

Apple and increasing market share

[Finance](#), [Market](#)



Apple Inc. is a successful developer of both computers and consumer electronics. The company's most popular products include Macintosh computers, iPod mp3 players, iPhone smartphones and most recently the iPad, which is a hybrid of a tablet computer, and an eReader. Apple's Macintosh computers, iPods, iPhones, and iPads all share characteristics that make them part of the general information technology industry. However, since they are very different products each belongs to a more specific industry.

The Macintosh computers are included in the personal computer industry, iPods in the personal media player category and, depending on the model, the mobile internet device (MID) market and iPhones to the smartphone and MID industry. The iPad has not been released to the general public yet, but considering its various features it could belong to many markets. However, it will most likely be competing with the internet tablets, netbooks, and eReaders. Considering their competitors, one could surmise that the iPad will belong to both PC and eReader markets.

By incorporating market assessment and predictions for each of Apple's products, as well as consumer research into the promotional strategy, Apple will be able to improve its product sales 10% over 2011. Macintosh computers are Apple's oldest product category. Their price point is significantly higher than Windows based PCs. This knowledge, combined with Apple's popular Mac vs. PC television ads, can tell us a little bit about Apple's target consumer. In the Mac vs. PC ads, Mac is represented by a young, trendy individual while PC is represented by a middle-aged nerd.

This depiction of Mac, coupled with its higher prices (the cheapest Mac sells for \$999), tells us that Mac is trying to attract younger individuals, within the 18-24, 25-34 and 35-44 age bracket with a higher-than-average income of the \$50, 000-\$79, 000 bracket and above. Due to the higher price point, Apple is targeting college graduates, because they tend to make more money. In the famous Mac vs. PC ads, Mac is portrayed by a male actor indicating that the company's target market may be slightly more aimed at males than females (Get a Mac - Watch the TV Ads).

Maintaining the current target market appears to be a wise strategy since reducing prices now in order to attract less affluent consumers could risk Apple's image as a status symbol and its brand equity, especially when one considers a recent study of Apple consumer psychographics in which Mac users were considered to be less modest and more assured of their self superiority than the general population. I would recommend, however, that the Macintosh not entirely dismiss the female audience or older consumers.

Older consumers tend to have more disposable income than the younger consumer. Therefore, with the brand's higher price point, it would make sense to include the 45+ consumers in promotional strategy as well (Fried). As part of the personal computer industry, Macs are subject to several trends occurring within the industry. First, industrial design is becoming much more important in the minds of consumers than technological features. Consumers want computers that are more portable and can handle work and school requirements.

Lower-priced mini-notebooks are becoming increasingly popular with consumers. It should be noted that according to Gartner, 'mini-notebooks were the only growing PC segment in 2009.' In another recent study by Gartner, it was predicted that by 2014 in a mature market, design would be the primary reason 20% of consumers will decide to purchase a new computer. However, computer firms should consider not only the outward design of the machine. Consumers also want user-friendly systems that work well with their other electronic devices.

The second factor impacting the personal computer market is increased concentration on targeting even younger consumers. The main features expected to entice these youths are touchscreens and cheap mini-notebooks. Gartner has predicted that 'by 2015, more than 50% of PCs sold to users under the age of 15 will have touchscreens.' Similarly the research company predicted that 20% of mini-notebooks would be sold to consumers 12 years of age and younger by 2012. It is also predicted that mini-notebook sales to children will be the quickest growing segment among PCs (Kitagawa).

Considering this information there are many routes Apple can take to increase their market share in the personal computer industry. First, for consumers who want cheaper options, portability, and great design, Apple should use this as an opportunity to position the iPad as an alternative to the mini-notebook. The \$499 device is capable of running Apple's version Microsoft Office, iWorks, and in the future the iPad application store may include Microsoft Office apps.

The device basically allows consumers to do more or less the same things as a mini-notebook but has the sleeker design and more user friendly interface that consumers are demanding. An alternative to this would be for Apple to design a mini-notebook version of the Macintosh since at present, the closest thing Apple has to compete with this product is the Apple Air, which while it does weigh less than most computers on the market, the product is still very wide in comparison to the standard mini-notebook (iPad - See the Web, Email, and Photos like Never Before).

If Mac wants to continue to compete against its Windows counterparts, Dell, Toshiba, HP and Asus, the company needs to be prepared to compete in the mini-notebook arena. Apple could do this by positioning the iPad as a mini-notebook in consumers' minds or by creating a new product, a Macintosh mini-notebook (Kitagawa). A second route Apple could take to improve its sales involves the trend of multi-touch surface computers becoming increasingly important in targeting younger personal computer users.

Gartner noted that due to this trend, new markets will be developed for lower cost, with touchscreen computers targeted toward younger users.

Apple could define this market with its iPad, or a version of the iPad.

