

Marketing strategy for swatch original watches in vietnam



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Statement of purpose

Swatch (' Swiss' + ' watch') is a famous brand of the Swatch Group. In Vietnam, one of the main product lines of Swatch is the Original family which targets the young Vietnamese (aged, 18-25). In recent years, the brand faces not only fierce competition but also new opportunities. Thus, this report aims to introduce an approach for Swatch to increase the brand identity, sales volume and maintain customer loyalty in Vietnam market.

Wrist watches industry in Vietnam:

Back ground:

Due to the limitation of available data, it is difficult to account the numbers of wrist watch brands in Vietnam market. However, according to an informal source, it is believed that there are about 400 brands have been recorded.

They are classified to eight levels (website):

Mass market

Mid-end market

US\$150 -300

Premium market

US\$1. 000 - 10. 000

Low market

US\$10 - 50

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Upper mid-end market

US\$300 -500

Super premium market

> US\$10. 000

Lower mid-end market

US\$50-150

High-end market

US\$ 500 – 1. 000

Focus segment: (US\$50 -150)

Currently, Swatch Original watches address in lower mid-end level, with the pricing vary from US\$60 -80 (website)

Players in lower mid-end market include: Casio, Endura, Guess, Ogival, Seiko, Swatch, Titan, Roamer, etc..... However, Casio is the main competitor of Swatch because these firms target the same segment, the young Vietnamese with extrovert lifestyle.

Company and products:

Swatch

Swath is one of 19 brands which belong to the Swatch Group. This brand is famous for watches that utilising plastic housing, strap, etc.... with fresh and cool designs.

Mission statement:

Though Swatch hasn't announced its mission statement, it is believed that the brand implicit mission is " to offer low cost, high quality and accurate watch with synthetic material" (website)

Products:

Swatch has 5 product lines named: Skin, Irony, Original, Beat, Bijoux, in which the Original family is designed as youthful, witty and colourful.

Distribution:

Swatch watches are distributed in Vietnam mostly through Trading Development Company Limited (TDC Ltd.), the authorised distributor of Swatch. Following that, TDC Ltd. utilises 6 retail outlets (shop-in-shops, stores) and its website to deliver watches to customers (website).

However, the website of the dealer is poor developed. The website provides poor contents in meager format. There are little details of Swatch watches' specifications and the prices of most of the products are unavailable to check.

Casio

Casio Company Co. Ltd. is a famous company in consumer electronics field.

Casio watches are designed as both digital and analogue watches.

Mission statement:

Casio Watches believe the beauty of time lies in precision with no compromise, no shades of grey and no half measures. It's all about accuracy and control (<http://www.thewatchhut.co.uk/casio-watches.htm>).

Products:

Casio has 13 different brands that target different segment. Among these, Casio Standard is competitor of Swatch Original.

Casio Standard: This is the basic range of Casio watches. The concepts behind Standard are digital watches that are durable, long lifetime battery and affordable price. Casio standard target low to lower mid-end market with the pricing vary from US\$35 -80 (website)

In overall, regarding added functions, durability and battery lifetime, Casio watches are more competitive against Swatch (figure).

Situation analysis:

Internal environment analysis:

Tangible resources:

The Swatch Group is the world largest watchmaker corporation. Belonging to the Group, there are 156 production centers which are in charge of

producing watches and watch components (website). Furthermore, there are 6 electric components and systems companies(website) which take response for manufacturing automotive, industrial electronics. Together, these firms form a system of interrelated values chains, so each parts of Swatch watches are produced with high compatibility and high quality.

On the other hand, the Swatch Group has 6 general corporate companies (website) which specialise in R&D, designing, etc..... Thus, Swatch watches are likely to be updated with the latest technologies and designs.

Intangible resources:

Considering branding, it is one of the most valuable assets of the Swatch Group. Firstly, the Swatch brand is well known in many places worldwide. Secondly, there is a solid reputation for the brand as Swiss made watches and cool design watches.

Unique selling proposition:

Overall the corporation's intangible and tangible assets contribute to three exclusive points:

The brand reputation for quality and creative designs

Ability to produce a vast array of different watch collections

Ability to develop and implement new technologies and new materials in watches

External environment analysis:

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Political:

Vietnam is a country which follows one-party political system, with the central role of the Communist Party. This entity is believed to put an end to a long time of internal conflicts and generally conducive to political stability. However, regarding wrist watch businesses, there is little support from the government, the tariff on imported watches is relatively high (20% imported tax) compares to other nations (5% imported tax in Philippine) (website).

