

swatch[®] Marketing



Imperial College Business School

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Prof. Dr. Konstantin Theile

Structure

1. A comment to the Harvard Case
2. The beginning
3. The unsystematic approach
4. The systematic approach „the Swatch concept“
5. Findings

A comment to the Harvard Case

- Nicolas Hayek was not the father of Swatch. The initiative to develop a low-cost watch was a mandate from the board of ASUAG to Ernst Thomke, who was the CEO of ETA, the watch movement manufacturer of the group. The core team was composed by Ernst Thomke, the two engineers Elmar Mock and Jacques Müller and myself responsible for marketing and sales. Mr. Hayek was just a consultant and became CEO of the Swatch Group only in 1986.

The beginning

- I was a few weeks director for marketing and sales for Latin America, Africa & the Middle East at ETA watch movement manufacturer in 1982 and then...
- From 1982 to 1984 responsible for the design and the implementation of a sustainable international Marketing concept for Swatch with the task to sell about 1m units in 1983 and at least 3m watches in 1984
- Swatch was ready for (hand-made) production end of 1982 => automation only as of 1984

Technology



Delirium



First design

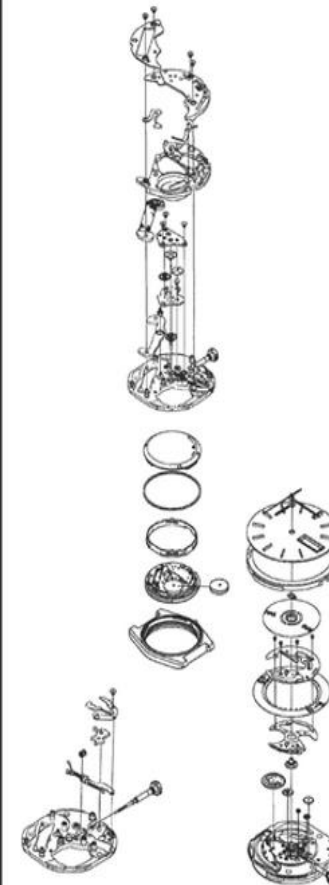


Final version

Production steps



Watch assembly technique in the early 1980s and today (91 components assembled from the top, bottom and sides).



Swatch assembly (51 components mounted from the top only).



Our Marketing Questions

- Do we offer the right product in the right place at the right time?
- Are the costs and the financing of the project correctly assessed?
- Do we have the necessary resources at our disposal?
- Who are our main competitors? How can they react?
- Are we using the marketing instruments correctly?
- Have we chosen the right staff and partners for the project?

The unsystematic approach

- Small, motivated and young team
- No experience in the watch industry
- Learning by doing > tolerant/high engagement
- Chaos is beautiful and inspiring
- Highly creative – everything is possible
- Naïve and optimistic
- **Intuitive > go with your gut feeling**
- **Re-invent the watch > fashion accessory showing time**

For an excellent evaluation
(of a concept)...

