

Timex case analysis

Business



Time as an Industry “ Takes a licking and keeps on ticking. ” For years this is the image that has been associated with Timex watches – dependable, reliable, almost indestructible. Timex’s (www. timex.

com) advertising was closely associated with the Timex image. The advertising campaign featured different attempts to destroy Timex watches that failed to stop the Timex from ticking. One memorable ad showed a Timex watch strapped to the propeller of a motor boat before being driven across the lake. The dripping watch was proudly displayed as the second hand swept past the face of the watch. The Company Timex has been the industry leader since 1960. In fact, Timex’s share of the Canadian and US watch market was 50 percent by the late 1960s, and as much as 20 percent worldwide.

However, Timex missed several important environmental trends that changed the industry. For one thing, Timex stuck to analog technology, losing money and market share to competitors that adopted digital technology in the 1970s. By the time Timex caught on to the importance of the electronic watch, competitors had already developed and marketed far-superior products. Timex employees dubbed the first Timex electronic watches “ quarter pounders” because of their clumsy, clunky appearance. In 1982, a Swiss company approached Timex and asked it to do the worldwide marketing for a new product. Timex turned down the offer, believing the garish plastic watches would be a flop.

It was a major blunder for Timex. Swatches became a fashion success around the globe. By 1983, domestic market share for Timex had fallen to

about 17 percent, with operating losses approaching \$100 million. The Market Times changed and so did consumer needs and wants for watches. C.

Michael Jacobi, Timex president since 1992, says that Timex's biggest mistake was failing to keep up with the watch's evolution from a functional object to a fashion accessory. Your watch tells the world who you are or what you want to be. Coordinating watches with clothing, changing watch bands for different occasions, and wearing designer watches that convey status and prestige is increasingly important to consumers. According to research, the average consumer today owns five watches compared with 1.5 watches 30 years ago. Timex was left behind as the rest of the industry moved from watches as a functional tool to watches as fashion statements.

The Product Timex appears to have learned from its mistakes. Fashion consultants now visit twice a year from New York and Paris to provide insight to Timex on trends and interests that can translate into new watch styles. Jacobi and other executives travel to retailers and other trade shows to spot fashion trends. Timex took advantage of consumer interest in sport watches to develop the Indiglo watch. Indiglo patented technology uses energy from the watch battery to excite electrons in the watch face.

Unlike other watches that require exposure to the sun or lamp, the Timex Indiglo does not need to be "charged" to emit light. Timex was also very successful advertising the Indiglo watches when the technology was introduced in 1992. Its introductory commercial effectively conveyed the simple message about the glowing watch face while hinting at the "takes a licking and keeps on ticking" theme. In the background, Sinatra sings "

strangers in the night ...” as a smitten firefly hovers over the glowing watch dial. Smack! A huge hand suddenly swats at the infatuated firefly but misses, hitting the watch.

Time magazine called this campaign “ the best television campaign of 1992”. The 1992 Gallup Watch Brand Survey found that 98 percent of consumers knew the Timex brand, followed by Seiko (87 percent).

Recognizing that simply introducing a unique product with a patented technology is insufficient to gain market share, Timex boosted its 1993 ad budget by more than 50 percent. Timex also faced increasing competition from major competitors. Hearing that Seiko, Armitron, and Citizen planned to add watches to their lines with a lighting technology similar to Indiglo, Timex spent a record \$10 million on advertising – just in the fourth quarter of 1993.

Additionally, Timex made a major change in its advertising strategy. Watch companies traditionally focused their advertising campaigns in the spring and fall. In what industry executives called a first, Timex began advertising continuously throughout the year. As a result, in 1993 Timex unit sales rose about 30 percent, with more than half the increase attributed to Indiglo.

Given its success, it is not surprising that Timex continued to put almost its entire advertising budget into campaigns for Indiglo in 1994. And the Indiglo is HOT.

Timex was fortunate enough to get some impressive testimonials from customers who rolled in along with sales. These stories provided some fascinating material for potential ad campaigns. Consider the following: * A man led a group of people down 34 unlit flights of stairs in the bombed World

Trade Center in New York City by the light of an Indiglo. * A Los Angeles couple lit their way to safety after an earthquake with an Indiglo watch. * Four people clung to a capsized fishing boat overnight, comforted by the reassuring blue beam of a Timex Indiglo. The Indiglo technology is “ making ho-hum Timex kind of hip”.

In fact, earlier attempts to upscale the product line and develop more fashionable products were hampered by perceptions that the products have got a \$12.95 name on them. Currently, Timex has 20 to 30 watch styles with the Indiglo technology, part of a product line that includes 1500 styles, up from 300 in 1970. Indiglo models accounted for 40 percent to 50 percent of all Timex sales. And Timex has some dramatic stories to tell, rivaling those of the old “ takes a licking and keeps on ticking” ads. The Competition Competitors are taking two positions with respect to the popularity of the Timex Indiglo.

Some are attempting to imitate the technology. For example, Seiko’s LumiBrite watch has dials coated with a nonradioactive compound that absorbs light during the day and re-emits it for up to five hours in the dark. Others suggest that the light-up dial is a novelty that will not appeal to the masses. Bulova’s marketing vice-president, Philip Shaw, does not feel that night-lighting technology will become a watch standard, unlike water resistance. Shaw states, “ People buy our watches for style”. The Issues Industry observers expect the next big technological trend in watches to be two-way voice communication timepieces – Dick Tracy style.

Prototypes have been too large; they don't easily fit on the wrist. However, early test models of the Indiglo were too large as well. Timex also scored a critical hit with its high-tech Data-Link watch. Coupled with Microsoft personal computer (PC) software, the watch allowed users to download a variety of information from their PCs, such as phone numbers, appointments, and birthdays, to their Timex watches simply by pointing the face of their watches to a flashing PC screen.