

{ Alexander Linder }

**ABOUT SWAROVSKI**

The Swarovski company was founded in 1895 in Wattens, Tyrol in Austria, by Daniel Swarovski. For more than a century, the company has perfected precision cutting technology and the creation of crystal objects. Swarovski is still family owned and constantly expands its business through internal growth and acquisitions.

In 1995, Swarovski opened the Swarovski Crystal Worlds in Wattens to celebrate its 100<sup>th</sup> anniversary. More than ten million people from all over the world have experienced the magic of crystal with all their senses in its Chambers of Wonder, making the crystalline attraction one of the top tourist destinations in the area.

In 2011, more than 26,000 employees generated a turnover of € 2.22 billion. Swarovski's distribution network reaches 42 countries worldwide and production locations can be found in eight countries across Europe, Asia, and North America. The crystal products are sold in over 1,200 own-operated and 1,000 partner-operated Swarovski boutiques.

**THE INTERVIEWER**

This interview was conducted in June 2012 by Christine Kittinger-Rosanelli, Operating Editor of GfK MIR.

**ABOUT ALEXANDER LINDER**

Alexander Linder has held the position of Director of Corporate Consumer and Market Insights at Swarovski since 2005. His team is responsible for all aspects related to consumer and market insights within the Swarovski Crystal Business.

He graduated from the University of St. Gallen (HSG), Switzerland, in 1999, where he studied business administration, focusing on service management and service marketing. In 2004, he earned his PhD in Web Log Mining at the University of Zurich, Switzerland.

In 1999, Alexander started his career at Swarovski as a marketing assistant. In 2001, he took over responsibility as a business warehouse analyst, and in 2002 moved into the role of eBusiness Analyst, where he built up various online reporting tools.



## Creating Crystal Experiences

### MIR TALKS TO ALEXANDER LINDER, DIRECTOR CORPORATE CONSUMER AND MARKET INSIGHTS (CCMI), DANIEL SWAROVSKI CORPORATION AG

*Interview by Christine Kittinger-Rosanelli*

This issue's interview leads us into the radiant world of crystals and glamour. For more than a century, Swarovski has been generating radiance through precision cutting technology and the virtuous handling of light. The company's richness of expression is rooted in the cultural heritage of Central Europe and its flair for forging links between the arts, science, and business. Throughout the world today, the name Swarovski stands for craftsmanship, meticulousness, quality, and creativity. Alexander Linder, Director of Corporate Consumer and Market Insights, shares with us how the Swarovski company "adds sparkle to people's everyday lives", a promise Swarovski aims to deliver to its consumers.

**MIR:** *Traditionally, Swarovski has been known for its crystal objects like the swan and other little collectables, but it has now expanded its business into several new fields. As a starting point, could you give us a brief overview of the sparkling Swarovski universe?*

**ALEXANDER LINDER:** Well, first we have the Consumer Goods Business (CGB), which deals with jewelry and home interior items, with jewelry contributing the greater proportion of sales. Then we have what we call Swarovski Professional. As a creative partner, it sells crystal components to famous designers, retailers, manufacturers, wholesalers, and brand owners in the fashion, jewelry, accessories, and interiors industries all over the world. Besides this, we are also operating six concept stores

worldwide called SWAROVSKI CRYSTALLIZED™, which offer exquisite jewelry and accessories collections created by renowned international designers, made with SWAROVSKI ELEMENTS. Thanks to its expertise on trends in the spheres of fashion and jewelry, SWAROVSKI CRYSTALLIZED™ is ideally placed to curate and showcase sparkling designer collections alongside its own customizable jewelry lines and an extensive range of loose SWAROVSKI ELEMENTS, loose crystals, in a super-chic Library of Light. Then we have our Lighting Business (LB), which offers lighting solutions to B2B customers such as architects, interior and lighting designers, hotels, bars, spas, and lounges. There are other business units but these are the most important.

**MIR:** *Fashion, jewelry, and design are very dynamic businesses. Which projects has Swarovski completed recently in this fast-moving environment?*

**ALEXANDER LINDER:** As an example, in 2011 Swarovski launched a sparkling and bright collection of sunglasses, as well as a diverse range of jewelry and accessories for men. Swarovski also presented its first beauty line "Aura by Swarovski", which expands the existing product range into a completely new area. And this year, Swarovski launched its first watch collection for men at the BASELWORLD watch and jewelry fair. In 2012, Swarovski Entertainment will even co-produce its first feature film, a new adaptation of Shakespeare's classic love story "Romeo and Juliet". On top of that, Swarovski continues to pursue its development into a premium brand by implementing its new store concept called "Crystal Forest", a new way in which to showcase its own branded collections of crystal jewelry, fashion accessories, and home décor objects.

