

Global Market Entry Strategy for the Korean Watch Industry in the Digital Era

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Abstract: The global watch industry is undergoing significant transformations driven by technological advancements, shifting consumer preferences, and the widespread proliferation of digitalization. Traditionally dominated by Swiss, Japanese, and German brands, the industry now faces mounting challenges from emerging markets including the United States, China, and Hong Kong. (1) Background/Purpose: The Korean watch industry stands at a critical crossroads of challenges and opportunities. Historically concentrated on low-cost quartz watches and component manufacturing, Korea is grappling with declining domestic production and a growing reliance on imports. Despite strong domestic demand for luxury brands such as Rolex and Omega, Korean brands lack global recognition and competitive standing. This study explores strategies for Korean watch brands to strengthen their presence in the global market. (2) Study Design/Methodology/Approach: This research employs qualitative methods, integrating Porter's Five Forces industry analysis, case studies of iconic brands (Rolex and Audemars Piguet), consumer segmentation analysis by age, income, and gender, and an assessment of digitalization's impact on the watch industry including e-commerce, social media, and smartwatch technologies. (3) Findings: Key factors influencing consumer preferences include historical legacy, technical excellence, brand value, exclusivity, and investment appeal. Porter's Five Forces analysis reveals significant competitive pressures from established rivals, the threat of new entrants and replicas from China and Hong Kong, the growing substitution threat of smartwatches, high supplier bargaining power due to movement monopolies, and sophisticated buyer demands for scarcity and personalization. Digital transformation—through e-commerce platforms, influencer marketing, and smartwatch integration—emerges as an essential growth driver. (4) Originality/Value: This study proposes three strategic directions for Korean watch brands: development of designs incorporating unique Korean cultural elements; creation of hybrid watches combining mechanical craftsmanship with digital functionality; and strategic collaborations with globally recognized brands. By aligning tradition with innovation and leveraging digital ecosystems, Korean brands can achieve sustainable growth and secure a distinctive position in the global watch market.

Keywords: Korean watch industry; global market entry; luxury watches; smartwatch; digital transformation; Porter's Five Forces; brand differentiation; hybrid watch; cultural design; e-commerce

1. Introduction

1.1. Current Status of the Global Watch Industry

The global watch industry has long been centered on mechanical timepieces rooted in a rich history and tradition. Traditional watchmaking powerhouses such as Switzerland and Japan have led the market through premium brands including Rolex, Patek Philippe, and Seiko. These mechanical watches have transcended their role as mere timekeeping instruments, positioning themselves as symbols of investment value and luxury through their precise movements and exquisite craftsmanship.

Traditionally, Switzerland has dominated the mechanical watch industry, followed by Japan—which commercialized the quartz movement—and Germany, which has independently advanced Swiss mechanical watchmaking through its own interpretations. Together, these three nations have effectively divided the global

market into thirds. To close the gap with this Swiss-Japanese-German triumvirate, new entrants from the United States, China, and Hong Kong are rapidly growing in the mechanical watch market, leveraging commercially available technologies.

Alongside this mechanical watch industry, the rapid advancement of digital technology is ushering in a new era of transformation. Electronic timepieces such as smartwatches are growing rapidly, primarily driven by the United States and China, targeting a consumer demographic distinct from traditional mechanical watch buyers. For example, traditional mechanical watch brands such as TAG Heuer have entered the smartwatch market, and Montblanc has ventured into smartwatches with its new Summit lineup. Additionally, emerging smartwatch-specialist brands such as Garmin have emerged. Traditional watch markets continue to grow steadily, but the emergence of new digitally integrated products is attracting new consumer segments and accelerating the industry's evolution.

The following table presents the watch market revenues of major countries as of 2022. The United States recorded the highest revenue at USD 12.6 billion, followed by China and Switzerland. These nations each play a significant role in both the traditional mechanical watch and smartwatch markets, leading the global watch industry based on their respective strengths.

Table 1. Watch Market Revenue by Major Country (2022).

Country/Region	Revenue (USD billion)	Key Strength
United States	12.6	Smartwatches, digital watches; largest global market
China	~9.0	Fastest-growing market; domestic brands + luxury demand
Switzerland	~8.5	Premium mechanical watches; heritage and craftsmanship
Japan	~4.5	Quartz movements; mid-range precision watches
United Kingdom / Germany	~3.5 each	Heritage mechanical; engineering precision
Hong Kong	~2.8	Trading hub; distribution of global luxury brands

Source: Statista (2023); Grand View Research (2023).

The United States and China are establishing powerful footholds not only in traditional watch markets but also in digital watch markets, while Switzerland continues to occupy an unrivaled position in the premium mechanical watch segment. Against this backdrop of global market dynamics, the Korean watch industry must strengthen its competitiveness through differentiated design and advanced technology.

1.2. Current Status of the Korean Watch Industry

The Korean watch industry has traditionally focused on low-cost electronic watches (quartz watches) and component manufacturing rather than mechanical timepieces. However, domestic production has been steadily declining in recent years, and Korea's market share in the global watch industry remains negligible. Korean watch brands primarily operate by assembling imported components or importing finished products for domestic consumers.

The following table presents the production and import status of the Korean watch industry over the most recent five-year period. As of 2022, domestic watch production value had sharply declined to KRW 44 billion, while imports reached KRW 4,275 billion, confirming that the Korean watch industry is heavily reliant on imports.

Table 2. Production and Import Status of the Korean Watch Industry.

Year	Domestic Production (KRW billion)	Imports (KRW billion)	Import Dependency Ratio (%)
2018	186	2,850	93.9
2019	164	3,120	95.0
2020	138	2,980	95.6
2021	89	3,780	97.7
2022	44	4,275	99.0

Source: Statistics Korea; Korea Watch Industry Association.

Korean consumers possess high brand awareness and exhibit a strong preference for international luxury brands such as Rolex, Omega, and Cartier. The presence of these brands is reinforced through extensive marketing campaigns and strategically positioned boutiques. The influence of the Korean Wave (Hallyu) also plays an important role in promoting luxury brands, exemplified by the partnership between BTS and Rolex.

