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Mark Pogorelyy

SCRUTINIZING THE CONSUMERS PREFERENCES OF SMART WATCHES AS THE PREREQUISITE FOR SUBSTANTIATING THE NEED FOR A SOCIAL ELEMENT IN MARKETING RESEARCH

Belgorod State National Research University
85, Pobedy Str., Belgorod, 308015, Russia
pogorelii@bsu.edu.ru

Abstract. The author determines the problem on the basis of the final financial result of the company's activities. The author takes into account the capitalization of the company, as a factor. The author pays attention to the analysis of the company "Slice Intelligence" regarding Apple Watch. On the other hand, the author relies on numerous works in the field of marketing mix. The author formalizes his own judgments about the current state of the watch market. The author narrates about the questioning of the respondents. This article contains data from a survey of respondents' preferences concerning the smart watch market. The author analyzed these preferences. The author formulates conclusions in accordance with the conducted research. The conclusion about the need to take into account personal preferences takes place. The results of these studies indicate the necessity to use the social economy.

Keywords: market; customers; global information revolution; digital technology; IT technology; IT companies; watch; smart watch; market segments; marketing; concept "Marketing- mix"; 4Ps model; smartwatchp; assortment; brands of watches; smartwatch market; Apple Watch; respondents.

Погорельый М. Ю.

ИССЛЕДОВАНИЕ ПРЕДПОЧТЕНИЙ ПОТРЕБИТЕЛЕЙ SMART WATCHES КАК ПРЕДПОСЫЛКА ДЛЯ НЕОБХОДИМОСТИ СОЦИАЛЬНОГО ЭЛЕМЕНТА В МАРКЕТИНГОВЫХ ИССЛЕДОВАНИЯХ

Белгородский государственный национальный исследовательский университет
ул. Победы, 85, Белгород, 308015, Россия
pogorelii@bsu.edu.ru

Аннотация. Автор определяет проблему на основе конечного финансового результата деятельности компании. Автор принимает во внимание такой фактор, как капитализация компании. Автор обращает внимание на анализ компании «Slice Intelligence» в отношении Apple Watch. С другой стороны, автор опирается на многочисленные работы в области маркетинга. Автор формализует свои суждения о текущем состоянии рынка наручных часов. Автор рассказывает об анкетировании респондентов. Эта статья содержит данные опроса предпочтений респондентов относительно рынка умных часов. Автор проанализировал эти предпочтения. Автор формулирует выводы в соответствии с проведенными исследованиями. Сделан вывод о необходимости учитывать личные предпочтения.

Ключевые слова: рынок; клиенты; глобальная информационная революция; цифровые технологии; ИТ-технологии; ИТ-компании; часы; интеллектуальные часы; сегменты рынка; маркетинг; концепция «Маркетинг-микс»; модель 4Ps; smartwatch; ассортимент; бренды часов; рынок smartwatch; Apple Watch; респонденты.

“Anything that won’t sell, I don’t want to invent. Its sale is proof of utility, and utility is success.”
Thomas A. Edison

Introduction. Customers use IT technology all over the world. Multimedia technology, network technology, electronic information resources are actively used. Transition from an industrial society to an information stage of development leads to a qualitative change in the content of economic relations. The information society is developing rapidly. The global information society has been formed now. The rapid development and dissemination of new information and communication technologies today acquires the character of the global information revolution. The global information revolution effects on politics, economics, management, finance, science,

culture within national borders and in the world. Therefore, some scholars justify the term of the global information society. The term “global information society” corresponds to the opinion of the experts that substantiate the notion of a “global information infrastructure” (GII). The definition of a “global information infrastructure” exists in the concept of open systems. The practical implementation of this concept provides optimal conditions for investment in information technology. There is a perception that investing in shares of IT companies are profitable. The dynamics of NASDAQ index confirms this idea (Figure 1).