Economic:

Over the last decade, Vietnam is one of the best performing economies in the world. Real GDP has grown on average by 7.3 percent per year during 1995-2005, reached 90.64 billions US\$ in 2008. In 2010, GDP of the first nine months is predicted to increase by 6.52% as compared to the same period last year (Vietnam key country index - WB).

Considering the GNI per capita, it rose double from US\$ 390 in 2000 to US\$ 910 in 2008 (Worldbank). As the economy continues to grow, Vietnam has moved from poorest country list to lower-middle income group in 2010, with average income per capita reached an estimated US\$ 1,200. (Ministry of planning and industry)

Consumer Confident Index of Vietnam remains in the top score groups (14th out of 50) in the first half 2009 (figure). Likewise, Vietnamese customers showed a great optimistic about future prospect, with the trend went upward from 85 points in the first half 2009 to 109 points in the second half of the

same year (figure). Thus, it is confident to say that Vietnamese will spend more in the next year.

Overall, it is believed that Vietnam economic is still growing briskly in 2011 and customers are more willing to purchase luxury products as they are becoming wealthier. Thus, there are relatively high potential for wrist watch demand in the next year.

Social:

Population

Vietnam is one of the largest population countries in the world (ranks 13), with the composition of population reached 87, 279, 754 in 2009 (Worldbank). Among that, 20% of the total population is at age 15-24 in which there are approximately 1. 45 million males in Ha Noi city and Ho Chi Minh (Nielsen). The number of young females is roughly equal to young males.

Lifestyle:

Vietnamese youngsters (aged, 15-24) are identified in three categories: Regular (48%), In-betweeners (27%) and Uber modern (23%) (Nielsen). Regular group is limited in social activity and traditional values whereas the Uber modern is more individual and has high demand for social and consumer activity. On the other hand, the in-betweeners embody a combination of the Regular's daily routine and Uber modern's mind set.

Thus, there is a large gap between how the three youngster groups prefer product's features.

Regular: they are conservative buyers who look for established brand watch. They prefer durability, product's functions and value over cost.

In - betweens: they are trendy and fun loving who look for similar values as the Uber modern, however, their consumer activity is comparatively lower.

Uber modern: they are extrovert, enthusiastic who look for " cool" watches which can reflect their style. They are also impulse buyers.

Approaches to the young Vietnamese: (see more detail in appendix B)

The main points that Swatch should consider are:

High quality products

Creative designs watches

Innovative marketing campaigns

Technology:

Currently, the most remarkable technology trend in Vietnam is communication technology. It is estimated that by the end of September 2010, there was 142. 1 million of cellular phone subscribers. On the other hand, in 2010, the numbers of internet users was 26. 6 million (Ministry of planning).

Among the composition of internet users, a large part is young Vietnamese. It is reported that 88% of aged 15-24 Vietnamese (in HN and HCM) uses internet more than once a day. Moreover, Vietnamese youth show great fascinated to cyber activities, with 49% of those surveyed by TNS Vietnam had responded that they engaged in social networking (TNS).

On the other hand, a lot of Vietnamese youngsters are also TV user, as the research of TNS pointed out that one of teen's main activities is watching TV and movie (TNS).

In conclusion, TV and internet are very potential communication channels to approach Vietnamese young generation. However, telephones pose a deliberate threat to wrist watches as they are designed with clock capabilities as well.

SWOT analysis:

Strengths:

Swatch watches' value perceived is very high among young customers

For a long time, Swiss watchmakers have built for their watches a solid reputation of quality and reliability which have been experienced by numerous Vietnamese. Through mostly word of mouth, young Vietnamese have been profoundly influenced by this perception.

The creative and artistic appearances

The Swatch watches of the Original family have long been favored for its design. Being simply characterized by plastic housing and strap, those products can come up in vast array of different styles from the fresh and wittiness of Gent to the dandy and femininity of Lady.

Weaknesses:

Electronic commercial website is poorly developed

It is believed that the distributor's website with regards to a bridge connects customers and the firm is not well designed. The website provides poor contents in meager format. There are little details of Swatch watches' specifications and the prices of most of the products are unavailable.

By contract, the results for keywords such as "Swatch Vietnam", "daily Swatch" give 242,000 addresses; however, the authorized dealer's website is not among the top results. Thus, this is very inconvenient for customers to find the website.

Few added values

Apart from branding and designing, there are few added values from Swatch watches as compared to competitors' products. In terms of additional functions, durability and battery lifetime, Casio watches are more competitive over Swatch.

