Apple stores rm assignment

During his store visits, Johnson tried computer applications, listened to a store employee make a presentation in front of the 0-foot screen at the rear of the store in " the theater," and respectfully introduced his guests to the local " genius," the official title of a very knowledgeable employee who stood behind a " bad (complete with stools and water bottles) and helped solve consumer problems. Every detail of the store experience had been carefully designed, and as much as Johnson enjoyed each tour, he was also checking that all the store's elements were perfectly under control. The store experience has to be the same every day, every hour, in every store. We care passionately about that," he often said. The stores were expanding to new territories, mostly in high traffic shopping malls, with the explicit purpose of " enriching people's lives" and converting new customers to Apple products. To complete that mission successfully, Johnny's focus was on choosing the right locations, selecting and training knowledgeable and dedicated employees, and defining the most effective utilization of the innovative store elements such as the theater and the genius bar.

On each of these three fronts, Johnson felt fortunate that he was endowed with unique gifts: a store concept that shopping mall owners found ere attractive; a large base of loyal Apple users who found working in an Apple store a dream; and store elements that could provoke consumer involvement. However, using these gifts diligently, without wasting them, required constant reflection on what the stores were all about. A second important challenge for Johnson was to determine the best ways to evaluate the success of the stores.

Traffic was high (a total of 800, 000 visitors across all stores in December 2001), and sales were gaining momentum ($48 million in total sales over the quarter ending in December 2001). However, store traffic ND sales were only surface indicators of the stores' intended effects. A deeper understanding of the dynamic impact of the stores on consumer behavior would help Johnson and his team to monitor progress more adequately.

On that sunny afternoon of January 2002, Ron Johnson was returning to his office after a quick visit to the Palo Alto, California store, where he had met an alert 90-year-old man who had never Professor Luck Withier and Research Associate Kevin Morris prepared this case. HOBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. Copyright 0 2002, 2010 President and Fellows of Harvard College.

To order copies or request permission to reproduce materials, call 1-800-5457685, write Harvard Business School Publishing, Boston, MA 021 63, or go to http://www. Hobs. Harvard. Deed. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means-? electronic, mechanical, photocopying, recording, or otherwise-? without the permission of Harvard Business School. This document is authorized for use only in Retail Management by proof. Viand Can't at MINIMS from June 2014 to December 2014. 02-063 owned a computer. Johnson decided it was time to sit down and reflect on the nature of his mission, and on the best way to maximize his chance of success with Apple's retail venture. Genesis Founded in 1976 by

Steve Jobs and Steve Woozier, Apple Computer established a brand based on constant innovation, design, brand image, and product integration (hardware-software). Apple quickly became the market leader, with more than 15 percent market share in 1980. When IBM entered the market in 1981, however, Apple's share declined rapidly, to 6 percent by 1982.

Apple sales stabilized over the next few years, and its Macintosh computer fared well at a time when computers were mainly used as productivity tools, particularly for word processing. Later, the word " Mac" remained commonly used as a nickname for an Apple computer. In 1985, Jobs left the company in 1985 to start the NeXT software company. Over the next 1 2 years, with three Coos and limited innovation, Apple's market share slowly declined to 3 percent. In July of 1997, Jobs returned to the company as n interim CEO, and he immediately reintroduced a focus on innovative designs and the message of user-friendliness.

In 1998, Apple introduced the more affordable Imax, a colorful designed machine marketed to domesticate the internet. At the time, the personal computer was widely becoming a communication tool, and the Imax was an instant bestseller for Apple. It sold 6 million units between 1998 and 2001. These developments and the company's advertising mantra to " Think Different," however, ultimately didn't do much to increase the company market share, which remained at about 3 percent in the US and 5 percent worldwide (there were bout 25 million Mac users worldwide).

To skeptics, Steve Jobs often pointed out that these percentages were greater than what BMW or Mercedes achieved in the car industry. (See

Exhibits 1 and 2 for financial history and sales forecasts.) The personal computer industry had meanwhile taken another route, one that didn't focus on innovation as a driving force. Rather, the emphasis was on logistics, supply chain efficiencies, business customers, and price. Computers were mostly being sold direct online, in electronics stores, or in computer megastars – not unlike televisions and other consumer electronics products.

All noncom computers were conceived to support Microsoft's Windows software and incorporated Intel microprocessors. In 2001, Dell (with a telling slogan: " Easy to buy, easy to own" and 18. 4 percent operating margins) was the market leader with 14 percent market share, followed by players such as Compact (12 percent) Gateway (8 percent), IBM (7 percent), or HP (7 percent), though more than 50 percent of the market belonged to small producers and less-established brands. ' What we face," said Johnson, " is a commoditized industry.

And consumers follow the same logic: many people buy their computer simply as box, without much effort spent into thinking about what they will need it for. " Digital Hub It had become clear to Jobs that beyond personal prod activity and communication, the digital age was impacting the way people consumed music and images. Many of the new digital products were defining consumers' lifestyles. Jobs saw this as a great time for Apple to bring about its mix of innovation, design, and image of user-friendliness.