**MIR:** *What is the Swarovski business model? How are you able to charge premium prices in markets that are swamped with cheap imitations of crystal?*

**ALEXANDER LINDER:** Swarovski wants to add sparkle to people's everyday lives, making the brand our most important asset to deliver on this promise. It stands for high-quality products made in Austria, for heritage, craftsmanship, and precision. In the B2B context, Swarovski does not only sell components, but also offers a wide variety of application support, a service that is very much appreciated by our customers.

**MIR:** *Could you explain what kind of application support you provide for your B2B clients?*

**ALEXANDER LINDER:** Yes, of course. Especially in Swarovski Professional, where we sell crystal elements to various industries such as fashion or jewelry, we help our clients to apply the elements properly to different materials. For instance, if we have a jeans manufacturer and sell them Hot Fix elements, we tell them how to best apply them to the jeans, and inform them how the garments should be washed. We give them as much support as possible to make sure that the quality risk is minimized when they sell the product on to their clients. In addition, Swarovski's trend department provides trend consultancy and expertise to customers around the world.

**MIR:** *In a fast-moving and dynamic environment, it is particularly challenging to gain insights and predict trends, then to translate them into product ideas. How do you collect consumer insights in the diverse markets?*

**ALEXANDER LINDER:** There isn't a set method that we follow to collect consumer insights at Swarovski. We treat every project as an individual case and elaborate carefully on the best way in which to get the maximum return for our clients. To ensure this, CCMI follows a very structured approach. We start with a template that we call an insights request form. In collaboration with our clients, the different business units, or communications departments, we work on this template to make sure that we properly outline the underlying insights topic. We usually follow a hypotheses-driven insights approach and make sure all answers respond to the hypotheses in the presentation of the findings. Furthermore, it is important to us that our clients understand the applied insights methodology, be it qualitative or quantitative.

**MIR:** *Do you work with external partners to carry out the individual research projects?*

**ALEXANDER LINDER:** We mainly work with partners from the market research industry. My team doesn't have the capacity to carry out most projects in-house, so we have a sound pool of professionals and we have been working with many of them for quite a long time. We select the most appropriate vendor to help us solve the issue according to the challenges posed by our clients.

**MIR:** *Are there any recent projects that you could use to demonstrate how you collect and apply insights to market your crystal products successfully?*

**ALEXANDER LINDER:** A recent project that we worked on for more than a year was our global consumer segmentation study. At the start, Swarovski only had an internal picture of what different consumer segments might look like, but it was time to consider the external perspective. CCMI followed a need state-based approach and conducted in-depth interviews with female jewelry buyers all over the world. Subsequently, a quantitative online study was conducted to validate the qualitative insights and make them more stable. Throughout the whole process, various stakeholders within the jewelry marketing team were constantly involved by means of workshops, giving input for the questionnaires, selection of appropriate jewelry pictures, and identification of easily understandable names for the segments. The Consumer Goods Business is now much more aware that there are indeed various jewelry consumer types and can clearly see their different wants and needs.

**MIR:** *Swarovski is a global player. How do you handle regional differences in data collection, insight generation, and implementation of marketing strategies?*

**ALEXANDER LINDER:** There is no one global approach. "Think global – act local" is an essential rule for Swarovski. We have to take into consideration regional differences for data collection and the implementation of subsequent strategies. For example, in some regions such as India, Latin America and China, which are without doubt very important for Swarovski, online questionnaires are not ideal. Based on our experience, you do not reach participants in rural areas. In India you would be more or less limited to the Mumbai area, and to Shanghai and Beijing in China. Another development that we have observed in these countries is that you mainly get respondents who only participate to earn money, which we want to avoid. We will therefore switch to direct, face-to-face or written questionnaires in developing countries.

**MIR:** *And what about applying the results?*

**ALEXANDER LINDER:** Swarovski's brand tracking tool is actually a good example to show that we have to act locally. Brand awareness, brand image, and brand positioning are not the same around the world. So Swarovski has to set action points individually on a local level to move the brand in the desired direction. This usually happens with the involvement of our local sales organizations.

**MIR:** *Do you ensure that the different customer wants and needs are addressed properly in the subsequent marketing efforts?*



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**ALEXANDER LINDER:** Oh yes, CCMI places a strong emphasis on supporting its clients in the implementation of insights. We act as a (strategic) thought partner and our commitment does not end by merely handing over the findings. We always come up with recommendations, and if possible we also show best practice and how other companies are doing it. As a next step in our segmentation project, we will support the jewelry marketing teams in the roll-out process to the markets to ensure that employees can act upon the findings. [...] A very challenging step, but I am confident that we are capable of it as the response to the results has been positive.

