

# Omega watch makers business analysis



**ASSIGN  
BUSTER**

There are many ways to attract consumers to purchase products, for example, price, advertising, word of mouth, branding, etc. However, before attracting customers to consume, the important things that companies have to achieve are finding the right purchasers, aiming at the correct market and using precise strategies and methods to analyze and promote their products.


The market nowadays is not homogenous but diversified. Competition is also not just within a country but global due to rapid and easy transfer of information. In order to compete with various competitors and match what customers demand, companies should pay more attention to their strategies for marketing. From marketing text books, we can find plenty of strategies and methods to help companies to distinguish their target market, for example macro and micro environment analysis, SWOT analysis, marketing mix and STP strategy, etc. Enterprises will benefit from using these theories and increase market share or profit.

In the following research, the marketing strategies and features will be outlined and identified with regards to the brand OMEGA in the Swatch Group, which is one of the best-known brands in the watch industry.

### Brand Overview

OMEGA is one of the brands of the Swatch Group which is a well-known manufacturer in the watch market. There are 19 watch brands in the group, and each brand has different price categories in order to fit with different segments of customers. In each year, the group produces thousands of watches and these watches are sent to the group's worldwide network of

distribution organization which makes their products well organized and allocated to the market.

OMEGA has a more than 160 year history in watch market. The brand was originally founded by Louis Brandt in 1848 in Switzerland. After Louis Brandt passed away, his business then passed to his sons, Louis-Paul and Cesar, who shifted the production from a traditional workshop to mechanized production. In 1892, the Brandt brothers manufactured the first watch (Minute-repeater) which can display hours, quarter hours and minutes. And in the year 1894, the 19-line caliber watch was presented, and used the symbol  as the brand to introduce to the public. Since then, the brand has taken an important role in watchmaking evolution, technology innovations and development making OMEGA a premier brand in the watch market industry. In addition, excellent marketing strategies have also made it a long lasting brand. (OMEGA, 2010)

## **Business Environment**

Different industrial contexts have different market characteristics. To analyze customers' needs, find target markets, evaluate actual and potential competitors or even examine the strengths and weakness of a position in the market are not as easy as one might think. Marketers have to do a lot of research otherwise the wrong decision may lead to failure. When a company decides to enter their products into the market, the business environment is the first element that a company should analyze.

## 2. 1 Macro-environment

Generally, marketers will focus on a macro-environment and micro-environments when analyzing the business environment. The macro-environment, also known as external environment can be defined as “ the uncontrollable elements outside of an organization that may affect its performance either positively or negatively.” (Solomon et al., 2003: 34). PEST namely, Political, Economic, Social / Cultural and Technological are the key factors which are generally used to monitor macro-environment. For example, as a political factor, according to BBC news report (Anon., 2010), VAT will increase from 17. 5% to 20% next year, the year 2011, in the UK which may have a widespread effect on consumption patterns. People still earn the same money but the expense will be increased due to the increasing of tax. In this situation, OMEGA may face a significant effect in the sales market because a watch is a durable product and consumers may spend less money on items they already have especially luxury ones.

Looking at the economic aspect, the M-shape society in UK changes the consumption level of customers. According to the book which written by Ohmae Kenichi (2001), M-shape society is the theory that the middle class will become assimilated into rich or poor, and the rich will become richer and poor will become poorer. In the past, consumers in the middle class may have been willing to save money to purchase a luxury watch or other items because it is affordable to them. But now they are either able to buy luxury items or find it impossible to spend money on high cost products. OMEGA also considers the exchange rate in the economy sector when selling their

products to UK, because the fluctuation of exchange rate may cause profits or loss when selling the products outside Switzerland.

In the socio-cultural factor, OMEGA looks deep into the customers' lifestyle and their view of value in the sales district. For example, there is no doubt that OMEGA may have better sales volumes in developed countries compared to those in developing or undeveloped countries due to the different level of consumption. In other words, customers in UK, especially in big cities such as London or Manchester may be more willing to purchase expensive items, appreciate on luxury brands, pay more attention to fashion and be willing to spend money to decorate themselves according to their better living standards.