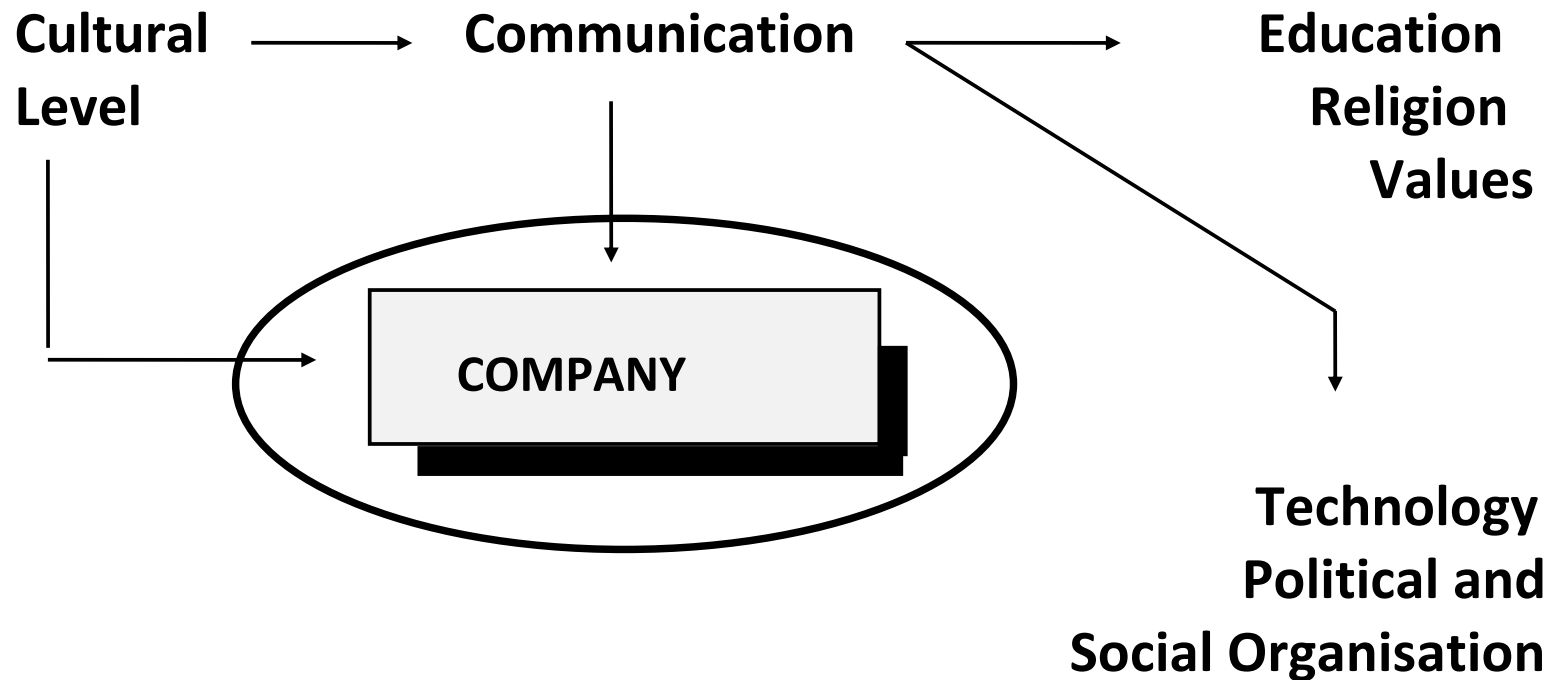


... ask your gut first and
only then evaluate
with your brain!

The systematic approach

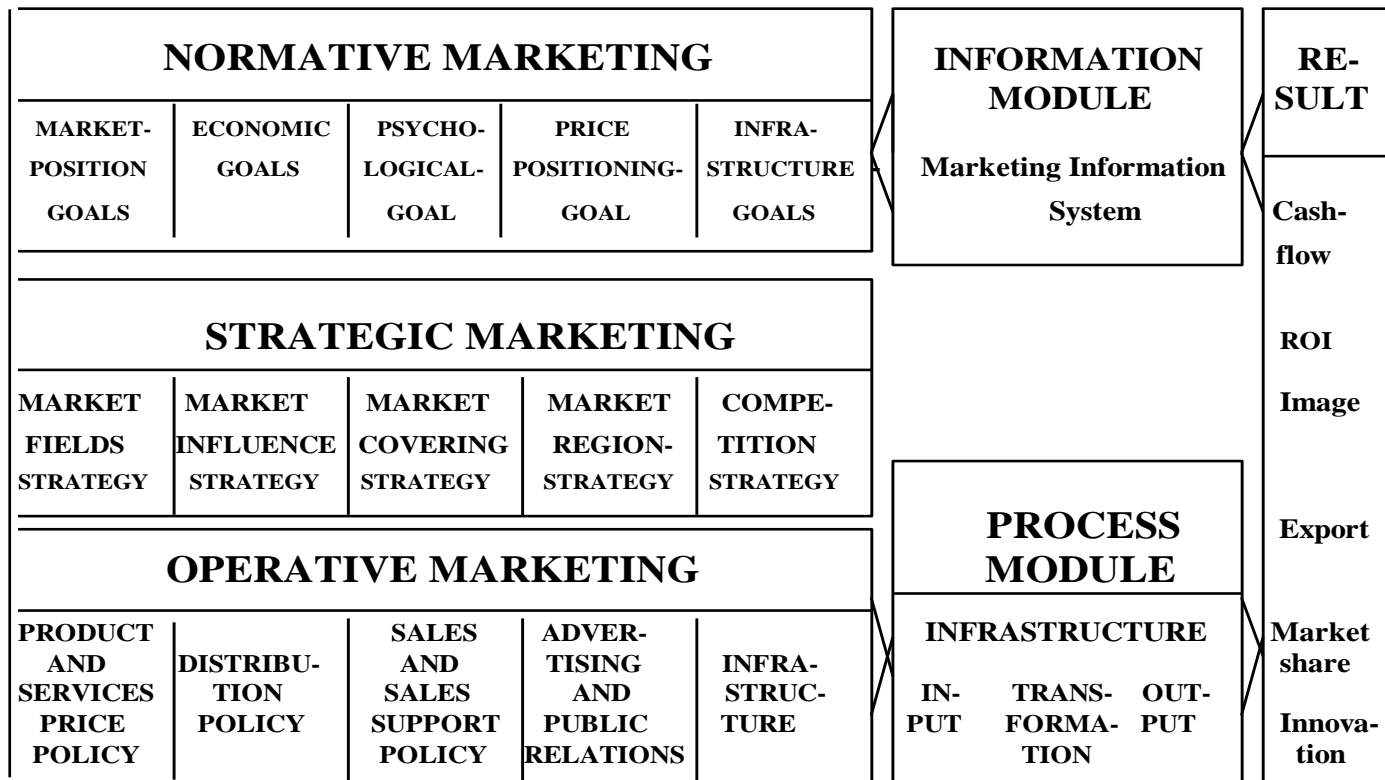
- Our unsystematic approach was inspiring, but not easy to explain ... but most probably “the” main factor of success
- The systematic approach makes it easier to explain the Swatch marketing and brand policy
- ... a typical ex-post approach to teach students!
- Let's start with some theoretical thoughts ...