The Korean watch industry faces significant challenges, including the imperative of brand differentiation amid fierce competition from both traditional global mechanical watch brands and the emerging smartwatch sector. Simultaneously, growth opportunities are available through digital marketing, collaborations with fashion designers, and the leveraging of cultural trends.

This paper analyzes the popularity factors, historical characteristics, and brand design elements of traditional global watch brands; researches how each factor can influence consumers; and ultimately addresses how the Korean watch industry can successfully enter the global market.

1.3. Research Purpose and Methodology

1.3.1. Research Purpose

The purpose of this study is to present a strategy for the Korean watch industry's global expansion. It aims to explore how Korean watch brands can secure differentiated competitiveness in the global market while competing with traditional watchmaking powers such as Switzerland, Japan, and Germany. In particular, the study evaluates the current position of the Korean watch industry centered on mechanical timepieces and analyzes the potential for success in the global market through factors including brand differentiation, technological innovation, and adaptation to digitalization.

The research focuses on how the Korean watch industry can combine its traditional values with modern technological innovation to appeal to global consumers. To this end, strategic implications are derived through industry analysis using Porter's Five Forces model, case studies of iconic watch brands, and consumer segmentation analysis.

1.3.2. Research Methodology

This study presents measures for securing the global competitiveness of the Korean watch industry through qualitative research methods, deriving logical conclusions by utilizing various analytical tools and case studies. The specific research methods are as follows.

- **Porter's Five Forces Analysis:** The competitive environment facing the Korean watch industry was analyzed using Porter's Five Forces model. Through this analysis, competition among existing rivals, threats of new entrants, substitutes, and the bargaining power of suppliers and buyers were evaluated, and response strategies for Korean watch brands for each factor were derived. This analysis provides a clear picture of the possibilities and challenges of the Korean watch industry's global expansion.
- **Case Studies of Iconic Brands:** By studying the success cases of world-renowned luxury watch brands such as Rolex, Patek Philippe, and Audemars Piguet, brand differentiation strategies and technological innovation methods applicable to Korean watch brands in the global market were derived. How design innovation, limited edition strategies, and brand storytelling of each brand led to market success was analyzed.
- **Consumer Segmentation Analysis:** Consumers were divided by age, income, and gender to analyze major target groups. Key consumer groups for Korean watch brands to target in the global market were identified, and marketing strategies reflecting their consumption patterns and preferences were proposed, with particular emphasis on customized strategies targeting high-income groups and younger generations.
- **Analysis of Digitalization's Impact:** To evaluate the impact of digitalization on the watch industry, e-commerce and social media utilization strategies were analyzed. The market potential of hybrid watches based on the technological convergence between mechanical and smartwatches was assessed, and strategies for Korean watch brands to adapt to the digital era were presented.

2. Main Body

2.1. Distinctive Characteristics of Luxury Timepieces

2.1.1. History and Tradition

Luxury timepieces are symbols of historical heritage and traditional craftsmanship that transcend their role as mere timekeeping instruments. These watches possess value and prestige that transcend generations, playing a symbolic role in representing the wearer's social status and refinement. High-end brands at the apex of luxury have built their reputations on centuries of accumulated craftsmanship and innovative technical mastery.

Historically, watch brands have reinforced their symbolic value by closely associating themselves with specific figures or events. For example, the Santos model created by Cartier in 1904 for aviator Alberto Santos-Dumont—considered the world's first wristwatch—demonstrated innovative technical prowess and exerted enormous influence on the industry. This watch became widely known for its practical design for aviators and remains a classic icon of luxury watches to this day.

Omega's Speedmaster is famous as the watch worn by Neil Armstrong and Buzz Aldrin during the Apollo 11 moon landing mission in 1969. This historical event of being the first watch worn on the moon symbolically demonstrated the Speedmaster's value, and the model has since enjoyed immense popularity as a legendary timepiece associated with space exploration.

Rolex's Submariner also carries historical symbolism. Launched in 1953, this model set new standards for diving watches and attracted immense global popularity among divers through its innovative design combining robustness and waterproofing. It was also symbolically used in the James Bond film series. These historical events made the Submariner a symbol of adventure and exploration, further elevating Rolex's prestige.

Luxury watch brands thus construct unique storytelling based on their history and tradition, providing emotional value to consumers through this narrative. These historical events and symbolism elevate luxury timepieces from mere products to works of art, continuously radiating appeal to collectors and enthusiasts across generations.

2.1.2. Technical Excellence

The appeal of luxury watches stems not only from history and tradition but also from the sophisticated technical excellence embedded within them. Luxury watch brands have created technical masterpieces that far exceed simple timekeeping instruments, built on centuries of accumulated craftsmanship and technological innovation. Accuracy and durability are the most important elements of luxury watches, derived from the precision and complexity of the watch movement—the watch's driving mechanism.

The movement can be described as the 'heart' of a watch and is the most critical element determining the performance and value of a luxury timepiece. Watch movements are divided into generic movements and in-house (proprietary) movements. Generic movements are mass-produced movements used commonly across multiple brands, including ETA, Sellita, and Miyota. ETA is the world's largest movement manufacturer, a subsidiary of Swatch Group, supplying standardized movements to various brands (mainly within Swatch Group) and is regarded as the Swiss watch industry standard. These movements boast high reliability and efficiency and have the advantage of easy after-sales service due to their widespread use.

In contrast, in-house movements are unique movements independently designed and manufactured by specific watch brands, demonstrating the brand's technical capability and originality. For example, Omega's Co-Axial movement is innovative technology that minimizes friction to maximize accuracy and durability, symbolizing Omega's technological identity. This movement symbolizes the technical excellence Omega has preserved for a long time and is evaluated as one of the most trusted movements in the industry.

Rolex's Caliber 3235 features innovative technologies including the Chronergy escapement with enhanced durability and efficiency, and the Paraflex shock absorption device. These technological innovations have maximized movement performance, significantly enhancing watch accuracy and durability, and have further solidified Rolex's reputation.

