

Itunes marketing analysis



Marketing Management Midterm Paper 1 Introduction It was clearly specified not to include an introduction in this document, however, I feel that adding the following words would strengthen the arguments in this document. I have an IT background, I am not a programmer, but I have been working in IT for the last 10+ years. All my life I have been a PC person and not a MAC person, I have used MAC in some occasions but I always felt that PCs were more user-friendly.

It is needless to describe how electronics have progressed and invaded every aspect of our life now a days, we are all about gadgets, MP3 players, GPS, Palm, email, web-cam, web-conferencing etc etc... Every day there is a new invention that seduces us, and I am not immune to these seductions... I too fell 'victim' to APPLE, and I am a happy iPhone user. This new gadget has forced me to work more with APPLE products, namely iTunes.

Yes, it is true what is written in the case study that APPLE updates are troublesome and require a lot of work (involving both software and hardware) just recently when I tried to upgrade my iTunes to the recent release, I wasted a full day trying to get the iPhone and the desktop to communicate again, eventually, I had to do a system restore and remove iTunes and all APPLE soft and reinstall a previous release. This is not a one-off incident, I have had similar incidents with APPLE before... but I still use it and like it and when people ask me, I say it is a very good product.

For the purpose of this study, I decided to explore iTunes for all its glories... I created an account and browsed the iTunes store. Earlier on, I saw on MTV a video clip that I liked, so I searched for it on iTunes and in ONE CLICK I have

the item on my PC and my iPhone and my iPod and I enjoyed listening to it during my workout yesterday. And there I grasped it... how wonderfully has APPLE engineered its products and services, how user-friendly it is and how appealing it is to us, modern-day technology users.

2 Table of Contents

Introduction 2

..... 2 1. 4C - Stakeholders

Analysis 4

Customers: 4

..... 4 Music lovers, media savvy – computer savvy design

conscious Previous Napster

Customers: 4

Broadband Internet Connection private

households 4

Company: 4

..... 4

Competitors: 4

..... 4 BuyMusic.

om 4

. 4 Napster

version2 4

..... 4 Peer to Peer Networks: Kazza/eMule

etc 5

Community:..... 5

..... 5 2. iTunes Positioning

Map..... 3. 1

iTunes Marketing

Mix 7

Product
 7

Price
 7

Place.....

Promotion
 7 3. 2 Competition

Barriers
 8 4. strategic
 perspective
 8

References/Bibliography
 9 3 1. 4C - Stakeholders Analysis Customers:

Music lovers, media savvy – computer savvy design conscious Owners of the famous iPod who selected the APPLE© product for its stylish design who are already accustomed to building their play lists and enjoying them anywhere and everywhere; this segment is considerably well-off -financially speaking- as the price of iPod is relatively higher than other MP3 players available on the market back in 2003; However, to be noted: not all iPod owners are very computer friendly or broadband owners, but, they have a high brand loyalty to APPLE© and they are quite keen on showing off their prized new toy (iPod)

this segment is probably the most valuable to APPLE© as they create a lot of PR for the company.

This segment also contains a lot of media people and social networking active members... Included in this segment also DJs... who want the easiness of acquiring music and have it available to play / mix with... Previous Napster Customers: The previous free version of Napster clients (the illegal one that was shut down), a huge worldwide community of music lovers, who are used to downloading their preferred choices of music of their preferred artists, they downloaded the files in MP3 format, and they are used to having it available in soft format to copy to their MP3 players. This segment is very computer or electronics fluent and they have a broadband connection on hand. Broadband Internet Connection private households

Households with broadband internet connection, download friendly and conscious to copyrights legality issues, usually broadband owners are financially well off, as the cost of broadband back in 2003 was a bit higher than it is now... this demographic are very computer friendly, use daily emails, web-search and IM. Company: Looking at the company from a digital media angle : APPLE© wanted to position itself as the centre piece of myriad of digital services, it first launched the famous iPod in October 2001 that got a worldwide press and became a must have item. The iTunes' edgy graphical user friendly interface (the console) is very compatible and similar to iPod (the play lists and libraries) it has the look and the feel of APPLE... even the windows compatible version is very APPLE© like... As a computer manufacturer the company is known for its sleek design and media performance applications and software. Competitors: BuyMusic. com

