

Titan Zoop – Growth through Kids

Teaching Objectives:

This case is intended for use in Strategic Management and Marketing Management courses to

- i. Teach the relevance of long term strategy in Strategic Management.
- ii. Teach Marketing strategy (STP & Marketing mix in Marketing Management).
- iii. Provide an understanding about the importance of learning Consumer behaviour in devising marketing strategy.

Key issues:

- i. This case highlights the influence of Environmental factors on formulating growth strategies and long term success of the firm.
- ii. Case underlines the need for thoroughly understanding the needs of the customers for product development and formulating marketing strategies
- iii. The case narrates the complementary nature of 4Ps of marketing mix that has helped Zoop to take off.

Abstract:

In 2010, Titan Industries Limited launched Zoop, a kids watch brand as part of its growth strategy. This was Titan's second attempt in kids segment and this time it has been accepted very well in the market. The idea of re-entering this segment came from an interesting research. Since the factors influencing the performance of the product were positive, Titan developed this product and marketed with its established prowess in marketing & brand building. This case is all about the origin, development, introduction and initial performance of Zoop. The case contains detailed descriptions of strategic approaches in the introduction of Zoop and various factors that have been given attention by Titan. The author brings insights from the perspectives of strategy and marketing.

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Ever since Titan re-entered the children segment with “Zoop” in mid-2010, there is no looking back. Zoop is a mega hit among kids as it has received good market acceptance and it may emerge as a sizeable contributor to Titan's top line. For a market leader like Titan, it is essential to have presence in all segments to maintain its leadership status and Zoop filled the gap that was in Titan's brand portfolio. Encouraged by its success, Titan has been fortifying Brand Zoop, along with Sonata, Fastrack & Raga. This case discusses the strategic background, the consumer orientation, birth and emergence of Zoop.

The Kids Watch Industry...

Watch Industry in India is a matured one today with Titan and other multinational players in the market. While these companies rule the organized market, the unorganised market is larger and is flooded by small players and imported ones. Invariably all organized players have a very significant presence in adult segment whereas the unorganized players rule the children segment.

Though wrist watches have come into existence ever since Mr. Patek Philippe created it in 1868, watches for children were launched only in 1930s by Timex in collaboration with Disney, as Micky Mouse watches. Internationally, there are very few players in children segment. Swatch Little idiot, Timex Analog, Adidas Mini, TAG Heuer Formula 1 Chronograph for teens, Seiko Lorus digital for girls, Lego's Make 'n' create, Nike Triax roar and Casio White candy are the popular kids watch brands. But these are expensive in India and so Zoop is the only kids watch brand that is made in India for Indian kids.

"We do have a children's range in our portfolio. There is huge potential in this segment; however, it is a big challenge for any branded watch company to venture into it and become a volume player, while providing a good mix of quality and relevant pricing", said the former Managing Director of Timex, Mr. VD.Wadhwa, underlining the opportunity and the challenge of this market.

Children Watch Market in India

According to an estimate in 2009 by CIA world fact book demographic statistics, India has around 360 million kids in the age group of 0-14. India's kids market is estimated at Rs.20000 Crores, the largest in the world. It is always challenging to handle kids. Their tastes and preferences change very quickly as they grow every year. This puts enormous pressure on players catering to this segment to offer a wide variety of products in different colours, designs and styles. They need to innovate in features and keep launching new products very often. In spite of these challenges Titan decided to re-enter this segment, because it offered many opportunities to the company. 'Kids' is not just a segment, but it offers an opportunity to connect with the future customers. Titan catches them young with Zoop and as they grow, Titan offers them products in different styles and preferences.

Titan offers a plethora of products and brands like Fastrack, Titan Eye, Edge, Raga, Nebula, Sonata etc. to various SEC segments; Sonata for the mass market, Fastrack for youth, Raga for women and Edge for the trendy. In the premium segment, Nebula (made in gold) and Xylys are positioned.

Titan Industries Limited

Titan is the 5th largest watch maker in the world and India's Market leader with 70% of organized market. Indian watch industry is estimated at Rs.4000 Crores, out of which the organized players manage to get around Rs.3000 Crores. Titan has manufactured over 100 million watches and has a customer base of 80 million. Titan Industries limited, a joint venture between the Tata group and Tamilnadu Government (TIDCO- Tamilnadu Industrial Development Corporation) commenced its operations in 1987 under the name of Titan Watches Limited. In 1994 it expanded into jewellery through Tanishq brand and later launched Titan Eye+ branded prescription eye ware. 'Goldplus' is Titan's second brand in jewellery targeted at customers in small towns. Titan's products are always recognized for design, quality and reliability. Apart from its own manufactured brands, it also has licensing arrangements with international brands like Tommy Hilfiger to sell their products in Titan's retail network. In its silver jubilee year 2012-13, Titan has achieved a turnover of Rs.10009.05 Crores, as compared to Rs.8970.86 Crores, in the year 2011-12, which is a growth of around 12%. As of Oct.2012, the company had 876 exclusive stores in 166 towns with around 1 million square feet of retail space. Internationally it had presence in 31 countries with 2160 outlets. Altogether, Titan's products are distributed through over 11,000 multi-brand outlets.