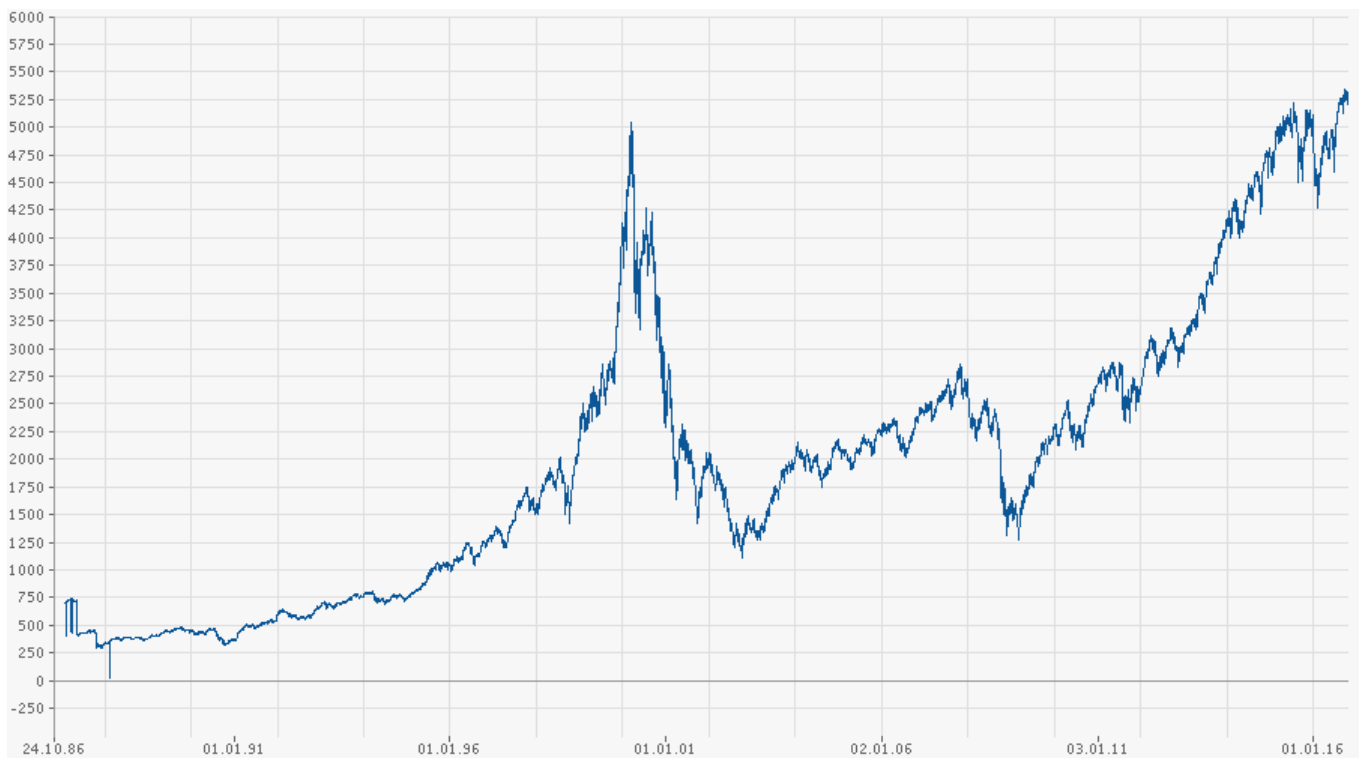


Figure 1. The dynamics of NASDAQ Composite Index¹

¹ http://www.finanz.ru/indeksi/sredstva-grafika/Nasdaq_Composite

In general, the positive dynamics of the index takes place during the entire period of its existence. However, there are some difficulties in the introduction of the achievements of the IT industry. We consider some quotes about Apple Watch sales during the second quarter of 2016. Tim Bradshaw notes, as a correspondent of FT: “IDC said on Thursday that Apple had sold 1.6m of its watches in the second quarter of 2016, down 55 per cent compared with the 3.6m in the same period last year” (Bradshaw). Apple Corporation lowers the price of Apple Watch to increase sales: “In March, Apple cut the starting price of the Watch by \$50 to \$299 for the basic Sport model. Since then, retailers such as Best Buy and Target have offered promotions that have cut as much as \$200 from other versions of the Watch, in an attempt to encourage buyers”¹. Analysts value the

IDC expert opinion. “For the first time, the worldwide smartwatch market saw a year-over-year decline of 32%, according to preliminary data from the International Data Corporation (IDC) Worldwide Quarterly Wearable Device Tracker. Smartwatch vendors shipped 3.5 million units in the second quarter of 2016 (2Q16), which was down substantially from the 5.1 million shipped a year ago” (International Data Corporation). This information corresponds to Christian Zibreg. He provides data and considering the schedule in the article “Slice Intelligence: Apple Watch sales taper off to 30,000 units per day” (Figure 2).

Analyst firm “Slice Intelligence” conducted a study on the demand for Apple Watch. Analysts have drawn the conclusions. According to Slice Intelligence, interest in Apple Watch fell by 90% (Figure 3).

