

Consumer behavior and lifestyle changes



**ASSIGN
BUSTER**

Potential Solutions

1. Creating niche products –

The Swatch Group's focus on producing fourteen (14) different brands had taken their focus off consumer behavior and lifestyle changes. Swatch Group should focus on the top four products (Omega, Swatch, Tissot, and Rado), as these four brands produce over 82% of the company's sales and 88% of the operating profit. Globally, the Swatch Group had a 14% share of the luxury watch segment with brands like Omega and Rado. ¹ They should focus on these luxury brands which would prove successful in the Japanese market. Japanese consumers are known for their knowledge about name brands and have a strong desire to buy luxury products. Swiss watches have long been the favorite of Japanese consumers and will continue long into the 21st century.

Focusing on high sales and high profit brands will reflect on Swatch Group's designing, manufacturing, advertising, marketing and distribution efficiency; in which will impact margins positively, and increase profits. Eliminating poor or low performing brands will insure high quality, which was increasingly demanded by consumers in the global market, in addition to reducing both finished and unfinished goods inventories. These inventory reductions will enhance return on investments (ROI), allow for better cash flow and fast turnover of supplies, in addition to eliminating low margins products, which reflects on the financial capabilities of the company.

Lastly, focusing on the four successful brands will make distribution easier, more efficient, and more attractive for retailers to handle and maintain. It will eventually increase the number of retailers who carry the Swatch brand.

Focused brands will give advertising money more bang for the buck, and advertising budgets don't have to be split amongst so many different brands.

2. Target the Indian Market –

The Swatch Group should target the Indian market since there is huge domestic demand and low-cost labor. With a population of over 1 billion and the fifth-largest economy in the world, India is said to have a rapidly growing consumer class consisting of rich and middle class. The upper middle class has 19.3% of the consumer expenditures, and the upper class has 46.1%.

3 The Omega and Rado brands could be targeted to these consumers in the India marketplace. Swatch and Tissot, though less expensive, still appeal to the fashion conscious consumer and would also be a successful brand.

To compete with LVMH Watch & Jewelry, the Swatch Group can access new distribution channels by simply opening additional freestanding, multi-branded stores in India as they successfully did before in other countries.

Here, the Swatch, Omega, Tissot, and Rado brands could be sold. Tag Heuer has already set up six boutiques and is looking to increase that number by the end of the year as well as developing multi-brand outlets. 4 Besides opening exclusive outlets or "Swatch Stores", the Swatch Group should also plan to penetrate Urban India through multi-brand outlets, which have synergy with the brand such as sports stores, bookshops or hi-tech toyshops.

The core of the India strategy would be to build and highlight differentiators at all points of contact, while targeting a wide cross-section of trend-conscious Indian consumers. By adopting this route, the Swatch Group can build a credible and aspirational brand image and offer an international

brand experience. Most of the world renowned fashion brand watches are not present in India and the Swatch Group can take advantage of this situation by establishing their fashion watch brands in the fashion segment. By keeping the top four brands and divesting the others, the Swatch Group will free up money for advertising and promoting in the Indian market.

Here is a SWOT analysis for the Swatch Group in the India Market:

Strengths: * Leading manufacturer of watches. * Established global presence. * “ Swiss Made” of high value to consumer. Weaknesses: * Potential loss of “ Swiss Made” identity. * Excessive product lines. * Loss of focus on consumer needs. Opportunities: * Strong domestic demand. * Low-cost labor. * Joint Venture possibility-Titan Industries. Threats: * LVMH already established in market. * Heavy duty and tax restrictions. * Countervailing prevalent.

3. Joint Venture with Titan Industries –

Titan Industries was the sixth largest global player in the category of manufacture brands. It enjoys a 25 percent share of the total domestic market, which is three times the size of its nearest competitor. Among nationally recognized brands, Titan holds close to a 50 percent share. It has a wide range of products in terms of looks, function and price points, which are all, noted for their workmanship reliability. This follows the Swiss focus on the mechanical segment of the industry, where traditional craftsmanship remained the deciding factor.

Since Titan Industries was a joint venture between the Tate Group and The Tamil Nadu Industrial Development Corporation (both local players), and had

a lot of success, the Swatch Group should look to do them for the watch movements and assembly portions of the watch production. Forming a joint venture will help the Swatch Group tap into the domestic Indian market while realizing economies of scale in terms of low-labor costs of production. The Swatch Group can gain knowledge of the Indian market and its consumer base, realize tax benefits from being with a local partner as well as reduce their investment risk in forming a joint venture with Titan Industries. Design would still reside with the Swiss, since the Swiss-made label was an important symbol of quality, style, and prestige.

