Case 1-2

**Swatch Makes Time for Luxury**

From plastic to platinum—the wristwatch company known for fun fashion accessories is now focusing on the watch as a status symbol. When Switzerland-based Swatch Group [<http://bi.galegroup.com/essentials/company/115?u=tlearn_trl>] was founded in 1983, popularly priced quartz watches made by Japanese firms had taken considerable market share from traditional Swiss watch brands. Swatch’s bold idea for recapturing share was to combine colorful cases, bands, and faces into eye-catching watches that were functional, affordable, and fashionable. The company began introducing an ever-changing array of new models, which helped consumers begin to think about wristwatches as both trendy and collectible. It also decided to restrict some models to certain geographic areas. This encouraged consumers to be on the lookout for new Swatches when traveling and to snap up models not sold in stores at home.

The idea of building a wardrobe of watches caught on. Consumers—particularly women—quickly became accustomed to buying Swatch watches as they would any fashion accessory, on impulse or to match particular outfits. Showing off new and unusual Swatch models—especially those not locally available—became another way to express individuality and status. Soon Swatch’s success attracted the attention of rivals that entered the market with a wide range of inexpensive watches for everyday wear.

To avoid the profit-sapping problems of this intense competition, Swatch made another bold decision. Without abandoning its basic $35 Swatch models, the company started acquiring established quality brands such as Omega and Hamilton. It also bought super-luxury brands such as Breguet, which offers hand-made, limited-edition watches priced as high as $500,000. The posh image of these brands brought a new dimension to Swatch’s corporate reputation and new possibilities for marketing more watches to more segments.

Now the company can cater to buyers seeking an extraordinary piece of jewelry for themselves or to give as a special gift—buyers for whom price is a secondary consideration. Swatch’s high-end brands can also satisfy the needs of wealthy consumers who get in a buying mood while on vacation and choose fancy watches in exclusive boutiques or airport duty-free shops. Knowing that more luxury watches are sold to men than to women, Swatch has also partnered with the Tiffany jewelry retail chain to design and market high-quality women’s watches as fashion accessories.

To connect with customers beyond the purchase of a single wristwatch and strengthen brand loyalty, Swatch has been using a variety of marketing communications. Its luxury brand ads appear in magazines geared to high-income consumers. It publishes *Voice*, a twice-yearly lifestyle magazine, to inform customers about fashion trends, special Swatch events, new product news, and more. Its online newsletter keeps customers updated on the latest styles and trends. On the Swatch website, enthusiasts can click to join the Swatch club and gain access to members-only products, contests, collectible watches, blogs, photos, and videos. In addition, Swatch mounts special events for customers all over the world, such as a beach-theme party in Austria and a weekend pirate-theme cruise in Turkey.

Thanks to its portfolio of more than a dozen brands and a global chain of 600 stores, Swatch has become the world’s leading watch marketer. Its annual sales have risen to $5 billion, despite mixed global economic conditions. In fact, luxury watches now account for more than half of Swatch’s profits, and the company is readying more fine-jewelry accessories under its status-symbol brands. Still, competition from high-end brands such as Patek Philippe, Piaget, Cartier, and Bulgari has become more intense over the years. Will Swatch continue to thrive in such a highly pressured environment? Only time will tell.[[1]](#endnote-1)

**CASE QUESTIONS & ANSWERS**

1. What role does the consumer’s culture seem to be playing in Swatch’s marketing strategy?

ANS: Responses will vary.

REJ: A consumer’s culture refers to the typical or expected behaviors, norms and ideas that characterize a group of people. As a watch is a product that is used publicly, it often becomes an emblem of the groups to which a consumer belongs. In the case of the original inexpensive and trendy Swatch watches, consumers were able to purchase more than one to express their individuality and status. The watches become a part of the consumer culture as a fashion accessory rather than merely a functional timepiece.

Swatch made the decision to appeal to other market segments by purchasing quality brands including Omega and Hamilton, as well as the super luxury brand, Breguet. While most consumers could only afford to buy one quality watch, it was still an emblem of the consumer's culture, social class and status. The more expensive watches are a signal of prestige. Swatch has realized that different groups of consumers buy watches for different reasons. They now provide brand options for many consumer segments.

2. Explain, in terms of internal consumer processes, why Swatch puts so much emphasis on marketing communications.

Responses will vary.

Swatch uses extensive marketing communications to develop relationships with its consumers and to increase brand loyalty. This strengthens consumers’ connection to the brand.

Motivation, Ability and Opportunity: Swatch increases consumers’ motivation, ability and opportunity to process information about the brand by making it fun, informative and easy through its lifestyle magazine and its online newsletter.

Exposure, Attention and Perception: Swatch places its advertising in vehicles where its target markets will be exposed to those communications. For example, Swatch’s luxury brands are advertised in magazines that appeal to consumers from upper social classes. By encouraging the consumer to interact with the brand through contests, blogging, and parties, the company is increasing the attention that the consumer will pay to the brand. Also, positive perceptions are increased by the relationships being fostered by IMC strategies.

Categorizing and Comprehending Information: Swatch ensures that its brands are categorized correctly by consumers, by appropriately fitting the brand image to the type of marketing communications being used.

Forming and Changing Attitudes: Swatch associates its brand with fun and/or prestige. Swatch’s use of marketing communications is consistent with these consumer attitudes. For example, advertising in high-end magazines reinforces consumer attitudes that a brand is expensive and luxurious.

Forming and Retrieving Memories: Extensive use of a variety of marketing communications makes it easy for consumers to include the brand in their consideration sets when buying a watch.

3. Under what circumstances would the decision to buy a Swatch watch be a high-effort decision? A low-effort decision?

Responses will vary.

The purchase of a watch might be a high-effort decision for a variety of reasons. First, if the watch was expensive, the consumer would perceive some financial risk if the wrong decision was made. As a watch may be a symbol of the consumer’s self-identity, both social and psychological risk may be associated with the purchase. In addition, the consumer may be involved with the purchase in that he/she collects Swatches.

However, if the watch is inexpensive, the decision to purchase it may be low effort. The consumer may own a whole wardrobe of watches, and thus the purchase of any one watch does not pose much perceived risk. In addition, the consumer may not be involved in the watch purchase. He /she may not care if the watch is fashionable or prestigious. Thee consumer may simply want a functional watch that will keep time accurately.

1. “Swatch Group Sales Up 18 Percent,” *National Jeweler,* January 18, 2008, n.p.; Jennifer Fishbein, “An Uptick for Swatch on Tiffany Deal,” *BusinessWeek Online,* December 7, 2007, www.businessweek.com; Ed Taylor, “Luxe Lines Drive Swatch Gains,” *Wall Street Journal,* August 25, 2004, p. B3; Lorna Strickland, “Time Trials,” *Duty-Free International,* October 15, 2004, pp. 190+; Barbara Green, “Watch Retailers Gear Up for Graduation,” *National Jeweler,* March 16, 2004, p. 10. [↑](#endnote-ref-1)