

Marketing strategy for swatch swatch marketing essay



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Swatch is one of the most successful brands of the Swatch Group. Its first line of plastic quartz analog line was launched in 1983, and went to become a global phenomenon. It is a cost effective, classic wristwatch, produced in endless bright, appealing designs, and even became a cult collectors' item.

Swatch has enjoyed this success due to its innovative design and quality, with a perfect marketing strategy for its target audience. It is a hot collectable fashion accessory, which could be attached to clothes and also wore as a ponytail band.

However, due to the recent economic downturn coupled with changing taste and culture of the target market, most of the wrist watch companies have been hit hard including the parent company Swatch Group.

SWATCH as a brand has been performing well in these changing environment. But in order to stay ahead of this aggressive market, SWATCH has to work on its R&D with a combination of new marketing strategies.

This is an academically oriented report aimed at recommending a more innovative strategy for 'SWATCH'. This could enable them to improve their brand identity, which may help them to survive amongst intense competition and improve the revenue of its parent company

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1 Introduction

The Global watch market reached US\$31. 5 Billion in 2010. (Global Industry Analysts, Inc)

Spending on valuable and collectibles has gone upward due to increase in disposable income.

However, there has been a significant change due to following factors:

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Economic slump in the major developed countries

Product and price competitiveness

Fashion and culture changes

Increased product and brand awareness

Swatch was introduced to the market in Switzerland in 1983. It is part of the famous Swatch Group a Swiss conglomerate. It is one of their most affordable, innovative and trendy lines. It is a breakthrough innovation of analog Quartz with 51 parts as opposed to the traditional 91 parts making it 80% cheaper to produce by a fully automated assembly. It is targeted at people with an exciting lifestyle who enjoy a very fashionable and affordable approach. This success was greatly pioneered by Dr Nicholas Hayek, driven by unrivalled, innovative marketing strategies and brand positioning transformed the whole Swatch Group and gave them a new position in the market over its competitors.

However, in an ever changing market Swatch has to work its way up by introducing different marketing strategy to keep it target audience brand loyal and attract new customers with innovative ideas, keeping in mind the ever-changing fashion.

In this report, I will be analysing the marketing strategy by assessing the internal and external market situation by using, SWOT, Porter's 5 Forces and also differential advantage analysis.

Following this, I will recommend new strategies for developing their market segmentation and positioning tactics using SMART objectives and goals with the help of the marketing mix 4P's approach, all of which will reflect the Swatch mission statement.

2 Situational Analysis

This involves evaluation of current market situation and the factors effecting the internal and external environment of Swatch. These factors will be analysed with the help of SWOT and differential Advantage.

2. 1 SWOT Analysis

This technique is specially designed to help identify suitable marketing strategies for the company to follow.(hollensen 2007)

Strength

Swatch enjoys consumer loyalty. This was further enhanced with the launch of Swatch Members Club. It is a collectable, which has proven to be a hot asset and has raised high prices at auctions.

It enjoys an esteemed brand position in the world market as being one of the most successful brands of the Swiss Conglomerate Swatch Group.

It has a variety of product lines, including Bijoux Jewelleries: which has new designs for every season with a mixture of fashion, art and sports.

Weakness

The watch market is becoming very fragmented which makes the promotion of the brand difficult.

Swatch has been facing a very low turnover of its assets compared to its competitor's parent company.

The productivity per employee is weak hence affecting the financial profits of the parent company. The productivity of Swatch Group is \$0. 2Million Compared to \$0. 3 Million of its competitor's Seiko.

Opportunities

Improved economic condition in developing countries like China and India is increasing people's disposable income.

As developing countries become more westernised; Swatch could gain a competitive edge in these growing markets with a mixture of its innovative design and artistic approach.

The recent economic downturn has changed the spending ability of the consumer. They are switching from luxurious to affordable goods.

The innovative change in the e-commerce and retail sector gives a direct exposure to market its product.

