if Publicly Traded Firm)

In 2020, the Rolex brand was valued at approximately \$7.9 billion U.S. dollars. In comparison, the brand's valuation was \$6.4 billion U.S. dollars in 2018 so it has grown. But this valuation is very small compared to Apple's \$2 trillion in valuation in 2019.

Rolex had annual sales estimated at \$5 billion to \$8 billion in this same time period. So the Value to Sales ratio is about 1 to 1. A rule of thumb is a firm should be valued at about 2 times revenue. If it does, it suggests Rolex should be valued at about \$16 billion. So a low of \$8 billion and a high of \$16 billion is a good baseline from which to predict the growth potential in Rolex

valuation. As I mentioned above, Apple is valued at \$2 trillion in 2019. It does not matter how small Rolex is in comparison to anyone else. The key is if Rolex generates Free Cash Flow Return on Investment greater than its WACC at its current level of revenue. This is the acid test to demonstrate potential to grow its valuation from the \$8 to \$16 billion valuation of Rolex in 2020.

Strength of Causal Influence in General: Moderate

Implications for Rolex in 2020: Bad to Neutral

14. Board of Directors' Governance

My guess is the Rolex board is a very traditional established firm board of directors. That is it is made up of people of impeccable titles and prior track records. It would have the usual board committees. My sense is the board would not make waves and would act in a very "gentlemanly" fashion, even though there may be women on the board. While such a board is adequate during normal times, during times of a crisis it may be out of its element.

Strength of Causal Influence in General: Moderate

Implications for Rolex in 2020: Neutral

20. Risk Management

Industry reports have said that Rolex is faring better than most of its competitors in this Coronavirus period when many watch companies have been greatly negatively affected. We can only infer that its Risk Management efforts are adequate to very good.

Strength of Causal Influence: Moderate

Implications for Rolex in 2020: Neutral

19. Seven Financial Drivers of Valuation

Except for revenue of \$5 to \$8 billion in the 2018 to 2020 time frame and my guess of 9% WACC, I have no more information on the other Financial Drivers of Valuation. The data we would like to have is shown in Figure 2:

Figure 1: Seven Financial Drivers of Firm Valuation

• Sales growth rate (Price X Quantity Sold)	↑	Direction Required for Contribution to Increasing Company Value
• Operating profit margin (Lower Costs)	↑	
• Tax expenses	↓	
• Incremental working capital (investment needed to drive sales Increase)	↓	
• Incremental fixed capital (investment needed to drive sales increase)	↓	
• Minimum Required Rate of Return = Weighted Average Cost of Capital	↓	
• Competitive advantage duration period	↑	

Adapted from Al Rapaport *Creating Shareholder Value: the New Benchmark for Corporate Performance*, 1986, 1998 rev.

The Drivers of Sales Growth Rate, Operating Profit Margin Growth Rate, Tax Expenses and Incremental Working and Fixed Capital Investment are pretty straightforward.

Let me say this about the Competitive Advantage Period (CAP). This is the length of time into the future that Rolex, or any for-profit firm, can expect a favorable direction in the first six “Drivers”. This is due to Rolex gaining certain sustained competitive advantages, even over the large number of premium watch competitors (46) listed in the Appendix. Looking at my entire analysis to follow, I conclude that Rolex’s CAP is of sufficient duration as to give it a very favorable foundation from which to prosper and reach its evolving Full Potential.

Strength of Causal Influence in General: High

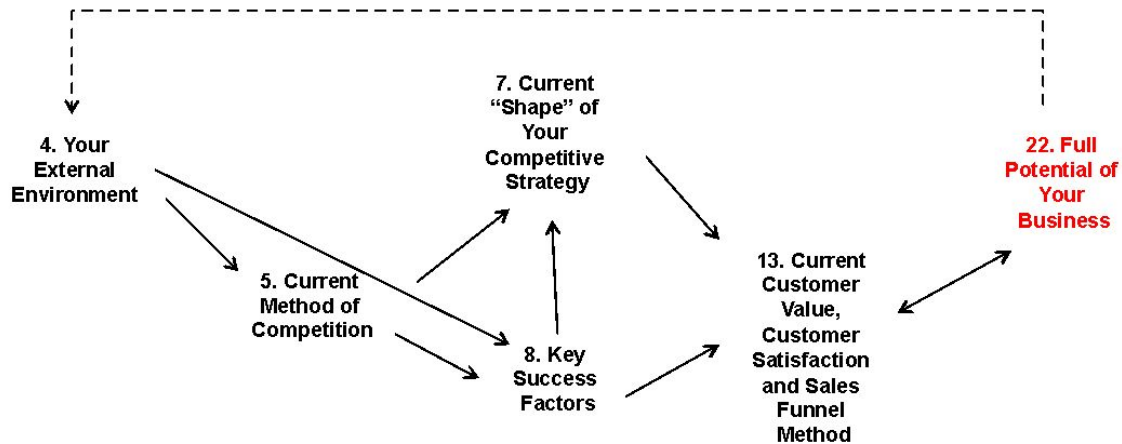
Implications for Rolex in 2020: Indeterminate From My Research

22. Full Potential of Rolex

Element #22 is included in all of the five Waves. I will discuss this Element in Wave 5 to provide my assessment of Rolex Full Potential as of 2020.

B. Wave 2 – External Environment, Competitive Strategy and Customer Mix

Causal Model: Wave 2 – External Environment, Competitive Strategy and Customer Mix



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4. Your External Environment

I grade an external environment of a firm as **Friendly**, **Lukewarm** or **Nasty**. This assessment is derived from 15 Dimensions of Environmental Carrying Capacity (ECC). The notion of ECC builds from Dr. Michael Porter's classic Five Forces of Industry Competition, first published in 1979, 1980. My assessment, based on various industry reports, is that the External Environment for Rolex and its competitors is **Lukewarm and Favorable**. Here are the 15 Dimensions of ECC and the ones in Red are the ones we will focus on here:

1. Degree of Order and Rationality
2. **Abundance of Input and Demand Resources** – supply of inputs from suppliers is adequate as there are many from which to choose. Demand from end users through the retailers for premium watches is steady. See Appendix II for data on population numbers in the various

generations. My assessment is the number of new younger customers for premium watches is adequate for the entire group of competitors to at least keep each firm's annual sales steady, if not growing by a small amount. **Good for ECC.**

3. Size of Industry Revenue Pie – small to moderate. This is consistent with a group of competitors who are high-end and high-priced boutique type players. **Lukewarm for ECC.**
4. **Projected Growth of Industry Pie** – a very modest 1 to 2%. **Lukewarm for ECC.**
5. **Industry Supply-Demand Balance** – demand and supply of finished watches from the many competitors is balanced. That is supply does not overwhelm demand and that demand does not outstrip supply. **Good for ECC.**
6. **Hostility of Competitors** – while there are 46 competitors in the premium part of the watch industry (See Appendix I) there appears to be very little hostile competition. **Good for ECC.**
7. **Entry Cost Into the Space** – is high. **Good for ECC.**
8. Interconnectedness of the Community
9. External Community Policing Costs
10. Turbulence/Dynamism in the Space
11. Degree That the Space is Controlled By a Few Competitors
12. **Diversity of the Competitors** – the diversity of the current premium watch competitors is very low. That is, they all appear to offer premium mechanical watches that appear much the same in terms of fit, fashion and quality. **Bad for ECC.**
13. **Degree of Industry Complexity** – given that high-spec premium watch manufacture is known to all of the competitors, the degree of industry complexity is low. **Bad for ECC.**
14. **Length of Industry Intellectual Property Protection** – even with patents, the length of industry IP protection in years is small to medium. **Lukewarm for ECC.**
15. **Industry Technology Pace** – is slow to moderate. **Lukewarm for ECC.**

Based on my assessment of ECC, Rolex and its group of competitors should have a relatively easy space in which to compete for the next five to seven years. This is good for Rolex valuation growth, as well as for its competitors, as each moves to its Full Potential.

Strength of Causal Influence in General: High to Moderate

Implications for Rolex in 2020: Good

5. Current Method of Competition

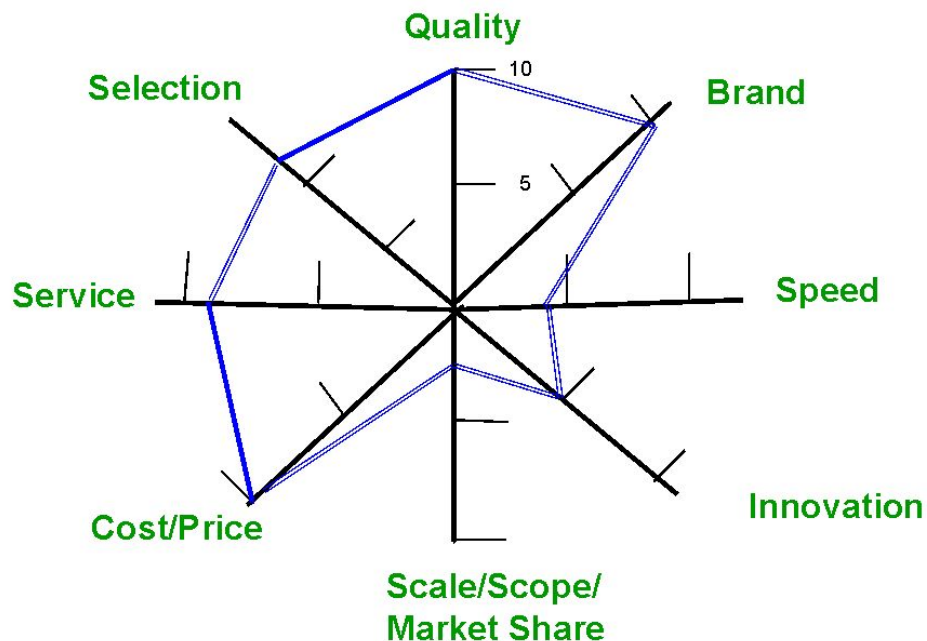
Pretty clear here that the Method of Competition is one of the premium priced Differentiators. Clearly the low cost/low priced method of competition is not a choice at all among the many premium prices competitors.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

