

C.I.M. CASE STUDY: TITAN INDUSTRIES LTD. 2003

Analysis

As a Marketing Consultant to the Board of Titan Industries you will be expected to advise the board of Strategic Marketing decisions, both qualitative and quantitative.

The Board will want to know answers to the following questions:

How much will it cost?

What is the expected ROI?

How much profit will the strategy drive?

What marketing strategy should be adopted?

Titan Industries Ltd. is an Indian company - relatively new entrant to the watch industry. Performed well over the last ten years. Has large market share in home market. Invested heavily in N.P.D.

Titan has global ambitions - established companies in various centres around the world.

The world watch market is a very difficult and diverse watch market dominated by Switzerland and Japan.

Swiss - renowned for brands and quality.

Japanese - middle of range market

Titan's biggest challenge is to establish a substantial and unique brand presence outside India.

ALSO has to protect home market from predators - growing influence of Japanese and Swiss imports.

A strong market focus for the next decade is needed.

You have been hired to work with the Board and the marketing team (high profile role - key decision makers - strategic power.)

Titan - J.V. between TATA group and TIDCO. Company commenced operations in 1987. Diversified into jewellery market in 1994. Titan is India's leading watch producer - market share greater than 50%.

Mass market appeal - emphasis on innovation in design, quality and reliability. (Mass with class!)

A short history of the watch industry

Long antecedents. 1485 Leonardo da Vinci had sketched a fusee clock and this system was used later in watches, especially in England. Religion had a great impact on the industry. Martin Luther took over Geneva in 1585. City had no watch making industry but was famous for its jewellery. John Calvin moved to Geneva and made it the centre for reformation. Strict laws banned the wearing of jewellery however watches were exempted as they were regarded as practical items. This loophole attracted the finest watchmakers from France and Germany, who collaborated with the jewellers to make intricate watches with jewels, enamels and engravings. This spawned the luxury watch industry in Geneva.

Late 17th Century - spiral hairspring and balance wheel were invented. Watches were now accurate to within a few minutes. In 19th Century, watches became even more complicated and elaborate.

Americans/Swiss/British in to mass manufacturing. Turkey and China imported from Britain and Switzerland. Automatic winding became normal in the 20th Century. Watches - shockproof, waterproof, and able to perform in extreme conditions of pressure or vacuum. Battery powered watch became available in 1952. Electronic watch - new concept. Japanese embraced this new technology - allowed cheap and very accurate watches to be mass produced in their millions. This nearly destroyed mechanical watches. However, Swiss watch industry fought back on quality front and developed

marketing and branding strategies to combat the impact of Japanese watches.

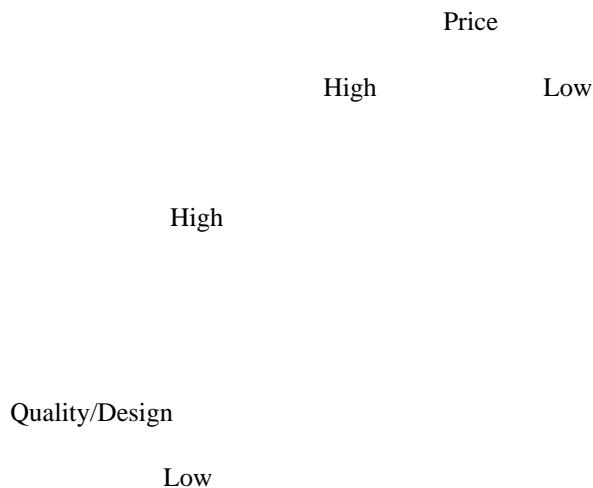
Swiss watch industry now employs 30,000 workers - in 1960 there were 90,000. Less labour intensive? More competition? High quality mechanical watches still made in Switzerland.

Branding is all important - large amounts spent on advertising Rolex, Cartier, Omega etc. Different watches appeal to different segments. Fascination with novelty factor. Consumers now using different watches for different occasions. Becoming a fashion item.

Titan have embraced the new technologies and built its image as an indigenous watchmaker in India, Now has global ambitions for watches and jewellery through the Tanishq brand.

Titan Products

Titan - umbrella brand for a range of sub brands that are designed to focus on specific consumer segments.



Ovation 2000 is targeted at the exclusive, fashion conscious UAE market. 150 faces - dress. Sporty. Provides great variety and adaptability. Fastrack collection - aims at young consumer , also has a wide range of straps and styles.- 50 different variants. This gives the watch an unusual look.- creates a cool and trendy look. Water resistant up to 100 metres.