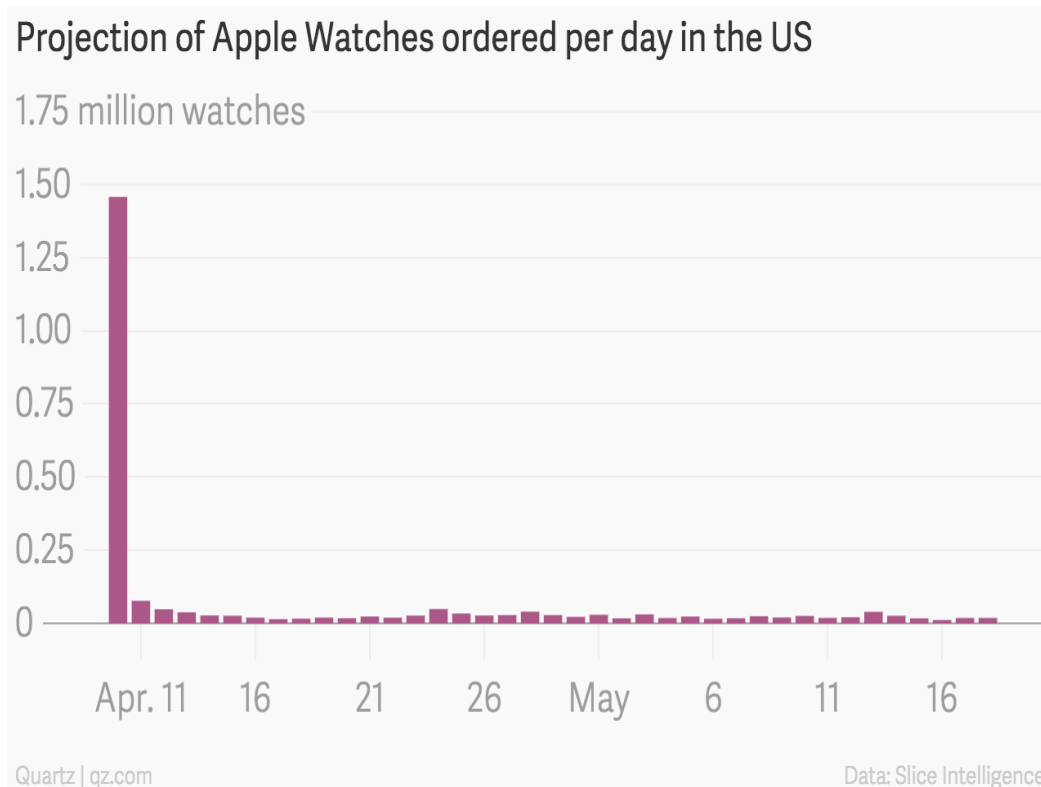


Figure 2. Projection of Apple watches by Christian Zibreg during the beginning of April up to the end of May (Zibreg)

¹ Bradshaw Tim. Apple Watch sales fall 55% as consumers mark time on category. available at:

<https://www.ft.com/content/3f7a0054-4f5b-11e6-8172-e39ecd3b86fc> (Accessed 10.11.2017)

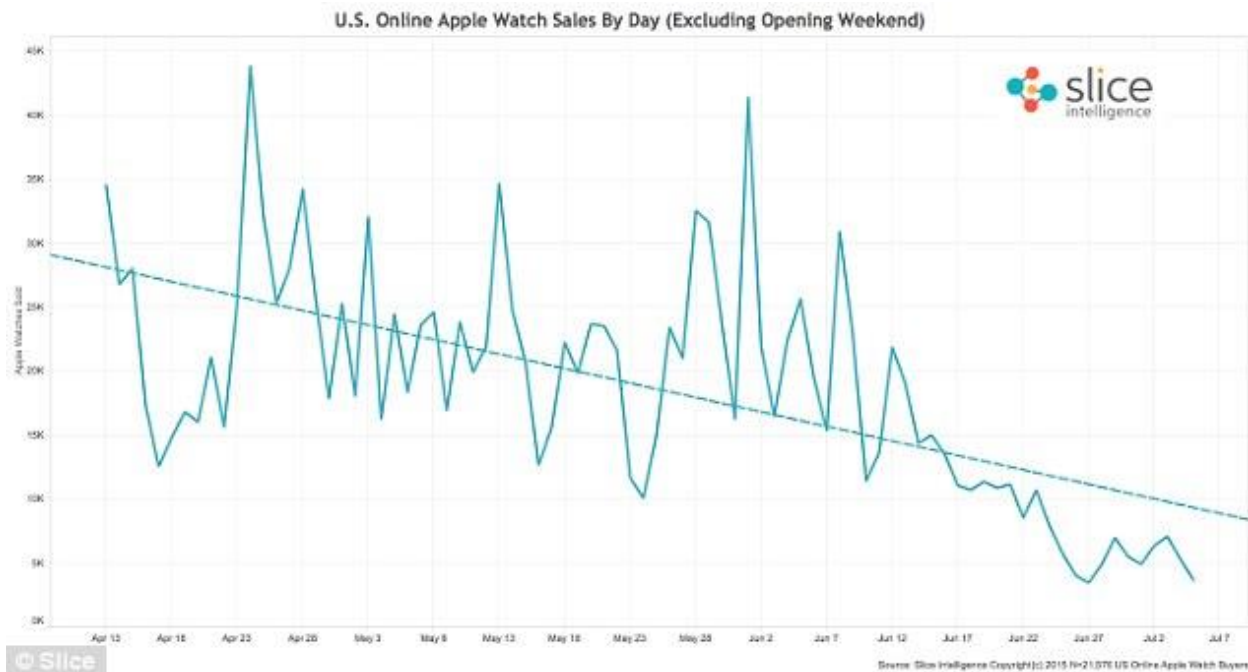


Figure 3. Data of the online survey by Slice Intelligence¹

Slice Intelligence Data were obtained by sending email. Analysts interviewed online shoppers using some applications and email.