7. Current “Shape” of Your Competitive Strategy

Figure 2: Rolex Shape of Competitive Strategy



Adapted from: Mariotti, *The Shape Shifters*, VNR, 1997

Notice each of the eight Dimensions in Figure 2 is scored from 1 (Low) to 10 (High) with 5 being Moderate. ***This could be the Shape of any of Rolex's premium watch competitors as well.*** The benefit from the notion of the Shape of a Competitive Strategy demands that a firm have a unique shape, to some degree, as compared to its key competitors. The only Element of Shape

here I can deduce is unique is the global brand of Rolex. As the reader can see, I assess Rolex's shape as:

1. Quality – of the highest
2. Brand – Worldwide recognition of logo and brand. As a side note and one of which I am not proud, I had never heard of many of the premium watch brands listed in Appendix I before I started my research. This could attest to my lack of class or the fact that there are many premium watch companies.
3. Speed – being a traditional company, I assess Rolex is probably fairly slow at new technology development, fairly fast at new watch model design and introduction and very fast at new customer service capability, which is service to the certified retailers and certified watch repair shops. However, I am doubtful as to whether many new services or information-enabled services are left on which to compete. But one will figure into my assessment of Rolex's Full Potential, discussed in Wave 5.
4. Innovation – not terribly innovative in the sense that *brand new watch technology and services* are ideated, developed and brought to market *frequently*.
5. Scale/Scope/Market Share – very to fairly small
6. Cost/Price – very high
7. Service – good to excellent
8. Selection – adequate to good

Whether Rolex has a unique enough Shape compared to key rivals to allow it to flourish in years to come is an open question in my mind. It will come into play in my discussion of Rolex's Full Potential.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Bad

8. Key Success Factors

Key Success Factors are related to the **Shape of the Strategy** and **Organizational Capabilities** discussed in Wave 5. *Key Success Factors* are things in the industry (or competitive space as I like to refer to industry now) that are key for achieving performance in the mid term. While the Key Success Factors at any given time are the same for all competitors, each firm solves them (or should solve them) differently and uniquely.

Organizational Capabilities (discussed in Wave 5) are complex and interconnected processes, procedures and routines that are related to the Key Success Factors and the Shape of the Strategy, but are more tactical in nature. They are almost always very operations oriented as well, if we include R&D and new product/service development as part of operations and not

have a separate identity in the organization chart. *And they are articulated at a level of granularity that makes them very difficult for a competitor to copy in the short to mid term.*

My guess as of 2020 for the Key Success Factors for the Industry and Rolex are:

1. Brand distinguished sufficiently from key competitors brands.
2. Quality as adherence to published specifications and fit and finish.
3. Customer Service to retailers.
4. Rate of new watch model introduction (i.e. refurbish the watch selection at an appropriate rate).

My assessment of Rolex is that it is positioned strongly against the first three Key Success Factors. It is only adequately positioned against #4. Whether Rolex will have to increase its rate of new model watch introductions will have to be seen and will be a part of my analysis of Rolex's Full Potential.

Strength of Causal Influence in General: Moderate

Implications for Rolex in 2020: Good

13. Current Customer Value, Customer Satisfaction and Sales Funnel Method

Customer Value and Customer Satisfaction are different but related in my view and experience. Please see my previous article () for more detail. I think customers enjoy large amounts of customer satisfaction, whether they are the retailers or the end consumers buying and wearing a Rolex. The perception of Value received could vary among different end consumers. At the high end of premium priced Rolex watches, some customers could momentarily question whether they have received Value for their \$30,000 to \$300,000 or more purchase. Of course the retailer loves the high price points to the end consumer but it depends on what they paid Rolex to be able to offer the watch in their store. I could not find data on retailer margins.

The inclusion of the Sales Funnel in this element is intentional although may seem out of place. Based on the assessments of Customer Value and Satisfaction, I have found it useful to assess the approach to the Sales Funnel and the actual opportunities in its pipeline. For Rolex this aspect is seen in the Sales Funnel of Rolex to its retailers. I doubt if Rolex has a Sales Funnel for end consumers although they might portray this data for marketing purposes. For instance they might group customers in terms of the contexts for wearing a Rolex. Wearing a Rolex at a formal dinner, sports venue, to and at work, an early informal evening of cocktails, etc. could group end users in meaningful ways for targeted marketing efforts.

Unfortunately I could find no information on Rolex's Sales Funnel or Pipeline. May guess is at the \$5billion in annual Rolex sales over the last few years and expected growth that the Sales Pipeline must be in adequate to good shape.

Strength of Causal Influence in General: High

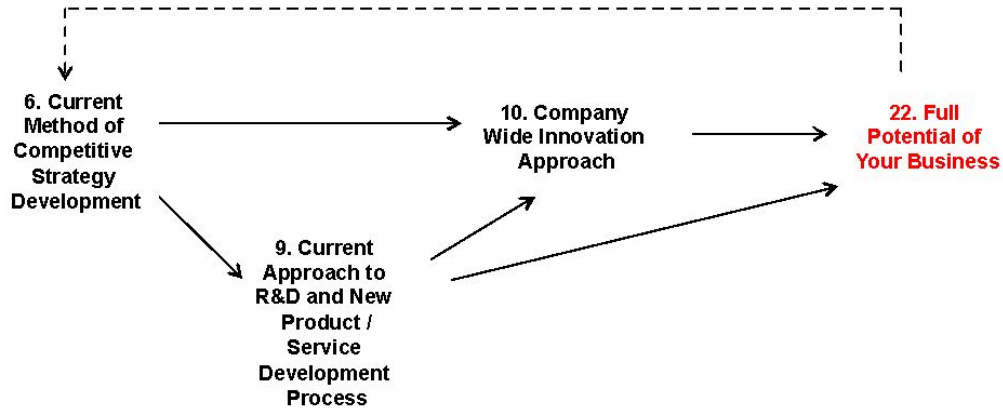
Implications for Rolex in 2020: Good

22. Full Potential of Your Business

Forthcoming below.

C. Wave 3 – Strategy Development and Innovation Mix

Causal Model: Wave 3 – Strategy Development and Innovation Mix



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6. Current Method of Competitive Strategy Development

My guess is Rolex may not have a strategic planning group to oversee some form of an annual strategic planning process. My guess based on other articles and comments is that probably a small group at the top of Rolex formulates its strategy in a series of meetings throughout a given year. These meetings may not even have a set annual schedule – they are just called when needed. Why do I assess Rolex this way? Private (i.e. non-publicly traded firms) usually view formal strategy development processes as a bother. If this is the reality at Rolex it seems to be working for them as evidenced by its valuation and the growth of its valuation from 2018 to 2020. But this could impair Rolex to some degree as it moves to successive notions of its Full Potential.

Strength of Causal Influence in General: Low to Moderate

Implications for Rolex in 2020: Neutral to Good

9. Current Approach to R&D and New Product/Service Development Process

I have had to think very hard about this Element given the snippets of information gleaned in my research about Rolex. Most certainly its approach to R&D is heavily technology oriented. And here I do not mean digital watch technology. I mean the technology around the age-old workings of a finely crafted mechanical watch. How much can be added to the current knowledge and applications of the mechanical watch is hugely important to Rolex's successive notions of its Full Potential. As far as a New Product/Service Development Process goes, my guess is it very traditional. That is, marketing is involved with the scientists to develop new products and services that fit with the brand promise and brand identity. They also conduct traditional market and customer research with both the certified retailers who sell their products and the end consumers who buy their products. Although on a personal note, I bought my wife a midpoint priced Rolex for Christmas in 2018. Neither the local retailer nor Rolex corporate marketing has contacted my wife about her level of satisfaction, insights about the product, etc. She has not had the occasion yet for repair or cleaning, but this will be a *touch point* of customer value and satisfaction I am interested in personally monitoring. I am sure the full range of normal support services are provided to Rolex's retailers. In perusing the Rolex website, customers are funneled to the retailers in the customer's geographic area for information and warranty, etc. and are kept away from a corporate website, which I could not find.

Strength of Causal Influence in General: Moderate

Implications for Rolex in 2020: Neutral to Good

10. Company Wide Innovation Approach

I would be surprised if there is a Company Wide Innovation Approach at Rolex. Consistent with what I have found and for which I have had to make a reasonable guess, Rolex is a very traditional smaller established firm. I do not think they would view getting people from all over the firm involved with innovation as a value-add. I could be very wrong though with this assessment.