To consider the technological environment, OMEGA is facing a change of technology. For example, in the past 10 years, mobile phones have become a necessary product for customers who may use their mobile phone as a watch to keep time or check the time. This will be a major influence in the watch market as a whole and needless to say have an impact on OMEGA.

## **2. 2 Micro-environment**

On the other hand, in business environment, not only macro-environment should be analyzed but micro-environment also needs to be considered.

Generally, marketers will focus on their competitors while analyzing the micro-environment. For OMEGA, there are three levels of competition can be considered. One is form competition the other is industry competition and another is brand competition. As mentioned earlier, along with the new technology, OMEGA is facing the form competition-mobile phones which are

substituting the functions of watch and the price is cheaper than an OMEGA watch. In addition, OMEGA is also confronting with the industry competition. RADO, CITIZEN, LONGINES, etc are the competitors of OMEGA, and these brands are about the same qualities but with lower prices. Moreover, there are some competitors at the same level, luxury and prestige, as OMEGA. For example, Rolex, Chopard, IWC and Cartier are the strong ones and these brands are also trying hard to share the market which OMEGA focuses on. The following table gives more information about the competitors of OMEGA in watch market.

## **STP Strategy**

### **Segmentation**

STP strategy denotes of Market Segmentation, Market Targeting and Product Positioning strategies. “ Marketing segmentation refers to the division of a market into distinct groups of buyers with different needs, characteristics or behavior, who might require separate products or marketing mixes” (Kotler et al, 2002 cited by Bihani, 2004: 14). Sarabia (1996) also states “ Market segmentation consists of detecting, evaluating and selecting homogeneous groups of individuals, whether they are consumers or not, with the purpose of designing and directing competitive strategies towards them.” Different age, income and social class may affect customers’ preferences or their decision to purchase. OMEGA segmented the brand itself into sporting and pioneering spirit, in the luxury and prestige range. And for the customer, the brand focuses firstly on demographic segmentation. The product is not only for both genders but also for those who are in highly successful business level such as managers or enterprise owners. Since OMEGA set up the brand

image as a sporting and pioneering spirit, customers who are interested in sports and care about the technology and qualities of a watch will fall into their customer market.

## **Targeting**

Upon identifying segmentation, targeting is the next step to measure the attractiveness of a potential segment. According to Solomon et al. (2009), marketers will take action to invest resources in a group, and with the aim of turning the group into customers. OMEGA used a differentiated targeting strategy which means that they divided their collections into five series which include Constellation, Seamaster, Speedmaster, De Ville and Specialities series. The different series are for customers with different demands. For example, in the Constellation series, hours are decorated with diamonds instead of numbers which is suitable for customers who pursue status and style. Seamaster and Speedmaster series are targeted to customers who like outdoor activities. Customers who prefer understated luxury may prefer De Ville series. And for those who like to collect special design and limited quantity watches, the Specialities series must be the first choice.

## **Positioning**

With perfect segmentation and targeting, the position stage will be the key point to launch into the market. Kotler (2003: 308) stated that “ Positioning is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market.” Apart from celebrities or rich people who wish to wear a specific watch to reveal their status, the functions of a watch are almost the same and there is no big difference

between the watch itself. So it is important to display the brand image or unique features which makes the brand into a special item. OMEGA creates the image that when customers wear their watch, they may feel they are in a better social class, with fashionable and on-trend taste. Also the unique feature such as Seamaster series of OMEGA is made as a professional diving watch, which is suitable for customers who love diving activities. Moreover, co-axial chronograph is an exclusive technology that OMEGA owns which makes the product unique and special. Because positioning is connected mainly with the element of marketing mix (Park, Jaworksi & MacInnis, 1986, cited by Muhlbacher, Dreher & Ritter, 1994, cited by Bihani, 2004: 32), it is important to make sure that the marketing mix is well set in place. And this will be explained further in the next section.