**MIR:** *As you mentioned, Swarovski doesn't just produce crystals, but markets them successfully in offline and online stores. Let's start with your "bricks and mortar" shops, although they aren't actually made of bricks or mortar, but glass, crystal, and light. What kind of experience do you aim to create in your shops?*

**ALEXANDER LINDER:** We strive to deliver the ultimate consumer experience in our stores. Swarovski wants to anticipate, fulfill, and exceed consumers' wants and needs. Alongside our specific store elements, the employees in our stores are key – they have to make sure that our consumers feel comfortable in the store environment. They must ensure that interaction with the product is made possible, and also act as style consultants. A highly challenging requirement is to have the necessary product knowledge, as a full assortment store carries more than 1,500 products, and the most difficult part of the job is to sell in such a way that post-rationalization leaves the consumer with a 100 % positive feeling and absolutely no doubts come up.

**MIR:** *How did you develop your store concept?*

**ALEXANDER LINDER:** The current generation of Swarovski's boutique concept, the so-called "Crystal Forest", was developed by an award-winning Japanese designer called Tokujin Yoshioka. "Crystal Forest" is a multi-sensory experience that gives visitors the chance to immerse themselves in the seductive brilliance and infinite depth of crystal. My Insights department was involved from the very beginning: we analyzed the strengths and weaknesses of the prior store generation and made sure that these findings were transferred to the new generation. Even during the development of the new generation, we continually ensured consumer involvement and improved the new concept step by step. In recent years, we carried out some in-depth insights studies at our own stores to understand the essentials, but also to identify areas of potential where we can stimulate excitement to learn about the power our shop windows have to stop passers-by, to achieve transparency about the performance of our zoning, to see which paths consumers walk in our stores, to learn what brought them in that particular day, what they bought, and why they are maybe also buying products from our competitors.

**MIR:** *And how do you transfer possible consumer experiences into the online world?*

**ALEXANDER LINDER:** Swarovski is aiming to achieve seamless integration of our online and offline worlds, so that both run smoothly in parallel. The Insights department learned that a huge proportion of our consumers prefer to inform themselves about Swarovski's products and services online, but the purchase preference is clearly driven toward our offline stores. We therefore have to make sure that the online navigation is user friendly and the content self-explanatory, and that the "online sparkle" motivates the consumer to make a purchase either directly online or offline later. We do web log file analyses and usability testing on a regular basis to continually improve our website. Current developments include a website that can be viewed on mobile devices and working out possible augmented reality solutions to make our products digitally tangible.

**MIR:** *Social media are gaining more and more importance online. What is your approach there?*

**ALEXANDER LINDER:** Swarovski is managing its brand presence on multiple social media platforms and frequently runs social media and mobile campaigns. Current platforms with a managed presence include Facebook, Twitter, YouTube, Google+, Pinterest, and Instagram. The expansion into new platforms is an ongoing process. The guiding principle here is to be relevant and to set a focus on where it makes sense to be present and where the presence creates added value.

**MIR:** *How do you create value for consumers through your social media activities?*

**ALEXANDER LINDER:** It is not our intention to just be there. Most platforms, especially Facebook, are places where you have a dialog with your consumers. You can observe which topics are relevant and which questions come up. Then you can address these questions in the content you provide, and in critical issues such as quality you can even react individually. What we aim for is a dialog with our consumers and that does create value for both sides.

**MIR:** *So you also use social media to collect consumer insights?*

**ALEXANDER LINDER:** Swarovski employs an ongoing monitoring and sentiment analysis system that allows us to track discussion volume and gather directional insights. This data is analyzed alongside metrics from individual digital communications campaigns in order to derive useful findings and draw conclusions for future benchmarking.

**MIR:** *To celebrate one hundred years of Swarovski, your company opened the Swarovski Crystal Worlds in 1995. Over ten million visitors from more than 60 countries worldwide have since visited the various crystalline Chambers of Wonder. How do the Crystal Worlds affect the Swarovski brand?*

**ALEXANDER LINDER:** The Swarovski Crystal Worlds are a very important touchpoint for our brand. We created the opportunity not only to get closer to the wide range of Swarovski products, but also to be inspired by the works of world-famous artists who have interpreted crystal in their own individual ways. Fourteen Chambers of Wonder issue an open invitation to discover the world of crystal. We tell different stories about crystal that refer to Swarovski's brand attributes of precision, enchantment, innovation, and tradition. All the associations made with crystal are transferred directly to the Swarovski brand itself and our visitors act as our ambassadors by spreading the brand attributes all over the world. This is the classic image transfer with which we are working.

