MARKETING STRATEGIES OF TITAN

5.1 Titan’s Confrontations Strategy

The confrontation marketing strategies are a type of marketing warfare strategy designed to obtain an objective, usually market share, from a target competitor. In addition to market share, an offensive strategy could be designed to obtain key customers, high margin market segments, or high loyalty market segments.

There are four fundamental principles involved in confrontation strategy:
1. Assess the strength of the target competitor. Consider the amount of support that the target might muster from allies. Choose only one target at a time.

2. Find a weakness in the target's position. Attack at this point. Consider how long it will take for the target to realign their resources so as to reinforce this weak spot.

3. Launch the attack on as narrow a front as possible. Whereas a defender must defend all their borders, an attacker has the advantage of being able to concentrate their forces at one place.

4. Launch the attack quickly. The element of surprise is worth more than a thousand tanks.

**Types of Confrontation Strategies**

The main types of confrontation marketing warfare strategies are:

- **Frontal Attack** - This is a direct head-on assault. It usually involves marshaling all your resources including a substantial financial commitment. All parts of your company must be geared up for the assault from marketing to production. It usually involves intensive advertising assaults and often entails developing a new product that is able to attack the target competitors’ line where it is weak. It often involves an attempt to “liberate” a sizable portion of the target’s customer base. In actuality, frontal attacks are rare. There are two reasons for this. Firstly, they are expensive. Many valuable
resources will be used and lost in the assault. Secondly, frontal attacks are often unsuccessful. If defenders are able to re-deploy their resources in time, the attacker’s strategic advantage is lost. You will be confronting strength rather than weakness. Also, there are many examples of a dedicated defender being able to hold-off a larger attacker.

The strategy is suitable when:

- the market is relatively homogeneous
- brand equity is low
- customer loyalty is low
- products are poorly differentiated
- the target competitor has relatively limited resources
- the attacker has relatively strong resources
• **Envelopment Strategy** - This is a much broader but subtle offensive strategy. It involves encircling the target competitor. This can be done in two ways. You could introduce a range of products that are similar to the target product. Each product will liberate some market share from the target competitor’s product, leaving it weakened, demoralized, and in a state of siege. If it is done stealthily, a full scale confrontation can be avoided. Alternatively, the encirclement can be based on market niches rather than products. The attacker expands the market niches that surround and encroach on the target competitor’s market. This encroachment liberates market share from the target. The envelopment strategy is suitable when:
  ❖ the market is loosely segmented
  ❖ some segments are relatively free of well endowed competitors
  ❖ the attacker has strong product development resources
  ❖ the attacker has enough resources to operate in multiple segments simultaneously
  ❖ the attacker has a decentralized organizational structure.

• **Leapfrog strategy** - This strategy involves bypassing the enemy’s forces altogether. In the business arena, this involves either developing new technologies, or creating new business models. This is a revolutionary strategy that re-writes the rules of the game. The introduction of compact disc technology bypassed the established magnetic tape
based defenders. The attackers won the war without a single costly battle. This strategy is very effective when it can be realized.

- **Flanking attack** - This strategy is designed to pressure the flank of the enemy line so the flank turns inward. You make gains while the enemy line is in chaos. In doing so, you avoid a head-on confrontation with the main force.

Titan Industries, though does not completely adopt the above strategy, yet the company uses it to a great extent in as much as it captured sizeable market share from already established brands like HMT.

**5.2 Aggressive Product Strategy of Titan**

Titan has widened its products range very rapidly which suit to the need of every budget customer from the common man to the elite category.