Since in-house movements are designed and manufactured by the brand itself, they can embody the brand's identity and philosophy. Each brand can emphasize originality through movement design and technical capability—a crucial element in luxury watches. Furthermore, using an in-house movement is regarded as evidence that the brand possesses deep understanding and capability in watchmaking technology, playing an important role in elevating brand reputation and emphasizing technical excellence.

In-house movements are generally assembled by hand or produced in limited quantities, enhancing the watch's rarity. This is a very important factor in the luxury watch market, holding special value among collectors and aficionados. In-house watches are thus evaluated as works of art rather than mere commercial products, and this rarity also contributes to increasing the investment value of watches.

On the other hand, designing and producing in-house movements requires enormous R&D costs—far more time

and resources than using off-the-shelf movements—and risks associated with technology development also exist. Producing in-house movements requires a team with technical capability, equipment, and expertise, which can be a significant burden for small and medium-sized brands or independent watchmakers. Additionally, since parts are not standardized, repair and maintenance can be difficult, with specialized techniques and dedicated parts required.

The technical excellence of mechanical watches is also demonstrated in the precision finishing of watch parts and material selection. For example, Richard Mille uses advanced materials such as carbon nanotubes and graphene to achieve weight reduction, evaluated as a case of maximizing technological innovation in mechanical watches. These materials increase the watch's strength and durability while providing excellent wearing comfort.

2.1.3. Design and Aesthetics

Luxury watches add value not only through technical excellence but also through sophisticated design and aesthetic elements. Watches have established themselves as important fashion accessories expressing the wearer's personality and refinement, and each brand reveals its unique identity through design. Design is a core element combining the functionality and visual beauty of luxury watches, significantly influencing their appeal and market value.

Luxury watch brands establish their own distinctive aesthetic based on differing design philosophies. Patek Philippe's Calatrava, launched in 1932, has become an icon of timeless classic dress watches through its simple yet elegant design. Its clean lines and concise minimalist design have made the Calatrava a model with unrivaled classical aesthetics, radiating great appeal to connoisseurs who value refinement and sophistication.

In contrast, Richard Mille pushes the boundaries of watch design with bold design combining modern sensibility and advanced materials. Richard Mille watches boast ultra-lightweight structures and futuristic design using innovative materials such as titanium, carbon nanotubes, and graphene. This innovative approach challenges traditional watch design while radiating unique appeal among collectors and celebrities. Richard Mille watches pursue the mechanical aesthetics of high-performance sports cars, with their design cited as a representative example of perfectly harmonizing cutting-edge technology with aesthetic value.

Furthermore, Audemars Piguet's Royal Oak, launched in 1972, set new standards for the luxury sports watch segment. Designed by Gérald Genta, this model features a distinctive octagonal bezel and integrated steel bracelet, evaluated as a groundbreaking model that broke with the traditions of watch design at the time. The Royal Oak became an icon of luxury sports watches and is greatly beloved by enthusiasts pursuing both luxury and dynamism simultaneously.

In this way, luxury watch brands establish their own identity through different aesthetic philosophies and design languages, providing consumers with distinctive experiences. The details and balance of design, and the story and symbolism embedded in the watch, act as important elements strengthening consumers' emotional connection.

2.2. Elements That Captivate Consumers

2.2.1. Exclusivity

One of the important reasons luxury watches radiate special appeal to consumers is exclusivity. Luxury watch brands reinforce their exclusive status through limited production, rare designs, and limited edition models, stimulating a greater desire for ownership among consumers. Exclusivity maximizes the scarcity value of luxury watches, further solidifying brand prestige and value.

Many luxury watch brands release limited edition models to create scarcity and exclusivity. For example, Patek Philippe produces very small quantities of limited edition models annually, leading to high demand and value appreciation in the market. These low-supply watches are particularly popular with collectors, often traded at high prices in auction markets, and serve as a primary factor in the watch's value appreciating over time.

Luxury watch brands also have their exclusive value confirmed in auction markets. World-renowned auction houses such as Christie's and Sotheby's regularly auction luxury watches, with many watches selling at record prices. Among these, Rolex's Paul Newman Daytona was auctioned for approximately USD 17.8 million due to its rarity and provenance, demonstrating that luxury watches can be evaluated as investment assets comparable to works of art beyond mere consumer goods.

Luxury watch brands also strategically leverage scarcity to maximize brand value. Some brands allow specific watch models to be purchased only after long waiting periods, or sell exclusively to specific customers,

providing consumers with exclusive experiences. This strategy further strengthens the brand's premium image and provides consumers with special ownership experiences. Exclusivity serves not only the rarity of ownership but also the role of strengthening the emotional connection between brand and consumer.

2.2.2. Brand Value

The success and value of luxury watches are not limited to the quality of the product itself or its technical excellence. Brand value is an important factor determining the emotional and social significance that luxury watches confer on consumers, making them symbolic assets rather than mere consumer goods and maximizing brand loyalty. Luxury watch brands have built their own brand value based on long history and tradition, distinctive technical capability, and a firm philosophy.

Luxury watch brands continuously emphasize craftsmanship and innovation to create brand value. Patek Philippe elevates the brand's value to an asset transcending time and generations through its famous slogan: 'You never actually own a Patek Philippe. You merely look after it for the next generation.' This message imprints on consumers the image that Patek Philippe is not merely a timekeeping tool but a historical heritage connecting families and generations—an important strategy for enhancing brand loyalty and value.

Rolex has continuously strengthened its brand value through powerful sponsorship and associations in sports, exploration, and professional fields. Through collaborations with Wimbledon, the America's Cup, and various adventurers, Rolex conveys the message that its watches symbolize robustness, reliability, and the spirit of challenge. This brand value building strategy has positioned Rolex not as a mere watch but as a symbol of adventure and achievement, with consumers symbolically expressing their achievements and sharing these values by wearing a Rolex.

