VIDEO CASE

Fossil: Keeping Watch on a Global Business

Since its founding in 1984, Fossil has grown into a global company and a world class brand in the fashion accessory industry. The core of the company is its watch division, which sells more than 500 styles in its line. They boast they have a watch for every wrist. Fossil also manufactures and markets sunglasses, belts, purses, and other related leather goods. The key to Fossil's success is its emphasis on fashion-forward design, creative packaging, and a distinctive marketing campaign that depicts the nostalgia of 1950s America. Every watch comes in a free collectible tin box reminiscent of that period.

Its products are not retro, but their brand image is. This image is the heartbeat of the company, and Fossil believes its brand image gives it a differential advantage versus competitors such as Guess and Swatch.

Fossil has become the number one fashion watch line in almost every department store in the United States. The company has done this through value pricing, making it easy for customers to find their watches in stores, designing their products so they are easily identifiable, and by always being in the forefront of design and style. In short, Fossil tries to make the purchase of its products easy, quick, fun, and trendy.

Ten years ago, the company went international when it entered the German market. In the last five years, Fossil has concentrated on becoming a global company, and today its products are manufactured and sold in more than 70 countries around the world. The company's global expansion has been the result of a multifaceted strategic plan that consists of (1) working closely with international retailers to ensure that they have the right product for the market, (2) developing marketing programs that are uniform and cohesive worldwide, (3) ensuring they have the infrastructure to deliver their products and marketing programs to the proper channels, and (4) selecting the right partners to help them execute their plans. Partners include offshore manufacturers, distributors, sales representative companies, and of course, retailers. The company also has wholly owned subsidiaries in several countries.

Some of Fossil's strongest manufacturing and distribution partners are in Hong Kong. This is because the company believes that Hong Kong has the infrastructure and systems in place to manufacture and assemble products and deliver them in a timely manner, at an acceptable cost, anywhere i the world.

As a global company, Fossil keeps a watchful eye on an ever-changing worldwide political and economic environment. Currencies can literally devaluate 30 percent in one d and then bounce back 50 percent the next day. This kind of volatility can have a significant effect on the company's cos revenues, and profitability. In order to deal with this changin environment, Fossil constantly monitors its business drivers They talk to their distributors weekly, sometimes daily, to ensure they have enough product in the pipeline. Fossil's pri cipals meet once a week to minimize the company's downsi risk in the event a financial crisis occurs somewhere in the world. They do this by adjusting inventory, evaluating their purchasing needs, analyzing the sales of every watch style, and identifying business trends. This attention to detail has played an important role in the company's past success. Wit sales on the rise, new designs and products on the horizon, and a strong stable of international partners, Fossil is well on its way to achieving its number one goal: "To be the major fashion accessory brand in the world."[10]

Questions

1. What comparative advantage, if any, does Fossil have ov its competitors?
2. If Brazil devaluated its currency by 50 percent, what effec would it have on Fossil?
3. Given that Fossil is not marketed in every country in the world, would you recommend that the company license its products to expand its presence in additional countrie where it is not currently represented?