The brand Titan is committed to offering its consumers watches that represent the compass of their imagination. Titan's customers are therefore consistently introduced to exciting new collections, which connect, with various facets of their deep rooted yearnings for self-expression. The new brand philosophy of Titan, encapsulated in the words “Be More”, touches this as well as all
other aspects of the brand. The Titan brand architecture comprises several collection and sub-brands, each of which is a leader in its segment. Notable among them are “Titan Edge” the world’s slimmest watch which stands for the philosophy of “less is more”; “Titan Raga” the feminine and sensuous accessory for today's woman, “Nebula” crafted in solid 18K gold and precious stones. Several other popular collections like Heritage, Aviator, Regalia, Octane and WWF also form a part of the Titan wardrobe.¹

Today, the Titan portfolio has over 60% of the domestic market share in the organised watch market. The company has 487 exclusive showrooms christened World of Titan’, making it amongst the largest chains in its category backed by 700 after sales service centers. The company has a world-class design studio that constantly invents new trends in wrist watches.

¹ www.titanworld.com
5.3 SCM Strategy and Practices by Titan

Supply Chain Management (SCM) is the process of planning, implementing and controlling the operations of the supply chain as efficiently as possible. Supply Chain Management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. Supply Chain Management encompasses the planning and management of all activities involved in sourcing, procurement, conversion, and logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies. More recently, the loosely coupled, self-organizing network of businesses that cooperates to provide product and service offerings has been called the Extended Enterprise.²

Some experts distinguish Supply Chain Management and logistics, while others consider the terms to be interchangeable. Supply Chain Management can also refer to Supply chain management software which are tools or modules used in executing supply chain transactions, managing supplier relationships and controlling associated business processes. Supply Chain Event Management

² http://scm-institute.org
(abbreviated as SCEM) is a consideration of all possible occurring events and factors that can cause a disruption in a supply chain. With SCEM possible scenarios can be created and solutions can be planned.

In operations management as well as materials management, one topic has recently invited attention of all businesses – it is supply chain management. The difference between the conventional thinking and SCM is that SCM treats the whole flow of information, materials and services from the suppliers through factories and stores to the final customer as a business system. These core activities require management on day-to-day basis so as to fulfill the demand.

The major objective of supply chain management is to minimize uncertainty and risks associated with the supply chain. This by itself positively affects inventories, cycle time, processes and customer service. SCM is another name of systems optimization. The tools for this system management are forecasting, aggregate
planning, inventory management and scheduling. Organizations increasingly find that they must rely on effective supply chains, or networks, to successfully compete in the global market and networked economy. In Peter Drucker's (1998) Management's New Paradigms, this concept of business relationships extends beyond traditional enterprise boundaries and seeks to organize entire business processes throughout a value chain of multiple companies.

During the past decades, globalization, outsourcing and information technology have enabled many organizations such as Dell and Hewlett Packard, to successfully operate solid collaborative supply networks in which each specialized business partner focuses on only a few key strategic activities (Scott, 1993). This inter-organizational supply network can be acknowledged as a new form of organization. However, with the complicated interactions among the players, the network structure fits neither "market" nor "hierarchy" categories (Powell, 1990). It is not clear what kind of performance impacts different supply network structures could have on firms, and little is known about the coordination conditions and trade-offs that may exist among the players.

From a system's point of view, a complex network structure can be decomposed into individual component firms. Traditionally,

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4 Zhang and Dilts, 2004
companies in a supply network concentrate on the inputs and outputs of the processes, with little concern for the internal management working of other individual players. Therefore, the choice of internal management control structure is known to impact local firm performance.

In the 21st century, there have been a few changes in business environment that have contributed to the development of supply chain networks. First, as an outcome of globalization and proliferation of multi-national companies, joint ventures, strategic alliances and business partnerships were found to be significant success factors, following the earlier "Just-In-Time", "Lean Management" and "Agile Manufacturing" practices.\(^5\) Second, technological changes, particularly the dramatic fall in information communication costs, a paramount component of transaction costs, has led to changes in coordination among the members of the supply chain network.

Many researchers have recognized these kinds of supply network structure as a new organization form, using terms such as "Keiretsu", "Extended Enterprise", "Virtual Corporation", Global Production Network", and "Next Generation Manufacturing System". In general, such a structure can be defined as "a group of semi-independent organizations, each with their capabilities, which collaborate in ever-changing constellations to serve one or

\(^5\) MacDuffie and Helper, 1997; Monden, 1993; Womack and Jones, 1996; Gunasekaran, 1999
more markets in order to achieve some business goal specific to that collaboration.”

