

# [Summary on luxurious watch in india marketing essay](https://assignbuster.com/summary-on-luxurious-watch-in-india-marketing-essay/)

Good times are predicted and as well as seen for the watch industry in India, where the consumers going unmindful of their prices. Due to the emergence of a powerful middle class in India will keep the country’s economy on an upswing. If industry experts are to be believed then the country holds a very huge potential market for the luxurious watch, where earlier the market was dominated by only HMT and Allwyn brands. The industry currently is holding $195 million despite the fact that the penetration of watches is the lowest when compared globally and this resulting the other global companies to settle up there base in India where the average growth rate can be predicted to be around 20 – 25 percent per year, total size of the market for luxirous watch is estimated to be 600 cr which plans to stick to high tagline and is ready to witness a whopping 1. 40 lakh families spending on such brands by 2010 as compared to 2000 families in 2002. The top brands in luxurious watch segment are the Swiss, Rado, Tagheuar, Casio, Cartier, Rolex, Omega and others. The government has control over the international brand price and there is severe price competition.

## Porters 5 force model

## Industry Analysis

Intense Rivalry: This is where rivalry exists among competitors of the same industry to an extent where pressure is put on one another and limits each other’s profit potential. Luxurious watch industry in India is highly competitive as there are various numbers of different players fighting among themselves. The key players of Indian market are following :

Titan

HMT

Timex

The new entrants in to the watch industry are the Swiss, Rolex, Omega, and Rado where Omega is dominating the industry by 27 percentages. Due to the new entrants, the market share for the key players has lowered. The top 5players currently holding 15percentage of market share. The industry is very attractive for the new companies to come and therefore growth prospectuses are quite high. The main reason for the intense industry rivalry is due to entry barriers that are quite low. Swiss and Rolex have created big brands over the year.

Bargain power of Buyers: Due to changing trend in the market, people have high preference of buying unpredictably. Consumers have been provided a wide scope on selecting on their choice along with the niche market that adds up an advantage to the consumer. As the market prices are not sensitive that is, it does not show the effect when there is change in stock exchange. Moreover, due to the uniqness in the product there is relatively low brand switching.

Bargain Power of Suppliers: For an industry, achieving loyalty of customers is difficult, companies within the industry are having, and developing innovative products that fulfil customer needs in order to achieve the loyalty. Since there are number of companies with in the same industry, it has made tough for the suppliers to whom to work and supply.

Threat of substitute: having an alternative product with lower price but with better quality and performance explains the concept of threat of substitute. For the watch industry, the threat of substitute is very high since most of us can access to mobile phones, handled computing devices, which are capable of providing correct timings as well for different countries without having to access other mobile phones. Since the growth rate of the market is rising slowly, there is the threat where the population considered to be, as middle class prefer to own watch, which are cheap, and does show time.

Threat of New Entrants : threat of new entrants in the watch industry is quite low as India is growing at a slow space and since there is growing number of finance companies coming up to finance, more and more international brands coming in and settling down and establishing themselves. In the situation when a new entrant enters in the market, change major determinants of the market environment, determinants such as market shares, prices, customer loyalty. Entrants as Omega and Rolex consider the market as challenging because of the existing companies have closer relationships with the customers and most importantly have to consider the brand switching from one company to another.

## Pestle Analysis for the industry

Political factors: Stability of government is not well settled and hence requires better stability though it is not highly affected. However, there are cases when instability causes a foreign company or a brand to enter the market. Due to excessive advertisement where family concern has to be taken, in some case it is not done and hence intervenes of the political issues. Moreover, since political issues are involved there are threatening to the investors who had to invest in foreign advertisements. Since most of the materials to build are imported which attracts huge amount of Excise Duty on Manufacturing Retail Price instead of the manufacturing. Due to which most of the luxurious watch are literally out of reach to those who wanted to at least own.

Economic Stability : When talking about India, there are various number of taxes like, Excise duty (State and central), Custom duty, Profession tax, Service tax, Income tax, Royalty, Larcenous fees, hazardous substance handling and other charges to be paid which makes the total amount to be around 40 – 45 percentage of the actual cost. During the recession time, where Asian countries were least affected, where rising incomes in the emerging market which have led to the new categories of buyers. Though huge numbers of taxes are involved, there are still potential opportunities for ultra expensive watch manufactures to set up their base in India.

