



Marketing Strategies Analysis – Apple Inc

# ASSIGNMENTS

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## HELP

## **Introduction:**

The most growing and developing industry in today's world is information technology and Apple, already known as Apple computer inc. is a giant name which has contributed a lot in the development of this industry. . Apple is basically a US based company which is providing the world with their unique products; it has more than 10,000 employees and sales over \$7 billion. Apple is mainly responsible for the huge growth of the personal computer industry in the 20th century. Apple was founded in April 1976 by Steve Wozniak, then 26 years old, and Steve Jobs, 21, both college dropouts when they introduced their first product at a local computer club and after that they have been innovating and creating some very popular products (Funding Universe, Accessed on 22nd 2011).

In the year 1982 Apple was the first company to reach the sales of one billion dollar and then one more milestone which they achieved was in the year 1994 when Apple launched its first operating system Macintosh. Rather than licensing the Mac operating system to PC makers, as Microsoft did, Apple chose to be the sole producer of its Mac Hardware. Today, Apple differentiates itself by stressing it is the only company that designs the hardware, the software, and the operating system; "we stand alone in our ability to innovate beyond the status quo". Apple's unique, bold, and classy philosophy is all about revolutionizing life's experiences; convergence of digital consumer electronics and the personal computer. Apple is focused on the individual. Apple is an innovator, and innovation is often a technology-push. But Apple also emphasizes customer requirements Thus, Apple takes into consideration what its customers demand, but it also innovates by providing solutions that go beyond simply the stated requirements; meeting their customers' real needs (Choudhary, 2010).

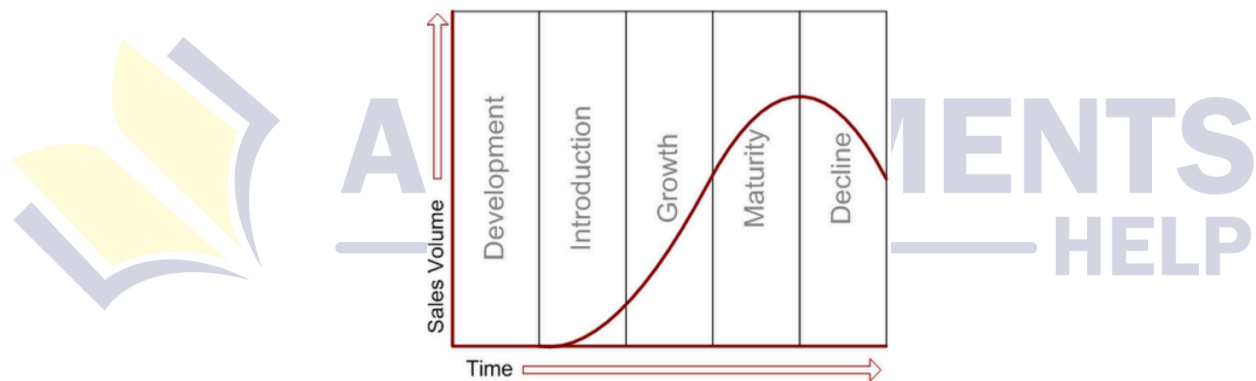
Apple is being growing since its establishment and it has grown significantly in various regions of the world. Recent stats show that, for about 10.9 % of the North American are using apple product Mac operating system, 8.6% in Australia and New Zealand, 4.7% market share in Europe and 2.5% in Asia. These numbers represents the 30% growth of Apple Inc. from previous year. Their major competitors are: Compaq Computer Corporation; Dell Computer Corporation; International Business Machines Corporation; Microsoft Corporation; Sun Microsystems, Inc (Robinbloor, 2010).

Apple is being able to produce some tremendous products which may include; Mac operating systems, computer hardware, computer applications, iPod, I Pad, iPhone and many more to name. Amongst the most famous products that Apple has launched, the report below discusses the various marketing strategies used by the company in order to promote the product i.e. iPhone, and then the recommendations are also provided in order to strengthen the marketing of the product.

### **Current Scenario:**

### **Product Life Cycle:**

Every product that has been developed and produced has its own product life cycle and it has to go through from all the stages. There are five steps of every product; development, introduction, growth, maturity and decline stage (Wells, 1968).



Source: Samueljscott

Due to marketing techniques adopted by the company which are discussed later in the report, it is essential to realize the current market situation of the iPhone. It took a long time for company to develop iPhone and launch it, but soon enough it was launched it received tremendous acceptance in the market. As mobile phones were already in the market and there were new experiment being done by all the manufacturers. In the year of 2003, the CEO of Apple realized that in coming years users will need some sort of handsets that can serve all the purposes i.e. video, audio, internet and many other facilities to globalize. The development stage took long time but finally the first every smart phone by Apple was launched and introduced in the year of 2007.