In order to provide end products to the end-customers, a network of actors is involved in activities (as purchasing, transforming and distribution) to produce products and/or services (Stevens, 1989; Lee & Billington, 1995; Swaminathan, Smith & Sadeh, 1996; Cooper et al., 1997). All of these actors add value to the end product (Lummus, 1999). The series of companies that interact to produce end products, and to contribute to the value of end products, is what will be called a supply chain in the context of the games on this site.

Supply chain management is a cross-functional approach to manage the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and then the movement of finished goods out of the organization toward the end-consumer. As organizations strive to focus on core competencies and becoming more flexible, they have reduced their ownership of raw materials sources and distribution channels. These functions are increasingly being outsourced to other entities that can perform the activities better or more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing management control of daily logistics operations. Less control and more supply chain partners led to the creation of

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supply chain management concepts. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and improving inventory velocity.

Several models have been proposed for understanding the activities required to manage material movements across organizational and functional boundaries. SCOR is a supply chain management model promoted by the Supply Chain Management Council. Another model is the SCM Model proposed by the Global Supply Chain Forum (GSCF).\textsuperscript{7} Supply chain activities can be grouped into strategic, tactical, and operational levels of activities/functions:

**Strategic Functions:**

- Strategic network optimization, including the number, location, and size of warehouses, distribution centers and facilities.
- Strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics.
- Product design coordination, so that new and existing products can be optimally integrated into the supply chain, load management

• Information Technology infrastructure, to support supply chain operations.
• Where-to-make and what-to-make-or-buy decisions
• Aligning overall organizational strategy with supply strategy.

Tactical Functions:
• Sourcing contracts and other purchasing decisions.
• Production decisions, including contracting, locations, scheduling, and planning process definition.
• Inventory decisions, including quantity, location, and quality of inventory.
• Transportation strategy, including frequency, routes, and contracting.
• Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise.
• Milestone payments
• Focus on customer demand.

Operational:
• Daily production and distribution planning, including all nodes in the supply chain.
• Production scheduling for each manufacturing facility in the supply chain (minute by minute).
• Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers.
• Sourcing planning, including current inventory and forecast demand, in collaboration with all suppliers.
• Inbound operations, including transportation from suppliers and receiving inventory.
• Production operations, including the consumption of materials and flow of finished goods.
• Outbound operations, including all fulfillment activities and transportation to customers.

Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centers, and other customers.

In Titan Industries Limited, the manufacturing at the Integrated Supply Chain Management (ISCM) unit at Hosur, Tamilnadu follows Lost Wax Casting process. Some of the key facilities for the process include the refining plant with Swiss technology, the alloying equipment, accurate assay testing facilities and Yasui waxing and casting machines from Japan. Led by the most up-to-date Swiss and Japanese technologies, Titan Industries is a pioneer in establishing standards for consistent delivery of jewellery products, necessary for karatage. The product development cycle is based on state-of-the-art CAD/CAM technology that enables seamless integration of various stages:
styling, three-dimensional solid modelling, engineering design, tool design, tool making and prototype making.\textsuperscript{8}

ISCM is backed by high-end machinery such as Vacuum Melting unit, Rapid Proto Typing machine, fully automated precious stone sorting machine, 99.99% fine gold refining system and computerised colour matching machines that make the division most advanced in the industry. To maintain the quality standards, ISCM has implemented the ISO 9001:2000 standards and put various initiatives in place: ambitious targets, customer initiatives, and employee initiatives. With ISO 14001:2000 ISCM implemented, ISCM provides better work environment and upgrades the environment outside the manufacturing unit.