Titan also launched Euro watches targeting the European market. Uses best designers in Europe and matches best designs on offer from Swiss watchmakers. BUT they are still not Swiss. Shades of 'grey market'. (Indian culture - brilliant at copying e.g. designer clothes copied from Western magazines.)

Titan Steel Collection - fresh, bold look. 'The idea is for an evening out you also need to change your watch.'

Titan has spent £340,000 on advertising. Can they compete against the established premium priced/quality Swiss watches?

Restrictions on imports eased in the Indian market so more foreign brands have been made available to Indian consumers. Many start at about £80 and consumers are often willing to pay a little more for foreign brands. Steel Collection has sold well.

Recent research and Development

2002 - launch of Titan Edge - slimmest watch in the world. Took 4 years of intensive R & D.

Silicon chip conserves power and doubles the life of the battery. Elegant, slim and sophisticated. Watches are priced between £61 -£68 (mismatch in price - should be much higher especially in export markets. Premium product, state of the art yet priced inexpensively!)

Titan's brand image in India

Titan has an enviable brand image in India , being ranked number 1 six times in the last seven years, and second once. Reason for success- appeals to youth market and is aspirational. Mass market brand with a strong presence at the lower end. 'Mass with class' Equally popular with men and women. Brand expenditure = £339,305 - £407,166 brand building. Value for money. Titan ranks very highly in all surveys. Company is now keen to translate its brand advantage in to profits. Although Vice President /MD claims that ROCE is 25% in India this does not equate when scrutinising the company accounts (Figures show that ROCE is 2.98%) The company's exposure in Europe and venture into jewellery have conspired to erode profitability.

Challenge for Titan is to improve its brand performance in international markets.

Branding

To achieve high brand equity in any market sector requires consistency of approach, and the promise of a relationship with the customer that fulfils the promises of the brand image.

Figure 8 - Brand Structure

Brand structure is complicated and encompasses a range of factors as shown in figure 8.Brands have assets and liabilities. Aaker's five aspects and figure 9 all have to be considered in relation to the strength of Titan's brand in international markets. The brand has strong equity and status within India but is less well known in International markets.

(Note use these figures when answering questions on branding later)

It is vital to achieve the correct positioning and branding in international markets to achieve lasting success and build a strong brand equity over time. Branding is very much affected by a company's reputation. Integrity, honesty, probity, ethical stance, environmental policy are all important factors. The customer interface is very important in managing brands. 136 exclusive World of Titan stores and in all-7,000 outlets help Titan to provide an extensive customer service network across India. Internationally, the Titan brand is available in over 31 countries, supported by associate companies in London, Dubai, (serving the UAE),Singapore, Amsterdam and an extensive distribution network.

It can be argued that the World of Titan showrooms are not necessarily the largest network of exclusive watch showrooms in the world (272). U.K. based Signet (H, Samuel, Ernest Jones, and Leslie Davies) have 605 outlets.

The problem with associate companies and distributors is that they also deal with other merchandise from competitors so why should they push/promote Titan range?

What arrangements are in place for product training of associates, visits to factories/showrooms in India, POS, promotional budgets and incentives?

The Indian watch Market

25 million units sold per year. Lower penetration than in China.(60 million) Key players - HMT and TIMEX plus large number of small operators. In India Titan enjoys 80% of premium segment

(100% brand recall) BUT the danger is the threat of International brands attacking the market due to the abolition of import restrictions. Titan held in high regard for quality and service. Threats from Swiss and Japanese at the luxury end of the market. The bottom end is threatened by grey market operators and cheap watches imported from China. So branding is highly important.

Growth of Department Stores in the major cities (Delhi, Bombay, Calcutta etc.) who see watches as a cash cow. Many Japanese, Swiss and European brands have opened exclusive watch stores in the major cities.

How can Titan protect its indigenous market from international predators?

After sales service is a differentiating factor.

Competitive Strategies

Barriers to entry from international predators - growth and development of retail chain "World of Titan". However, import restrictions lifted and several Swiss/Japanese/European brands have opened outlets in the major cities so the barriers to entry are not working! International exposure enables access to international suppliers - positive! Titan has ventured into jewellery - Tanishq brand. Yet this is a potential drain on capital. The biggest challenge for the company is to consolidate its position in the international arena, go for niche strategies and make better margins/more profit.