Strength of Causal Influence in General: High

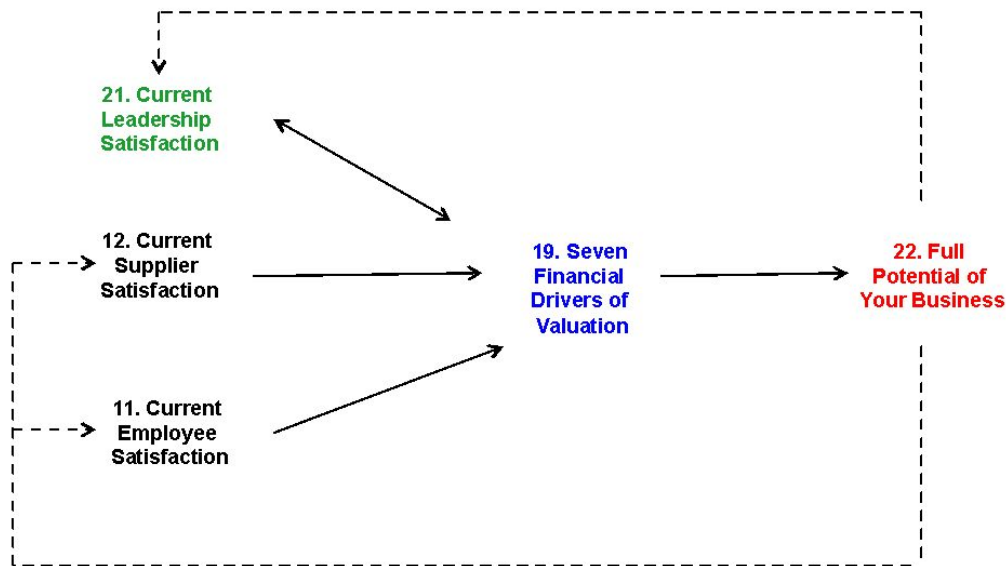
Implications for Rolex in 2020: Bad

22. Full Potential of Your Business

Forthcoming below.

D. Wave 4 – Current Satisfaction Mix

Causal Model: Wave 4 – Current Satisfaction Mix



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12. Current Supplier Satisfaction

I think this Element must at least be adequate. I found no articles suggesting dis-satisfaction among suppliers. This is the group that provides the basic components for a finely crafted mechanical watch to Rolex and the other premium watch brands. Given the high number of high-end mechanical watch competitors listed in Appendix II and the relatively small size of each competitor, my guess is suppliers have the freedom to sell their inputs to competing firms. This is good for them and must lead to sufficient supplier satisfaction.

Strength of Causal Influence in General: Low to Moderate

Implications for Rolex in 2020: Good

11. Current Employee Satisfaction

Rolex in 2020 has between 5,000 to 10,000 employees. From perusing reviews in Glassdoor, employees appear to be very satisfied working at Rolex. I found no articles on unexpected turnover at Rolex, attempts to unionize (or further unionize if unions are already present, which I could not confirm a union presence) or any sensational happenings exhibited by disgruntled employees. At Glassdoor 94% of the reviewers had high respect for the CEO.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

21. Current Leadership Satisfaction

Given my prior observations and guesses, my sense is the satisfaction among the leadership at Rolex must be at least adequate. This is relative to any degree of satisfaction expected from a group of professional executives who possess the trappings of power, prestige and ego. Many of these kinds of people are always open to the next highest bidder and would leave their current employer for a competitor. I may be way off here but my experience at other fashion oriented boutique firms is that the top management teams are best portrayed as a group of feudal barons or baronesses who are mostly loyal to themselves. And the group who reports to them is being chosen and developed in the same way. However, as long as things are going well this kind of leadership team can be cordial and experience and express a kind of current satisfaction and propensity to stay at their current employer. Of course equity incentive compensation could cause executives to stay (make them “sticky”) unless they were given a better deal from which they could not refuse.

Strength of Causal Influence in General: Moderate

Implications for Rolex in 2020: Neutral to Good

19. Seven Financial Drivers of Valuation

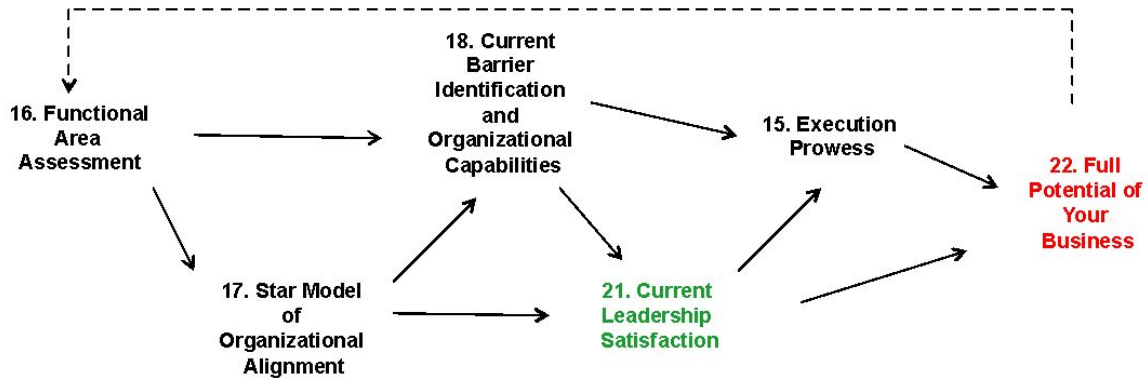
See Wave 1 analysis.

22. Full Potential of Your Business

Forthcoming below.

E. Wave 5 – Alignment, Barriers and Execution Mix

Causal Model: Wave 5 – Alignment, Barriers and Execution Mix



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This Wave is chock full of content. We have already discussed Element #21. Current Leadership Satisfaction and will discuss #22. Full Potential for the first time here.

16. Functional Area Assessment

As I have mentioned above, I think Rolex is a very traditional kind of company. I and as I have stated it may or may not have a formal strategic planning process. And progression up the ladder in terms of people promotion is probably slow and methodical (confirmed by many Glassdoor comments).

So my guess as to Functional Area Assessment would be all of the departments in its likely functional structure (R&D, marketing, HR, manufacturing/watch assembly, operations, sales,

after sales service, etc.) are at least adequate to the task and filled with adequately trained and motivated people.

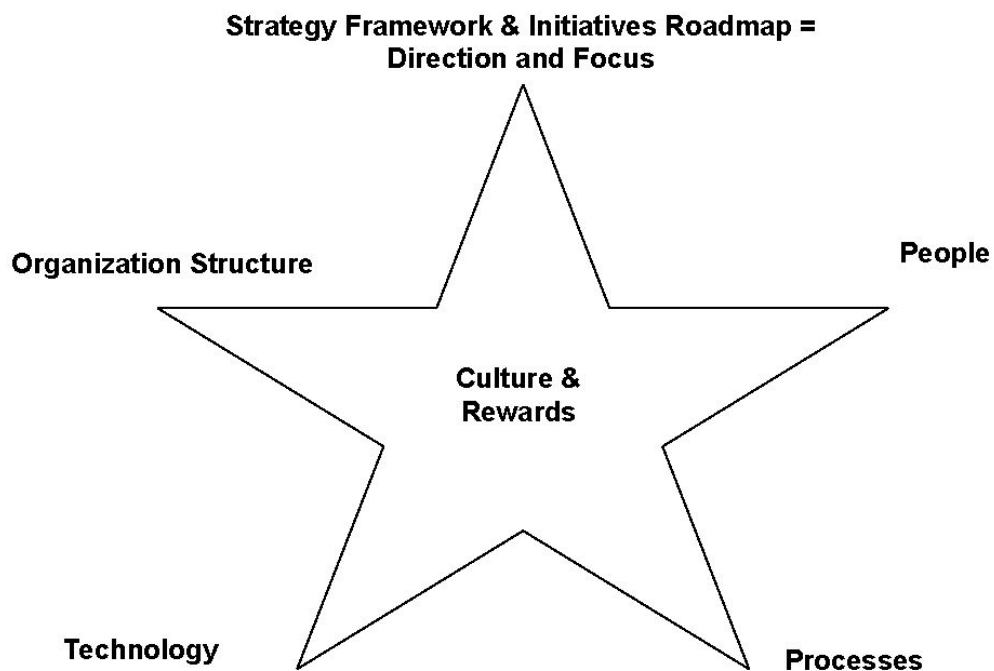
Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

17. Star Model of Organizational Alignment

Figure 3 represents a much-used model or framework for Alignment. There is some confusion of who first developed this but I have used it for over thirty years and have adapted it slightly for my purposes:

Figure 3: Strategy and Organizational Alignment – The Star Model



Again, unfortunately I will have to make a guess on the status of this figure at Rolex. And again as a traditional firm, I think the five Elements of Organization Structure, People, Technology, Processes and Culture and Rewards have traditional solutions and are adequately aligned among themselves and with the Strategy Framework and Initiatives Roadmap.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

18. Current Barrier Identification and Organizational Capabilities

Barriers

In my 2004 book *The New Science of Strategy Execution: How Established Firms Become Fast, Sleek Wealth Creators*, I outlined four kinds of Barriers found in every established firm. These are listed in the order of most easy to identify and remove to the most difficult:

1. Subject Matter Barriers
2. Process Barriers
3. Structure Barriers
4. Culture Barriers

See my previously published article () for more detail on these kinds of barriers. The first three kinds of barriers are pretty straightforward. We normally think of Culture as the positive glue, which holds the firm together. This glue consists of the true beliefs and values that drive the behavior of people in a firm. But when Culture turns negative and poisonous it can be extremely difficult to identify root causes and how to remove the culture barriers. [Again based on my research into Rolex, I think the firm has an adequate handle on its barriers and has the culture \(this time in the positive use of the word\) to allow their identification and removal.](#) I did read in Glassdoor of some politics being reported by some of the respondents, but not any more than you find at any other firm being reviewed by anonymous employees.