A dedicated Technology Cell has also been established to ensure that cutting-edge technology is constantly tracked and infused into the business. The division's technology efforts have been widely recognised by the industry: the Karatmeters pioneered by Titan Industries' jewellery division has gained widespread acceptance, and the Goldmine system is considered one of the first successful ‘.net’ initiatives in retail in India.

Outstanding functional as well as technical expertise coupled with design and world-class quality transform sketches on paper into astonishing masterpieces and ISCM continues to reach greater heights.

\textsuperscript{8} Newsletter of Tata Group.
5.4 Pricing Practices of Titan

Pricing is one of the four aspects of marketing. The other three parts of the marketing mix are product management, promotion, and distribution. It is also a key variable in microeconomic price allocation theory. Pricing involves asking questions like:

- How much to charge for a product or service?
- What are the pricing objectives?
- Do we use profit maximization pricing?
- How to set the price?: (cost-plus pricing, demand based pricing, rate of return pricing, or competitor indexing)
- Should there be a single price or multiple pricing?
- Should prices change in various geographical areas, referred to as zone pricing?
- Should there be quantity discounts?
- What prices are competitors charging?
- Do you use a price skimming strategy or a penetration pricing strategy?
- What image do you want the price to convey?
- Do you use psychological pricing?
- How important are customer price sensitivity and elasticity issues?
- Can real-time pricing be used?
- Is price discrimination or yield management appropriate?
• Are there legal restrictions on retail price maintenance, price collusion, or price discrimination?
• Do price points already exist for the product category?
• How flexible can we be in pricing? The more competitive the industry, the less flexibility we have.

The price floor is determined by production factors like costs, economies of scale, marginal cost, and degree of operating leverage. The price ceiling is determined by demand factors like price elasticity and price points:

• Are there transfer pricing considerations?
• What is the chance of getting involved in a price war?
• How visible should the price be? Should the price be neutral? (i.e. not an important differentiating factor), should it be highly visible? (to help promote a low priced economy product, or to reinforce the prestige image of a quality product), or should it be hidden? (so as to allow marketers to generate interest in the product unhindered by price considerations).
• Are there joint product pricing considerations?
• What are the non-price costs of purchasing the product? (e.g.: travel time to the store, wait time in the store, disagreeable elements associated with the product purchase - dentist -> pain, fishmarket -> smells).
• What sort of payments should be accepted? (cash, cheque, credit card, barter).
A well chosen price should do three things:

- achieve the financial goals of the firm (e.g., profitability)
- fit the realities of the marketplace (will customers buy at that price?)
- support a product's positioning and be consistent with the other variables in the marketing mix

Price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Price will usually need to be relatively high if manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns. A low price can be a viable substitute for product quality, effective promotions, or an energetic selling effort by distributors.

From the marketers' point of view, an **efficient price** is a price that is very close to the maximum that customers are prepared to pay. In economic terms, it is a price that shifts most of the consumer surplus to the producer. The **effective price** is the price the company receives after accounting for discounts, promotions, and other incentives. **Price lining** in the use of a limited number of prices for all your product offerings. This is a tradition started in the old five and dime stores in which everything cost either 5 or 10 cents. Its underlying rationale is that these amounts are seen as suitable price points for a whole range of products by perspective customers. It has the advantage of ease of administering, but the disadvantage of inflexibility, particularly in times of inflation or
unstable prices. A **loss leader** is a product that has a price set so low that it acts as a promotional device and draws customers into the store. **Promotional pricing** refers to an instance where pricing is the key element of the marketing mix.

The **price/quantity relationship** refers to the perception by most consumers that a relatively high price is a sign of good quality. The belief in this relationship is most important with complex product that are hard to test, and experiential products that cannot be tested until used (such as most services). The greater the uncertainty surrounding a product, the more consumers depend on the price/quantity hypothesis and the more of a premium they are prepared to pay.