## **Marketing Mix**

### **Product**

There are numerous tools available to gain a competitive edge in the target market, but the most popular in marketing studies are the marketing mix, the 4Ps, namely product, place, price and promotion. Product is a tangible or intangible item that a company offers to their customers and is also an important element when starting a marketing action. It is not good enough to have an excellent marketing strategy; the product itself also needs to be desirable and attractive. In addition, the brand needs to have its own features or speciality to allure customers' motivation to purchase. OMEGA is one of the brands which specialized in design and is known for the quality of manufacturing. Its orientation as the technological innovator, outstanding quality, and the involvement in sports and design also makes OMEGA a



clearly recognizable brand in the watch market. The sense of fashion and trend can also be attributed to OMEGA which is one of the most familiar watch brands at the luxury and high-end range of market. Moreover, consideration to customers is also of great importance to the brand. The global guarantee of watches makes OMEGA's service unrestricted by region.

## **Price**

Solomon et al. (2003) describe that price is the products' value which sellers would like to earn from the customers in exchange for the product. Most of the time, price is a major and essential element when a customer is selecting a product. But it doesn't mean that marketers are always using low price strategy to encourage customers to purchase. Sometimes, they will offer a higher price to emphasize the qualities and design of the products or even demarcate the status of the customers. For the brand OMEGA, it is allocated in the prestige and luxury range in the Swatch Group; however, only a few specific models are as expensive as Breguet, Blancpain, Glashutte Original, Jaquet Droz, Leon Hatot, Tiffany & Co in the same range of the group (Swatch Group 2010). For others, the price is set as a higher price but not the highest which makes customers feel they are having the highest quality products but with more value for money.

## **Promotion**

Promotion, according to Solomon et al. (2003), is an action to inform customers or buyers about goods, services, or ideas, in order to persuade them to purchase the products. To promote a product or brand, the company has to utilize different channels to contact with customers. As many watch companies did, OMEGA advertised its watch in different categories of

magazines but focusing mostly on famous, high-reputation and executive level readers' ones. In addition, holding seminars to introduce new products or giving public releases are the most common methods when promoting products. And the most valuable is that OMEGA sometimes shows up their brand names in international sports games, such as the Olympic Games, as an official timekeeper to promote and state the quality of their brands. They also invite celebrities as their ambassadors to establish their brand image. For example, male actors and athletes-George Clooney and Sergio Garcia, etc are the representatives of OMEGA Seamaster series. And for the Constellation series, they invite actresses and female athletes, Nicole Kidman, Cindy Crawford and Michelle Wei, etc as ambassadors of the products. Furthermore, the Speedmaster series is represented by astronauts due to the fact that this watch was the first worn on the moon. Last but not least, product placement in movies such as 007 or media is also a promotion method which the brand often used (OMEGA, 2010).

## **Place**

Place is identified as “ The availability of the product to the customer at the desired time and location.” (Solomon et al., 2003: 14). The parents company of OMEGA, the Swatch Group, has a global supply chain management system which makes OMEGA capable of sales to the various international subsidiaries, which are over 200 agents, providing them with up to date information on sales and inventories and open orders. And there are over 10,000 retailers across the globe located in department stores, airports, some selected boutiques and thriving cities giving customers easy access to their products.

## 5. Conclusion

In marketing related works, evaluation of the business environment and demonstration of marketing strategies are always the initial steps to recognizing the possibilities of making profit from the products. Accurate analysis and putting into practice the marketing strategies will lead to successful performance in the market.

As we have seen, OMEGA does not only face competitors in the watch market, but it is also experiencing a new technology impact, the mobile phone, which substitutes the capability of a watch and with more functions. Because of these reasons, OMEGA is trying hard to define their target customers, analyzing the competition market, using accurate strategies and also building up the brand reputation to catch consumers' eyes.

By participating in national sporting events with high exposure rate or even the prestigious space project, OMEGA proves that the accuracy and quality of their products are incomparable. In addition, using a series of celebrities as ambassador, advertising on magazines, and product placement in James Bond series movies, OMEGA made the promotion lively and the brand image explicit and strengthened. To sum up, according to my assessment of the research of the result, OMEGA did well in the promotion part of the marketing mix and that is the reason why OMEGA can stand erect in the watch market for a long time to come.