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Good

Organizational Capabilities

As I mentioned in the discussion of Wave 2 under #8. Key Success Factors, Organizational Capabilities are:

Complex and interconnected processes, procedures and routines that are related to the Key Success Factors and the Shape of the Strategy, but are more tactical in nature. They are almost always very operations oriented as well, if we view R&D and new product/service development as operations. And they are articulated at a level of granularity that makes them very difficult for a competitor to copy in the short to mid term. I really wish I had more direct information about this at Rolex as to discuss Organizational Capabilities broadly does them an injustice.

Consider the **example of Organization Capabilities at Frito-Lay**:

1. Rapid, highly successful flavor innovation
2. Development of local customer and retail marketing campaigns
3. Direct store delivery
4. Consistent manufacturing and continuous improvement

Notice how granular, operations oriented and practical these four Organizational Capabilities are. The key here is that these processes, procedures and routines are unique to a firm **and are hard to copy by competitors in the short to mid term**. Coming from my assessment of Rolex's Key Success Factors and the Shape of Its Strategy (Wave 2), and following the example from Frito-Lay in the specificity of description, here is my guess at Rolex's Organizational Capabilities as of 2020:

1. Rolex's frequent and effective reading of end customer's evolving needs and wants with respect to new watch models by frequent information gained from its certified retailers. Rolex does this in a very cost effective manner to be included as an Organizational Capability. Rolex probably gains this customer information before customers know what they even want or need. But the key here is not dictating needs and wants but having new watch models ready that customers will buy. Note Rolex could develop a watch for a global celebrity that it would then try to leverage in further sales. But my research found this to be rare.
2. Providing the utmost in watch quality as assessed by conformance to published specification in a way that is cost effective and with very little rework and with respect to fit and finish consistent with a prestige product. Maintaining quality at Rolex must be an ongoing issue for a mechanical product with so many parts and manual steps in the watch making process.
3. Rapid extension of Rolex brand recognition to all new products, services and public relations activities in a way that relays a "wow" factor. Rolex's excellent use of its brand at the British Open golf tournament every year is a good example.
4. Providing near instantaneous and hassle free customer service to retailers and thereby end consumers in the few times a Rolex needs repair or even replacement.

What is interesting from my assessment is that these four Organizational Capabilities could be listed for many of its direct competitors. So I hypothesize there has to be a unique "secret sauce" that I am missing or that I am not articulating these four Organizational Capabilities with the subtleties to convey a uniqueness that is hard for competitors to copy. **My hunch is that the secret sauce will revolve around certain People Attitudes and Motivation and unique Skill Sets at Rolex.**

Strength of Causal Influence in General: Super High

Implications for Rolex in 2020: Bad to Neutral

21. Current Leadership Satisfaction

Discussed in Wave 4.

15. Execution Prowess

Execution Prowess does unite our conversation and assessment of #16. Functional Assessment, #18. Barriers and Organizational Capabilities and #17. Organizational Alignment. But it is much more as well. As I mentioned, this is the topic of my 2004 book *The New Science of Strategy Execution* and that more, for me, is the installation of an executive process that I call the Initiative Management Process (IMP). The essence of this process is to bring venture capital disciplines inside of the established firm. [I hypothesize Rolex approaches strategy execution very traditionally and does not use an internal venture capital like process.](#)

Strength of Causal Influence in General: High

Implications for Rolex in 2020: Neutral to Good

22. Full Potential of Your Business

The Full Potential of your business (FPOYB) is the practical best your firm can become at any point in time. ***This is not some abstract concept but a practical view of what can be reasonably added to your base business over the next three to five years.***

Here is how we have made the concept of the FPOYB operational:

1. Describe your business *today* in practical strategic, operating and tactical terms. We call this your firm's Base Business Situation (BBS). Example descriptors could be: current products and services offered, current geographic coverage, current production methods, current process configurations, etc. Your BBS is an objective statement of what is. Recall we have twenty-two tested aspects of your Base Business Situation that also describe your firm's possible next Full Potential. You can use or make your own depiction.
2. Describe what could be practically and realistically ***added to this base*** over the next three to five years. Examples include new geographies served, new products and services, new materials used in your manufacturing process, repurposing assets, using more idle assets, becoming more entrepreneurial in your culture, etc. Decide also what must or could be taken away from this Base Business Situation.

Let me make two crucial points. Firstly, we are not suggesting adding willy-nilly things to your BBS. We need to add things onto a robust and healthy BBS. If your BBS is deficient and/or faulty, you do not want to throw good money after bad at it. You should work to fix the BBS before deciding what could be practically and realistically added. In fact this approach of throwing good money after bad usually destroys your firm's Valuation and thus should be avoided at all cost.

Secondly, the descriptors for your Base Business Situation and the FPOYB should be able to be associated with one or more #19. Seven Financial Drivers of Valuation. This is the whole point of this exercise – to be able to grow your firm's Valuation while moving to its Full Potential.

The following is pure conjecture. Rolex may have implemented these two ideas twenty years ago for all that I know. But what follows is a tip of the iceberg *example of the kind of dialogue that should happen*, in my view, every week at a firm as it tries to articulate and then move to its Full Potential.

I think Rolex's Full Potential could **firstly** rest somewhere around leveraging and strengthening something it is doing with its current certified retailers *jointly*. I think opening relatively few Rolex Stores, as Apple has done with its Apple Stores, would be unwise. It would alienate their certified retailers and cause them to focus on other premium watch brands to the exclusion of Rolex. Indeed most certified retailers sell other brands of premium watches anyway. But my idea, perhaps a dumb one, is to do something with the retailers jointly in the retailers' own geographies, if this can be done cost effectively.

To my knowledge, Rolex and other premium brands do not sell new watch models directly to end users via the Internet. Again this would alienate all of the retailers who sell Rolex watches. But Rolex could lead the way in developing joint marketing and public relations campaigns with each retailer in their geography *to up the visibility of a premium watch as a category* with new upcoming younger end customers who might be considering a Rolex for the first time or who could be persuaded to do so. Done well, this ups the visibility of the premium watch category and theoretically would appeal to Rolex's competitors as well. If Rolex is the first mover here, it gains the greater mindshare among end consumers over its competitors but should not alienate those competitors and cause them to retaliate.

Secondly I see Rolex's Full Potential being emphasized in the developing world more than it is currently doing. Here Rolex would help new retailers get started if needed and begin the process of marketing right after the local launching of the retail stores. I must say I have no data on the shares of Rolex revenues that come from the developing nations so this idea may be off mark.

Given the precarious state of the external environment as measured by Environmental Carrying Capacity for Rolex, I think these two or any two similar initiatives would be all that Rolex should “add to its plate” as it conceives and moves to its Full Potential over the *next three to five years*.

Strength of Causal Influence in General: Moderate to Super High

Implications for Rolex in 2020: Neutral to Bad

Let me shift back to my findings in general about the notion of Full Potential and specific findings at Rolex. Note the grade for Strength of Causal Influence of a Firm’s Current Full Potential includes a Moderate score. We are referring to the feedback causal relations from a current Full Potential back to the Elements as noted by the dotted lines in the full model depicted below. This is because the concept and operationalization of a firm’s Full Potential is not in wide use in established firms as of this writing in 2020. The concept and operationalization are though in full use in the Private Equity (PE) space. I think it is a matter of time before established firms embrace this concept and make it have more weight.