**Premium pricing** (also called prestige pricing) is the strategy of pricing at, or near, the high end of the possible price range. People will buy a premium priced product because:

1. They believe the high price is an indication of good quality;
2. They believe it to be a sign of self worth - "They are worth it" - It authenticates their success and status; it is a signal to others that they are a member of an exclusive group; and
3. They require flawless performance in this application - the cost of product malfunction is too high to buy anything but the best.
**Demand based pricing** refers to any of the pricing methods that use consumer demand as the central element. These include: price skimming, price discrimination and yield management, price points, psychological pricing, bundle pricing, penetration pricing, price lining, and premium pricing.

At Titan, different price policy is adopted for different brands of products. Titan has a wide range of brands to offer to the common man to high profile persons. For example, Sonata, India's largest selling watch brand, offers stylish looks at affordable prices. The thoughtfully crafted designs encompass the aspirations of young India. The boldness and uniqueness of each design reflects the confidence of the wearer. The brand offers a variety of looks, to suit every occasion and every wallet:

- Dressy **Sona Sitara** watches for special occasions
- Bold **Yuva** watches crafted in steel for today’s confident youth
- Contemporary **Office Wear** watches with formal appearance and leather strap
- Stylish and Strong **Super Fibre** watches

The exciting range, with over 400 designs, offers affordable prices between Rs.275 and Rs.1400. Sonata watches are available at Titan Industries’ 10,000 authorised watch outlets and the World of Titan stores across the country. Best quality material and several stringent quality checks ensure that Sonata watches offer long-
lasting value to customers. Water resistance (30m) and a one-year guarantee add to Sonata’s array of quality features. With exquisite appearance and world-class quality, Sonata continues to evoke pride and confidence in the customer.

5.5 Globalisation Efforts of Titan

Titan has presence in several countries with its prestigious quality products across the globe.

Both Titan and Tanishq have time and again proved the quality of their products and services by winning a range of awards and top rankings. More awards and recognition have come in, this time from international quarters, which add more shine to their brand image.

Retail Asia ranks Titan and Tanishq as the No 2 brands in the country

Retail Asia, Singapore, ranked both the brands as the No 2 in retail brands in the country. At a glittering function held at Hotel Intercontinental, Singapore, Titan Industries, represented by their vice-president V Govindraj, received the award in the presence of major retail operators of Asia, who attended the function.
Titan ranked amongst the best in Oman

An annual survey conducted in the Sultanate of Oman by a market research agency for Business Today, a leading business magazine in Oman, Titan was ranked No 3, above companies such as Seiko, Omega, Citizen and others.

This is a major feat in the competitive market environment of the Middle East, where over 200 brands compete. Titan leads by a market share of 24 per cent in Oman. The brand is also gaining increasing popularity in other Gulf countries like the UAE, Saudi Arabia, Bahrain, Qatar and Kuwait.¹

Titan’s operational excellence recognised by SAP

For the first time, SAP has instituted awards to acknowledge the operational excellence amongst companies who have implemented SAP. The awards are presented in several categories — in verticals covering discrete manufacturing, retailing, utilities, and also across the board such as best ROI and most innovative usage. Titan Industries has implemented SAP in the tools planning system and APO. The tools planning system was an entirely in-house effort, putting together

¹ www.titanworld.com
several features of SAP available in different modules. This process won them the 'Innovative use of SAP Award'.

Speaking on the occasion, N Kailasanathan, Titan's chief information officer said, "Innovation is in the DNA of Titan and SAP's award recognising our operational innovation will encourage the widening of the bandwidth of this trait even further."

**Titan figures in Asia's top 1000 brands**

Leading media, advertising and marketing publication, *Media* magazine, together with global market research company, Synovate, released the 2006 results from the annual Asia's Top 1,000 Brands survey, now in its third year, and now acting as a brand health monitor for local as well as Asian brands.

Titan Watches was grouped in the top 200 in the whole of Asia, just after Christian Dior, but ahead of Citizen and Calvin Klein. Within the country, Titan got the fifth rank after international brands Sony, LG, Nokia and Nestle. It was undoubtedly the first home-grown *swadesi* brand to be recognised as also the first in the watch and fashion space.