Especially since younger users have an easier time using touch screens that are horizontal (like the iPad) than vertical screens (like a netbook). It is important that Apple work on defining this market now, because the new Windows 7 operating system is fully equipped to allow PCs, Mac's biggest competitors, to enter the portable touch-screen PC market (Kitagawa).

To solidify the best strategy in increasing sales in the personal computer industry, Apple should conduct research surveys to determine if an Apple mini-notebook is something consumers would be interested in, and if given the choice at the same price (currently \$499), would they prefer an Apple netbook to an Apple iPad? This would enable Apple to determine whether or not a new product needs to be created to compete in the mini-notebook market. In addition, since design is becoming increasingly important in the computer industry, Apple should seek consumer feedback concerning ways Macs could improve their current designs.

To effectively promote the iPad as a netbook, Apple can take several avenues. First, because the iPad could be easily adapted by children, Apple could greatly bolster its iPad sales by developing educational software for the device and targeting elementary schools with sales promotions and direct marketing emphasizing the product's educational benefits. To employ this strategy, Apple should send direct mail to public schools and include discounts on iPads based on the schools economic need.

Marketing the iPad as computer for children via direct marketing and not the mass media will also help avoid associating the iPad solely as a children's computer. Apple's iPad has already done a great job of utilizing public relations to create a buzz about the product. In fact, the product won't be released until April, 2010 but the United States government is already worried that its popularity will slow down the internet as new iPad users access the internet (Bellaria).

To market the product as a netbook, Apple should consider emphasizing the attachable keyboard that would allow the product to be better positioned as mini-notebook (iPad). The best way to do this would be to put ads on the big four broadcast networks, ABC, CBS, FOX and NBC. Apple targets a wide range of consumers and advertising on these networks prior to the product's release would reach a wide range of the target market. As far as marketing Macintosh computers, Apple should keep the current Mac versus PC ads, but incorporate female versions of the ads to entice more females to switch from PC to Mac.

Finally, because the older consumer is a great potential market, Apple should include advertising in news magazines, a medium popular with older adults (Newsmagazine Demographics: A Graying Market). Since many older consumers are apprehensive about technology, the ads should emphasize Macintosh computers' ease of use and small learning curve. Currently the Apple iPod personal media player offers lower price points and has garnered a market share of around 70%, exceeding all mp3 players for several years.

The iPod is to mp3 players what the Sony Walkman was to tape players (Elmer-DeWitt). For this reason, Apple's target demographic is definitely broader for iPod than its Macintosh brand, partly because of the mix of low and high prices of iPods ranging from the \$59 iPod Shuffle to the high-end \$399 iPod Touch. Apple still focuses its attention on younger consumers for the simple reason that this age bracket is more comfortable with technology. The iPod targets age brackets from the 12-17 range to the 35-44 age range.

Males are typically more tech savvy so they make up a slightly higher percentage of the gender demographic. Since the iPod is a cheaper product, household incomes, with the exception of the \$15,000 and below bracket are potential consumers. High school students are another great market for the iPod so those with some high school education and beyond are also targeted by Apple. As for psychographics, the consumer base for the iPod is so broad it would be hard to narrow down consumer similarities to anything more than a love of music (Play Music and More on iPod).

The portable mp3 industry is reaching its penetration point and sales are starting to stabilize (Elmer-Dewitt). Portable media players like the mp3 are also following a more connected trend. This means more and more devices, such as the iPod touch are allowing users to access the internet through Wi-Fi networks. Because the iPod is doing so well and has such a loyal brand following, all Apple needs to do is continue to invest just enough in R&D to stay with the competition (Baker). The iPod has reached the maturity age as sales have stabilized in this area.

It is time for Apple to start thinking about cutting costs in this department and milking the brand by reducing costs to increase profit margins (Aaker). The iPod can employ a flighting schedule, going on flight hiatus until before and during the peak holiday period to cut costs. iPod only needs to maintain its image as the mp3 player to have. This can be done by continuing some television advertising to general audiences on the 4 major broadcasting networks as well as channels popular with youth, like MTV and the Disney

Channel, in which new music is promoted along with the Apple device, thus linking the iPod with youth.

Also, since online advertising is extremely effective with younger consumers, commercial banners on youth oriented sites such as MTV.com or Hulu.com will continue to keep the iPod positioned as the definitive music player for the 12-17 and 18-24 year old consumers. Sales promotions allowing consumers to get a discount on a new iPod if they turn in their old model could also be effective for the product. This would also maintain brand loyalty and create a unique selling proposition among mp3 players.

The iPhone is very similar to the iPod, especially the iPod touch, in that it can play music and video, (and like the iPod touch, access the internet); however, the device also acts as a cell phone. Over the course of the first quarter for 2010, Apple sold 8.7 million iPhones, a 100 percent growth in sales from 2009's first quarter. (Reports First Quarter Results) However, in the smartphone industry, Blackberry still leads the market and Google's Android has gained a 4% increase in market share. Currently, these smartphones are Apple's biggest threat.