Brand value in the watch industry is also reinforced through storytelling. Brands narrate their history and tradition as stories, connecting emotionally with consumers through this narrative. For example, Omega has positioned itself as a symbol of space exploration and scientific progress through the Speedmaster watch symbolizing the moon landing. By integrating the historical event of the Apollo 11 moon landing into its brand story, Omega provides consumers with even deeper emotional value. Such storytelling strengthens the emotional bond between brand and consumer, with the very act of wearing an Omega watch providing an experience connected to historical achievement.

Collaborations with famous figures are also an important factor enhancing the value of luxury watch brands. Cases such as celebrities like George Clooney serving as brand ambassadors for Omega, or David Beckham collaborating with Tudor, spread the brand's image globally and leave a more familiar and powerful impression on consumers. Association with famous figures simultaneously elevates watch brand value and appeals attractively to consumers wishing to share their success and image.

2.2.3. Investment Value

Luxury watches are evaluated as investment assets whose value can appreciate over time beyond mere consumer goods. In particular, brands such as Rolex and Patek Philippe maintain high value in secondary markets over time, providing economic benefits to owners. These brands are highly evaluated for investment value thanks to the scarcity, brand prestige, and historical importance mentioned above.

Vintage watches have particularly high investment value. Luxury watches preserved over a long period are traded at very high prices among collectors due to their rarity. For example, Patek Philippe's Grand Complication model is a representative case of its value being maintained or appreciated over time, demonstrating how attractive vintage watches are as investment assets.

Even during periods of economic uncertainty, luxury watches are considered stable investment assets. For example, during the COVID-19 pandemic, many luxury watch brand models maintained or appreciated in value in secondary markets. This suggests that luxury watches may be less sensitive to economic volatility than stock or real estate markets and can be evaluated as relatively safe assets. Economic factors such as exchange rates can also influence the investment value of luxury watches.

2.3. The Heart of the Watch: Movements

2.3.1. Importance of Movements

One of the most important elements in luxury watches is the movement (caliber) described in detail above. The movement is the 'engine' and 'heart' of the watch, the core mechanism that accurately maintains the watch's timekeeping function. The quality and sophistication of the movement directly affect the watch's performance and value, and luxury watch brands demonstrate their technical excellence through this.

A mechanical movement is a complex mechanism with hundreds of small parts precisely assembled, ensuring the watch operates accurately. The accuracy of the movement in luxury watches is one of the watch's core competencies, designed to maintain errors within a few seconds per day. Such precision is an important indicator reflecting the brand's technical capability and craftsmanship.

Ultimately, the movement serves as the 'heart' of the watch, acting as the most important element determining watch performance and quality. Luxury watch brands emphasize technical excellence through movements, providing deep trust to watch enthusiasts and collectors.

2.3.2. Movements of Famous Brands

Luxury watch brands provide differentiated value through their own unique movement technologies. These movements symbolize the brand's identity and technical pinnacle, acting as important elements determining watch performance and market value. Each brand develops its own movement, revealing the brand's originality through this.

Omega demonstrated distinctive technological innovation represented by the Co-Axial escapement. This technology contributed greatly to improving the precision and lifespan of watches by reducing friction inside the watch, playing an important role in evaluating Omega watches as reliably trustworthy products over the long term. The Co-Axial movement has become a core technology enhancing Omega's brand value.

Patek Philippe is famous for complication functions that demonstrate the pinnacle of watchmaking. Patek Philippe's movements implementing high-difficulty functions such as perpetual calendars, minute repeaters, and tourbillons have become symbols of sophisticated mechanical artistry. These movements perfectly implementing complex technology are highly valued among watch enthusiasts and are the reason Patek Philippe watches are unrivaled.

Richard Mille achieved technological advances through innovative movements combining advanced materials and technology. Richard Mille's movements used lightweight materials such as titanium and carbon nanotubes to minimize watch weight while maximizing durability. For example, the RM 27-03 Tourbillon model is a representative case demonstrating innovation in watchmaking technology due to its remarkable lightness and durability.

2.3.3. Additional Elements of Movements

The movements of luxury watches enhance watch appeal and value through various additional functions beyond simple timekeeping. Additional elements included in movements such as shock resistance, anti-magnetism, and power reserve maximize watch performance, provide more sophisticated functions to the wearer, and elevate luxury watches to the level of technical artistry.

Shock resistance is one of the very important elements in luxury watches. Watches can receive various shocks in daily life, and luxury watch movements are designed to withstand these impacts. For example, Rolex's Paraflex shock absorption device protects the movement and maximizes durability, helping the watch maintain accurate performance even under impact. This technology is one of the reasons Rolex watches are evaluated as reliably trustworthy products even in extreme environments.

Furthermore, luxury watches are designed so that the movement inside is unaffected by magnetic fields through anti-magnetic performance. In modern life, magnetic fields generated by various electronic devices can affect watch movements, making anti-magnetic function a particularly important element. Omega's Co-Axial movement has been produced to maintain accuracy even in powerful magnetic field environments exceeding 15,000 Gauss through Master Chronometer certification.

Power reserve is also one of the important additional functions in luxury watches. Power reserve indicates how long a watch can operate accurately without winding. Luxury watches generally boast long power reserve times, enhancing watch convenience and functionality. For example, Panerai's P.3000 movement provides a maximum power reserve of 72 hours, allowing the wearer to maintain accurate time when worn again even if the watch was not worn over the weekend—significantly superior to the typical 38-50 hour power reserve of generic movements.

The aesthetic finishing of the movement is also an important additional element. Luxury watches are beautifully finished not only externally but also inside the movement, adding value as technical artwork. The bridges and gears of the movement are meticulously finished by hand, acting as an element maximizing the watch's completeness. For example, Patek Philippe applies delicate decoration and hand finishing to its watch movements, maintaining artistic beauty even when the interior of the watch is not visible. This elevates the watch itself to a work of art beyond mere functionality.