Therefore, some experts think that nonrepresentational selection occurs. We know that the statistical observation may be total or incomplete. The continuous monitoring involves examination of all units of the phenomenon under study. The continuous monitoring is the most credible and reliable. But getting the continuous observation data is expensive. Discontinuous monitoring surveys a part of values of a feature. Therefore, the corporation Slice Intelligence research methods have a right to exist.

Scrutinizing the curve of figure 3, we conclude that it has some degree of volatility. On top of that the decreasing trend has occurred during the second quarter of 2016. This situation determines the necessity to find the answers to the questions:

1. What is the reason of this volatility?
2. What is the reason of the decline of Apple Watch sales?

Marketing is an instrument to apply, because marketing is an art to sell a good, a service or a result of intellectual activity.

Methodology and methods. There are a number of market segments, characterized by increasing competition among manufacturers of various goods, services and intellectual property. Competition intensifies among wholesalers and retailers. Therefore, the role of marketing is increasing in the current economic conditions. The study of different theoretical sources suggests that there are many definitions and interpretations of the term “marketing”. Review of marketing as the art of selling goods (services) in the market, allows us to find answers to actual questions. Philip Kotler and Gary Armstrong explain marketing issues in the book in detail (Principles of Marketing, 2014). Marketing gives answers to the questions:

1. what product, service, result of intellectual activity to produce?
2. where to sell the goods?
3. in what volume to produce the goods?
4. what is the wholesale price of the goods (the services)?
5. what is the retail price of the goods (the services)?

The concept “Marketing- mix” is a key element of marketing. Neil Borden and McCarthy substantiated concept “Marketing- mix” in 1964

¹<https://intelligence.slice.com/>

(Borden, 1964). The concept “Marketing- mix” is a combination of factors: product, price, place, promotion. Some researchers believe that the development of business determines the need to review the elements of the concept “Marketing-mix”. The concept “Marketing- mix” is a subject of debate among scholars and among practitioners. J. Yudelson considered the concept “Marketing- mix” in the context of Total Quality Management, TQM (Yudelson, 1999).

The development of digital technology has affected the content of 4P model. K. Kalyanam and S. McIntyre include additional elements in the 4Ps model, forming a pattern 4P + P + C + S (Kalyanam & McIntyre, 2002). E. Constantinides proposed a model of “web marketing mix” (Constantinides, 2002). G. Dominici notes that the process of learning and comparison of prices, characteristics of the goods requires less time (Dominici, 2008a).

We cannot ignore the factor of IT technologies. The main feature of market pricing is that the actual process of price formation does not occur in the production environment, but in the product sales marketed under the influence of supply and demand. The impact of digital technology leads to the fact that demand for the product is formed with the active participation of customers. The interests of the manufacturer dictate the necessity of

concentration on-line communications on the criteria of products utility.

The important point in our thinking is should we consider the smartwatch market as part of the watch market or as an independent market? Let us presume that the smartwatch market is a part of the traditional watch market. In this case, we ought to say that there are some standards and rules. A gentleman must wear a dress watch with a dinner jacket or with a Black tie, with black dress shoes. A gentleman has to wear a dress watch while visiting exhibition of paintings, an opera house, a cinema hall, a respectable restaurant, a theater, official conferences (meetings). A gentleman must wear a dress watch at a secular reception, at a wedding, a funeral. A dress watch has to have a brand name with a history and traditions. A dress watch must have a watch-case made from a precious metal (round or square). A watch-case of the dress watch must be thin. The size of a watch-case ought to be 38-41 mm. A watch dial of the dress watch should be clean, without figures and other complications. The calibre of a dress watch must be mechanical (automatic or hand winding). A dress watch ought to be with a leather (alligator) strap (black color). Rings (a wedding ring is an exception) and bracelets are out of the rules. A casual watch may be different. While visiting the sites of some watch makers, we notice that assortment is rich (Table).