Threats:

Threats from competitors (High)

A major threat which Swatch has to confront is the fierce competition of rivalry brands such as Casio G-shock, Casio Standard, Tommy Hilfiger and so on. Especially Casio Vietnam, this firm has built a wide and large distribution network, with roughly 36 stores in HCM and about 6 stores in HN.

Threats from replica watches (Low)

On the other hand, counterfeits of branded watches also pose an implicit risk. Firstly, they are cheap. Spending about US\$25 – US\$75, people can have a replica of luxury watch which is difficult to be detected just by judging its appearance. Secondly, replica watches are selling in many places and in the internet without being banned by the government.

Threats from substitute (Medium)

The large number of mobile phones used in Vietnam is another threat to Swatch. However, mobile phones are vulnerable to water and their batteries are not last for long and must be charged daily.

Threats from government's policy (Medium)

Finally, the high imported tax on watches of Vietnam government increases the costs of the Swatch distributor and adds higher VAT to the end customers. Consequently, the profit margin for the dealer goes down while the retail prices rise up.

Opportunities:

The increasing Vietnamese household income

There is a bright prospect for Swatch watches as Vietnam economic is growing relatively fast. There is an estimated 77% in HN households and 67.5% in HCM achieved middle income rank and above (Nielsen). Hence, increasing income can boost up the demand for quality wrist watches.

The increasing of young population

Secondly, there is a population of 3 million of urban Vietnamese who are at age 18-24 (Statistical yearbook). They are currently demographic targets of Swatch Vietnam and a vast major of them have not been converted to customers. Furthermore, it is estimated that in the next 1-3 years, there will be roughly 1.5 million young Vietnamese enter the target market (Statistical Yearbook).

Marketing strategy for Swatch in Vietnam market:

Poster generic strategies, the Differentiation strategy will be implemented for Swatch in Vietnam. This strategy will be designed to differentiate Swatch and the competitors, then conducive to the raising of the brand awareness. Furthermore, the strategy is also expected to boost up sales volume in the targeted markets.

Overall, the marketing strategy will aim to emphasize strong points of Swatch watches that are the Swiss made reputation and cool designs.

Segmentation and targeting:

Segmentation:

Variable

Typical breakdowns

Geographic

North Vietnam

Ha Noi

Middle Vietnam

Da Nang

South Vietnam

Ho Chi Minh, Can Tho

Demographic

Gender

Male

Female

Age

0-10

10-14

14-17

18-25

26-35

36-49

50-64

65+

Psychology

Life style

Regular

In-between

Uber Modern

Targeting:

Regarding geographic variable, there are five key cities in Vietnam (Nielsen). However, only HN and HCM can be targeted markets. First of all, there are considerable high expenses to open a Swiss wrist watch store due to high stocking costs, renting and interest rate. On the other hand, Swatch should invest more in HN and HCM market in order to achieve sustainability and profitability.

Males and females at age 15-25 will be the target group of the firm. Because the designs of the Swatch Original are shaped as youthful, witty and colourful, which are symbol of youth. Following that, the choice market is <https://assignbuster.com/marketing-strategy-for-swatch-original-watches-in-vietnam/>

narrowed down to 50% of the young Vietnamese who are fashion seekers (In-betweens and Uber modern group).

Positioning:

In order to incorporate with the differentiation strategy, Swatch Original watches will be positioned based on its two main advantages: Swiss made quality and youthful design.

On the other hand, the Original watches have higher value as compare to Casio Standard in overall (figure). Hence, the products should be positioned as “ more value – more price”.

Objectives:

Marketing objectives:

Increase brand awareness in HN and HCM market by 20% by the end of 2011

Financial objectives:

Increase sales volume by 15% by the end of 2011

Marketing programmes:

Marketing mix

Product policy:

The product choice is the Original family which embody for youthful, artistic and outlandish. New designs should be developed regularly and new

collections must be released each year because the young Vietnamese are well updated to the new trends of global youngsters

Regarding quality, it is vital that Swatch watches must satisfy the customers' expectation of the products. Basically, the watches have to be water-resistant (up to 100 feet) and durable enough to take certain levels of impact without being scratched or broken. Additionally, packaging should also be designed artistically in order to contribute to the brand image and satisfy customer's expectation.

Place policy:

Push strategy

In short-term, Swatch watches are distributed mainly through the authorised dealer's retail outlets and its website.

In long-term, as the Vietnam market grows mature, Swatch manufacturer should consider open Swatch stores which are decorated in artistic style and sell only Swatch watches. These selling entities will polish the brand image and become a channel to communicate the firm's campaigns to customers.

Furthermore, new Swatch stores should be opened in other cities which have high household income such as Hai Phong, Can Tho and Da Nang, etc.....