The importance of culture



Adapted from Vern Terpstra /Kenneth H. David: The cultural environment of international business (1991)

The marketing model



Swatch Marketing

Normative Marketing

- Positioning goals
 - Market share
 - Distribution
- Economic goals
 - Marginal return
 - Turn-over
- Psychological goals
 - Awareness level
 - Image / sympathy
- Price positioning goals
 - Upper-low-end
- Infrastructure goals
 - People, infrastructure, money and time

Swatch Marketing

Strategic Marketing

- Market Fields Strategy
 - High market penetration
 - Market development
- Market Influence Strategy
 - Preference strategy with strong **brand policy** and customer's fidelity
- Market Covering Strategy
 - Differentiated market segmentation
- Market Region Strategy
 - Global market strategy with a concentric market development strategy in each country
 - Waterfall combined with sprinkler strategy
- Competition Strategy
 - Fair and creative
 - Surprising our competitors

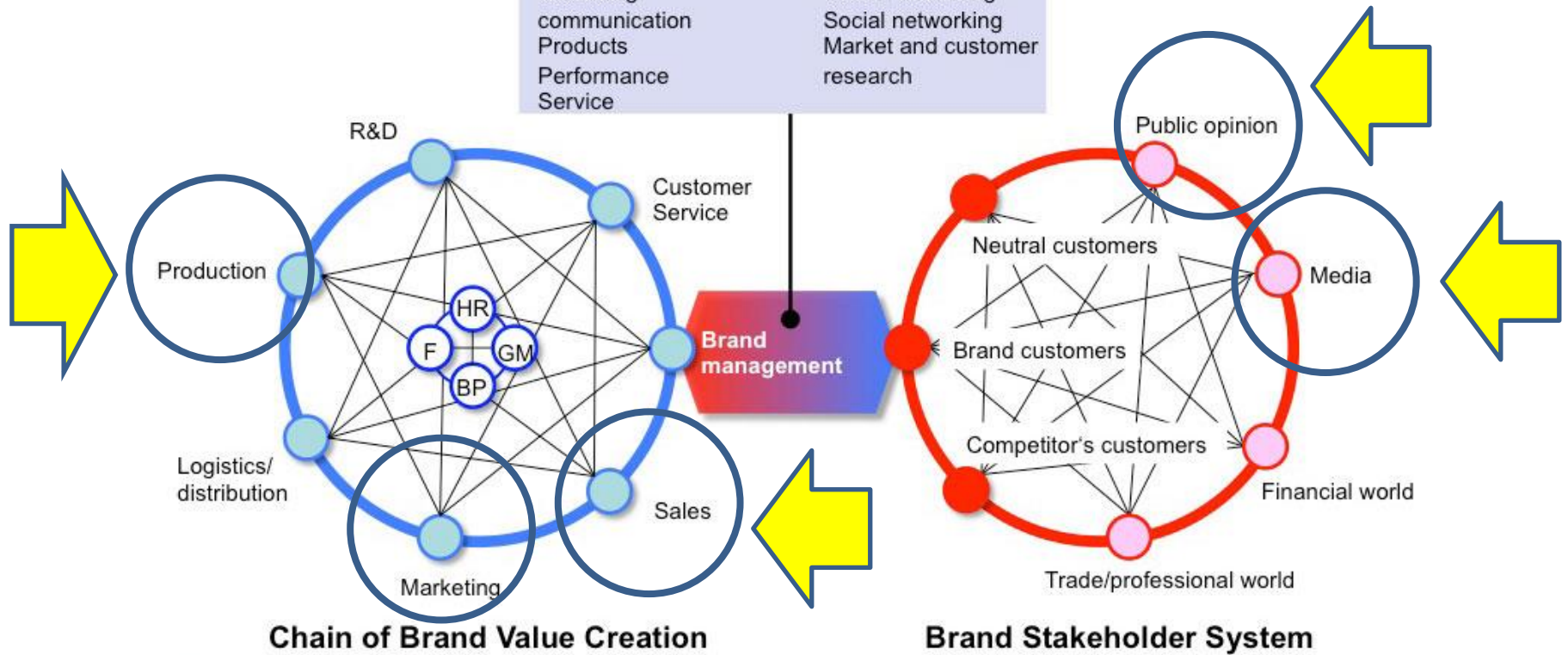
Brand Management

GM General Manager
F Finance
HR Human Resources
BP Business Planning

Brand Transfer System

Company and marketing
communication
Products
Performance
Service

Sales force
Online marketing
Social networking
Market and customer
research



Swatch Marketing

Marketing Mix

1. Product and Service

- Design and segmentation
- Seasonal collections
- Exchange no repair
- Price (Impulse buying level)

2. Advertising

- Fashion accessory oriented
- Fun, young and trendy
- Surprising

3. Sales

- Direct and via distributors

4. Public Relations

- Cooperative, honest and innovative
- Let's re-invent the watch industry (Switzerland)

5. Distribution

- High-image department stores
- Specialised watch shops
- Swatch Boutiques (later)

Are you still
awake?



1. Product Policy



Packaging

Features

- Water-resistant
- Shock-proof
- Precise
- Fashion accessory showing time

1983



1983



Version Swiss watch shops



The Tennis Swatch

1984



Grey Memphis



12 flags



Chrono Tech



Compu-Tech



Compass



Don't be too late



High-Tech



Tech-High

Price strategy

- **Impulse buying level per market**

(in Switzerland just below CHF 50)

- **Top-down** calculation

Retail prices (1983)	CHF 49.90
Retail margin (incl. VAT)	CHF 21.90
<hr/>	
Ex wholesale	CHF 28.00
Wholesale margin	CHF 5.00
<hr/>	
Ex-Factory	CHF 23.00



2. Advertising



4-DEC-1983 in the *New York Times Magazine*

Summer 1984

SWATCH.
DIE VERRÜCKTE SCHWEIZER UHR.
FÜR JEDEN SPASS.

Hier kommt die neueste Swatch Kollektion. Mit den verrückten Schweizer Uhren, die immer anders aussehen und immer dazu gehören. Zu allem, was das Leben zum Vergnügen macht.

Perfekt im Design, in 9 verschiedenen Farben mit unterschiedlichen Zifferblättern, in 2 Größen. Mit der modernsten, präzisen Swiss Quartztechnologie in einem federleichten Kunststoffgehäuse (ca. 20 Gramm) das alles mitmacht: wasserdicht bis 30 m (3 Atm), stoßsicher. Mit 12 Monaten Garantie. Und einer Batterielebensdauer von ca. 3 Jahren.

Die neue Swatch ist immer gut im Trend: an der Fashion Cocktail Party und in der Eigenordwand; in der neuesten Super-Disco oder beim Surfen an der Copacabana.



Holen Sie jetzt Ihre Lieblings Swatch.

SWATCH.
MIT DER ALLERNEUESTEN KOLLEKTION!
FRÜHLING/SOMMER '84



SWATCH. DIE VERRÜCKTE SCHWEIZER UHR. 