The Global Market for Watches and Jewellery

Globalisation is an important consideration for branded goods. Globalisation and styles, trends and cultures. In India, MTV and Bollywood have led to the convergence of tastes amongst men and women. More traditional dress discarded or Westernised - very fashionable women in India (as well as traditional dress). The Japanese and the Swiss dominate the world watch industry. The Japanese are by far the largest provider (2001 - produced 57% of the global watch production). Slight decrease from 2000. The Swiss produced less units in 2001 but the value rose by 3.7%. Swiss production represents just **over 7% of global production**. (Average value of each unit equals $10517/27.8 = 378.30$ Swiss Francs).

Figure 14 - although Japan produces 57% of world total watch production, they are in 5th place by export value. This is due to the low value of watches when exported (Figure 15 - 27.70 US dollars). The Swiss only produce 27.8m units as opposed to Japans 653m units (about 4% of Japanese total). They top the export value table as they also have the highest average price when exported. Quality - premium price, premium product.

Figure 17 - Swiss watches are exported around the globe. The main export markets are US, Hong Kong and Japan. Interestingly, India does not feature within the top 15, so Swiss imports are likely to be less than 100m Swiss Francs (data not available - assumption). Still a threat, however, and one that may increase!

Figure 18 - is very illuminating. The Swiss have got it absolutely right - strong brand image, premium product, premium price, exceptional design quality and craftsmanship. Exclusive distribution and **profitable** business. Swiss **have 7% of global production** but this equates to 59% of the monetary value. Brilliant performance! 90%+ of Swiss products are exported whereas Titan have so far concentrated on the home market.

Titan - Appendix 4, page 48. Internationally volume in 2001/02 is 504,000 and value is 263m Rs.

Average price of exported watch = 526 Rs (£70 GBP).

£70 is too low!!!!

The price does not confer quality or brand equity. It is not a premium price and therefore is not perceived as a premium product. Titan needs to address this immediately to become more profitable. They have to emulate the Swiss!

Page 19 'Luxury' range of Swiss watches priced at USD1,120 = £746 GBP (based on £1 = USD1.5).

'Medium' range priced between USD390 - USD1,120 = £260 - £746 GBP.

'Mass Market' range priced below £260 at retail.

Given that Titan is 'mass market' even then their £70 average price is way below the figure of £260, thus illustrating why the company is barely profitable. Figure 19 exemplifies the 'flight to quality'. People like to buy expensive items and status symbols (Rolex, Porsche Boxster, 18carat gold chains, etc). Highly fragmented and competitive market making it difficult for Titan to get established in international markets.

Trends - 'flight to quality', move to jewellery. Titan followed this route with the development of the Tanishq brand of jewellery.

New Developments in Watches and Watch Design

Watches are becoming more fashionable. Women think of watches as fashion accessories

Page 21 - Points a - e are all important considerations for Titan's future NPD strategies.

Futuristic product innovation is driven by technology. All very relevant for Titan's NPD strategies.

Move to miniaturisation. Titan Edge - slimmest watch in the world - golden opportunity. They need to market this vigorously in UK, US and developed markets at a premium price. Very popular with the youth market. Also will double as mobile communication device. Consumers interests are expanding. It is not uncommon for consumers to try different watches for different pursuits - leisure/business/extreme sports/everyday use, for example. This creates opportunities. Whereas in India mass market people will probably buy one inexpensive watch and make it last for years, in developed countries some people may end up owning 3 or 4 watches. (great opportunity - Titan need to enter this lucrative market now).

The Growing Impact of Indian Culture

In UK/USA there has been a growing interest in Indian culture, Bollywood films - Monsoon Wedding and Ashoka, Bombay Dreams - Andrew Lloyd-Webber's musical in London. India is very dynamic and a cultural hybrid. Bollywood has infused Hollywood traditions with Indian. Indian audiences worldwide are passionate about retaining their Indian culture. Indians living overseas accounts for 55% of Bollywood ticket sales. Big opportunity - many indigenous Indians in Middle East, parts of Africa, South East Asia and China plus many second-generation Indians in the UK/USA/Canada and other developed countries. Figure 20 is an adaptation of Ansoff's Matrix depicting level of risk as you move up the scale. Niche market opportunity.

How can Titan capitalise on their technical knowledge and glocalisation to create profitable niche strategies internationally?