However, these stores are required to locate in good location and well decorated.

Pull strategy

To adapt with customers' expectation and to retain their loyalty, a pull strategy must be implemented in which customers can order their favourite watches through the authorised distributor, who in turn asks the Swatch manufacturer for those products.

Regarding an important source of Swatch watches information, the website of TDC Ltd. should be improved. Actions that the firm should take are re-designing and working with a SEO (Search Engine Optimization) agency. These steps aim at raising the website's attractiveness and improving its accessibility. By contract, information about pricing, watches' specification and new collections must also be updated regularly.

Pricing policy:

Pricing from the Swatch manufacturer to the distributor

A cost-based value approach should be employed by Swatch manufacturer. The pricing to the wholesaler is set by taking total production costs plus desired margin. Thus, a fair price can be offered to the distributor. Furthermore, as businessmen are very price conscious, the firm should also leverage them by price promotion.

Pricing from the distributor to customers

Value-based pricing policy should be employed for Swatch watches. As Swatch watches' quality and designs are highly evaluated. Hence, the price should not be low; otherwise, it may confuse customers about the watches' value. On the other hand, the pricing also reflect the value of Swatch watches against Casio Standard.

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So the products' price should range from US\$60- US\$80

On the other hand, a pricing relation policy should also be implemented. For customers who have purchased more than three watches, they will receive a loyalty card which offers 15% discount for next purchases. This policy is not only aimed to incentivize customers but also build a firm footing for Swatch community in Vietnam in the future.

Promotion policy:

A promotion policy is built to retain customer loyalty and leverage them to re-purchase Swatch's watches. Two types of sales promotion that will be applied are loyalty cards and free gift giving on special occasions.

Marketing communication mix:

In order to achieve the firm's objectives in 2011, it is vital that Swatch must employ different media channels to reach its targeted customers. Three approaches that will be applied are advertising, public relations and sales promotion. These media channels are not only being utilised to convey the brand message and image but also to introduce a fashion trend to young Vietnamese. Finally, product features such as quality and designs must be emphasised in the media message.

Advertising: (see detail in appendix C)

Advertising on magazines and newspapers for youth

Advertising in social media such as Facebook, Twitter, etc....

Advertising in internet media

Advertising in TVs

Public relations: (see detail in appendix C)

Holding flash mob events

Sales promotion

Where as advertising and public relations are implemented to increase Swatch watches awareness and sales volume. The promotion approach is used to retain customer. Two types of sale promotion are loyalty program and free gift offering.

With loyalty card promotion, customers will be given a special ticket for each time they purchase a Swatch watch. Following that, they will get a discount card for 3 tickets that they collected. On the other hand, on special events like Vietnamese New Year Event or Christ Mast, a free gift will be giving to customers associating with the watch they buy.

Conclusion:

Because of Vietnamese average income is rising, it is believed that the demand for wrist watch will grow higher in next years. Hence, Swatch should invest more in R&D, distribution and communication channels to not only increasing revenues but also to capture more market share.

Appendix

Appendix A - Figures

Figure 1 - Vietnam quarterly GDP growth

Source: Taking stock 2010 - An update on recent Vietnam economic development

Figure 2. 1 - 1H Nielsen Consumer Confident Index

(Source: Nielsen Global Online Survey - Consumer Confidence, March 2009)

Figure 2. 2 _ 2006-2009 Consumer Confidence Index: Vietnam

Source: Nielsen 2H 2009 Global Omnibus Study, September 2009

Reasons for favourite brand of Vietnamese youth

59%

Top quality

39%

Innovative, ground breaking

38%

Well designed, easy to use

34%

Affordable, good value of money

27%

Great marketing and advertising

Figure 3 - Reasons for favourite brand of Vietnamese youth

Source: TNS - Vietnam's shifting consumer landscape

Swatch Original

Product attributes

Casio Standard

3

Materials

3

3

Lifetime battery

4

5

Cool design

3

3

Durable (water-proof, shock-proof, scratch-proof)

4

5

Reputable brand

4

4

Precision

4

3

Additional functions

4

Very low

Low

Normal

High

Very high

1

2

3

4

5

Figure 4 – Value assessing between Swatch Original and Casio Standard

This figure is designed based on my estimation from available data in

<http://store.swatch.com/> and [http://www.casio-intl.](http://www.casio-intl.com/wat/g_shock/standard.html)

[com/wat/g_shock/standard.html](http://www.casio-intl.com/wat/g_shock/standard.html)