Zoop – Part of long term corporate strategy

Launching Zoop was part of long term strategy of Titan. Titan became a pioneer by introducing Quartz watches in Indian Market. Titan changed the face of watch industry and the perception of Indian customers about watch as a product itself. The perception changed from looking at watch as a mundane functional product to a stylish lifestyle accessory. Very quickly it became *numerouno* in the market and retains the position till date. To maintain its dominant

position, Titan has been continuously introducing innovative and stylish new products. It has grown beyond watches to eye ware and youth accessories, etc.

But, the watch industry was facing a threat from mobile phones. A study conducted to assess this impact played a key role in launching Zoop. The study revealed that the threat was more for lower segment and the life style segment of watches was not affected, as watches are seen as life style accessory or jewellery by this segment. Other important findings were that only the 'under 25' years age group skips watch to mobile phone and every 12th enquiry at the store was for a child's watch. One more reason to launch Zoop was that no school would allow children in 3-15 years age bracket to carry cell phones; but they allow watches. Following this study, Titan researched over 200 children across various cities and found that children rated watch, along with Trinkets, bags and caps as a unique product among the top ten items they want to own.

Titan's first attempt in Kids segment

In 1998 Titan launched 'Dash' branded watches in Kids segment. But it was withdrawn a few years later in 2003 due to non-viability. The foremost reason was the cost factor. Since it was offered in the price range of Rs. 250 to 395, the cost had to be managed efficiently. But the company faced difficulty in sourcing the materials and components at low costs. Since it was the first attempt, the product also faced problems like fading colours and inability to withstand the rough handling by children. Added to this, Dash was not a hit in the market. It was thought to be ahead of time. Probably, it was too early, when the fruits of liberalization were yet to be gained by the country's economy; when the disposable income was less and perhaps parents were not ready to spend much for a kids watch.

Introduction and emergence of Zoop

Today, the macro-economic scenario has changed a lot. According to Central Statistical Organization (CSO), Per Capita Income (PCI) of India has more than tripled from Rs.16,688 in 2000-01 to Rs.54,835 in 2010-11. It is estimated to reach Rs.68,747 in 2012-13. On the other side, as per the 2011 census data, the average household size has become less than four as against 4 to 5 ten years ago. This clearly indicates that over the years, while the family income has been increasing, the family size has been decreasing, resulting in higher disposable income.

Children today are a much different lot than yesteryears. They are also under pressure to perform in various activities. The new generation children run between their classes in schools, tuitions, sports and music, and rush to complete their homework before they sign off the day. Children have varied interests and prefer different accessories. Watch is definitely an important accessory for kids. That is why children like watch shaped candies, toy watches, etc., from their early childhood. Zoop brings in many of these interests in its collection. When they reach the pre-teen age group, they also try to imitate the trends and styles of their elder siblings, friends and role models. Apart from this, their exposure to internet and other media is increasing year after year. Therefore the smart and intelligent kids look forward to possess what their peers flaunt, and have become a demanding 'brand conscious' group. Titan did an extensive research and found the deep rooted need of young children to stand out and command attention...to 'Be a star'. So, Zoop was targeted at 3 to 14 year age group; more specifically at 5 to 12 year group in SEC A& B segments of urban India.

The components of marketing mix were well integrated and since the product is unique, Titan has taken a lot of care in product design to impress the children and parents.

Product: Having researched the preferences of children, Titan brought in variety in Zoop's collection according to demographic and psychographic background. It differentiated boys and girls watches in both strap and face. It has come out with water and shock proof watches. Because, a watch which just delivers a functional utility is not enough for kids to be attracted; a cool one reflecting their personality is required. Otherwise it is difficult to attract and retain them as they get bored with products and brands easily. Also Zoop had to overcome the category competition that comes from children products such as Toys, Cloths and Video games etc.

For girls, the collection comes with designs in a range of Candy colours and motifs of summer flowers, where as for the boys, the collection is inspired by nautical colours and sail elements. From product to promotion, Titan's marketing team has kept in mind the playfulness, imagination, and cool attitude of today's children. So, Zoop reflects children's style, attitude and unique identity.