In 2008, Apple released the 2nd version of I phone with the upgrades. That was the time when I phone was growing in the market. Mobile phone users found it best gadgets that served all the purpose while on their way and away from their PCs. By the end of 2008 11,625,000 of I Phones were sold around the world. Due to intense marketing technique the I Phone was capturing the market and heading towards the maturity stage of product life cycle. New technologies were adopted and sooner it was again realized that the product is required to be upgraded with newer version in which latest technology will be included to enhance the users to make the most out of it and take full advantages of the product (Apple, 2008).

2009 was the year for I Phone to be matured in the market when Apple announced its 3 rd version of I Phone named 3GS. The demand of the product was increasing so high. Although by that time numbers of competitors introduced their own products with same kind of technology but Apple has been on the top due to its marketing strategy and innovation. By the end of 2009 Apple sold total of 20,731,000 of I Phones around the globe. Due to high demand and growth, Apple launched the next version of IPhone called I Phone4. Currently the product has completely been matured and the demand and trend has been surprisingly been increasing. In the future, it totally depends of Apple of how the next version is developed and introduced in the market that can maintain the competitive edge over its competitive products and keep increasing its market shares. Also, if Apple keeps adopting the latest technologies and innovative ideas, it will surely lengthen the maturity stage of the product (Apple, 2009).

### **Overview of IPhone Marketing Strategy:**

#### **Beginning:**

The company has kept the marketing strategy for IPhone very simple and straightforward along with the essence of being clever just like the pure and simple icon of the company. The company basic theme is of innovating different style either for products or for promoting them in the market. The market already knew about the product before it was launch and it was advertize before the launch of the product and without doubt the IPhone has captured most of the cell 5 phone market. The company has adopted pro-active marketing strategy for the product as they used four television ads before the official launch of IPhone.

They conceptualize the ads with the previous ads of iPod and present the iPhone as the next stage of iPod, it had a tremendous impact on the consumers as iPod was on the peak at that stage and consumers were waiting for something new. In that particular ad all the features were presented in style and with a perfect use of each feature in the product. The entire campaign of four ads were based on the same theme based on the how innovative and convenient the product; with many other features having function of not only traditional cell phone or a simple music player but also have options like view maps, make conference calls, view videos or photos and many more.

### **The Trick:**

Not only attractive TV ads are used but also the most benefitted use of website was done, they have posted many videos on the company website and also published many press releases that could have been generated in single document. It has been observed that Apple has often uses this trick in order to create excitement and by this the consumers are left with wanting more. There is an official iPhone website in which not only information is provided but also tip and trick are being given. The basic focus is on the applications or apps; mainly the entire page is being covered by the different options of apps. A page of this kind is a very useful marketing tool for the product and effective way to attract the consumers.

### **Target Market:**

Initially when iPhone was launched, successful youth were the main target market; keeping the fact in mind that more than 40% of the audience was not using iPod will enable the company to reach the forecasted sales. The most appropriate and current target market for Apple iPhone includes youth ages between 20 – 30, teenagers and also mobile employees.

### **Current Practices:**

It has been discussed above that Apple is being known for creating catchy yet so simple commercials. The recent TV commercials portray the accuracy of the above statement; they have been using many catchy slogan like “There’s an App for that” in order to emphasis on the available applications from the App Store. The company has provided the consumers with the 6 wide range of different applications falling in the category of education, entertainment, games and even business. These features support the unique features iPhone like accelerometer,

wireless and many others; they are above 30,000 applications for the consumers and still counting.

Different Applications of iPhone has also contributed towards the success of the product, and company has also intensively marketed this feature. In the many TV ads of Apple, the product is being promoted by showing off the unique use of applications like reading book; find the place where the car is parked, count calories in lunch and many more.

The pricing factor is the product also plays in the marketing of the product. Initially the product was priced at \$599 which is expensive but still many people rushed out to buy the new iPhone. But soon after three months the company reduced the price to \$399, which left the loyal customers angry, and again one year later the prices was reduced more to \$199. There have been many saying about the pricing strategy of the product. The product was no doubt the most innovative product in the market and company had freedom to set price as much as they want to, but still pricing it on \$599 was not appropriate and when the company experienced low sales they started cut down the price. To counter this argument, the company said it was done to boost up the sales to achieve the company's goal of selling its 1millionth iPhone.

This kind of pricing can be observed in other case of iPod, company followed the same pricing strategy to promote the product, this is mainly because of the nature of industry as the tech product needs to compete against the latest and greatest, and therefore they have to maintain an adequate price to survive in the market. Like if the price of iPhone should have not be reduced than it would have been effected the basic target audience as many of the consumers did not want to spend this amount of money on phone.