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**MIR:** *For those who haven't had a chance to visit the Crystal Worlds, could you describe the experience?*

**ALEXANDER LINDER:** Well, Swarovski Crystal Worlds invites visitors to leave their daily routine behind and immerse themselves in the world of crystal, experiencing all of its facets as both an inspiring creative material and a beautiful object. Visitors perceive the brand with all of their senses: specially created fragrances enhance the sensual appeal of the brand, while music by Brian Eno expresses the structure of crystal and encourages the visitors to imagine how it might sound. Numerous art installations and visual effects offer an invitation to an alternative fantastic world far away from everyday life, blurring the boundary between dreams and reality; in the Crystal Dome, visitors can even experience what it is like to be at the very heart of a crystal.

**MIR:** *How do you make sure that the Crystal Worlds keep up with current trends, and stay edgy and exciting?*

**ALEXANDER LINDER:** Since its opening in 1995, the Crystal Worlds have been extended and additional chambers have been opened. Another project is in the planning stage. Furthermore, in addition to the general exhibition, the brand can be felt, heard, and enjoyed in yet another way – through a variety of events ranging from classical music performances to enjoying haute cuisine, from creative to children's workshops. The Giant Event Program offers an exciting list of events and leisure activities throughout the year for visitors both young and old.

**MIR:** *This sounds very unique and inspiring, but let's return from our sparkling visit to your crystal wonderland to business reality. What will be most important for your company to remain successful and keep growing over the next few years?*

**ALEXANDER LINDER:** Swarovski can offer a very broad range of different cuts with very high precision. Of course the competition is not sleeping and rival companies are coming closer and closer. We still have a big advantage because of our European heritage and also because our crystals are still produced in Austria and not somewhere in the Far East. But crystal is much more than just a high-precision material: crystal stimulates enchantment and amazement. Together with a highly international and motivated team, Swarovski continuously strives for customer loyalty by always surprising and amazing them. Swarovski's premium brand image reflects the Consumer Goods Business offer of accessible, desirable products with a wide-ranging appeal. Expertise in jewelry and crystal that has been in place since 1895 is combined with creativity, quality and innovation to enchant our consumers.

The Swarovski brand is a key asset for the company. We need to defend and further develop its unique positioning. To remain successful in the coming years, Swarovski must find a good balance between anticipating, fulfilling and exceeding consumers' wants and needs so we can stay one step ahead of the competition. The consumer must become the focal point of the efforts and a holistic picture is of tremendous importance. To stick to our heritage, values, and principles on the one hand and to constantly reinvent ourselves on the other is one of the biggest challenges standing in the way of sustainable growth in the future.

**MIR:** *What can your department contribute to help face these challenges and to ensure surprises and reinvention?*

**ALEXANDER LINDER:** Today, Corporate Consumer and Market Insights (CCMI) is still a rather reactive recipient of insights, but in the future we would like to act in a much more proactive way and come up with proposals for insights independently, as we are constantly monitoring the world that surrounds us.

**MIR:** *Could you illustrate how such a proactive approach differs from what you are doing now?*

**ALEXANDER LINDER:** Typically, you wait until the phone rings and a client, such as the marketing department, approaches you with an information request. They might, for instance, need information on product acceptance when launching a new product line. Or the communications department might call to test some ads they would like to run in Vogue or Elle.

A proactive insight taker is very much linked to the outside world and observes what's going on beyond the company. They observe many trends and movements in diverse markets and as such can come along and say "I have observed a certain development in a certain market that I think might be relevant for you". They then suggest working out a research proposal to dig deeper.

An example would be the demographic development. You observe, for example, that the population is aging and suggest looking into this matter. If the average consumer is older they might be richer, and this could be a legitimate opportunity for Swarovski to expand from the fashion jewelry business into fine jewelry. You suggest testing this assumption to see if there is a market and how this new market might be characterized compared with the fashion jewelry market Swarovski is in today.

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**MIR:** *Quite obviously reinvention and amazement have a lot to do with innovation. What is Swarovski's approach to innovation?*

**ALEXANDER LINDER:** Just recently we carried out a project for Swarovski Professional with an innovation consultancy. They looked at the whole value chain and came up with very precise recommendations for what has to be improved. Some of the aspects for improvement, or rather innovation, are to do with service, some with flexibility, and some with faster product availability. So we really seek to innovate along the whole value chain.

**MIR:** *What is your department's role in the innovation game?*

**ALEXANDER LINDER:** A very tricky one, I would say. To keep pace with the innovation of the industry we have to look into future consumer behavior and this is very, very difficult. It is easy to collect information on current or past behavior, but most consumers do not know what they will want next. So you really have to identify the right qualitative techniques to elicit very deep information that comes from the subconscious of the consumer to find out what they want. For us, the biggest challenge is therefore to identify the right methodology, tools, and probing techniques to reach that deep and access such information that will help the company to anticipate the right consumer preferences.

**MIR:** *That will indeed be very challenging. Thanks very much for taking us on this journey through the glamorous Swarovski universe. We wish you all the best for these projects and hope that Swarovski will keep sparkling successfully in the future. •*