Table

Assortment of some watch producers

Brand name	Collection (model) name
Rolex	Oyster Perpetual, Date Just, Day Date, Sky Dweller, GMT Master II, Explorer, Explorer II, Air King, Milgauss, Submariner, Sea Dweller, Yacht-Master, Yacht-Master II, Cosmograph Daytona, Cellini Time, Cellini Date, Cellini Dual Time ¹ .
IWC	Pilot's watches, Aquatimer, Ingenieur, Da Vinci, Portofino ² .
Omega	Vintage, Speedmaster, Moonwatch, Seamaster 300 ³ .
Breitling	Chronoliner, Navitimer, Chronomat, Superocean, Avenger, Transocean, Galactic, Superocean Heritage, Montbrillant, Colt, Professional ⁴ .
Glashuette-original	Grande Cosmopolite Tourbillon, Senator Cosmopolite, PanoLunarTourbillon, PanoGraph, PanoReserve, PanoMaticInverse, PanoInverse, PanoMaticCounterXL, PanoMaticLunar, Senator Tourbillon, Senator Diary, Senator Perpetual Calendar, Senator Chronograph Panorama Date, Senator Excellence Panorama Date, Senator Excellence Panorama

¹<https://www.rolex.com/watches.html>

²<http://www.iwc.com/en/collection/>

³<https://www.omegawatches.com>

⁴<http://mobile.breitling.com/en/models/>

Brand name	Collection (model) name
	Date Moon Phase, Senator Excellence, Senator Moon Phase Skeletonized Edition, Senator Manual Winding Skeletonized Edition, Senator Chronometer, Senator Chronometer Regulator, Senator Observer, Senator Chronograph XL, Senator Automatic, Senator Hand Date, Senator Panorama Date, Senator Panorama Date Moon Phase, Seventies Chronograph Panorama Date, Seventies Panorama Date, Sixties Panorama Date, Sixties Iconic, Sixties Square Chronograph, Sixties Chronograph ¹ .
Zenith (watches)	Pilot, Academy, El Primero, Elite, Star ² .
Tag Heuer	Tag Heuer Connected, Tag Heuer Carrera, Tag Heuer Formula 1, Mikrograph, Monza ³ .
Oris (watches)	Pro pilot, Heritage, Altimeter, divers big crown, artelier, artix, divers, big crown ⁴ .

The assortment of different watch producers is dynamic. For example, Tag Heuer has optimized its assortment and does not produce the model Tag Heuer – Carrera Calibre 5. But there are Tag Heuer – Carrera Calibre 6, Tag Heuer – Carrera Calibre 18, Tag Heuer Carrera – Heuer 01. The company uses Calibre 5 in the model “Tag Heuer Aquaracer” now. Oris has increased the assortment in four collections – culture, diving, aviation, auto sport. Rolex and Glashuette-original have increased the assortment also. As far as we can see, the supply at the wrist watch market is big.

There are many different brands of watches at the market at current stage. Some brands have a history and some brands have not a history. The period of production correlates with a reputation of a producer. The leading place of Breguet (1775) among watch brands is understandable. But the ratings of Hubilot (1980) or Franck Muller Geneva Haute Horlogerie (1992) are different. We may distinguish the watch brands using in-house movements and watch brands not using in-house movements. We scrutinized 65 sites of different famous European and American watch producers using the Internet. We took into consideration the criteria of foundation of a watch maker. We classified the brands in accordance with a year of institution and made an assessment of each brand (the oldest brand has the highest assessment and the youngest brand has the lowest assessment) (Figure 4).

As we can see there is a discrepancy in this approach. Such famous and respectable watch brands as Patek Philippe & Co. (1839) and A. Lange & Söhne (1845) take place after Baume & Mercier (1830) and Longines (1832). International Watch Co. (1868) and Audemars Piguet (1875) stand after Tissot (1853) and TAG Heuer S.A. (1860). Rolex SA (1905) takes place after Victorinox AG (1884). This classification needs correction, because the watch market realities are quite different. Certainly, the foundation of a watch brand is important, although there are many other factors which we must take into consideration. But on the other hand, there are some opportunities for new players (Apple, Samsung, Tag Heuer) to enter the market.

Let us presume that the smartwatch market is not a part of the traditional watch market. In that case, we have to say that there are three companies which have made a serious bet: Apple with Apple Watch, Tag Heuer with Tag Heuer Connected and Samsung with Samsung Gear S3. As far as we can see, the marketers of this companies consider the market of smartwatches as an independent segment and the idea was to create a unique wrist watch with a high range of ultramodern functions. Using the terminology of Boston Consulting Group (BCG matrix), the idea was to create a specific product and to be the first at market of smartwatches, gaining the huge volumes of sales and receiving high profits. So, it is necessary to realize a transition from “Question mark (Problem child)” to “Stars”.

