Marketing Individual Assignment

SWOT & Diversification Analysis



Presented to Professor Cunningham

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About the Company

Tiffany & Co., also known as Tiffany, is a retailer of timepieces, sterling silver, china, stationery, fragrances, personal accessories and leather goods (Tiffany & Co.*,* 47). Nevertheless Tiffany is mostly known for its fine jewelry and diamonds. In fact, The Tiffany Setting Diamond engagement ring is the world’s most famous engagement ring (The Tiffany Story). The company was founded in 1837 by Charles Lewis Tiffany in New York City. Today, the renowned global business has many locations including stores in the Americas, Asia-Pacific, Japan, Europe, as well as emerging markets in the Middle East and Russia. Of all these markets Tiffany’s main geographic area of activity is The United States of America with 87 stores in 2011, followed by the Asia-Pacific region with 58 stores (Tiffany & Co., 4).

As a company, Tiffany mainly participates in the jewelry industry, which is competitively fragmented (Tiffany & Co., 13*)*. This means that there are many competitors who specialize in different areas of jewelry. Since Tiffany & Co. is a retailer of timepieces, engagement rings, necklaces, earrings and many more products, it has competition in all of their products. Nevertheless the Company finds itself in a progressively intense competition for engagement jewelry (Tiffany & Co., 13*)*. To distinguish itself from other competitors, Tiffany & Co. ensures to provide high-quality customer service and products (Tiffany & Co., 13*)*.

SWOT Analysis

The following is a SWOT analysis of Tiffany & Co. In this analysis, we will evaluate the company’s strengths, weaknesses, opportunities and threats.

***Strengths***

* Strong brand reputation:

The brand’s reputation is their strongest asset according to the company’s 2011 financial report (Tiffany & Co., 3) .The brand’s well-established reputation can be seen by how consumers instantaneously recognize a blue box with white ribbons as a Tiffany box. Also, many famous and reputable people, such as Audrey Hepburn, have cherished the company’s products and this has helped build the brand’s prestigious status.

* Customer service:

As it was mentioned before, the company strives to distinguish itself from its competitors through customer service and quality. There is a couple of websites online that provide customer service ratings for Tiffany & Co. and even though there is a variety of different experiences, most of the customers mention that they are very satisfied by their shopping experience and that the customer service was remarkable.

* Quality:

Tiffany & Co. has always been known for the quality of its products. The company finances some diamond mines to ensure the quality of their diamonds (Tiffany Diamonds). Also, Tiffany & Co. has established the “Tiffany & Co. Social Accountability Program” and makes sure that their subcontractors maintain the company’s quality standards.

* Unique Designs:

Different designers such as Elsa Peretti have collaborated with Tiffany & Co. adding new and different designs to keep customers interested and keeping Tiffany’s designs unique.

***Weaknesses***

* Price (expensive):

 Even though the prices reflect the quality of the goods and that the company uses a prestige price strategy to make the brand more desirable, the goods are quite expensive. This can become an issue because of the current economic situation where not a lot of consumers have a large buying power.

* Dependent on the economic situation:

Since jewelry is not considered an essential good, the sales of these goods depend on how much discretionary income consumers have. This once again can affect the company in hard economic times.

* Availability and change of price of materials (precious stones and diamonds):

According to Tiffany &Co.’s 2011 annual report, another risk factor for the company is the availability of diamonds and precious stones. A change in the availability or price of diamonds and gems could affect “ customer demand, sales and gross profit margin” (Tiffany & Co., 16).

***Opportunities***

* Wedding gowns:

Tiffany & Co. is mostly known for its diamonds and engagement rings, therefore it would be a good idea if the company were to design wedding gowns because it would be a good complimentary business.

* Middle-income consumers:

In Tiffany & Co.’s website, each product line has a section categorized as “$250 and under”, where customers can narrow down their search to pieces of jewelry that are a bit more affordable. The company should continue to produce middle-priced items because many people want to own a piece of Tiffany jewelry but cannot afford to do so. Therefore by increasing the amount of designs in their “$250 & under” would provide Tiffany with a new customer base, while still maintaining high standards.

* Men’s market:

Tiffany & Co. mainly targets women due to the nature of its products. However, they could expand a little more on the men’s department by broadening their selection of men’s cuff links and other accessories like ties, and money clips.

***Threats***

* U.S economic situation:

The goods sold by Tiffany are discretionary goods. This means that customers buy these kinds of products only if they have enough income left after they have paid their taxes and bills. Therefore, if there’s a bad economic situation, consumers will hold off their purchases of luxury items such as Tiffany’s jewelry. This could potentially hurt the company financially.

* Counterfeit products:

Since Tiffany & Co.’s products are very notorious and wanted but quite expensive consumers will turn to counterfeit products. This cannot only negatively impact the company’s sales but also the company’s reputation (Tiffany & Co., 9).

Diversification Analysis

A diversification analysis is a marketing technique used to find new areas of growth for a company. In this analysis we will evaluate the different growth strategies Tiffany can implement if it wishes to further expand its business.

**Products**

**Markets**

|  |  |
| --- | --- |
| Current | New |
| Current | Market penetrationWith this strategy, Tiffany & Co. would have to sell more of its products in its current markets by either lowering prices or through better distribution. The latter decision would require Tiffany & Co. to open more stores. | Product DevelopmentThis strategy would involve selling a new product, such as the wedding gowns, to a current market. |
|  New | Market developmentAnother possible strategy is to sell the same product but in new markets such as Luxembourg and Norway, two of the world’s richest countries (Rash, Top 10 World's). | DiversificationTiffany & Co. could sell a new product, such as the wedding gowns, in new markets like Luxembourg and Norway. |

Recommendations

 The diversification analysis provided four different strategies Tiffany & Co. could implement to search for growth opportunities among their current and new markets. Out of these four strategies only two of them would perhaps be successful and not hinder the company. The following is an analysis of how each strategy could deter or benefit Tiffany.

The first strategy, Market penetration, would not benefit the organization because lowering prices will most likely lower the standards of the company. Also, increasing the distribution by opening more stores could also affect the image of the company and the desirability of their products (Tiffany & Co., 25). Having a limited amount of stores creates a rarity and as a result makes the products more desirable. The diversification strategy would also not be worthwhile for the company to implement because it would be too risky to put a new product, such as wedding gowns, in a market that is not very familiar with the brand of Tiffany & Co. Even if the potential new customers were interested in the wedding gowns, there is a probability that they may not be willing to pay the premium price because they are not familiar with the brand.

Therefore the two best possible strategies are product and market development. The product development strategy would be easier to implement in a market that is already highly familiar with the company such as the United States. This strategy would allow the company to expand into a new industry, the fashion industry, with less risk because of customers’ familiarity with the company. The market development strategy would also be quite successful if conducted correctly. Norway and Luxembourg could be good potential new markets because they are considered to be one of the world’s richest countries (Rash, Top 10 World's). Therefore the company would not have to worry too much about whether or not the citizens of these countries could afford luxury goods. Also, Tiffany would not have a lot of difficulty being able to understand the new consumers behavior because these two countries are countries with similar traits to those of the European countries that already have Tiffany stores.

 To conclude, I would recommend to Tiffany & Co. to apply either the market or product development strategies if it wishes to grow its business. From the SWOT analysis, it appears that Tiffany has many strengths such as product quality and customer service. The company should ensure these qualities remain strong. When it comes to the company’s weaknesses, most of them are environmental situations, like the economy, and they have no control over them. Therefore, Tiffany should create a plan, if it does not have one already, in case these environmental factors become too unpredictable.

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