2.4. Consumer Analysis: Trends by Age, Income, and Gender

2.4.1. Age-Based Consumption Trends

In the luxury watch market, Generation Z and Millennials are emerging as increasingly important consumer segments. They show great interest not only in traditional mechanical watches but also in electronic watches with smart functions. In particular, Generation Z is accessing luxury watches approximately 3-5 years faster than Millennials—partly due to marketing by watch brands providing easier exposure to timepieces, and partly due to environmental factors where living with parents reduces financial burdens. This trend provides various opportunities for luxury brands to target younger generations and raises the need for close analysis of these generations' consumption behavior.

Generation Z values the combination of fashion and technology, particularly emphasizing smart functions and distinctive design in watches. This generation perceives watches not as mere timekeeping tools but as personal expression media. For example, smartwatches with healthcare functions are gaining popularity among them, and interest in limited edition watches incorporating the latest technology is also rising.

Millennials have continuously increasing purchasing power for luxury watches based on professional stability. They also prefer technological innovation and distinctive design but have relatively higher interest in traditional watches compared to Generation Z. Millennials consume mechanical and electronic watches in balance and show high loyalty to luxury brand watches symbolizing social status.

In contrast, Baby Boomers still prefer traditional mechanical watches and highly value the craftsmanship and historical heritage of watches. This generation has high loyalty primarily to brands such as Rolex or Patek Philippe and perceives these watches as investment assets. Baby Boomers place greater significance on value preservation and heritage than on watch functionality, with a strong tendency to expect long-term asset appreciation.

Regional differences also exist. In the Asia-Pacific region, the proportion of young consumers purchasing luxury watches is particularly high. Demand for luxury watches is rapidly increasing alongside rising incomes in China and India, suggesting the need for region-specific customized marketing strategies. In contrast, in North American and European markets, Baby Boomer demand remains high, but the proportion of younger generation purchases is gradually increasing.

2.4.2. Income-Based Consumption Trends

Income-based consumption trends in the luxury watch market are clearly distinguished. High-income and middle-income groups show distinct differences in their methods and motivations for purchasing luxury watches, with each income segment having different values when viewing watches.

High-income consumers regard luxury watches as investment assets and primarily prefer products with high scarcity and brand value. Brands primarily favored by high-income groups include Patek Philippe, Audemars Piguet, Br  guet, and Vacheron Constantin, all constituting ultra-high-end product lines with differentiated technologies. As of 2023, 2.5% of Swiss watches were priced above CHF 25,000 (approximately USD 34,000), accounting for 44% of total export value. Brands such as Rolex's upper lines are particularly regarded as symbols of social status and success among high-income groups, with investment value highly evaluated as they trade at high prices even at auction.

Middle-income consumers select products that are relatively affordable while prioritizing brand prestige and resale potential. They prefer watches that are practical while preserving value upon resale. For example, brand groups such as entry-level Rolex lines, IWC, and Omega are popular with middle-income consumers as their value appreciates or is preserved upon resale. Additionally, demand for smartwatches and electronic watches is also high. In 2023, approximately 140 million smartwatches were sold globally, a figure far exceeding traditional mechanical watches, with Apple and Garmin being representative popular smartwatches among this group.

2.4.3. Gender-Based Consumption Trends

Gender-based consumption trends in the luxury watch market are acting as important factors in watch brands formulating marketing strategies. Male and female consumers show distinct differences in watch purchases, with each gender's purchasing motivation significantly influencing watch selection.

Male consumers form the main consumer segment in the luxury watch market and primarily prefer mechanical watches. According to 2023 research, approximately 65% of male consumers perceive watches as symbols of social status and success, with traditional luxury watch brands such as Rolex, Omega, and TAG Heuer enjoying

high popularity among male consumers. Male consumers also have a strong tendency to consider investment value when selecting watches, with high-priced limited edition and customized watches particularly popular among men in 2023.

Female consumers are emerging as an increasingly important segment in the luxury watch market, primarily valuing design and brand value. Female consumers prefer electronic watches or watches with jewelry decoration rather than mechanical watches, with a tendency to select watches with elegant and sophisticated designs. According to 2023 research, approximately 45% of female consumers perceive watches as fashion accessories, with watches from fashion house brands such as Cartier, Bulgari, and Chanel enjoying high popularity among women. Female consumers also show interest in unisex designs, a trend leading to launches of diverse designs appealing to both men and women.

Unisex watches are a segment rapidly gaining popularity in the luxury watch market in recent years. Gender-neutral designs appealing to both men and women are attracting attention, with brands such as Apple reflecting this trend by offering various customized watches. Among younger generations in particular, unisex watches are recording high demand with their gender-transcending designs.

2.5. Case Studies of Iconic Luxury Watch Brands: Rolex and Audemars Piguet

Rolex, founded in 1905, has established itself as a synonym for luxury and precision. Its success has been built primarily on continuous investment in innovation and quality, maintaining an unrivaled position in the watch market.

In 1926, Rolex developed the Oyster case to launch the world's first waterproof wristwatch, achieving a technological advance in protecting the movement from dust and moisture. In 1931, it was the first to introduce a self-winding mechanism through the Perpetual movement, greatly improving watch convenience. In 1953, it launched the Submariner, setting new standards for diving watches and presenting an innovative model combining robustness and waterproofing.

Rolex has reinforced exclusivity and investment value among consumers through limited edition watch production and powerful brand stories. Rolex watches tend to appreciate in value over time and are highly evaluated among collectors, also trading at high prices in auctions. Rolex continuously exposes its brand through marketing strategies linked to major events such as Wimbledon, the America's Cup, and the Oscars, and has reinforced the brand's image of excellence and achievement through famous figures such as Roger Federer and James Cameron.

Audemars Piguet, founded in 1875, is renowned for bold design and technological innovation. The brand's commitment to pushing boundaries has resulted in iconic timepieces combining artistry and engineering excellence. Audemars Piguet's most popular model line is the Royal Oak—designed by Gérald Genta and launched in 1972—a revolutionary design that pioneered the luxury sports watch segment. Its distinctive octagonal bezel, integrated bracelet, and stainless steel structure challenged traditional concepts of luxury watchmaking. This model trades at prices exceeding hundreds of millions of won. Audemars Piguet makes significant investments in technological innovation, with its technical capability clearly demonstrated in high-frequency movements, skeleton designs, and the development of advanced materials, imparting to its products unique characteristics distinct from other brands.

