

Case analysis analysis persuasive essay



**ASSIGN
BUSTER**

The success of Switzerland Company named Swatch owned by “ Societe Suisse de Microelectronique et d’Horlogerie” (SMH) is a perfect example of a successful brand and product management. Their success was based on the fact that Swatch had completely excelled in each and every step of developing and executing its outstanding marketing strategy. In early 80’s the biggest problem for the Swiss watch industry was the rapid growth of quartz technology which changed the rules of the game. Low cost watches created a new product and market segment.

Unluckily the Switzerland companies didn’t respond to this new threat due to their arrogance. They thought that quartz watches were unreliable, unsophisticated and beneath Swiss quality standards. In that situation, changing the way of doing business had become the matter of “ change or die” for the Swiss watch industry. SMH became the only Swiss company who decided to lead the way and creating a smart way to differentiate themselves from other competitors.

The goal of the company was to compete in the lower end of the market. Therefore they created new brand named Swatch. Their business model was based on vertical integration in Switzerland. The purpose of this action was to bring production cost down to the Japanese level. To achieve this they were needed to produce Swatch on a mass production base on fully automated production lines. The swatch watches were also supposed to be made from cheap plastic, which would also push their price down.

Initially, Swatch decided to differentiate itself from segmentation and positioning perspective. They choose young people as their primary target

segment since they believed that youth had no longer perceived watch as a usual jewelry but a simple device connected with their routine life.

Additionally, young people have limited income to purchase luxury products. They tried to possess their product that possibly will help to define their lifestyles and personalities. As Nicolas Hayek said: “ we were not just selling a consumer product or even a branded product.

We were selling an emotional product. It can be an important part of your self-image”. Therefore, Swatch positioned itself as a “ young, cool, trendy” product with affordable, simple and clean price that enabled young people to personalize themselves by owning the product. By choosing the segment and positioning, Swatch smartly differentiated themselves from the rest rivals by bringing genuine emotion to the product and attack the lower end segment instead of directly compete on price with others. Swatch tried to send a message: “ High quality.

Low cost. Provocative. Joy of life.” All watches were made of plastic but at the same time they featured witty and outlandish designs and used brash, intense colors.

Swatch’s design team created like-no-other products by capturing several features such as youthful, stylish, unpredictable or sometimes even whimsical. These features completely fitted the young target segment, thus encouraging them to buy this product and become more loyal. Swatch customers always were looking for intriguing new designs. Since Swatch provided huge range of models, so variety seeking customers also began to buy the Swatch. This helped them to increase their sales and enjoyed

sustainable growth, since it was not easy for competitors to imitate their strategy.

In addition, innovative and differentiated products helped Swatch deliver the brand promise of making their consumers look “ young, cool, trendy” more effectively. Company also created a unique pricing strategy. They did not change its prices across all markets for several years despite the incredible success in the market and huge unmet demand in certain countries. They also strictly controlled their dealers so that no price mark-up would happen. Swatch also earned much appreciation from consumers as they found buying a Swatch is an very easy decision.

It’s provocative. But it doesn’t make you think too much. This pricing strategy kept them away from competition. Swatch differentiated from rivals even by their distribution strategy.

They decided to avoid the expensive jewelry stores and watch shops favored by most of competitors. Instead the company adopted an unconventional retail approach. They preferred to keep their watches out of the jewelry displays where other watches were sold. Instead they created non-traditional mini-boutiques and freestanding mono-brand Swatch stores with latest designs located in exclusive and high-fashion districts. By doing this they showed understanding of their consumer insight; they avoided direct competition with others at the same places; finally, created their brand image separately from the rest of competitors. Different way of distribution and branding process successfully reinforced their differentiation.

In promotion, Swatch was also very successful and did something like-no-other. It spent about 30% of product retail price on advertising, more than double the industry average. They tried to reach their target audience directly and let them be closer to the product experience of funny, fanciful and joy of life. Swatch did these like-no-other creating impressive activities and radical promotional stunts through untraditional approach, such as hanging the giant Swatch outside the tallest skyscraper in Frankfurt on the day they launched the product in Germany, they were also the main sponsors of the break-dance competitions and they acquired the celebrity endorsement. Swatch also utilized the Swiss watch heritage by smartly incorporating that heritage into the name “ Swiss + Watch = Swatch” and in their direct and simple communication messages “ Swatch. Swiss.

DM60”. This was a big advantage for Swatch as a new launched product since it created credibility for the product among their target segment. Swatch’s marketing activities were very innovative. For example, the company created a Swatch Collectors Club for its highly loyal customers and fans whose membership entitled the members to receive an exclusive collectors’ Swatch each year. The company also printed Swatch Street Journal which featured latest news and information about Swatch in particular and pop culture trends in general.

Both activities helped increase the relevance of their brand. Excellent marketing strategy and outstanding product management were executed innovatively and consistently. They effectively created a promising brand which later became a power brand, since Swatch had a great success after

ten years of launch and enjoyed high familiarity, as well as high favorability. They reached a volume of 31.

5 million watches in 1993 or a cumulative number of 154 million units from zero percent of market share of the low-priced segment in early 1980's.

More significantly, this success made revitalization for the entire Swiss watch industry. As Hayek commented: “ It has restored our credibility with the public. It has restored our credibility with the trade. The perception of Swiss watches today is so different from ten years ago. ”