**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**

1. What role does the consumer’s culture seem to be playing in Swatch’s marketing strategy?
2. Explain, in terms of internal consumer processes, why Swatch puts so much emphasis on marketing communications.
3. Under what circumstances would the decision to buy a Swatch watch be a high-effort decision? A low-effort decision?

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)