### **Flaws in Marketing Strategy:**

Although iPhone is an outstand product, and it has left behind is competitors five years. The amazing touch interface and beautiful design has made it a work of art of design and technology. The use of iPhone is not limited to a cell phone it more likely to fall in between cell and a laptop. There have been many versions of iPhone in the market, but the first one was launched in the year 2007, following the year with the new version of the product and then again in the very

next 7 year 2009 the third generation was launched. And recently the fourth generation of this famous product has launched by the Apple.

The mobile market is already very mature and saturated as there are already many big players like Nokia, Samsung few to name. On the other hand Apple has experienced success in producing the revolutionary product that changed the entire pattern of the industry. Apart from the great product and remarkable marketing strategies, still Apple did some serious mistakes in terms marketing and promoting the product. Some major mistakes and flaws in the marketing technique of the company are:

### **The Initial Pricing:**

As it has been discussed above that the pricing of the product is not being done appropriately as it is the most crucial part in promoting activities of any product. The biggest mistake was to reduce the price of iPhone from \$599 to \$399 just after 3 months of launch of the product. This has really hurt the early adopters and the most loyal customers were left feeling betrayed and exploited. This was not be done by a huge company like Apple in fact for any reason like to increase the sales. The company had three options of not doing so; the company should have reduced the price at least after the six months. One more way was to delay the launch for three months; the most appropriate way should have been to set the initial price at \$399.

### **Forcing AT&T customers:**

This was a very wrong approach in order to increase the sales of the product to force the customers that they should signing with AT&T whom which the company is sharing business. This had a negative effect on the sales, and 3.3million units were sold in the US in the year 2007. The iPhone and the European Markets: Initially in the year 2007 the product was only launched in US and in the end of the same year the product was launched in only three states of EU with the same approach as used in the US. The product was associated with a carrier in each particular country like O2 in UK, T-Mobile in Germany and Orange in France. And then the product was launched gradually in the different countries of the EU. But this strategy of associating the product to any carrier was the wrong step by the company; moreover the slow launch in the EU also affected the overall sales of the product. 8

### **Internal & External Environment:**

In order to overcome the flaws in current marketing techniques of the iPhone, there should be a contemporary marketing plan for the product which is also discussed later in the report. But this is make it sure that before developing the marketing strategies it is first necessary to realize the internal and external environment of the product that has influence on it. To serve this purpose SWOT analysis of the iPhone is being conducted in the below part of the report.

### **STRENGTHS:**

**Innovation:** The iPhone being the most stylish and innovative product of Apple is a fabulous example of creativity conducted inside the company. One of the best feature this product is its modern touch screen which is still unmatched by other companies.

### **Compatibility:**

The amazing feature of iPhone is that it is compatible with other apple products like the new Apple TV, allowing its customers to have wireless connectivity to the big screen. It also works with operating system, which means there is not limit for iPhone for up gradation.

### **User Friendly:**

Apple's iPhone are more easy to use than the other products available in the market like PDA, especially in terms of touch screen, in iPhone it operates on the single touch of human hand. The Mac OS X application imbedded into the iPhone assures users will easily recognize what they can do (Alex, 2007).

### **Brand Awareness:**

Since the beginning Apple is being well known for its quality products, hi quality features in its product is the trademark of Apple just like iPods and iPhone.

### **Market Share:**

Apple has now captured the 25% of smart phone market, which clearly shows the demand and customer likeliness towards the I Phone (Schroeder, 2010).

### **WEAKNESSES:**

**Image:** Apple products are not targeted towards the businesses sector, which means that Apple has left one of the biggest segments of the market which

should have helped in generating more profits same in the case of iPhone, that the company has never tried to market it for business purpose.

***Price Rates:***

Apple's product are relatively higher priced than the competitors, so price conscious consumers are not attracted towards Apple's products like iPhone initially cost was \$599.

***User Interface:***

iPhone being the touch screen gadget faces the problem of hard hand use which reduces its use and become uncomfortable and unreliable for the users (Adam, 2009).

**OPPORTUNITIES:**

***Increase in Demand:*** Apple will continue to target the business sector by producing all in one solution. But as the technology get advance and smart phone will get cheaper, companies have a great opportunity to target the people required entertainment. More over Apple can migrate people to use its brand especially consumers of iPod can be upgraded to I Phone.

***Upgrading:***

The software in iPhone can updated, which means that new exciting features can be added to it which will help in talking the advantage of the touch screen ability. In future iPhone hardware will also be upgradeable.

***Collaboration:***

In future Apple can do partnerships with many global and powerful mobile or software companies to produce higher quality of products, like Microsoft and Nokia. This is may help in reducing marketing cost and revenue may be enhanced through long term agreements (Tariq, 2010).