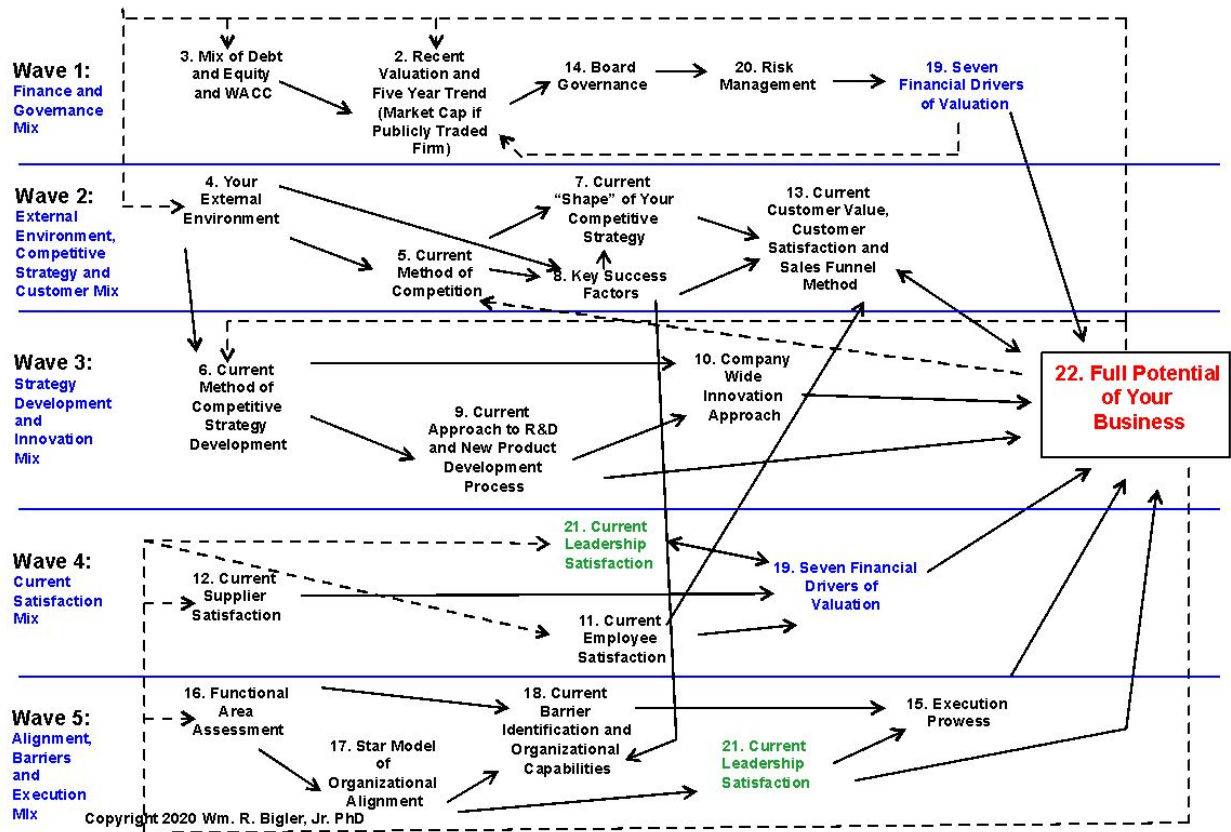
And the score for Implications for Rolex in 2020 includes a Bad range. If Rolex cannot improve the Elements listed throughout this article that scored as Neutral to Bad in terms of Implications in the next three to five years, the cumulative impact will weigh negatively on Rolex’s ability to grow its valuation and not achieve my current scenario of its Full Potential. So a current Full Potential would not give Rolex the springboard for the next cycles of this entire system. If it can improve those Elements, the opposite would hold true. I see the situation for Rolex in 2020 as a very dry prairie that could be easily ignited with a small flame. If the prairie is kept wet with improvement it will be in a favorable position.

Note all of my conjectures could be off base. What I am trying to convey is the kind of dialogue that should take place for a firm to increase its Valuation as it moves to its Full Potential and beyond.

F. Full Causal Model

Here is the full Causal Model. I know it looks like an absolute mess. But if one focuses on one Wave at a time horizontally, the model can be assimilated. There are a few “cross wave” relationships the reader can ponder. For instance, ponder the causal relationship between #8. Key Success Factors (Wave 2) and #18. Current Barrier Identification and Organizational Capabilities (Wave 5).

The Full Causal Model of Assessing a Firm's Valuation Growth Potential



IV. What Is Causation In Business?

I excerpted this section as a separate article and published it three weeks ago. It can be found here () if you are interested. For our purposes here we will be delving into and assessing the **causal linkages** in the above full model and not those relations that are just correlations or just “logically” related.

V. Assessing Rolex’s Potential to Grow Its Valuation From 2020 Onwards

In this section I will provide a summary of my above observations as to the strength of the causation **among pairs** of the 22 Elements to affect increases of the valuation of Rolex as it moves to its Full Potential. Note this is a “useful fiction”. By this I mean the model shows that three to five Elements in fact make up a causal relationship but we will assess two Elements at a time. Why?

Because in all practicality this what most of us, me included, can handle. Studies have shown even Mensa level IQ people can only handle four or five things at once in their minds and be productive with them. And when a firm decides on the most beneficial new initiatives to invest in to grow market valuation in the movement to its Full Potential, it should really focus its efforts. When those few initiatives (no more than four or five at one time) are completed, or terminated early thus releasing resources, a next set of four to five new initiatives can be approved and funded.

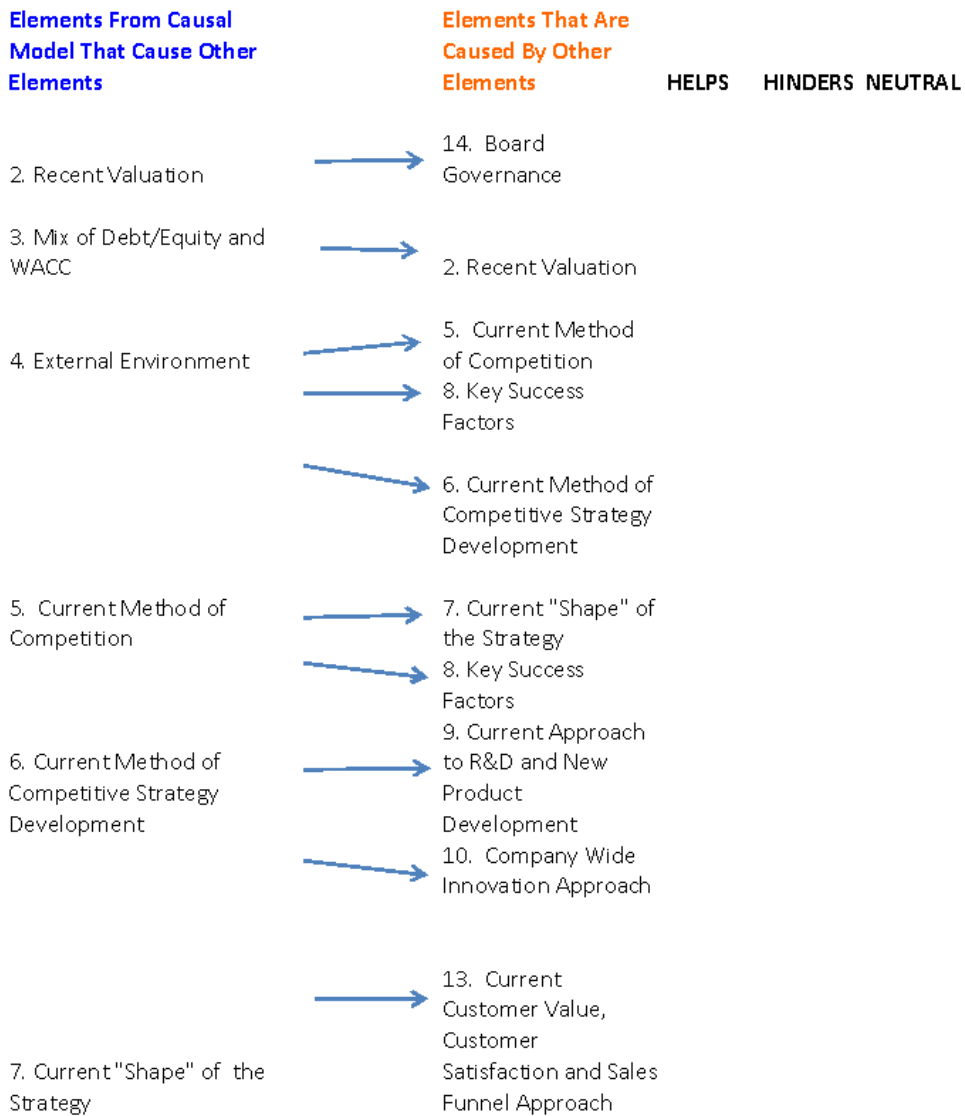
Figure 4 is from an Excel spreadsheet showing “Causer” Elements and “Causee” Elements and my assessment as to whether the current causal relationship at Rolex Helps, Hinders or is Neutral to the growth in its valuation as it moves to its Full Potential. At the bottom of each Column there is simply a count of the status of the causal relationships – that is the number of Helps, Hinders, or Neutrals. As you will see, Rolex in my estimation has all Helps and Neutrals and no Hinders.

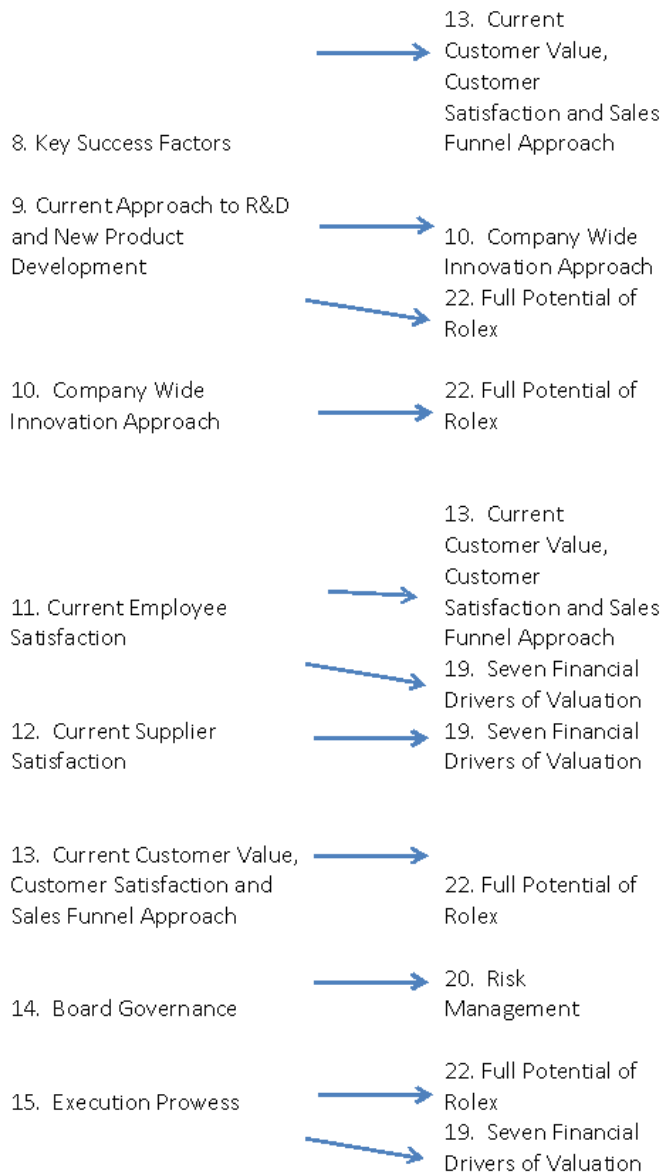
A vital question is how do I know two Elements are causally related? Every one of the causal relationships shown in the model and in Figure 4 below have been measured and put through an experiment of sorts in at least one client measured with time series data. As I mentioned, I started this work more than twenty years ago so for some of the client analysis I have very good proof from assessing that client over years in some cases. For Elements with nominal (numbers like 103, 2007, 50.5, et.) data like #4. Your External Environment or #19. Seven Financial Drivers of Valuation, those nominal data were used as is. For the softer kinds of Elements like #11. Current Employee Satisfaction and many others, a Five-point Behaviorally Anchored Rating Scale was used. The two Elements were then measured over time at a particular period of time for each client. A simple Regression equation was used and assessed and in all cases a statistically significant R^2 was shown.