Titan Industries Ltd Performance

Titan's sales of watches and clocks declined by 7% in 2002 over the previous year. This is a worrying trend! Strong points - renowned service levels - created industry benchmarks. Uses SAP system of supply chain management. Uses latest technology to improve logistics. IT development sound. Titan brand is the jewel in the crown but is not showing the return in the balance sheet. In 2001:

5.20 million USD of jewellery were exported

6.25 million USD of watches were exported

Ethical Performance

Titan helps disabled people. Deaf and Dumb -40 scholarships annually. Help the poor undertake Industrial Training courses. Titan won a national award in 2002 for their efforts.

Summary

The foray into international markets is not yielding the necessary profits (**because they are not pricing goods highly enough**). The challenge is to develop lucrative niche markets in UK/USA and other developed countries later. Growing interest in Indian culture should help - the next Bollywood film should feature actors who are wearing Titan watches and jewellery. Fashion brands (Gucci, Christian Dior) use their reputation to leverage strong positions in the personal wear category. **This is a threat to Titan.**

Rapid technological changes - mobile phones, convergence of technologies - will people use their mobiles in the future as time-keeping devices?

Economic trends - recession - consumers cut back on spending on high-priced items such as jewellery and watches, etc. Growing threat of smuggling and grey markets, influx of cheap watches from China. Indian market is being targeted by Swiss and Japanese brands (**threat**). Titan's entry into European markets = **Big investment**. Losses have to be turned around - charge higher prices. Introduce new brand - reposition to premium product/premium price or from mass market to mid-range. International niche strategy needed.

Strengths - good technological know-how. Talented in-house design studio assimilating latest fashion trends and creating cutting-edge products. The company is strong at capturing market information and tracking the competition. The market research department should therefore be carrying out further research into positioning/price points/brand building, etc.

TITAN IS AT THE CROSSROADS

Appendices Survey

Appendix 1 - USA - Asian population set to increase from 4.1% to 8.7% from 2000 - 2050 (double). This is a positive trend and will be beneficial for Titan's targeting of second-generation Indians who are living in the US but still maintain a prevailing Indian culture. Trends - cheaper watches having difficulty selling. Upmarket products doing well. Higher prices being charged. Top American export markets are Switzerland, Japan and China which are all showing increases on the previous year.

UK - Indian population less than 2.8%.

UK Consumer Data

Table on Importance of Different Aspects in Buying a Watch - top answer was 'in my price range'. This range could be quite wide. Premium - middle - low. Well-known brand name - significant. Fashionable design - important. Table on page 29 shows that 49% of men and women between 15 and 24 years of age argued that fashionable design was very important, 45% of 45 - 54 year olds favoured a 12-hour face due to their past experiences. Table on page 30 confirms that several factors are important when buying a watch such as being in the price range, able to be used everyday, water-resistant, quartz movement and having a well-known brand name, date display and a fashionable design.

Choice of Retail Outlets Table

Specialist jewellers or specialist independent, Argos and Department stores were the top answers.

Forecast

Set to grow between 2001 and 2006. The luxury watch market is set to grow by 31% (before taking inflation into account). This is a reflection of a consumer shift to upmarket and premium products in consumer goods markets. Average price paid for a watch will increase to £37. Titan still needs to reposition its watches and sell them more expensively.

Market in Focus: Asian Indians

Indians all speak English - fluency can be very high. Indians will buy products they associate with India. Asian Indians are very price-conscious rating price as a stronger incentive to brand name. Titan should still try to use premium price for quality goods. Remaining sensitive to native culture is important. TV advertising is the most effective medium.

Tiger Woods - global ambassador to Tag Heuer - leader in luxury sports watches and chronographs. Tiger Woods signed a long-term ambassador agreement with the company. He is the world's best known golfer and is young, dynamic, athletic and a winner. Association with Tag Heuer is all about brand equity and brand association. "Buy a Tag and you will be a winner too", seems to be the inference. Tiger Woods is extremely wealthy so when you buy a Tag it is "reassuringly expensive" (and not for your average consumer). It is an aspirational brand.

Page 36 - Titan Strikes Back

Xerxes Desai maintains that Titan will be reducing prices to new product lines. This is poor policy. If Indian goods have poor product perception, why bother making them cheap? It is better to raise the quality and reliability and raise the price too. If known for quality and reliability, price becomes less of an issue (eg Sony TV). Within India, Titan watches have 100% brand awareness, so there is no need to spend more money on marketing that fact. Titan is excellent for service, 95% of repairs are carried out within 4 days with a large percentage having same-day service. Repair prices have been kept low - excellent strategy for India with cash-strapped masses. Mass with class. Could manufacture Titan in Switzerland or Swiss watches in India?