Audemars Piguet's philosophy, 'To break the rules, you must first master them,' reflects its approach to watchmaking. The brand's ability to balance tradition with innovation has firmly established its reputation as a leader in the industry.

2.6. Impact of Digitalization on the Watch Industry

2.6.1. Rise of E-Commerce and Online Sales

The emergence of digital platforms has enabled the luxury watch industry to reach a broader global audience. Online marketplaces such as Chrono24 and WatchBox provide opportunities to sell not only new watches but also second-hand timepieces, embracing a diverse consumer base. This has expanded accessibility in the luxury watch market, establishing itself as an important channel for consumers who prefer direct transactions and collectors who value investment appeal.

Virtual showrooms, in particular, are one method through which brands can provide consumers with immersive experiences, enabling consumers to explore various models and experience products through detailed images and videos. For example, Rolex explains the detailed design and technical specifications of each model through virtual showrooms, strengthening interaction with consumers.

2.6.2. Role of Social Media and Influencer Marketing

Social media has become an important tool for luxury watch brands to connect more closely with consumers and strengthen brand loyalty. Visual platforms such as Instagram and YouTube are very effective in emphasizing the details and aesthetic elements of luxury watches. Brands are communicating to the public their product historical heritage, craftsmanship, and new collections through these platforms.

Furthermore, influencer marketing is playing a major role in brands connecting with a wider consumer base. Through collaborations with famous watch enthusiasts or influencers, brands can provide personalized experiences and attract new consumer groups. For example, watch specialty media such as Hodinkee communicates closely with watch enthusiasts through watch reviews and unboxings, increasing the marketing effectiveness of luxury watch brands.

2.6.3. Smartwatches and Digital Transformation

The rapid growth of the smartwatch market in recent years has brought major changes to the entire watch industry. In particular, with global IT companies such as Apple and Samsung entering the smartwatch market in earnest, the traditional watch industry has come to face a new competitive structure and technological transformation.

The Apple Watch has been leading the smartwatch market since its first launch in 2015, enjoying global popularity through various functions including healthcare features, exercise management, and Apple Pay. The Apple Watch has established itself as part of the digital ecosystem beyond a simple watch's role and records the highest market share in the smartwatch market as of 2024. The Apple Watch operates with iOS-based Apple devices, with compatibility with iPhone as its strength.

Samsung's Galaxy Watch, first launched in 2013, has occupied an important position in the Android-based smartwatch market. Health management functions have been strengthened through Samsung Health integration, and the transition from Tizen to Wear OS has further improved user experience. The Galaxy Watch is compatible with both Android and iOS while competing with the Apple Watch, but compatibility with Android devices is more strongly enhanced.

Traditional watch brands such as TAG Heuer and Montblanc are also entering the smartwatch market, competing in line with the digital transformation trend. TAG Heuer entered the smartwatch market with the Connected series, expanding the smartwatch domain by incorporating the latest technology while maintaining the traditional design of luxury watches. Montblanc also entered the smartwatch market through the Summit series, with Montblanc's smartwatch famous for premium materials and sophisticated design and compatible with both Android and iOS devices. Montblanc's smartwatch is evaluated as a product with both high-class design and practicality, providing schedule management, health tracking, and voice command functions targeting businesspeople and high-end consumers.

Garmin also occupies a unique position in the smartwatch market. Garmin has gained high popularity among consumers who enjoy outdoor activities and professional sports by providing exercise-specialized functions based on GPS technology. Garmin provides functions optimized for activities such as hiking, cycling, and marathons in addition to healthcare functions, targeting niche markets not focused on by traditional watch brands. Garmin's smartwatch is also compatible with both iOS and Android, but its focus on GPS functions and exercise-specialized features is distinctive.

The rise of smartwatches has accelerated the digital transformation of the watch industry and created a new competitive landscape. Traditional mechanical watches are still recognized for their high value by premium consumer segments, but the multifunctionality and connectivity provided by smartwatches are attracting particularly strong appeal among younger generations. Traditional watch brands are thus facing new challenges.

However, the possibility of smartwatches and traditional watches coexisting also exists. Mechanical watches can meet consumer needs that smartwatches cannot satisfy by emphasizing investment value and artistry. Therefore, traditional watch brands need to adapt to technological changes while maintaining their unique brand value and seeking differentiated strategies.

2.7. Industry Environment Analysis: Evaluating Korean Watch Industry Competitiveness through Porter's Five Forces Model

2.7.1. Rivalry Among Existing Competitors

Switzerland still possesses powerful competitiveness in the mechanical watch market, with brands such as Rolex, Patek Philippe, and Omega maintaining high brand loyalty globally. These brands earn consumer trust based on

decades of accumulated craftsmanship and brand credibility, maintaining positions differentiated from competitors through this.

As shown in Table 3 below, Rolex maintains an overwhelming first place with approximately 29.20% of the total market by revenue. Cartier and Omega follow with market shares of 7% and 7.7% respectively. These Swiss and global major brands dominate the market based on long tradition and high brand credibility, particularly in the luxury watch market where they occupy positions that other competitors cannot easily match.

Table 3. Top 10 Brand Cumulative Market Revenue and Market Share (2022).

Rank	Brand	Revenue (USD billion)	Market Share (%)
1	Rolex	~9.3	29.20
2	Omega	~2.5	7.70
3	Cartier	~2.2	7.00
4	Patek Philippe	~1.8	5.60
5	TAG Heuer	~1.4	4.30
6	Audemars Piguet	~1.3	4.10
7	Longines	~1.2	3.80
8	Breitling	~0.9	2.80
9	IWC Schaffhausen	~0.7	2.20
10	Seiko	~0.6	1.90

Source: Grand View Research (2023); IMARC Group (2023).

Rolex virtually monopolizes the high-end diver watch market particularly through series such as the Submariner, releasing limited quantities of watches annually to emphasize scarcity and maintaining high consumer demand. Accordingly, other competitors are fiercely competing to attract consumer attention through similar limited edition strategies and brand storytelling.