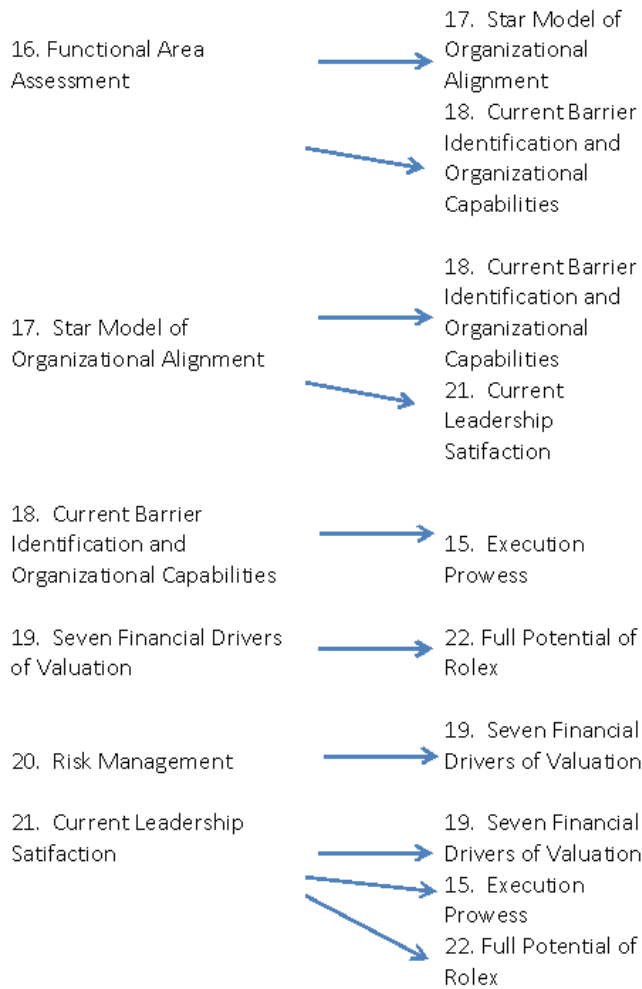
The experiment aspect comes in this way: for each causal relation we estimated the *time lag* between a change in the “causer” Element and the hypothesized change in the “causee” Element. In almost every case the predicted time lag was confirmed within an acceptable variance of several weeks - either earlier or later than predicted. We did have a few occasions where our predictions were off by a large degree. This caused us to revisit our thinking and make a new prediction.

Thus I hypothesize these causal relations could/will hold true for our case study here at Rolex. But again this is a “useful fiction”, as the relationships would need to be tested at Rolex to confirm.

Figure 4: Assessment of Causation to Growth In Market Value of Rolex







Column Totals

	16	0	14
	HELPS	HINDERS	NEUTRAL

As I state above assessing the Elements of this system of causation one by one (that is only two Elements at a time) is simplistic. The system of these 22 Elements is actually very complex. And from systems theory we know that focusing on only parts of a system can lead to sub-optimization of the whole system. As I mentioned above, in practice it helps to isolate Elements. Indeed if Rolex or any firm were to launch improvement initiatives, they would want to focus on only four or five Elements at a time anyway as I have mentioned

If my assumptions and assessments based on public information throughout this article are true and valid, Rolex should enjoy another three to five years of growing its Valuation as it moves to its Full Potential.

VI. A Procedure to Use this Model and Approach to Assess Your Firm's Potential to Grow Its Valuation as It Moves to Its Evolving Full Potential

Here is a procedure you can use to assess your firm's potential to grow its valuation as it moves to its evolving Full Potential:

1. Select "Owners" for each of the twenty-two Elements. An Owner is an executive or manager who will study and assess that Element and the ones it causes. Note that one executive or manager can be the owner of more than one Element.
2. Study and assess the causality of one Element to another in your firm. Make an assessment as to whether this causal relationship Helps, Hinders or is Neutral to increases in the value of your firm as it moves to its Full Potential.
3. If the relationship is deemed Hinders or Neutral, set out an improvement initiative idea.
4. Gather the group of Owners and have them decide on the top four or five initiatives that will be prioritized for action and implementation.
5. Launch the initiatives.
6. When those have been completed, launch a next set of four or five initiatives.

Conclusion:

If you have made it this far in your reading and pondering, thank you. I think you will find the insights from this causal model and its application to Rolex useful for your firm. If your firm would like to use a very robust Diagnostic Survey of the 22 Elements please contact me at one of the addresses below.

This article is part of a series on what causes a firm's value to increase.

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Appendix I

Source: Unwound, Watch 101, 2013, blog.crownandcaliber.com

In today’s consumer society, there are a multitude of luxury watch brands to choose from all claiming to be the greatest; however, each brand has their own particular style, heritage, and personality, making it impossible to determine which is the all-time best. So how do you choose which watch brand is right for you?

While there are many luxury watch brand owners out there arguing that one particular brand is, indeed, the absolute greatest—do not let them fool you. In actuality, there are so many different attributes of each brand important to each buyer or owner that a simple list of “the best” or attempts to rank the brands in detail would be useless. Instead, here is a list of the multitude of high-end luxury watch brands split up by the few parent companies that own each of them.

Major Watch Holding Companies

Richemont

Based out of Switzerland, this luxury goods holding company owns several prestigious brands that specialize in jewelry, luxury watches and premium accessories. In 1988, South-African businessman Johan Rupert founded Compagnie Financiere Richemont SA to serve as a holding company for the luxury goods market. As a publicly traded company, Richemont sells and distributes premium jewelry, watches, clothing, accessories, and many other luxury goods. According to the Swiss Market index of market capitalization in 2012, Richemont SA is the sixth largest corporation.

Brands Under the Richemont Umbrella

A. Lange & Söhne: Founded in 1845 in Germany, A. Lange & Söhne is revered as one of the best high-end watch manufacturers for its unique assortment of superior watches. A. Lange & Söhne distinguishes itself as an opulent brand with quality craftsmanship. With the exception of a very few special edition watches, A. Lange & Söhne watches are made of gold or platinum. In addition, all of these watches consist of mechanical rather than quartz movements. (Read: [A. Lange & Söhne History](#)).

Baume & Mercier: Originating in 1830 in Switzerland, Baume & Mercier, a manufacturer a part of the Richemont group, has established itself as a luxury manufacturer of sporty chronographs. With high attention to detail, Baume & Mercier offers a range of authentic timepieces that embody a contemporary look and modern feel. Today, the company is internationally known for its high-quality lines and adherence to the rules of truly fine Swiss craftsmanship.

Cartier: Since its foundation, Cartier has been hailed as one of the finest jewelers across the world, and is still recognized today as one of the best manufacturers of luxury jewelry and watches. Cartier's watches passionately mix passion, delicacy, and boldness into one timepiece, making it one of the world's most well known luxury watch brands. Many credit Cartier with making the first wristwatch; however, it is hard to determine who exactly created the first wristwatch. Regardless, Cartier undoubtedly made wristwatches popular to the general public. In essence, Cartier timepieces fuse cutting-edge technology with genuine passion making its watch brand a favorite among many watch aficionados.

IWC: Founded in 1868, the International Watch Company (IWC) began by fusing Swiss craftsmanship and American modern manufacturing techniques. IWC stays true to its tradition of using American engineering procedures in creating its watches in order to appeal to the American market. (Read: [Brand to Know: IWC](#))

Jaeger-LeCoultre: Founded in Switzerland in 1833, Jaeger-LeCoultre distinguishes itself by mixing innovation with elegant design. In addition, Jaeger-LeCoultre is considered the first company to control all stages of the timepiece production in-house. This company has had many innovative creations, such as creating the world's smallest caliber, the world's most complicated wristwatch, and many more. With eight distinct timepiece collections, Jaeger-LeCoultre offers a wide variety and has many different partnerships across all industries, including motorsports, polo and marine preservation.