Bhaskar Bhat, managing director of Titan Industries, delighted at this recognition, said, "Our philosophy of 'Customer First' is always
our focus wherever we operate and we are indeed very happy and encouraged that this has been reciprocated by customers in our overseas markets."

The survey studied nine markets in its third round of the survey — China, Hong Kong, Taiwan, the Philippines, Thailand, Malaysia, Singapore, India and Indonesia. Synovate interviewed people aged 15-64 years old, with sample sizes per market of 500, apart from China and India, where the sample was 750 across three and four top-tier cities respectively. The questions asked included ones like "When you think of a [product / service / category], which is the 'best' brand that comes to your mind? 'Best' implies the brand that is trusted the most or the one that has the best reputation in the [product / service / category].".10

The survey covered 15 major product and service categories: alcohol, financial services, automotive, cameras and electronic goods, clothing / fashion, toiletries / cosmetics, health, personal / business equipment and services, telecommunications, property, travel, food and beverages, sports / hobbies / toys, baby products and household products.

The results of the survey were weighted to the population composition of the markets covered within the survey areas to provide a representative cross-section of society.

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10 Business India, March 2008.
In a market that has traditionally been dominated by family jewellers, it took the entry of Tanishq, India’s largest, most desirable and fastest growing jewellery brand from the house of Titan in 1995, to give Indians access to a product whose promise was truly as good as gold.

Tanishq’s appeal lies in the wealth of its designs and purity of gold. It has won the trust and admiration of customers and created a unique position for itself in the marketplace. The association with Bollywood blockbusters like *Paheli* and *Jodhaa Akbar* and the 2003 Miss India beauty pageant have enhanced the brand’s appeal, lending it an aura of elegance and grandeur.

Tanishq stands out as a brand that abides by values of trustworthiness, credibility and respect. The power of the brand was further enhanced with the introduction of karatmeters — a tool that helped customers gauge the quality of their gold — in every Tanishq outlet.

By introducing revolutionary, innovative designs in a market that worships tradition, the brand created its own tradition of retail success. Yet Tanishq is more than just a jewellery retailer. It stands for reassurance of quality and ethics. The fact that it
belongs to the Tata family assures the customer that with Tanishq, all that glitters is certainly pure gold.

Titan Industries has launched Tanishq, its jewellery brand, in the USA. S Ravi Kant, chief operating officer-international business, Titan, said: "The international markets are an important focus area for us, both for jewellery and watches." At present, watches contribute about 60 per cent of the turnover from international operations. But this would change once the jewellery business picks up in the USA, Kant said.

"Over the next three-four years, we expect it to be a ratio of 55-45 between jewellery and watches," he said. Explaining the strategy for the international markets, Kant said while some part of the range was the same as available in India, most of it was specially designed for those markets. "The overall positioning of the brand and product offerings have to cater to the target audience in the market and are designed keeping international tastes and trends in mind," said Kant.11

The strategy would be different from what has been used for Titan which has been positioned as a mid-segment brand. Tanishq will build more upon the Indian background and heritage to cash in on the association of India with gold and fine jewellery. At present, the Asian market contributes about 80 per cent of the total business and that is unlikely to change for a few years. The company is also

looking at strengthening its presence in Malaysia and Singapore, along side exploring other opportunities to expand its presence globally.

**5.6 SWOT Analysis for Titan**

Titan Industries Limited conducts SWOT analysis of performance of its products time to time. The salient features of the latest SWOT analysis are presented below.

Risks across product categories viz., Watches, Jewellery and Prescription Eye-wear. All the aforesaid businesses are consumer led businesses and the retail network expansion is carried out through franchisees at the front end. This is an efficient way to expand rather than having Company owned/managed showrooms which is a costlier option. The relationships have to be actively managed to pre-empt shifting of loyalties of these franchisees to other product category brands/brands within these categories.