¹<http://www.glashuette-original.com/ru/glavnaja/>

²http://www.zenith-watches.com/en_en/all-watches.html

³<http://us.tagheuer.com/en/luxury-watches/new>

⁴<https://www.watches-of-switzerland.co.uk/brands/oris-watches>

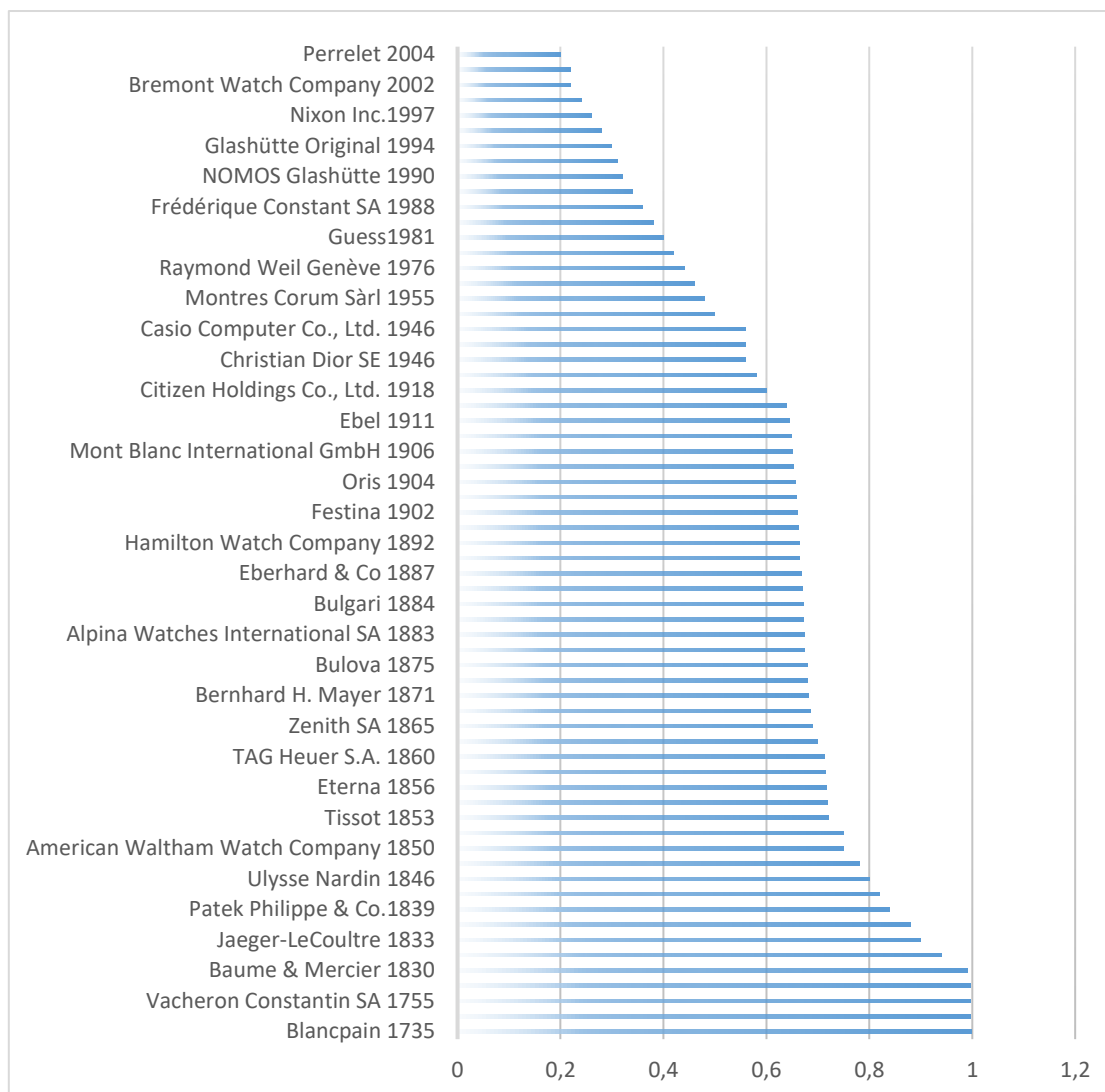


Figure 4. The classification of watch brands, which needs correction

A customer is a key element in this transition. Some produces try to influence at a customer's choice by means of different kinds of commercials. But "the economic theory of consumer behavior is frustratingly stark and very difficult to test"(Thaler). According to Richard Thaler: "Quasi rational behavior exists, and it matters. In some well-defined situations, people make decisions that are systematically and substantively different from those predicted by the standard economic model"(Thaler).

Research Results and Discussion. We recognize the importance and necessity of such a circumstance as a homogeneous group (Pogorelyy, 2015). We distinguish the difference between homogeneous group and heterogeneous group. But in this research our point of view is to understand the

essence of homogeneous group as an ability group. Indeed, the students in study groups are the same age and the same cultural background. They graduated the same secondary school, they share the same values and they belong to the same generation. So, we did not form the homogeneous groups on purpose. We compiled the questionnaire form for student's survey. A sample of the completed questionnaire form is placed in Appendix 1.