**THREATS:**

***Intense Competition:*** As technology is advances, smart phones are now easier to make. Many companies may enter the market as there are very few entrants' barriers. Competitors or even Apple contractors can scheme around patents to create similar devices.

***Downward Price Trend:***

The iPhone has been promoted as hi-end product. Prices of many phones are almost going to fall, when many more new products are launched and especially when other companies will be cutting the price of their own smart phones.

***Substitution:***

Now there are many substitute products available in the market against the iPhone which are relatively cheap and may contain more features than Apple's iPhone.

***Difficulty Expanding into Asian Market:***

The Asian market is already led by some mobile manufacturer giants like Nokia and Samsung that's why the smart phone concept is relatively new in this markets that's why Apple may face difficulty in expanding itself in Asian market (Jimharrer, 2010).

***Recommendations:***

After realizing the four factors that can show how the product can be managed in future, Apple must try to overcome the threats and avail the different opportunities so that it can enhance its revenue and products. According to the SWOT analysis Apple must first of all try to market the business segments properly which will definitely increase its market share, doing this will be very easy for Apple, since it already has an image of providing quality product especially iPhone which has all the features that a business consumer wants (Jackson & Joshi, 2003).

Marketing iPhone for business professionals will also be beneficial because, then Apple may be able to increase its market share. One more aspect that will increase the revenue for Apple is that if they managed to produce the same quality iPhone but with less features so that it can target price conscious consumers since Apple's products are of very high cost and major portion of the market is left unused. But for this Apple must take some important consideration like its brand image. For many consumers using Apple is status show and if they launch less priced products than it may hurt the status conscious consumers for this Apple needs to launch a new sub brand under its main brand so that both segments are properly utilized. SWOT analysis also focuses on the main feature of iPhone that is upgrading, in future if Apple is able

to develop an iPhone in which hardware can also be updated then it will increase the creditability of iPhone (Griffin, 2008).

By applying this marketing strategy, it is noted that Apple yet to collaborate its product iPhone with major software companies like Microsoft, if Apple do it then it will be able to produce more featured iPhone that can use software that are produced by other companies resulting in more attractive smart phone which will force other consumers to migrate to Apple smart phones (Checco, 2005).

Furthermore, the new version iPhone should be strategically priced, as today the price iPhone 4 is very high that even those consumers who have held iPhone 3 do not want to buy the latest item. Therefore the pricing for the product should be very critically set in order to sell high units. This can be done by reducing the profit margin on the product, it will surely reduce the profit generated for the company, but still when the company will experience high revenues in terms of high sales, and this will be more beneficial for the company. Moreover as the company had already did a mistake by associating the product to a carrier, this should not be repeated again, as there are still many emerging markets which can be targeted by the company like Pakistan and Sri Lanka. Moreover the company should also focus on the launching pattern of the products and should not follow the same old pattern as they did for iPhone.

### **Conclusion:**

The iPhone has revolutionized the entire industry of cell phones and has introduced the new terminology of smart phones. Apple is always being famous for its innovative and new products with distinct features which are unique in the market. Similarly material was observed when Apple launched first ever smart phone in 2007. The product was well awaited as the marketing and promotional activities were already begun before the official launch. The initial response to the product was very good and soon after some time great share of the market was captured by the product. The brand image of the company also had its part in the successful launch of the new product and moreover the way the company has advertised it was very clever yet so simple.

The above report discusses the various aspects of marketing techniques used by Apple in order to promote the product. An overview of the current marketing strategy has been discussed for the company in which it has been observed that

the most appropriate medium used by the company is TV and website. At regular intervals, company has run a campaign in terms of TV ads and all ads in one campaign are interrelated which has enabled the company to capture much of the product share in the market. These ads are based on the any one feature of the product and that feature is being highlighted in the ads.

The most appropriate step by the company was to take the pro-active role in terms of marketing the product and many ads can be seen on TV, the next most appropriate way to market the iPhone is the website, and the official website for the product consists many of the various features of the iPhone, it is filled with many tip and tricks along with one more promotional factor the applications. Having unique and different applications for almost every purpose, the company is able to market the product in terms of its unique features. Although the company did 12 well, still it experienced some drawbacks in the marketing strategy. Like the pricing was not strategically developed and also the reduction of price was the bad decision from the management.

In the end of the report, the recommendations have been given, but first the SWOT analysis of the product is being conducted in order to realize the current situations for the product. After conducting the SWOT, the company is able to realize the potential opportunities for the iPhone that company can avail in order to promote the product which will ultimately result in higher revenue generation. Then the recommendations have been given, and the major emphasis in recommendation part is on the increase of the market share by promoting the product to different segments like business and many others.

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