Threats

Threats from the counterfeit watch market is growing concern been. This results in loss of brand and its reputation. Recent reports show that, the counterfeit watch industry causes losses of over \$1 Billion every year.

Swatch customers are urban trendsetters who prefer changes and are unpredictable. So if swatch fails to produce innovate style it can make huge loss on its sales.

Europe is currently the biggest market for Swatch watches, however due to the economic recession and price fixation its position is threatened.

Plastic and metal is the main raw material for Swatch watches. Recent price increase in crude oil and metal is making the raw material expensive and production cost very high which leaves a very low margin for profit.

2. 2 Porter's 5 Forces

One of the most useful frameworks for analysing the competitive structure has been developed by Porter. Porter (1980) suggests that competition in an industry is rooted in its underlying economic structure and goes beyond the behaviour of current competitors. The state of competition depends upon five basic competitive forces as evaluated below with the help of Porter's 5 Forces model. (hollensen 2007)

Please see Appendix A for Porter's 5 Forces model.

2. 3 Differential Advantage

While differentiating a product it is necessary for the marketer to keep in mind that it should not eliminate the core appeals and features which the customers expects from the product.(John J. Burrett 2007)

A strategy based on style tends to become common, as a result of which the company needs to constantly innovate in-order to maintain its differential

advantage. Its needs to look to other aspects such as core use function, which could give it a competitive edge that is not easily replicable. Attractive style and state-of-the-art technology gives Swatch its global brand image. Fossils, Timex, Titan and Guess are its direct competitors, but swatch has been successful in surviving this fierce competition in this aggressive market.

Firstly swatch capitalized in the market with its unique selling position of:

High-tech watches with a number of parts; reduced from traditional 91 to 51

A fashion accessory, which stands for style and innovation

Quartz analog technology at a low price

Swatch uses artist and designers to create some innovate design with use of different colours and shapes, which is appealing and new. Swatch Club gives it an international image and also the customization of the watches for its loyal club members reflects an exclusive nature over its competitors.

As very well described by Nicholas Hayek “ 25 years of Plastic Provocation”

2. 4 Recommendation

2. 4. 1 Short Term

Prices of plastic and metal are drastically increasing; they are the main raw material used for production of the Swatch watches. Rise in the crude oil price increase the cost of plastic. This makes the production cost high and makes it less profitable for the parent company. Research and development should work on finding new materials, which are eco-friendly and in line with

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their Swatch 25 years old plastic culture should be acceptable to the market, as Swatch objective has always reflected innovation in style

Counterfeit goods are largely available in every market of the country. This damages brand reputation and causes loss of revenue. To tackle this in a more productive way as shown in the marketing mix Swatch could try entering this market with dividing their product with a pricing strategy. It can divide into economy, standard and superior versions, which will help people to get a high quality, original product at a value price

Swatch has always tried to aggressively promote its brand with labelling and sponsoring different sporting events in Europe and Scandinavian countries, which is the biggest market for Swatch. Recently, another big market for Swatch has been the BRIC countries. Swatch has been making its presence known in these countries by using strong PR presence and artists to design culture oriented timepieces. In order to increase its brand awareness with the masses, and capture a higher market share with the domestic competitor, Swatch could move towards sponsoring popular country specific events, with which they can reach a mass target audience

3 Marketing Strategy

Below is the recommended marketing strategy for Swatch to maintain its market position and attract new customers.

4 Mission Statement

Produce high quality, yet affordable watches with synthetic material.

5 Marketing Objective

To build a brand image as the most stylish, creative yet affordable timepiece

To lead the market as a global brand

To increase its brand awareness as the most innovative watch of its time

6 Market Segmentation

Market segmentation is the process of dividing a market into distinct groups of buyers with similar requirements. Goods can no longer be produced or sold without considering and understanding customer requirements and recognizing the heterogeneity of those needs.(Michel Wedel 2000).