The iPhone has only gained a .04% market share (Turner). The problem iPhone is likely facing here is the demographics the product is targeting and attracting. The average buyer of the iPhone is almost evenly split among the 15-24, 25-34 and 35-49 age brackets (31, 32 and 31 percent, respectively). 74 percent of iPhone consumers are males and 58% have graduated college. Finally, the average household income of the iPhone is \$75,600, so the

target consumer likely falls into either the \$50, 000 to \$79, 000 or \$80, 000 to \$94, 000 household income range.

The psychographics of the Apple iPod are the same as those of Mac users because both products, iPhones and Macs, are considered status symbols (White). In the case of the iPhone, Apple needs to work on targeting older users. Only 6% of iPhone users are above the age of 50; however, these consumers have more money to spend. Also, because of the intuitive touch interface, the ease of use of the iPhone could be a strong selling proposition for older consumers without much technological experience.

Apple should continue researching ways to improve the ease of use of its product since as the smartphone industry progresses, large screens and touch interfaces are becoming commonplace. Improved usability, longer battery life, and network optimization is where smartphone will be competing in the future (Baker). To improve the user experience of the iPhone, Apple should conduct ethnographic research on current iPhone users. These studies could uncover user frustrations concerning the iPhone experience and focus on the features consumers currently like about the product.

This will help Apple improve the user experience even more and enable the company to more effectively market the device to a wider range of less technologically inclined users. Apple could also include an 'easy interface' application specifically designed for the older consumer (Aaker). Like the promotional strategy discussed for Macintosh computers, Apple should take out ads in news magazines like Time and Newsweek, which are targeted to

an older demographic, in order to promote the iPhone's ease of use and possibly the new 'easy interface' application to more senior consumers.

In regards to the newest Apple iPad, this product has a lot of potential to increase Apple's sales over the next year. It has already been discussed how the product could increase sales by positioning itself as a competitor in the netbook and touch PC market. In addition, the device can also be positioned as competitor in the eReader market. Gartner recently suggested that the eReader industry would great potential if some current issues were resolved. The first issue is that the eReader industry has not agreed on a proprietary file format for eBooks.

This means that currently, there is not a standard book file format that can be transferred from one eReader to another (Baker). However, Apple has enjoyed much success with its iTunes and Application stores for its iPhone and iPod devices. Apple can leverage its online media store competencies to really make the iBookstore a success. If the iBookstore can be as successful as iTunes, not only will this increase eBook sales for Apple, it will also be good for the industry as a whole as it may provide eBook readers with a common file format (Aacker).

The Apple company needs to be cautious and strategic however since Barnes and Noble, the owner of one of Apple's eReader competitors, The Nook, has announced plans to create its own free online bookstore application for the iPad (Hamblen). Another element that has been afflicting the eReader industry is the price relative to the benefit. The Amazon Kindle's cheapest version sells for \$259 (Kindle Wireless Reading Device) and Barnes

and Noble's Nook sells for the same price (Nook, EBook Reader, EReader). The Sony Reader has a pocket version of its reader, set at a price of \$199 (Sony - Reader Pocket Edition).

These prices are currently considered to be too high for most consumers considering the only function of the eReader is to allow consumers to read. The cheapest version of the iPad is to sell at \$499. Even though this is almost twice as high as the Kindle, Nook, and Sony Reader, the iPad offers many more benefits, such as video and audio playback, and access to the internet (iPad). Consumers are therefore more likely to forgive the relatively higher price of the iPad since it offers so many more benefits (Baker).

The iPad should continue its mass media commercials on the major networks and work to emphasize its iBookstore in commercials in order to edge out the Barnes and Noble reader application being designed to compete with the iBookstore. Historically, new Apple products are much sought after and are considered status symbols. Because of this, the iPad will be targeted to higher household incomes, primarily the \$50,000 to \$79,000 and \$80,000 to \$94,000 brackets. Like other Apple products, the target market will likely lean more toward the male audience and include primarily college graduates. The age range will also likely be 18-24, 25-34, and 35-44 as older consumers typically avoid newer technologies. To generalize all Apple products and their promotional strategies, CEO Steve Jobs does an excellent job of using PR to introduce Apple products and create a buzz for them. However, after the initial buzz wears off, so does the PR. One way Apple could keep its name in the news is by creating a charitable organization, such as an after school

technology learning program for inner city high school students, incorporating Mac products into that organization.

Overall, Apple is in a very good position to increase its sales over 2011. Consumers are embracing technology, especially mobile media technology. More and more people are watching videos online and embracing smartphone technology (Bhatia). Apple should continue to emphasize the user-friendliness and great design of its products to the young, old, and everyone in between. If Apple does this, in addition to the many promotional strategies outlined above, a 10% increase in sales over 2011 will be very probable and Apple will have a lot of potential for future growth as well.