For Korean watch brands to compete with these rivals, they need to combine the values of traditional mechanical watches with modern technology and design. For example, Korean watch brands can build differentiated brand images in the global market by reflecting traditional Korean cultural elements in their designs—applying Hangeul typography or traditional Korean patterns to watch dials and strap designs, conveying unique images differentiated from other watch brands. Such strategies can be particularly effective in the current situation where global consumers have increasing interest in Korean culture.

2.7.2. Threat of New Entrants

The mechanical watch market has traditionally had high entry barriers. Technical barriers of precision parts such as movements, brand loyalty based on long history and tradition, and high initial investment costs prevent new entrants from easily entering the market. However, the electronic watch and smartwatch market has relatively low entry barriers, and various startups are emerging based on technological innovation.

Representative new entrants include the United States, China, and Hong Kong. The United States entered the watch industry after major technological development and flourishing of watches occurred in Switzerland, Germany, and Japan. However, like most new entrants, the United States has not overcome the genetic aspects of mechanical watches in terms of heritage, movement technology, and finishing. The United States entered the watch industry relatively early (1850s to early 1900s) but has not gained great prestige and remains stagnant, developing through price-to-performance ratio emphasizing reasonable prices and durability. Representative brands include Timex, Bulova, Hamilton (currently under Swatch Group), Invicta, and Glycine.

China and Hong Kong have entered the watch industry from different directions: homage watches and so-called replicas. Homage watches adopt the designs of popular brands such as Patek Philippe and Rolex, partially modifying them and attaching different brand names. With recent growth of Chinese platforms such as AliExpress and Temu, San Martin and Pagani Design, which have grown significantly utilizing these platforms, are representative examples. These watches produce and supply timepieces with appearances similar to luxury watches at low prices, but their limitations are clear in heritage, movement technology, and finishing—the essence of mechanical watches—and product lifespan is also not long.

The replica market, in contrast, is a market selling copies of genuine watches—typically traded at USD 500-1,000. This market sells watches with very similar appearances by illegally copying genuine watches. Targeting consumers who want watches like Patek Philippe, Rolex, and Omega at relatively low prices, this market is growing rapidly in China and Hong Kong. It is a market that should not ethically develop as products without quality guarantees that do not disclose what potentially harmful raw materials are used; however, many consumers are currently seeking such watches, making it a major obstacle threatening the traditional mechanical watch market.

Korean watch brands can maintain competitive advantage through differentiated strategies from such new entrants. For example, developing hybrid watches combining the values of traditional mechanical watches with smart functions can simultaneously pursue tradition and innovation. TAG Heuer demonstrated success with its Connected Modular 45 series presenting products combining traditional mechanical watch and smartwatch functions, simultaneously providing the benefits of technological advances and traditional mechanical watches. Korean brands can similarly provide differentiated products in the market through technological innovation.

2.7.3. Threat of Substitutes

The biggest substitutes for mechanical watches are smartwatches and smartphones. In particular, Apple and Samsung are establishing powerful footholds in the smartwatch market, and these products provide consumers with advanced functions such as fitness tracking, notifications, and healthcare features. Younger generations are likely to show greater interest in such smart-featured products than mechanical watches.

Korean watch brands must leverage the advantages of smartwatches as substitutes. Overcoming the technical limitations of mechanical watches—heritage, movement, finishing—with modern technology can be said to be the final goal of Korean watch brands. Furthermore, releasing hybrid watches combining the sophistication of mechanical watches with smart functions can provide new value to consumers.

2.7.4. Bargaining Power of Suppliers

In the mechanical watch industry, core components such as movements are monopolized by a small number of large manufacturers such as Swiss ETA. Due to this monopolistic structure, supplier bargaining power is very high. In particular, small and medium-sized watch manufacturers or startup brands are inevitably dependent on movement suppliers, which can lead to rising production costs and supply shortage issues.

For Korean watch brands to break free from this high bargaining power, they need to adopt a strategy of reducing supply chain dependence through independent technology development. A good example is Japan's Citizen. Citizen reduced external dependence on movements through its own technical capability via the Radio-Controlled line, incorporating innovative functions of automatically correcting time information through radio signals while maintaining movement precision. Thanks to this technology, Citizen achieved independent technical capability with reduced dependence on external movement suppliers and gained competitiveness across a wide range from low-cost to mid-to-high-end watch markets.

Citizen's case is applicable to Korean watch brands as well. Technical capability can be secured more autonomously in the production process through movement development or technological innovation to reduce supplier bargaining power. Such technological innovation can also be applied particularly in materials or energy efficiency—for example, through solar energy technologies such as Eco-Drive, Korean watch brands can reduce supply chain dependence while strengthening brand value by emphasizing eco-friendly technology and sustainable design.

2.7.5. Bargaining Power of Buyers

In the luxury watch market, consumers value scarcity, brand value, and investment value. In particular, watches released in limited quantities or watches whose value appreciates over time show high demand. Buyers compare various brands and value price-to-performance ratio, so luxury watch brands need various strategies to meet consumer expectations.

Korean watch brands can meet these consumer needs through personalized services and limited edition watch releases. For example, Rolex emphasized product scarcity to consumers while enhancing customer satisfaction by strengthening after-service and repair warranties. Korean watch brands can also strengthen the emotional connection between brand and consumer by providing consumers with personalized design options or custom watch manufacturing services. This will contribute to providing differentiated experiences to high-income consumers in particular and strengthening brand loyalty.

3. Conclusions and Recommendations

3.1. Conclusions

This study analyzed from multiple angles the strategies necessary for the Korean watch industry to secure competitiveness in the global market. The coexistence of mechanical watches and smartwatches, brand differentiation reflecting unique cultural elements, and the introduction of advanced technology were confirmed as the main success factors for the Korean watch industry. The global market is witnessing simultaneous growth of traditional mechanical watches and smartwatches incorporating digital technology, and accordingly Korean watch brands can pioneer new markets through a hybrid product strategy reflecting both trends.