Page 40 - The White Knights

Titan Steel - trying to look contemporary and upmarket. 30 - 35 age group within India buy Titan's watches. 18 - 30 group does not find the brand exciting any more. Sonata has been a runaway success, priced below 1,000 Rs (£13 approx). It is very cheap. Sonata could harm Titan's premium image. The average price of a Titan watch is now less than £10. This is very low. Profit margins are under severe pressure (see notes on finance). Global shift to white metal (Swatch, Esprit, etc).

Timex Corners 22% Market Share

From (2001) 15% to (2002) 22%

Aspiration to capture 33% of the Indian watch market by 2004. Growing threat from Timex.

Appendix 3 Developments in the Watch Industry

Ellen MacArthur's story - her watch contains a small radio transmitter which sends a signal to the nearest receiver when it is activated either manually or by falling in the water. The watch is waterproof to a depth of 50m.

The MOB watch (man overboard) used by BP on oil rigs - it is a new generation of sports watches.

The Stinger - audible and visual alarms to warn divers when they are reaching their oxygen limits.

Lots of watches suitable for mountaineering.

GPS-enabled watches enable you to pinpoint your position accurately.

Breitlings Emergency Watch - suitable for climbers containing a miniature distress beacon that transmits a signal to rescue services.

Sports watches - help monitor performance for athletes or those who need a personal trainer. Polar S410 enables runners to key in their age, height and weight so it can calculate the target heart rate for an efficient cardiovascular workout. Runners can monitor long-term performance by downloading a record of their activities onto their PC's.

Golf players can play the lightweight Dunlop Caddy Golf Scorekeeper Watch which will allow them to record golf scores.

For those concerned with sunburn, APA Optics has produced the sun UV watch which tells outdoor types how long they can stay safely in the sun. The wearer keys in skin type and the protection factor of the sunscreen used and the watch monitors the UV index and informs users when to head for the shade.

Can Titan do a JV with some of these companies to combine their expertise with emerging technologies? Timex - internet messenger watch - receives text messages, web pages, internet email and Yahoo updates on stocks, news, etc on the wrist.

Makers Turn to Jewels to Enhance Brands

In the luxury market, one asks is it a watch or a jewel? The line between watches and jewellery becomes blurred in the luxury segment of the market. Sales at the top end are holding up. There is a trend for platinum watches to be set with jewels and this raises the value considerably. The value is higher, yet the volume is down, due to a greater concentration on upmarket products on the one hand and an increase in the real price on the other. The demand for jewelled watches is on the increase. Women favour the purchase of luxury and high-quality goods. Elton John watch

produced in 14 styles. The Swatch Group reports that top of the range segment made healthy progress this year. LVMH - concentrating on higher end products and more profitable lines. The demand for jewelled watches in the UK & USA is increasing. Fred - 10 boutiques worldwide focus on classic, retro styles and contemporary fashion - luxury watches. Longines - has brought out 3 replicas of watches from the 1920s called Les Elegantes - which harks back to a period of chic, grace and charm.

Possible questions - Titan

1. Prepare a Communications Plan, which will increase sales and profitability Internationally.
 2. How can Titan capitalise on their design capabilities and glocalisation to create niche strategies for the future?
 3. What branding and positioning strategy should Titan adopt in International markets to strengthen brand equity and improve profitability?
 4. Prepare a strategic market entry plan to capture a slice of the lucrative watch/jewellery market in the U.K.
 5. To become a truly global player, Titan need to form a strategic alliance with a major player. Prepare an outline strategic review to make this happen.
 6. Devise a marketing plan to make Titan a global player in the watch industry.
 7. What International branding strategy should Titan adopt to improve sales and profitability.
 8. To what extent does an understanding of Indian culture assist Titan in their quest to capture a larger slice of the lucrative Western international markets?
 9. Titan is at the crossroads in its development and growth. Prepare a strategic plan which will ensure continued domination of the home market and negate the marketing strategies of International predators from Japan, Europe and Switzerland.
 10. The Tanishq range of Jewellery has been impressive in terms of sales growth but profitability is poor. Prepare an outline marketing review which will increase profitability.
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OVER
CHARGING STRATEGY

Titan Edge
Fastrack
Eurowatches
Royale

GOOD VALUE
STRATEGY

Dash

Classique

Sonata

ECONOMY STRATEGY

Insignia

Nebula

Ovations 2000

Raga

PREMIUM STRATEGY

Titan Steel

Regalia