Social – Culture: association with the luxury items and having self-esteems and creating a social status of a person creates more demand for having a luxurious product; in this case, it is the luxurious watch. Culture is developing themselves to own a luxury watch in order to full fill their self esteem and also stand out of crowd, this attracting more number of investors to invest into the foreign brands.

Technology: Here technology plays an extensive role where conversion of analogue to digital waterproof watches which have created a huge market for the developers to have more innovative watches.

Environmental factor: this factor does not affect much of the watch industry, unless if its summer time where over heating of new technologies in watch are noticed and it’s very rare.

## The Structural drivers leading to the growth of industry

The cost globalisation: this factor gives potential for competitive advantage since some of the international luxurious watch companies, which deal in large volume standardized production required for optimum economics of scale and find the electric components required manufacturing and other parts regarding the watch are easily available with less cost factor. Labour cost in India is quite cheaper than other countries because highly skilled but low cost staffs are available.

The drivers to the growth of watch industry are due to the Economic factor, Social factors, Demographic factors which play an extensive role to motivate the consumers to buy which includes occupation, education level of a person, lifestyle of a person, and the main one is the Psychological attributes like attitude, value system which influences people to buying behaviour. Since nature of having a luxurious item is perceived by an individual is a status symbol in a society and displays the wealth or the income are related to conspicuous consumption, which is a socio – economic phenomenon. There is an also increase trend in market globalisation where customer needs and preferences are becoming more similar. As markets globalize, those operating in such markets become global customers and may search suppliers who may operate on global basis.

Other drivers are globalization of government policies and globalization of competition where most of the international brands find themselves less competitive in India as most of the international brands are not available in all parts of India and government policies have encouraged free trade markets between nations.

## Industry Life cycle

If experts are to be believed then it has said watch industry entered in the market in late 1969 and since then it has been growing drastically. When compared with Switzerland which possesses close to 100percentage of the luxury market value which represents 45percentage of the market value and hence making them the world leaders. India is too coming up with the luxurious watch. However, not entire part of the country holds up the luxurious department stores but do have in majority ones. The watch industry in India is slowly moving from the shakeout stage to the maturity stage. Shake out stage is the second level of stage in industry where new industries are emerged and competitors start to realise business opportunities in the emerging industry whereas maturity stage is where efficiencies of the dominant business model give these organisations competitive advantage over competition (Kotler, 2003). The competition is very aggressive because of many competitors and product substitutes.

## Market Scenarios

Intervene of new technologies, which is causing decline in usage of watches.

Due to the involvement of mobile industry, the watch industry is being saturated. The product seems to be in a decline stage especially when seen in Europe where sales having dropped down to 20 % – 30 % and globally fell off to 22. 4 of percentage. The top leader’s Swiss manufactures fell by 22. 4% worldwide (Federation of Swiss watch industry). People have this perception when there exists a mobile handy, which could show numerous country timings then why an expensive watch that only shows limited country timings have.

Another anticipated market scenario is that there would be no change in the growth rate of the industry, which would probably mean that the industry would not have any diversification and there will be no further expansion of the industry in the market. If profits decline for the watch industry, then it would probably take longer to recover. Another reason to be worried of in future is that the lifestyle and environment factors of younger generation where they prefer to have trendy look kind of product and at the same time the particular trend would be either outdated or faded in the industry and the main important factor is that the limited. Source of getting gems and liquid metals to manufacture watch would mean reduction or decline in growth of manufacturing.

The main scenario which could be a problematic in future is the growth of luxurious watch brands in India, where the country is still considered to be as developing country and poverty still exists and due to this number of people who belong to the medium class average income earners would probably have a second thought of getting a luxurious watch which they could feel if mobile exists then why to go for a high end watch. As the industry is not in to that much of advertising about a particular brand or even if a new brand that comes into the market, people have no idea what a particular brand might represent as. In addition, for those who know little about a brand, only prefer a niche segment that is where the Tag Heuer as the brand ambassador of this brand happens to be a popular superstar. Since the growth in India is around 10 – 15 percentage annually, it is considered to be as the lowest in the market when compared globally.