Montblanc: Founded in Germany in 1906, Montblanc was named appropriately after the tallest mountain in Europe to signify the high aspirations and goals the founders had for the brand. In addition, the founders used the snow-covered peak of the Montblanc mountain to create the brand's most recognizable symbol, which is today seen as the white stylized six-pointed star with rounded edges.

Panerai: Founded in Florence, Italy in 1860, Panerai initially started by supplying precision timepieces to the Italian Navy. However, the company today is now internationally recognized as a luxury watch brand that blends Italian features, Swiss innovation and a passion for the sea.

Piaget: Founded in 1874, Piaget has become world renowned for its luxurious watches and jewelry. With a dual-status as both a watchmaker and jeweler, the company has created jeweled watches, coin watches, ring watches, brooch watches and cufflink watches. All of these watches emphasize the brand's superior skill as a fine jewelry company.

Roger Dubuis: Roger Dubuis watches are known for incorporating delicate gemstones into the design of their watches. This brand balances traditional craftsmanship with avant-garde designs.

Vacheron Constantin: Founded in 1755 by Jean-Marc Vacheron, the company is considered to be one of the oldest watch manufacturers in the world with an uninterrupted record. Vacheron Constantin has distinguished itself by creating luxury watches made with the highest technological innovations. For instance, the timepieces incorporate perpetual calendars, chronographs, moon-phases and jumping hours. Despite its beginning centuries ago, the brand's luxury watch look has not changed since its foundation and the company continues to include extensive detail into every crevice and part of the watch.

Van Cleef & Arpels: Founded in 1896, Van Cleef & Arpels mixes technological innovation, unprecedented manufacturing skills and unparalleled innovation in making its watch and jewelry creations.

LVMH

As a French multinational luxury goods conglomerate, based in Paris, LVMH is a result of the 1987 merger of Louis Vuitton and Moët Hennessy. Christian Dior is the main holding company of LVMH; therefore, Bernard Arnault, the chairman of Dior, is also the CEO of LVMH. LVMH contains a portfolio of over 60 brands in a variety of industries ranging from watches and jewelry to cosmetics and perfume.

Brands Under the LVMH Umbrella

BVLGARI: Combining Italian design with traditional Swiss expertise, Bvlgari prides itself in making watches of the highest creative caliber. Made with high levels of precision and strict quality standards, Bvlgari is a leader in the luxury watch industry.

Chaumet: Founded in 1780 in Paris, Chaumet remains true to its legend as a brand of unstoppable glamor and success. The company distinguishes itself by flawlessly incorporating styles from each century into its rich and spirited designs. Chaumet's watch lines typically reflect the splendid designs of the Romantic period and the beauty of the cameos during the late 1800s.

Hublot: Found in 1980 by Maksim Kuts, Hublot immediately sparked a revolution by combining a rubber strap with precious metal in creating a watch. Today, many luxury watch brands use rubber straps in designing their watches; however, Hublot is still recognized as the main one that uses this design. In essence, Hublot is unique for making its watchbands out of indestructible rubber and merging Swiss craftsmanship and Italian design. (Read: [Brand to Know: Hublot](#))

TAG Heuer: Founded in 1860, TAG Heuer is one of the largest and most desired brands honored for making the most accurate timepieces in the world. Known for creating watches of incredible precision, the company prides itself on its excellence in design and constant quest for innovation. Whether the preference is for a comfortable timepiece suitable for aquatics, or an impressive evening wear piece adorned in jeweled splendor, TAG Heuer has unique creations for every customer.

Zenith: Beginning in 1865 as a high-end luxury Swiss watch manufacturer, Zenith has long been regarded as being one of the few companies to [produce all of their movements in-house](#). In addition, the company prides itself on being the most rugged luxury watch brand in its ability to be water resistant in the deepest depths. Zenith's most distinguishable feature is its window that allows the owner to see the main gears turn and perform all of its functions.

Swatch Group

Founded in the early 1980s, Swatch is the world's largest watch company that not only owns many of the most well-known luxury watch brands in the world, but all has its own watch brand collection. In hopes of recapturing the entry-level market share, the Swatch line consists of unique and interesting watches that appeal to the watch lover on a budget.

Brands Under the Swatch Group Umbrella

Blancpain: Founded in 1735 by Jehan-Jacques Blancpain, this brand stays true to its often repeated slogan: "Since 1735, there has never been a quartz Blancpain watch. And there never will be." As the leading mission of the company, Blancpain differentiates itself from other brands by remaining adamantly true to its devotion to the mechanical wristwatch. Not once has the brand manufactured a quartz wristwatch. Blancpain's mechanical watches aren't trendy watches but instead classical in their elegance and simplicity.

Breguet: Always ahead of its time in innovation and technology, Breguet was founded in 1775 in Switzerland. Known for numerous inventions in the world of luxury watches, Breguet is most

famous for inventing the tourbillon. Always built by the most talented Swiss watchmakers, these watches are known today for their hand engraved silver dials and intricately finished cases with the famous Breguet signature.

Glashütte Original: Since its foundation, Glashütte Original has always constructed every component of its famous Glashütte Original watch within its own factory instead of outsourcing parts from all over parts of the world. Glashütte Original stays true to this tradition because its mission is to provide buyers consistency in craftsmanship throughout every piece of the watch. The company prides itself on its signature watch features that include: polished steel parts, blue screws, hand engraving of the Glashütte Original logo and gold screw mounted chatons.
(Read: [Glashütte Original History](#))

Hamilton: For more than 100 years, Hamilton played a large role in the American watch industry, staying true to the pioneering and creative spirit that has shaped the American culture. Using Swiss watch-making expertise, Hamilton combines Swiss mechanics with American spirit to appeal to the American market, in addition to others across the world.

Harry Winston: Founded in New York City in 1932, Harry Winston is known for changing the world of modern jewelry and transforming diamonds and jewels into works of fine art. Since its beginning, Harry Winston has gained a huge following in the world of high-end jewelry and watch consumers in America and beyond. In 1989, Harry Winston began making timepieces based on the concept of mixing true authenticity and luxury into the company.

Longines: Based in a Swiss Town since 1832, Longines has been revered worldwide for its technical expertise in designing precise and advanced watches. Aiming to create elegant, yet performance geared watches, the company has garnered respect and popularity in the world of sports and aviation.

OMEGA: Founded in Switzerland in 1848, Omega's durability and accuracy has made the brand the choice of many adventurous industries, such as being the official timekeeper of the Olympic Games since 1932, in addition to being the first watch on the moon in 1969 with NASA. Recently, Omega has changed the luxury watch world by introducing coaxial mechanics into the industry.

Rado: Headquartered in Switzerland, Rado introduced the use of scratch proof materials into the world of luxury watchmaking and is still recognized today for making some of the most durable watches. This brand distinguishes itself with its clean, modern and innovative designs. Comfort and usability are two extremely important elements that go into the design process of Rado watches.

Tiffany & Co.: Using technology and manufacturing skills from its owner, the Swatch Group, Tiffany Watch Co. Ltd fuses Tiffany's impeccable designs with Swiss mechanics to create its notable high-end luxury watches.

Tissot: Since its start in 1852, Tissot Swiss watches are known as traditional innovators for developing high-tech products, special materials, and advanced functionality. For instance, the company introduced the world's first touch screen watch in 1999, making itself world renowned for advanced technology and invention.

Rolex

Brands Under the Rolex Umbrella

Rolex: Founded in 1905, Rolex is arguably the best known and most popular luxury watch brand in the world. World renowned for being the greatest maker of luxury watches, Rolex invented several well-known watch concepts that changed the industry for the better. Some of these inventions include the first "certified chronometer," the first effective "waterproof" and dustproof watch casing, the first wristwatch with an automatic changing date, and the mass-manufacturing techniques of luxury watches. With the highest resale value of any other luxury watch brand, Rolex's top collections include the Oyster-Perpetual, Submariner and Sea Dweller and many more.

Tudor: Hans Wilsdorf, the founder of Rolex watches, created the Tudor brand based on the idea of offering consumers the reliability and dependability of a Rolex, at a lower price. The company uses the same case materials, bracelets, and dials; however, Tudor's movements are usually a Swiss-made [ETA movement](#) rather than an in-house Rolex movement. In essence, Tudor's lower price is intended to appeal to a wider international audience. (Read: [Watch Brand to Know: Tudor](#)).

Kering

Brands Under the Kering Umbrella

Girard Perregaux: Established in 1791, Girard-Perregaux distinguishes itself as being one of the only Swiss watch companies that still develops and manufactures all components of the watch-making process in-house. Today, the company designs and develops many essential watch movements. For instance, the company manufactures the Tourbillon, mechanical movements and quartz movements.

Gucci: Known for its double "G" logo for many, many years, Gucci incorporates its infamous double "G" logo into its timepieces. Similar to how Gucci creates its other luxury goods, Gucci includes a wide variety of materials into its timepieces. For instance, Gucci watches come in a variety of straps, including metal, brown calfskin, black crocodile, and so on. Overall, the brand distinguishes itself by creating watches that are luxurious and edgy in their combination of various bold and creative materials.

Ulysse Nardin: Founded in 1846 in Switzerland, the company historically began by manufacturing marine chronometers; however, today, the company produces complicated mechanical watches. In addition, the company revived using enameling in the art of watchmaking.

Movado

Brands Under the Movado Umbrella

Concord: Founded in 1908 in Switzerland, Concord was the first private luxury watch brand to incorporate precious metals and gems in its watches. In addition, the company was the first to make a wristwatch out of coins, which is a trend that has been popular since then.