Switzerland and Germany



Summer 1984



France and Belgium



USA 1984

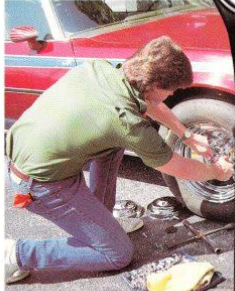
Versatile Swatch



WATER RESISTANT

SHOCK RESISTANT

UNBREAKABLE STRAP



650371

- ◀ Water Resistant
- ◀ Shock Resistant
- ◀ Unbreakable Straps
- ◀ Swiss Watch Technology
- ◀ Quartz Accuracy
- ◀ Analogue
- ◀ Wide Range of Colours and Dials
- ◀ Easy Access to Battery
- ◀ Low Priced
- ◀ One Year Comprehensive Guarantee

More Swatch successes for '84



653271

661171

Swatch, the entirely new concept developed in Switzerland, introduces the 1984 range including the new, smaller Mini-Swatch.



Distributed by Avia International Division,
Louis Newmark plc, 15/25 Ormside Way, Redhill, Surrey RH1 2QA.

swatch
+ QUARTZ

Swatch The most dramatic success story of the '80's



650271

651771

swatch
+ QUARTZ

USA 1984

Swatch Wherever you're going, whatever you're doing



**SWATCH.
DER NEUE LOOK
IM HERBST/WINTER 84/85.**

SWATCH. WASSERDICH. STOSSICHER. SUPERLEICHT. TREND- UND QUARTZGENAU. AB FR. 39.90

SWATCH watches are displayed on a textured surface. The watches feature various strap colors (black, red, yellow, grey, white) and face designs (black, white, yellow, blue). Some faces feature cartoon characters like Spider-Man and Iron Man. Price tags are visible next to each watch, ranging from Fr. 44.90 to Fr. 49.90.

3. Sales

- As we did not have any idea on the quantities sellable in each market and most people around me were very pessimistic, I made a list of the target countries and allocated a number to each country adding up 1m watches.

	Budget
Switzerland	30'000
United Kingdom	60'000
Germany	80'000
France	70'000
Italy	50'000
Spain	40'000
USA	100'000
BeNeLux	50'000
Scandinavia	50'000
Austria	20'000
etc...

- For several weeks my main job was thus to sell the watches – a valuable experience to check the concept and to learn how to sell an idea!

3. Sales

- The list and reality had nothing in common as we sold much more watches than budgeted, especially in Switzerland. We had to postpone the market introduction in Germany and France for a few months and forget about lovely Italy and Spain.

	Budget	Sales 1983
Switzerland	30'000	350'000
United Kingdom	60'000	140'000
Germany	80'000	140'000
France	70'000	120'000
Italy	50'000	0
Spain	40'000	0
USA	100'000	250'000
BeNeLux	50'000	
Scandinavia	50'000	
Austria	20'000	
etc...	

4. Public Relations

1983 Jelly Original (200 pieces)



Tennis Swatch (1983)
(999 pieces)



Kiki Picasso (1985)

4. Public Relations

The 13'000 kg Swatch in Frankfurt a.M.



Swatch Balloon - 1987

4. Public Relations: sponsoring

**The Big Break Dance Contest Live At the Roxy
1983 in New York**



**First Freestyle snowboard contest in
Switzerland 1983**



5. Distribution

Bucherer - Lucerne



Gübelin - Lucerne



Watch shops



Jelmoli



Globus



Manor



5. Distribution

Macy's New York



Bloomingdale New York



Saks Fifth Avenue



Selfridges



Harrod's



KDW Berlin



Findings

- An unsystematic approach to marketing and brand management is helpful to **avoid blinkers**.
- A systematic and analytical approach makes however sense to **keep you on track**. There are many useful tools ... but they are not more than that!
- Be creative, open minded: ask your **gut first** and only then evaluate with your brain!
- There are **thousands out there** with good ideas – ask them (and implement the idea).
- Ask your customers ... what are their **dreams**?

Findings

... and

- Re-invent yourself, your business and product every 10 years: it's a lot of fun!
- Be credible, ethical and include always nature in your decisions and activities.
- Above all “be responsible for your behaviour and activities”



Thanks for your attention....