We interviewed students. 150 students of the Institute of Economics, the Institute of Management and the Institute of Engineering Technologies and Natural Sciences (the Belgorod National Research University) took part in the questionnaire. The results of the questionnaire are set out in Figure 5.

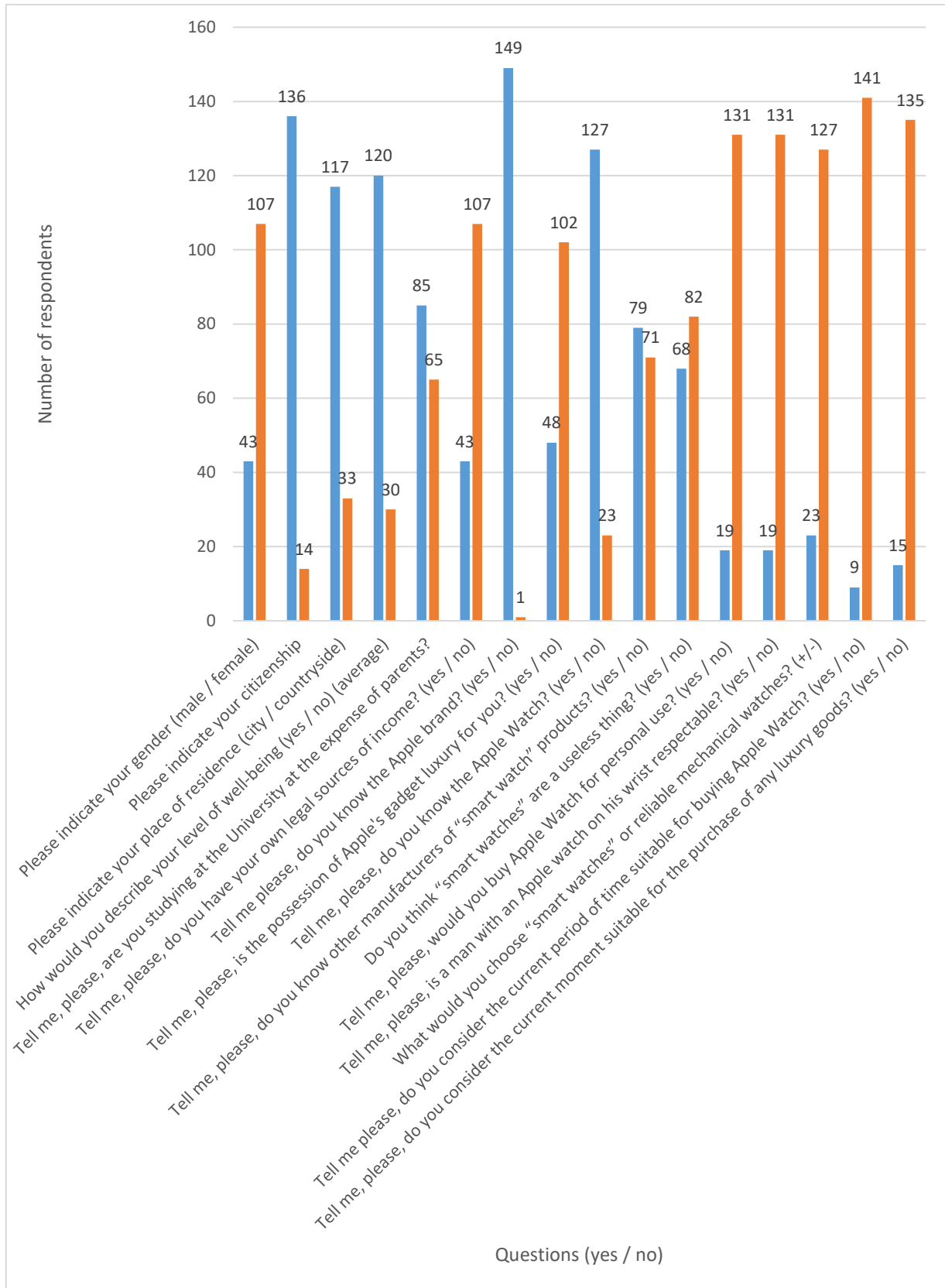


Figure 5. The results of the questionnaire

14 foreign students took part in the survey (Ukraine, Moldova, Uzbekistan, China, Benin, Ghana). The average age of the respondents was 22.5 years. 43 young men and 107 girls took part in the survey. 43 young men and 107 girls took part in the survey. 117 respondents were urban dwellers and 33 resided in rural areas.