Ebel: Founded in 1911 in Switzerland, Ebel stays true to its foundation of creating luxury watch brands with highly valued innovative design. Ebel distinguishes itself among other brands for its fusion of architecture and design. Since its beginning, Ebel has had long lasting links with the world of architecture and design, channeling the work of famous architects into its designs.

Movado: Founded in 1881 in Switzerland, Movado's name stands for "always in motion" and stays true to its name by always being up to date on the current trends and innovations. Today, the company is best known for its Museum Watch, a watch recognized by its single gold dot on the face depicting the sun, while the hands represent the movement of the earth.

"Independent" Watch Brands

Today, few watch brands can claim to be independently owned and operated. While there are still a few actual independent brands out there, many watch companies are owned by holding companies with smaller or more diverse portfolios. They operate more or less independently.

Audemars Piguet: When Jules-Louis Audemars and Edward-Auguste Piguet joined forces in 1875, they created Audemars Piguet, which is still in the hands of the founding families today. Since the company's foundation, Audemars Piguet has stayed true to its original goal of crafting complicated luxury watches. Still today, this company is the oldest luxury watch manufacturing company that has never left the hands of its founding families, which has allowed the company to follow its own unique vision.

Bell & Ross: Bell & Ross is the result of a team of Swiss watch manufacturers and another team of aircraft control specialists joining forces in 1992 to create what has become known as one of the greatest luxury watch brands that can withstand extremely rugged conditions. In essence, Bell & Ross watches offer the wearer the luxurious look of a designer watch and the resilience of a sporty watch. These luxury watches can handle severe temperatures, extreme acceleration and high altitudes. (Read: [Watch Brand to Know: Bell & Ross](#))

Bovet: Founded in London, Bovet originated on the idea that the founder wanted to manufacture watches exclusively for the Chinese market. In the 1990's, Bovet produced its now infamously unique watch style, which incorporates various elements of the pocket watch form in its construction. For instance, this pocket-watch inspired wristwatch contains lugs that were unique to pocket watches before the introduction of this wristwatch. Overall, all of Bovet's watches can be distinguished for their high-quality enameling, engraving, and seven-day self-winding Tourbillon.

Breitling: Known for their precisely made timepieces, Breitling has been producing Swiss watches since 1884. Originally manufacturing watches for the aviation industry, Breitling's watches offer many functions to benefit those in the aviation industry, such as the fact that all of their watches have a large face for better visibility and to allow the display of more information on the analog dials. In addition, many of the new models feature a purely mechanical automatic winding mechanism. However, despite all these features, Breitling's watches are more popular in the luxury watch industry and status symbols than in the aviation industry.

Chopard: Founded in 1860, Chopard is a Swiss luxury watch company that has stayed true to its origins of developing precise pocket watches and chronometers based upon innovative ideas. Made of fine gold and encrusted with jewels, Chopard is world renowned for its luxury watches.

Chronoswiss: Founded in Germany in 1983, Chronoswiss is known for its extraordinary mechanical timepieces that are easily recognized across the world for their guilloche dials, onion crowns and coin-edged cases. In addition, the company is famous for specializing in a variety of under-the-dial complications, as well as some modestly priced skeleton-like prices.

Corum: Founded in 1955, Corum is known for creating its world famous Coin Watch using the \$20 gold coin. Credited for innovation and creativity, Corum has always been considered a luxury watch label that incorporates ideas from the pioneering spirit that founded the United States into the manufacturing of its watches.

de Grisogono: One of the most prolific designers of our time, Fawaz Gruosi has created jeweled watches for the wealthy of Switzerland and across the world since the brand was born in 2000. de Grisogono watches are famous for its unique designs and first-class quality artistry.

Franck Muller: For the past 15 years, Franck Muller watches have marked itself as a reputable brand for its self-winding and manual mechanisms. Franck Muller has introduced many inventions over the years, including 22 watches that brought new concepts and technology to the luxury watch industry.

Maurice Lacroix: Since beginning in the 1990's, Maurice Lacroix watches have been uniting modern precision measures with high-end materials into its Swiss watch-making process. In essence, the company seeks to develop attractive functions in the mechanical watch models.

Oris: Since 1904, Oris has been known for only producing mechanical watches. In essence, the brand is highly regarded for staying true to its roots and initial manufacturing process. The company divides its watches into four sectors: motorsport, aviation, diving, and culture.

Patek Philippe: Founded in 1839, Patek Philippe has created a world-renowned luxury watch brand. Known for pioneering the perpetual calendar, split-seconds hand, chronograph and minute repeater, the brand makes all of its movements in-house and creates watches that celebrate quality craftsmanship.

Universal Geneve: Founded in 1894, Universal Geneve is internationally known for its superior craftsmanship and manufacturing skills. In addition, the brand claims to have created the first-ever chronograph in 1917.

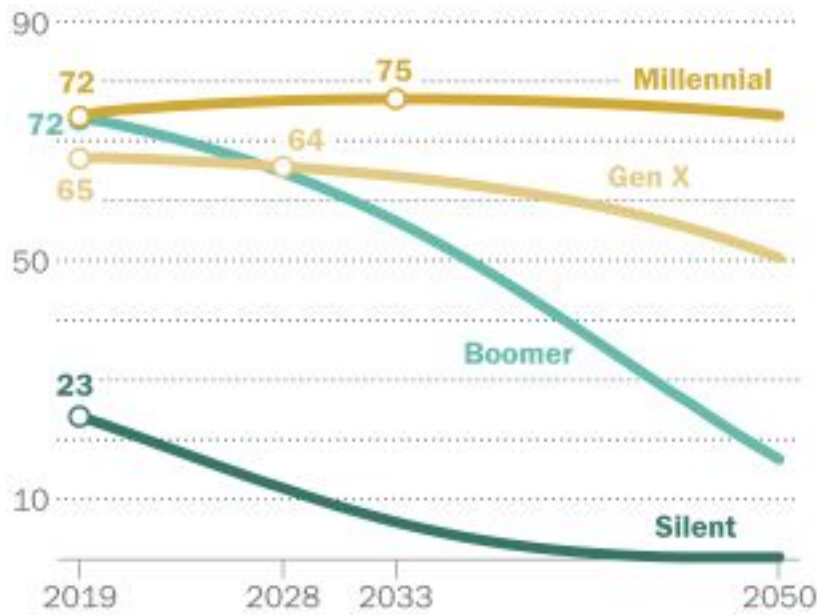
Appendix II

Population Data Pew Research

Source: Richard Fry, *Millennials overtake Baby Boomers as America's largest generation*, FactTank, Pew Research Center, April 28, 2020

Projected population by generation

In millions

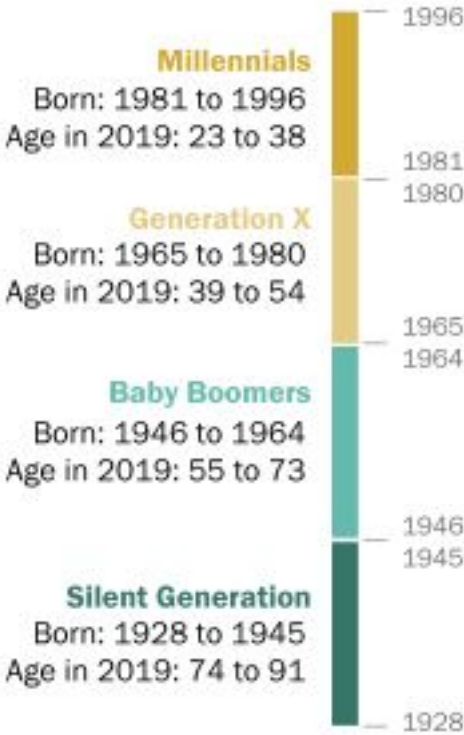


Note: Millennials refer to the population ages 23 to 38 as of 2019.

Source: Pew Research Center tabulations of U.S. Census Bureau population estimates released April 2020 and population projections released December 2017.

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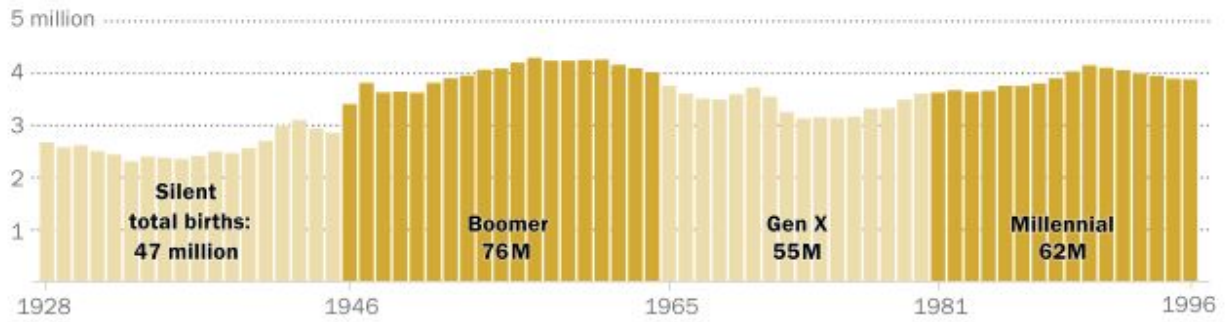
The generations defined



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Births underlying each generation

Number of U.S. births by year and generation



Source: U.S. Department of Health and Human Services National Center for Health Statistics.

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