Steps involved in market segmentation, targeting market and market positioning are as follows;

6. 1 Segmentation in the B2C Market

Socio-demographic, behaviouristic, and psychographic variables are used to identify the market segment.

6. 2 Socio-demographic Variables

This divides the group into age, sex, gender, geography, family life cycle, income, education, events, religion and social class. Swatch product line is for both men and women between the age of 15-19, 20-24 and 25-34 who belongs to and income group varying from £12000 to £45000. It could be students, professional, homemakers and set of stylish people who like a creative and innovative approach.

Figures from Kidd 2007 suggest that the group from 24-35 have the highest spending power in the market. And also women in UK are increasingly purchasing watches for them selves and for their partners.

6. 3 Behaviouristic Variables

These variables reflect the behaviour of the customer towards a specific product which can be the purchase readiness, ability and experience, loyalty and shopping habits. Swatch product line is designed for people who desire to try something innovative and be able to experience their creative design of watches for everyday use and it's a piece of collectable.

6. 4 Psychographic Variables

Segmentation by lifestyle, or personality, group's consumers on the basis of their activities, interests and opinions.

Swatch has a varied product line; they cater to the adventure sport markets, through their large sports line. In addition to being the official Olympic timekeepers, they are also involved in sponsoring sports events in Europe and Scandinavian countries. They also have a very diverse every day collection. It uses artist from different countries to outline the design of their watches to represent its fashion and culture.

7 Target Market

Based on the research conducted, the most lucrative segment identified is the 15- 34 age group; they prefer creative, fashionable and innovative timepiece accessories with an active lifestyle.

Thus on identification of its target of market, along with the above mentioned market segmentation. Swatch can now rightly position and proceed with aggressive promotional strategies designed specifically to appeal to this target sector

8 Market Positioning

Once the segmentation process gives a clear picture of the market and the target marketing strategy has been selected, the positioning approach can be developed.

Above market and target position Swatch should market its position for the Youth age of 15-34 who has a strong purchasing power. It should create trend-setting watches with an active lifestyle approach. It could pose as a 'must have' accessory.

9 Marketing Mix Decision

When marketing their product, firms need to create a successful mix of

The right product

Sold at the right price

In the right place

Using the most suitable promotion

Selecting the most effective promotional channel

The main reasons for the success of Swatch in comparison to its competitors in the East is its marketing strategy, quality and design of their watches. No

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matter how good the product is, it needs to be marketed correctly. With marketing mix of product, price, place and promotion we should be able to suggest the future strategy to maintain its number one position in the market.

9. 1 Product

Swatch has diversified its original cult plastic design by offering different range from

Metal-bodied watches, diving watches (the Scuba series), thin and flat bodied watches and also internet watch. To improve its product appearance and differentiate itself in the market Swatch can market personalised watches where customers get to choose their colour and design. This can help Swatch to develop its brand diversity and offering to the target audience.

9. 2 Price

Pricing is the only element of the marketing mix to help generate the revenue. Pricing sends a very powerful message, it is extremely important that they reflect the customer value the company delivers. To find the trick to balance it's pricing, Swatch can differentiate its product line on the basis of pricing; economy, standard and superior versions which will help them to gain an edge over their competitors and to globally gain the market share especially in BRIC countries were Swatch Group is showing tremendous growth.

Demographics suggest that the main target market of Swatch is the age group of 15-34. Taking this in to consideration, I suggest it could provide special prices to students and a discount on customisation of the watch if registered with Swatch Club Membership.

9.3 Promotion

Promotion is the process whereby marketers inform, educate, persuade, remind and reinforce through communication. It is important for Swatch to capture target audience to generate sales and revenue. Swatch has been an active sponsor of European sports and also an official time keeper of Olympic which has helped it to gain the international attention and market an international culture. It also had its hand on the entertainment industry through partnership with MTV by running different contest within the shows. It also has a partnership with World Volley Ball Federation which helps to promote the sport internationally and also helped Swatch to market itself as a company with public interest.