Titan industries present an ideal solution for many of the issues that present challenges for the Swatch Company. Swatch can achieve the critical mass that is necessary to compete globally in all segments of the industry, and achieve economies of scale by transferring the battery making, the case manufacturing, the assembly, and the marketing & distribution to India where labor is much cheaper than Switzerland. Keeping the design, and movement in Switzerland will insure quality, and maintain the “Swiss Made” label by having 50% from the components Swiss-manufactured; which is the oldest registered and protected national branding name that will guarantee the success of this partnership.

Economies of scale will give The Swatch Company the power to compete on quality and cost bases, both in existing markets such as Europe, and North America, in addition to the ability to enter new markets such as India and China; the fastest growing market in the world of more than two billion population. Partnership with Titan industries in India will ease some of the

Swiss franc appreciation effects in the global markets particularly in the United States.

4. Repositioning in the U. S. Market –

Since the United States possesses the largest population of high-income consumers in the world, the Swatch Group should reposition the four brands to appeal to these consumers. The Swatch's Group's U. S. market share in the middle market (\$50-\$299) and upper/luxury market (\$300) was about 25%. Brands such as Omega, Tissot, and Rado offer higher margins and with consumer confidence gaining momentum, these brands can match consumer's expensive tastes. These brands can also play off the Swatch brands success. Since many young Swatch consumers of the past now desire more expensive and sophisticated watches as their income increases, the Swatch Group can target these consumers with the more expensive brands. Keeping to its core business of watch making and simplifying the product mix will enable the Swatch Group to better meet consumer's needs and appeal to their varying lifestyle changes.

The Swatch Group may also want to get into the e-business/internet business in terms of penetrating the U. S. market and worldwide. The Swatch Group could use web banner advertising to promote existing or new brands or perhaps solicit consumer surveys for feedback on new features for watches. This would allow the Swatch Group to both showcase their products and explore opportunities to bring new interactive devices to consumers.

Impact of proposed solutions

The proposed solutions above would give the Swatch Group a much larger global position to defend its markets and to compete better in the low and

<https://assignbuster.com/consumer-behavior-and-lifestyle-changes/>

middle price ranges where the Swiss were forced to abandon their leadership. The proposed solutions would keep competition busy defending its markets, and fighting for the new growing markets in India and China; which gives the Swiss an opportunity to maintain their leadership in the high price range in the global market. In addition giving the Swiss protection against possible entrees in its local market.

The global watch industry has become a highly competitive industry with many products covering all pricing ranges. Further globalization of the core business of the Swatch Group into new markets like India will help to continue its dominance in world watch manufacturing. A joint venture with Titan will reduce labor costs and help to overcome some of the barriers of entering the India market. Simplifying the product mix will allow the Swatch Group to focus on specific consumer lifestyles and give them the ability to partner with trendy, technological companies.

The Swiss will feel the trickledown effect of shifting manufacturing overseas and the elimination of many product lines in the largest watch manufacture in the nation. Positions will be eliminated; workers will be laid off, and their spending ability will be felt through the economy. Exports will decrease, there will be a good chance that Switzerland will lose its prestigious position as the world's leading exporter of finished watches; it even might effect other industries in the nation if this strategy demonstrated success into moving or shifting there manufacturing into other countries.

Ethical and social responsibility

At the time of this case study, the world global business environment was in a perpetual state of change and so, the Swatch Group must position itself to meet such changes and challenges imposed by competition. The past should be a lesson for the future since the Swiss watch industry almost went out of business in the early 1980's, because it failed to change its long-term position. It was only when it responded to the global threats it was successful again and how it had to choose again between short term social obligation or long term survival obligations.

Competition in the past did everything it could to gain market share and penetrate new markets and would not stop or change expanding strategies because they felt sorry for the Swiss. Competitors will continue to do everything possible to expand markets, defending their existing markets, and fighting the Swiss from trying to enter existing or new markets.

Competition will even try to compete with the Swiss on their world leadership in the high range price segments; and just like in the past if the Swiss were not ready for such competition, they will lose that leadership without a fight. Losses of such leadership in this segment will mean an end to the Swiss watch industry again.