The Company is seeking to address the risk by maintaining a high level of engagement with the franchisees and addressing their reasonable business requirements in an empathetic manner, via, both contractual arrangements and day to day interface with these business associates. The fair and equitable approach has been the key factor in maintaining win–win relationships with these Business Associates.
The economic slowdown encountered in the second half of the year was felt more acutely in the last quarter of the Financial Year 2008-09 when the effect on top-line was felt. The Company has cascaded as response measures, a slew of initiatives aimed at cost control and efficiency across businesses and across functions. The close monitoring of the cash flow on day to day basis and minimizing the cash to cash cycle time and even sharper focus on cash generation has been a desirable outcome of the recessionary trend in the economy.\(^{12}\)

**Watches**

The large grey market continues to plague the Watch Industry and the Company has taken on the challenge by introducing Sonata variants at the low end. The Super Fibre watch from the Sonata stable is priced at Rs.275/- which is a great product offering targeted to gain market share from the grey market segment.

The Company is conscious of the high cost structure of captive manufacturing facilities, (mainly at Hosur) which are primarily attributable to the historical high wage cost at these facilities. The Company has taken up initiatives such as lean manufacturing and has increased the outsourcing of most components other than critical ones in watch manufacturing.

The threat to the product category of watches as a time keeping device due to the pervasive and increasing use of the mobile phone is a risk and the Company is seeking to address this by positioning watches as a personal accessory and by ensuring launch of new collections to choose from, and this message is emphasised in all its market and consumer communications.

**Jewellery**

Gold price volatility and rising gold prices continue to be a concern this year as well. The industry demand in the quarter ending March 2009 has been the lowest in recent times. The Jewellery Division however, did well in combating the general sentiment by activations and schemes in the last quarter. Competition (both local and regional) is intensifying by the day and regional players are consolidating their presence by expanding their network within regions. The local jewellers play the game by reducing the making charges and offering discounts to the day’s rate of gold.

The few national players in the studded segment are also adopting novel ways to attract the end customer by pricing discounts which are affordable in the long run only if the players take a view on gold price and buy at dips. Titan Industries being a listed entity serving many stakeholders and self imposed rigors of governance, cannot take a risk on gold prices and hence actively hedges its position on a day to day basis. The gold prices are derived from the quotes at international bourses and from the Reuters/Bloomberg screens
and no discount on the day’s prevailing price is offered. This limits the Company’s options in terms of price attractiveness to customers who are cost conscious. The Company continues to build on its brand strength and key differentiators in terms of purity and designs to drive traffic to Tanishq stores.

The Gold on loan facility being availed from the International and local banks is a loan facility the availability and terms of availability of which are susceptible to the international credit and currency markets and related risk perceptions. The scaling up of operations in Tanishq is to an extent predicated on the availability of Gold on Loan on sub LIBOR terms. Any world-wide contraction of credit or increase in risk perception would limit both the availability and pricing of this facility.

**Eye-wear**

The industry is highly fragmented and the entry of new players in the segment cannot be ruled out as there are very few entry barriers. The Company has been successful in rolling out the Titan Eye+ in 42 cities/towns. The risks of outsourcing as a sourcing option, is a factor to reckon with in this business. Moreover as the procurement of frames is mostly by US$ inputs, the INR : USD parity would affect the margins. This would be partially mitigated by the Company’s plan of setting up its own lens manufacturing/ grinding facility near Bangalore in Karnataka.
Precision Engineering Division

The general slowdown internationally and in the segments in which the machined components/sub assemblies the division operates i.e. the Areospace and the Automotive segments has affected the business in the last quarter of the FY 08-09 and would do in the current year also. The high capital intensity of the business may limit its growth in the near term and the Division is actively adopting lean manufacturing approach to mitigate this risk.

The Machine Building & Automation segment of this business, is least capital intensive and does not have this limitation; but as the capital goods sector has been sluggish in the recent past, this business may not escape the trend in the current year as well. The Company may also consider the option of restructuring and/or a revised ownership structure for the Machined Components Business in the long run to drive focus to this business.