Vietnamese youth top sources to get news and information

Television

84%

Internet

58%

Magazines and newspapers

24%

Word of mouth

13%

Figure 5 – Young Vietnamese sources of information

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Source: TNS – Vietnam’s shifting consumer landscape

Figure 6 – Vietnamese youth’s digital life

Source: TNS – Vietnam’s shifting consumer landscape

Figure 7 – Vietnamese youth’s attitude toward brand interaction on-line

Source: TNS – Vietnam’s shifting consumer landscape

Appendix B

Approaches to Vietnamese youth

The FCB matrix was invented by Foot, Cone & Belding Advertising. The matrix is applied to explain customer buying behaviour and present approaches for media strategy. There are two directions in the FCB Grid: product involvement (high & low) and product emotion (thinking & feeling).

Thinking

Feeling

High involvement

Swatch Original watches

Expensive products but decision making is driven by emotion

Low involvement

It is believed that a majority part of young Vietnamese who aged 15-25 spending a lot of their time for study and having little time for working. As a <https://assignbuster.com/marketing-strategy-for-swatch-original-watches-in-vietnam/>

result, their financial availability is mostly depended on their parents. Which this in mind, wrist watches which cost them US\$ 60- 80 will be considered as expensive products. Thus, Swatch watches are classified as high involvement products.

On the other hand, Swatch watches are fashion accessories which youngsters can use them to express their style, make them feel cool and fresh. Thus, Swatch watches involve high emotional responses.

Regarding reasons for favourite brand (figure 3), it is clear that products' quality, designs have significant impacts on Vietnamese youth by 59%, 39% respondents respectively. In contract, these elements engage high emotional responses as they are mostly based on customer's perceived value. Hence, quality, designs should be focus points in Swatch media campaigns.

In conclusion, FCB Grid suggests that Swatch advertising campaigns should be creative and inspire customers by psychological benefits.

Appendix C

Communication mix choice

Advertising:

Advertising on magazines and newspapers for youth

Newspapers and magazines is the number three source of information and news to young Vietnamese (figure 5). They use this channel to pull out information of various aspects which they concern include entertainment,

fashion trends, news and so on. Thus, it is confident to say that printed media can deliver the brand image and message to a majority of Vietnamese youth.

Advertising in social media

This approach is absolute 'must' in order to reach the targeted groups.

Social networking is a new trend in Vietnam, with half of the online youngster engages in (figure 6). The advantage of this media channel is that information can be spread and shared quickly and widely as internet users are keen in communicating with others.

On the other hand, young Vietnamese also pose a positive attitude toward brand interaction on-line. They accept to interact with the brands in many activities from e-mail to news and social (figure 7). Thus, a Swatch community can be built to provide not only information about the products but also to offer promotions and provide a fan space. Furthermore, through social networking, global contests of Swatch (CreArt, etc.....) can be introduced to Vietnamese.

Famous cyber communities include: Facebook, Twitter and Youtube.

Advertising in internet media

Internet magazines or information portals for youth are viable mediums for Swatch. They are Vietnamese youngster favourite sources of information in which they rank number two among the others (figure 5). The advantage of this media include: low costs, wide market coverage.

Popular websites include: [www. hihihehe. com](http://www.hihihehe.com), [www. kenh14. vn](http://www.kenh14.vn), [www. hoahoctro. vn](http://www.hoahoctro.vn), [www. zing. vn](http://www.zing.vn)

Advertising in TVs

TV media should be considered as a channel to reach customer. It is reported that television is the youngster's number one source of news and information. Its advantages are wide " reach" (% of targeted customers who watch the advertisement) and high " frequency" (number of times each customer watches the advertisement). Hence, TV advertising can highly increase the brand awareness among young customers. However, there are relatively high costs (costs to produce television commercials and costs for booking TV channels) in utilising this medium.

However, it is notable that the advertisements should be creative in order to impress the young audiences. Furthermore, advertisement must be launched at an effective frequency to maximise the effect while spending reasonable budgets.

Public relations:

Holding special events is an indirect way to advertise for the products to the targeted customers. Alternatively, TDC limited can also give aid to events that are attractive to young customers. It is noticed that special events must be creative and bring joy to audiences. Consequently, the product's image is expected to be benefited from word of mouth and news on magazines.

Holding flash mob events

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Recently, there is a new trend of the youngsters, flash mob event. It is recorded that three big events (with over 1200 participants) and a lot of small ones has taken place in HN and HCM in 2010. Thus, TDC limited can contact with key members of flash mob groups to offer them sponsorship. In return, these members will indirectly promote for Swatch watches and influence the preference of the other event participants.