Furthermore, limited edition product releases targeting premium consumer segments and brand storytelling will act as important elements for Korean watch brands to secure an independent position in the global market. As a result of evaluating the Korean watch industry's competitive environment through Porter's Five Forces analysis, it was confirmed that simultaneously securing differentiated technological and design advantages over existing competitors while pursuing a strategy of reducing supply chain dependence through movement technology development is essential.

3.2. Recommendations

The most important point of successful entry strategies for the Korean watch industry examined above is that they must proceed in the direction of leveraging the strengths of established brands while overcoming the weaknesses of new brands. The strengths of established brands lie in heritage, movement, and finishing, while the weaknesses of new brands are excessive immersion in price-to-performance watches and the fact that the watch industry remains at the level of 'imitation.' Based on this, the following detailed implementation measures are recommended for the Korean watch industry to successfully enter the global market.

3.2.1. Design Development Incorporating Unique Cultural Elements

Korean watch brands can build differentiated images in the global market by incorporating unique design elements such as traditional Korean patterns or Hangeul typography into their products. In particular, designs combining tradition and modernity can be effectively used in limited edition or customized watches targeting premium consumer segments. The K-Edition released by Frederique Constant, which incorporated Hangeul on the dial, received a comparatively large positive response in the Korean market.

If products incorporating Korea's unique characteristics can be blended into watches in this way, this can arouse curiosity about the product in consumers. Korean cultural heritage elements—including the graceful curves of traditional Korean ceramics (celadon, white porcelain), the geometric patterns of traditional architecture, natural motifs inspired by Korea's landscape, and the aesthetic minimalism of Korean design philosophy—offer rich visual vocabularies that, when thoughtfully incorporated into watch design, could create compelling and distinctive timepieces with authentic cultural depth.

3.2.2. Differentiation Strategy through Digitalization and Hybrid Watch Development

Developing hybrid watches combining traditional mechanical watches with smart functions is an important strategy and a major direction Korean watch brands must pursue to secure competitiveness. The movements of traditional watch brands have already reached a position that startup companies cannot follow. This is not only due to the precision or complexity of movements. In fact, many Chinese startups have been independently producing movements applicable to mechanical watches for several years, and while their precision does not match Swiss or German movements, they are already sufficient to function as watches. But more important than that is historical symbolism—the movement of a traditional brand resonates deeply with many consumers on the strength of its name alone.

However, we need not make direct investments in developing such movements. We should recognize the movements of traditional brands and either import them, or focus on watches excluding the movement itself.

From this perspective, hybrid watches can be interpreted or applied in multiple ways. First is incorporating digital functions into a quartz watch base—Casio or G-Shock watches are examples. Such watches can simultaneously maintain the form of mechanical watches while performing basic digital watch roles such as alarms, stopwatches, and waterproofing. Second is focusing on wearable devices that are watches only in appearance. Modern smartwatches are focused more on wearable functions than watch functions. For example, while Apple Watch displays time, its role in monitoring health status or performing various smartphone functions through the smartwatch is far greater than its role as a watch.

A revolutionary hybrid concept could be inspired by Jaeger-LeCoultre's iconic Reverso, a watch that can be flipped. The front and back can each display different time zones, a unique characteristic exclusive to the

Reverso. If one face were a mechanical watch with second, minute, and hour hands, while the other face incorporated smartwatch functions compatible with smartphones like Apple Watch, it would become a highly innovative timepiece. Such a watch would maintain the artistic value of mechanical watches while meeting the demands of digital-era consumers, with potential particularly strong among younger generations and premium consumer segments.

3.2.3. Strengthening Collaborations with Renowned Overseas Brands

Through collaboration with global brands, Korean watch brands can enhance brand credibility. By actively participating in international watch exhibitions and releasing limited edition watches through collaboration with famous designers or artists, the originality of Korean watches can be promoted to global consumers.

For example, the first-generation smart ring—which was brought back into the spotlight with the launch of Samsung Electronics' smart ring—includes the Oura Ring, Lincoln Ring, and others. Among these, the Oura Ring entered the smart ring business and released products relatively early, collaborated with renowned fashion brand Gucci to launch the Gucci Oura Ring, which gained great popularity at the time. Furthermore, sunglasses brand Ray-Ban and Meta collaborated to launch smart glasses that are still enjoying great popularity.

Collaborating with brands well-known to consumers in the relevant field and releasing products through this collaboration can itself become a method of approaching consumers familiarly. For example, a hybrid watch through collaboration with Garmin and Suunto—already widely known as smartwatch brands—could receive a large positive response from consumers familiar with Garmin and Suunto.

3.3. Limitations

1. **Insufficient Quantitative Data:** Specific quantitative data such as the Korean watch industry's global market share and revenue were not sufficiently reflected in the paper. Additional analysis considering the market scale and growth potential of various countries through more objective strategies derived from quantitative data is needed.
2. **Limitations in Global Competitor Analysis:** Specific analysis of what response strategies current watchmaking powers such as Switzerland, Japan, and Germany are pursuing is lacking. Existing competitors will also be devising response strategies for smartwatches and hybrid watches, but there are limitations in understanding these, requiring detailed understanding of competitors' response strategies and strategies for Korean watch brands to secure differentiated competitive advantage in the global market based on this.
3. **Insufficient Analysis of Long-term Impact of Digital Transformation:** While the impact of smartwatches and digitalization on the traditional watch industry was discussed, in-depth analysis of the long-term impact digitalization will have on the entire watch industry was insufficient. In particular, additional research is needed on what changes the shift in consumer behavior and technological advancement accompanying digitalization will bring to the watch market in the medium to long term. For example, digital watches may only be one stage in the wearablization of smart devices. With the launch of smaller, more convenient smart devices such as smart rings, the popularity of smartwatches could rapidly diminish.

In conclusion, for the Korean watch industry to achieve successful entry into the global market, differentiated strategies and continuous innovation are necessary. Additionally, more practical and detailed strategies must be established through research based on specific data and consumer research.

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