Currently there is an exponential rise in the use of social networking sites. Demographics suggest that Swatch target audience are the youth and they are very well connected through these social networking sites. Swatch already has a fan following of 3, 20, 102 on face book which is increasing day by day. This page also gives an access to Twitter, Swatch Club and the Swatch website. I suggest Swatch should use these social networking websites like face book, Bebo, Twitter My space etc by having some membership pop up banner via ad words.

This could increase its brand awareness and also alert its target audience about the uniqueness of their product. Facebook is one of the, most successful social network website. Swatch has an exceedingly good chance to attract new customers. It can also run competition and contest like it does on MTV on these social networking sites.

It should also participate in university based social events, which can help gain popularity with the youth who are the trendsetters of today's society. Due to the economic down turn companies have made huge cuts on their marketing budgets, Swatch can use this latency in the market to its advantage; they could increase their promotional marketing activity, which may enable them to increase their market share.

9. 4 Place

Choosing the right channel of distribution is very important for a company.

It's famously said ' supply creates demand'. If we analyse the current market segment and also increase competition in the watch industry I would suggest Swatch could use multiple channel strategy in which the product is available through multiple channels of distribution such as Internet, sales force, call centre, retail store, departmental store and direct mail. But to keep the brand identity and exclusivity of its product Swatch can sell its personalised and limited collection only through its Swatch Membership club, which can help to maintain the exclusivity of their watches. In this way different customer with different buying behaviour will seek channels that best serve their needs

10 Recommendation

10.1 Long Term

Swatch competitors like Donna Karen New York or DKNY; popular garment brands have worked their way up, with products ranging from bags, watches, footwear perfume, glasses etc. Its products cater to women and men and it's vary can be great. Swatch target audience is the age group of fashionable urban trendsetter from 15 - 34 who always look for a change. Swatch has already launched its Swatch Bijoux Jewellery and using its brand positioning it can move its market to introduce different products in the market like stylish eyewear frames. This can be achieved by using a strong PR presence and promotional activity, which can be an asset and generate revenue for the parent company. As we all know business is a matter of experimenting and learning

Swatch could attempt a joint venture in its foreign market with a popular domestic brand. As this can help to gain access of local distribution channels and increase its sales and brand presence with a reduce risk

11 Conclusion

Swatch has been a classic example of marketing success. The quality of its product, style and innovation of its timepiece are the main reason of its success. However, as customers always look for change, such as new styles and innovations, there is always a risk of losing the market to the competitors.

There is a big market for Swatch due to globalisation and its strong brand position. If Swatch puts the above-mentioned marketing strategy and

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recommendations into practice, It could facilitate brand growth and enable swatch to gain a greater market share.

12 Appendixes

Appendix A

Porter's 5 Forces Analysis

Market Competitors

In order to stay ahead of market competitors swatch has a huge product line which offers a unique varieties to their target audience.

Swatch launched their Jewellery line Swatch Bijoux in 2000. They collaborated with Swarovski to encrust their jewellery.

Suppliers

Production cost is high due to the increase in price of its raw material plastic and metal.

Buyers

Swatch has an edge over its market competitors . The main reason for this its quality of the product and their customer loyalty. This help them to differentiate their product to the buyers in industry which as so many competitors.

Substitutes

With the rise in innovate gadgets like mobile phones, mp4 players, iPods etc; Customer can easily substitute a swatch watch over these attractive products. Also there is a strong treat from the counterfeit good.

New Entrants

Even though the competition is very fierce Swatch makes it very difficult for the new entrants due to the quality and innovate style available at an affordable price. Swatch has a strong customer loyalty which can be seen through its Swatch membership Club and also it's a piece of collectable for some its band loyal. For a new entrant it becomes very difficult to survive as Swatch comes out with their new product line for every season.

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