Conclusions. 5 respondents answered that they do not consider money, they can afford everything they want. This circumstance deserves attention, taking into account modern economic realities. 85 respondents study at the University at the expense of parents. 65 respondents study at the University at the expense of the state. 43 respondents have their own legal sources of income. 107 respondents do not have their own legal sources of income. 149 respondents know the Apple brand and 1 respondent does not know the Apple brand. This fact indicates either a weak advertising activity of Apple, or the shortcomings of the global information infrastructure (GII), or the combination of the above reasons. For 48 respondents, the possession of Apple's gadget is considered a luxury. 102 respondents do not consider Apple's gadgets a luxury. 127 respondents know Apple Watch, 23 respondents do not know Apple Watch. 79 respondents know other manufacturers of "smart watch" products, and 71 respondents do not know other manufacturers of "smart watch" products. 68 respondents consider smart watches a useless thing, while 82 respondents do not consider smart watches a useless thing. Only 19 respondents would buy Apple Watch for personal use, and 131 respondents would not buy Apple Watch for personal use. This fact testifies either to the conservative attitude of the respondents, or to the ignorance of the numerous functions of the "smart watch". 19 respondents consider a man with an Apple watch on his wrist respectable. 131 respondents do not consider a man with an Apple watch on his wrist respectable. 23 respondents would give their preference to "smart watches". 127 respondents prefer reliable mechanical watches. Only 9 respondents consider the current time suitable for buying Apple Watch. Accordingly, 141 respondents do not consider the current time suitable for purchasing Apple Watch. Only 15 respondents consider the current time suitable for the purchase of a luxury

product. 135 respondents do not consider the current time suitable for the purchase of any luxury goods.

George Santayana said: "Those who do not remember the past are condemned to repeat it." Watch market faces a new revolution. This is a digital revolution, when a digital watch (a smart-watch) replaces a mechanical watch. But let us remember the result of quartz revolution. There were some decisions, for example, Swatch group had been established. There were losses among watch producers. Such brands as Longines and Zenith began to change the production in favor of quartz watches. But mechanical wrist watch survived. Right now, some watch brands are not very popular among watch enthusiasts and collectors, because these brands have lost the reputation due to quartz revolution. The beautiful tradition of making a miracle – a mechanical movement with live sound of running second hand is still alive. This is a choice of "His Majesty Customer". It is up to a customer to decide what wrist watch to buy and to wear. We believe that we need to include a social element in the concept of Marketing mix (4 p). This will allow us to take into account the preferences of consumers in a larger volume.

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Appendix 1

QUESTIONNAIRE

The survey is conducted for scientific purposes. Anonymity is guaranteed to you. Please, answer the questions.

1.	Please indicate your age (full years)	19	
2.	Please indicate your gender (male / female)	female	
3.	Please indicate your citizenship	Russia	
4.	Please indicate your place of residence (city / countryside)	Belgorod city	
5.	How would you describe your level of well-being (yes / no):		
6.	<i>below the average</i>	no	
7.	<i>average</i>	no	
8.	<i>above average</i>	yes	
9.	<i>I do not consider money, I can afford everything I want</i>	no	
10.	Tell me, please, are you studying at the University at the expense of parents?	yes	
11.	Tell me, please, do you have your own legal sources of income? (yes / no)	no	
12.	Tell me please, do you know the Apple brand? (yes / no)	yes	
13.	Tell me, please, is the possession of Apple's gadget luxury for you? (yes / no)	no	
14.	Tell me, please, do you know the Apple Watch? (yes / no)	yes	
15.	Tell me, please, do you know other manufacturers of “smart watch” products? (yes / no)	yes	
16.	Do you think “smart watches” are a useless thing? (yes / no)	no	
17.	Tell me, please, would you buy Apple Watch for personal use? (yes / no) (<i>price for Apple Watch Sport 42mm with Sport 26 990 rubles [13].</i>)	no	
18.	Tell me, please, is a man with an Apple watch on his wrist respectable? (yes / no)	no	
19.	Tell me, please, if you choose between Apple Watch and another Swiss luxury watch brand (manufacturer of mechanical watches) what would you choose “smart watches” or reliable mechanical watches? (+/-)	Apple Watch -	<i>mechanical watches +</i>
20.	Tell me please, do you consider the current period of time suitable for buying Apple Watch? (yes / no)	no	
21.	Tell me, please, do you consider the current moment suitable for the purchase of any luxury goods? (yes / no)	yes	

Конфликты интересов: у авторов нет конфликта интересов для декларации.

Conflicts of Interest: The authors have no conflict of interest to declare.

Mark Pogorelyy, candidate of economic sciences, associate professor, Belgorod State National Research University

Погорельый Марк Юрьевич, кандидат экономических наук, доцент Белгородского государственного национального исследовательского университета.