He felt that this was an occasion to leverage Apple's unique strategy of product integration. After all, it appeared that current Mac users were doing a better job coping with the ewe digital environment: for instance, 62

percent of Apple users owned a digital camera vs.. 33 percent of PC users, and 20 percent of Apple users had an IMP player vs.. 9 percent of PC owners. 2 This document is authorized for use only in Retail Management by Proof.

Viand By 2002, Apple contributed tools such as the pod (a best-selling IMP personal music player), photo (a software to organize and display digital images), and the new Imax, launched in January 2002 would become the digital hub where consumers could " control their digital lifestyle. " In this regard, Apple believed users could benefit from their integrated products: operating system, application, hardware-? a much different proposition than what commoditized PC's had to offer.

Besides this new incarnation of the " Think Different" mantra, Apple was taking a number of initiatives to improve their small market share. Steps were taken to tackle the concerns of potential buyers who believed that Apple products were not compatible with other PC products. To cut short a potentially detrimental conversation with consumers about whether Macs are better than PC's, Apple also started to explicitly promote the claim that " everything is easier on a Mac. " Apple's Retail Manager Angela King explained the concept: Interestingly, compatibility means different things to different people.

Incompatibility could be a software issue, a problem with the sending of files, a problem of transferring files, or a problem of switching files from PC to Mac. We have developed easy and effective solutions to address all these issues. Now, the best way to address these perceptions is to create an umbrella message that really welcomes new users to our world. Hence we

coined the phrase: " Everything Is Easier On a Mac. " This is a much broader idea than compatibility. It's the essence of our value proposition. We are not banging our head over it. Why would you bother? Everything is easier!

And to further highlight the fact that the creative vitality of Apple contrasted with the surrounding contamination of personal computers, the slogan " 5 down, 95 to go" (referring to the current and potential market share) was used internally as a powerful motivator of the troops. Shop Different Consumers who perceived personal computers merely as boxes to support Windows applications had little consideration for Apple's value proposition. Somewhat paradoxically, enriching and simplifying people's lives was received as a complex value proposition for the non-initiated. According to our data, two-thirds of the people who buy personal computers do not consider Apple," Johnson recalled. " What we needed was a tool to break through the consumer mind. " Apple's experiences led them to believe that their value proposition could not be supported in the conventional retail environment (3, 000 dealers were involved in selling Apple products), which was tailored to the goals of the " winter" competitors. The concept of the computer as a digital hub had little or no chance to make an impact in that intent.

Roughly 40 percent of Apple products were already sold direct, through the online Apple stores. It became clear that selling computers as empowering tools could not be done in an environment that didn't support consumer involvement, and Apple's stores were born with the intention to engage consumers in an active exploration of their digital needs. It was hoped that, as a result, the commoditized personal computer would look like an

irritatingly inadequate machine. Said Allen Olive, Senior Director, Retail Marketing: We wanted to show people what they can do with the computer.

They would walk in the store, and every computer would be connected to the internet, and equipped with all the major applications. Consumers could see and experience the full Apple experience. From a brand perspective, we always put ' Whap you do with the computer" first, as opposed to " what the computer can do for you. " 3 To which Ron Johnson added: We have a great brand. We didn't need a store to build the brand. We needed a store that lives out what the brand represents, butte want to enrich people's lives. We want them to come back with what they bought. Learn, understand, get help.

In order to develop the notion Of " shop different," Ron Johnson gathered together a group of 1 8 people of various backgrounds who " thought different. " There was someone from Apple's advertising agency, and someone from a large hotel chain, for example: Their only assignment was to think about their own best experience as a customer. Only two of the reported experiences were from retail situations. The others were all from hotels and restaurants, as they're places where you are not sold, but where you are being served. Something is sold in a restaurant, but there are many built-in pure service points too.

My view is: service has moved away from personal terms to operational terms. Service is thought in terms of cleanliness, access and easiness of check out, etc. Thinking service in one-to- one personal terms needs to be re-invented. From that meeting came a set of expectations that were

summarized in a document called " the Credo. " The Credo later took the form Of a small, folded cardboard document which all employees carried with their identification card in a plastic pouch around their neck. " It's a description of their mission," Johnson said. " It was there before the stores were actually designed.

It's our mission. The Credo's cover carried the motto " Enriching peoples lives with innovative, easy-to-use technology. " Inside, standards of conduct and motivational reminders spelled out for the employees the conditions under which the store experience could be re-created on a daily basis. A budget of $84 million was put together to start up the retail project and get the first 25 stores going. Store Elements The average store was 7, 000 square feet, with 4, 500 square feet open to consumers (see Exhibit 3). The rear of the store was dedicated to inventory and a service workshop.