Features like 50 year calendar, compass, countdown timer, stop watch alarm, Electro luminescent Blue Light are present in digital collection. Analog collection has features like floral motifs, disc second hand and luminescent dials. The outer packaging is also designed differently and attractively. All Watches come with 1 year warranty to assure the quality.

Kids' safety – a Top priority: Titan took extra care to ensure that Zoop watches are made from safe high quality raw materials. Straps are made of non-abrasive polyurethane while the colours used are certified as non-carcinogenic. The Back cover which is in contact with skin is made of stainless steel that is non-allergic and free from corrosion. Each watch is tested for its quality to ensure that it is safe. Every Zoop watch undergoes 'Harsh condition Tests' for shock resistance, water resistance and drop tests to ensure their strength and safety.



Fashion products from Zoop's collection (Source: www.titanworld.com)

Branding: Titan is well known for its catchy brand names. Starting from Titan, it had great names in Sonata, Nebula, Raga, Regalia, Edge, Fastrack and Xyls. To finalise the brand name Zoop, the company had hired Ormax, a brand research company. Ormax understood the brand idea, researched children and shortlisted the brand names from a long list.

"We had to see how badly a name could be misspelt, whether or not it had a meaning in other languages, and even children were asked to mispronounce deliberately" said the then Global head of Marketing, Suparna Mitra in a News paper interview.

Pricing: Zoop, with price points of Rs.350 to Rs.900 is a great gift article for kids. When it is a branded watch from Titan, it satisfies the ego needs of the children as well as the giver. The price may seem to be on the higher side considering the short life span of the product and when compared to the unorganized players. The adult watches in the same price points last for years where as kids watches last for just a year or two due to rough handling and the materials used. Even otherwise kids may not use them after some time due to changes in their taste. But the emotional and social value offered by Zoop is too great. It also offers repairing and servicing facility where as imported watches, and those from unorganized players have to be thrown out once they fault.

Promotion: Initially Zoop was pilot tested in 6 cities and mainly promoted through below-the-line activities. Print advertisements, digital promotions, contests and school contact programmes were part of the campaign. Later, Television commercials came up focusing on educating the children on punctuality, time management and highlighting the cool mindset of kids. Positioned as a cool accessory for the 'cool' kids of current generation, it was promoted as a must-have accessory with tag lines like 'Be Cool' and 'Be a Star'.

Place: Zoop was planned to be made available in over 1200 outlets in 140 cities in India. As the brand is primarily targeted at urban kids, availability of wide range is limited to big cities. Zoop watches are also sold through online retailers.

Products through Strategic Alliances

In a segment that quickly grows demographically as well as psycho-graphically, it is difficult for the firm to continuously keep up the pace and maintain the excitement on its own. Alliances with compatible organizations are great routes to achieve this. Fortunately, large multinational entertainment companies like Disney are already in India with their movies dubbed in Indian languages. This has helped in popularising the characters of their films. Titan keeps track of children's sensation and launches watches in themes that are sensational among them through strategic alliances.

Toy story 3 characters Buzz light year, Woody, Rex and the Aliens were brought into Zoop's collections, priced at Rs.495/-per watch through an alliance with Disney in June 2010. In Dec.2011, in association with Dreamworks Animation, Titan launched Puss in Boots collection of 8 watches and later launched watches featuring Shrek and Donkey from Shrek Movies. In May 2012, Titan launched a collection of 20 watches with Madagascar 3 film inspired characters- Alex, Marty, Melman and Gloria, the penguins and monkeys.

Watch is a product to which children attach much importance and it is a way of flaunting their fashion statements. Titan has made a big impact on kids' life through Zoop and by the way it has also created an organized market for kids watches. Titan's target was to sell one million watches in the 5th year. Zoop achieved a sales figure of more than half a million in the first year of full scale operations.

Since Zoop is targeted at children in the age group of 3 to 14 years, frequent changes in designs and a continuous watch over children's preferences are a must. This is needed because fashion fades quickly as much as the preferences of kids. Children are quick learners. But if companies learn them and reach them through proper strategies, then, well, they have a great market.

Will Titan continue to keep the kids watch market excited? Will it be able to sustain the initial success it achieved?...Well, we have to watch!

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Teaching Note

1. **Application in Strategic management:** When using this case in Strategic management, students can be asked to analyze the economic and demographic factors that have influenced the business of kids watches from Titan. The compatibility of brand Zoop to Titan's long term survival and growth strategies can also be discussed. It can also be discussed with the perspective of Industry analysis although largely limited to direct and substitute competition.

Environmental analysis: Since environmental factors influence consumption and purchase behaviours, detailed analysis of macro environmental factors is a precursor for developing long term and short term strategies. Zoop is a game changer as it changed the unorganized market into an organized one. Since Zoop was launched at price tag much higher than the market price for children watches, the economic status of target customers should be good enough. As given in this case, compared to the times of 'Dash', the per capita income of India has gone up three times in 2010-11 during the launch of Zoop. At the same time the house hold size had come down providing a good amount of increase in the household disposable income. At the macro-economic level, Indian industry had grown well as a result of liberalisation, resulting in better quality of life and demographics. Hence there is no doubt that the young urban families can spend more for kids watches.

Industry analysis can be approached mainly on two aspects; Competition from multinational players and threat from substitutes. Though Titan is the market leader in the Indian market, it primarily faces competition from international brands like Rado, Swatch and Seiko. Titan also sources some of the watch parts from international hubs. Suppliers from these hubs may turn out to be competitors in future. Another major challenge for Titan, particularly in kids segment is the generic competition from products like video games, clothing, bicycles, and other style / fashion accessories.

Long term strategy: Going ahead, the leader has to continuously focus on innovation and get into new segments to maintain its position. A company may grow in many ways and Titan was growing through expansion and diversification strategies. It expanded by delivering a new identity for youth through 'Fastrack' and kept on launching new products, and built big brands like Sonata, Edge, Raga, Xylis etc. Titan then

diversified into Jewellery, Eyeware and other life style accessories, and emerged as a life style company. But as the watch industry was facing a threat from mobile phones, the study conducted by Titan revealed that the mobile phones influence the young to skip using a watch to keep track of time. This is a threat in both short term and long term. This may affect the sale of watches targeted at youth in the short term. But, in the long term, it may affect the entire business, as it is today's youth who become tomorrow's market for adult watches. Titan needed to protect its turf and the company needed to grow. That is why, Titan decided re-enter children segment, although it withdrew from the segment few years back. Changes in environmental factors and a reinvented marketing strategy have helped Titan emerge as a winner this segment also. Another long term strategy worth mentioning is the tie-up with Dreamworks animation to leverage its strengths in entertainment and business. Products from this collaboration or strategic alliance have helped to create the same level of excitement that the movies from Dreamworks created in the minds of kids. It can be concluded that Zoop was launched at right time when the small, young families with high per capita income were increasing in urban India. The segment presented a very good opportunity for Titan to enter and grow when the adult watch segment was saturating.

- 2. Application in Marketing Management:** A detailed analysis of marketing strategy and new product development can be carried out when teaching this case in Marketing Management course. The bases of segmentation and how Titan arrived at this can be discussed. More importantly, the rationale behind the product design and branding can be explained. The effectiveness of pricing and promotional strategies can also be debated. Will this product be successful or crash like 'Dash'....this argument can be articulated in the class.

Marketing Strategy: The product is clearly targeted at urban kids in the age group of 5-12 years from upper middle and upper class or SEC A& B segments. This is the age group that yearns for accessories, draws pleasure from being fashionable among their peers. Kids in the later part of this segment strive to stand out or outsmart their friends. A detailed research done by Titan has thrown up deep insights about this segment and based on that, the product is positioned as a fashion accessory that makes a style statement showcasing the personality and life style of the user. So, Titan has understood the value of consumer insights before deciding on the STP strategies.

Products come in many designs and styles that reflect the tastes of boys and girls. Although price is much higher than the other children watches available in India, it is not so high considering the emotional and safety value that Titan delivers. The success of the product rests on marketing communications and Titan has done it effectively time and again through advertisements and other below-the-line promotions. Product design and tie-ups for products have provided good opportunity to promote Zoop. Though the product is targeted at urban children, the availability of Zoop's wide range need not be limited to major cities. It can be selectively made available in tier 3 cities and small towns. When luxury cars can be sold in small towns, branded kids watches can also be sold.

Product development: Looking into the process of new product development, it is clear that the idea of launching the kids watch Zoop originated from the research work on the impact of mobile phones on watch industry. Further research with kids helped the marketing team with insights on designs, colours and other safety aspects. The remarkable difference that Titan brought into the product is the extent of safety element in the watches. It has taken care in each and every aspect of the product to protect the children from the hazards that may be posed by the materials used in making the watch. Unorganized players can in no way match Titan in this regard. This is a great value proposition for Zoop.

With this focus in the marketing strategy, it is not a surprise that Zoop was successful in its test marketing phase. Finally it was a resounding success in its first year of full-scale commercialization.

Unlike Dash which did not provide the status factor as they were priced lower, Zoop established an emotional connect with children in upper middle and upper class. Other differences that made Zoop different and a winner were the quality of the materials, designs, and the marketing strategy.

It can be concluded that systematic and detailed consumer research, attention to product development, right STP strategies and marketing mix have helped Zoop to emerge as one of the most popular children brands. Zoop would have to be successful considering the opportunity, strategies and market acceptance. ■