The frames of the store's windows and central door ad bold, black borders. There was no scripture, only Apple's homonym logo, approximately two feet high in white, placed on both sides of the doorway, at eye level. Behind the windows were some creative presentations of new ideas and products, but without the usual background of store windows. Instead, the windows gave an inviting view of the inside Of the store. The store was divided into four areas, delineated by translucent floor-to- ceiling white dividers that protruded about four feet from the walls on both sides of the store.

A small circular white display, shaped like a truncated alumna, was attached at the end of each divider, and displayed monopole digital equipment available for trial and for sale. One column had 6 models of digital

camcorders, and others displayed 6 digital cameras, 6 digital music players, and 6 handheld organizers. Along the center of the store, the " Marketplace" featured massive 5-foot-high black shelves running parallel from the front to the back of the store, stocked with 300 software titles.

The welcome desk, which also served as a checkout, a black rectangular block at the front of the store topped with 4 two computer screens, faced customers as they entered. There was no indication that you could buy or pay there. The Store had light-colored wooden floors, white walls and ceilings. There was general overhead lighting, and rows of spotlights shining down on each of the computers and workstations. Wall lighting was also prominent, giving an impression of extreme brightness, perceivable even from the outside of the store.

There were no boxes or stocks kept in the store area, and the stores were carefully kept clutter-free. Each section's wall had large didactically poster boards attached slightly above eye-level, featuring text and close-ups of happy faces experiencing Apple reduces. Examples of poster titles included " So you have a digital camera. Now what? " or " Turn your home movies into DVD's. Here's how. " Below those posters were waist-high workstations. In total, there were 36 computers on display in the store, all connected to the internet, for liberal use by consumers.

All portables were connected through Apple's wireless connections. Products Area The entire Apple line of computers was on display in the front quarter of the store. On the right side was a display of the latest home products, with a large slogan on the wall: " Everything is easier on a Mac. " On the left side

was the pros" section, with posters promoting Apple's SO X Operating System, " the biggest breakthrough since point and click. " Other peripheral products (printers, scanners, tablets, cables, paper, ink) were in display in the rear-left corner of the store, with little emphasis.

Solutions Area The center half of the store was devoted to solutions. There were four sub- areas, each indicated by a small, lighted, overhead sign: Music, Movies, Photos, and Kids. The Kids sub-area had a disappear low table equipped with five computers, placed on a bright green circular carpet with darker green ball-shaped cushioned seats. The Movies area, and the Photo and Music areas, each had two stations set up for consumer experimentation, conveniently placed on top of a white bean-shaped altar. Theater The theater area had a black floor and a black wall, a speaker desk on the left, and a 1 a-foot screen.

The projection system could play content from computers, DVD players, and satellite broadcasts. Macaroni (Apple's annual consumer show), for example, could be viewed live in every store. Four benches, in a square formation, faced the screen. Genius Bar The Genius Bar was conceived as a place where customers could ask questions, receive service and advice. They could bring their computer and have it hooked up in a way that mimicked their home installation. There were stools for customers to sit down, and water drinks could be served. Black and white portraits of geniuses such as Miles Davis, Amelia Earthward, and Alfred Hitchcock, together with a representation of molecules and atoms in motion were hanging behind the bar. There was a red telephone, visible on the counter behind the bar. In case of doubt, the genius could directly call technicians at Apple headquarters in Cupertino. On

the wall behind the bar, this poem was posted: To the crazy ones. Here's to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They're not fond of rules.

And they have no respect for the status quo. You can quote them, disagree with them, glorify or vilify them. About the only thing you can't do is ignore them. Because they change things. They push the human race forward. And while some see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do. Store Employees Besides the store itself, store employees were key ingredients of the formula. Explained: Ron Johnson Who wants to work in a store? The pay isn't high, customers are demanding, and you have to work over the weekends.

The average yearly turnover in retailing is between 50 percent and 80 percent of the staff. But for us, we don't want turnover. Our staff needs incredible product knowledge. By design, our stores allow employees to exclusively focus on the consumer experience, which is the most rewarding part of the job. What they try to do is to enrich the life of customers. As a result, out of 705 store employees hired so far, we only had 37 instances of separation. Moreover, working with us is a dream come true for many loyal Mac users. We can tap into a more mature employee base. People who show up to do the job.

For our first two stores, more than 200 very qualified people applied. 6 Consumers experienced their encounter with store employees as a normal,

completely non-pushy, conversation. As conceived by the Credo, many consumers were presented " a personalized ride suggestion, recommendation, or solution. " For instance, an interested visitor could be invited to come back to the store with a CD of photos that could then be used to create a weapon on one of the store's terminals. Said Johnson: The concept of a ride is something all our employees know. It's part of their training and a key element of the Credo.

But the customer doesn't know it. A ride is something short, fun, something you want to talk about. Think of a reallocates ride. Employees in the store want to give customers a ride. That gives consistency to what we are doing. The opportunity to do a theater presentation (there normally was one presentation per hour) was an appealing aspect of a store employee's job. About one out of four employees volunteered to do it. There was a guideline to help employees determine hat they should cover, but mostly they were in charge and took great pride at sharing their experience.