A direct competitor offering also itemized musical production and itemized pricing, the threat to iTunes, is not only that BuyMusic is riding on the iTunes publicity wave, it is also providing cheaper itemized prices (\$0.79) than APPLE© (\$0.99) Napster version 2.4 The new legal Napster, offering music download at a subscription fee (? 9.95), the threat is that Napster already has a huge customer database... however, the subscription fee acts in favor of iTunes Peer to Peer Networks: Kazza/eMule etc No subscription, no download fee... just surf and collect... however, the quality of the downloads (not only that it is illegal) is quite poor. It has improved some over time but you get many versions of one song during search without knowing which one has the best quality. It is very inconvenient Community:

The music community, the artists community and the record productions are surely winners in the iTunes APPLE© solution, it guarantees new, modern and advanced solution to distributing music without loss of income of piracy. Also the student, teachers, and parents community has been positively affected by this legal music download channel. 2. iTunes Positioning Map The axels chosen for this positioning map are the following: Download Price : we take into consideration the price that the users pay to download an item, be it a subscription price (like Napster version 2) or the download item price (0.99\$ for iTunes and 0.79\$ for BuyMusic) or free as in the P2P.

Download procedure complexity and the downloaded item Quality: here we consider the steps the user needs to take to download an item to the hard drive (subscription in the case of Napster, number of stages for a purchase (multiple pages in BuyMusci) or one click in the case of iTunes) and the acquired/purchased item quality as MP3 or AAC (as the case for BuyMusic

and iTunes) or low quality as in the peer to peer. 5 A Download Price \$0. 00
\$1. 00 B C Quality of Download and Ease of Access /downloading iTunes
Customer Targets Music lovers, media savvy - computer savvy design
conscious Very quality oriented and appreciate the one click purchase
Previous Napster Customers Used to obtaining their MP3 songs for free,
without subscriptions, however at a reduced quality

Broadband Internet Connection private households Computer friendly,
appreciate the ease of purchase and quality of iTunes Competitors:

BuyMusic. com A B C Napster version2 Peer to Peer Networks: Kazaa/eMule

etc 6 3. 1 iTunes Marketing Mix Product There are three sides to APPLE

iTunes product: The physical product : iTunes, Apples digital media player
application (the console), was launched in April 2003. The application allows
you to organize and play your digital music and podcast files. iTunes is

available as a free download for Mac and Windows, iTunes is able to

interface on the iPod digital media player The Service: The console acted as
digital music retailer. iTunes has become a giant digital cyber space retailer
for music, where users can shop on line, pick and listen to music, compose
their own compilations and pay per music item that they chose. The

company There is another side to the iTunes product: is APPLE and iPod: how
many MP3 player owners switched to iPod after being seduced with the
APPLE feeling of iTunes; the slickness of design, the user-friendly interfaces
and the reputation that APPLE has for digital media performance... Price The

same way as product, the price is looked at from 3 different prospective: •

The physical product by itself is free • The service that iTunes offers is also

free, there is no subscription needed... • What the users pay for are itemized

musical downloads (\$0.99 per song) a very sexy price... even though, it is nearly one dollar, the users perceive it as less (99 cents) If the user downloads a whole album, the price would be the same as a CD bought in a store.. however, as most of us know, in each album there are some songs that are not to each one's liking. Therefore, the user can save money by selecting only the songs that he or she likes in an album... The quality of the downloaded purchases as high and as superior to the original CD (AAC) Place The software itself can be downloaded from either APPLE website or anyother software download sites for free; the music download is then carried out through the iTunes software from the net, be it at home, office, school or any other broadband connection.

In otherwords, the place is CYBER... keeping in mind that the facts used here are dated 2003, before iTunes teaming up with Starbucks to launch hearmusic. Promotion The only information that I managed to find are from the case-study itself... APPLE launch television advertising campaigns with celebrities and famous artists and iTunes received a very good 7 press, the recording industry professionals approved the legitimate music online option that protected their rights and income, Artists also liked the new approach. APPLE carried out some promotional campaigns with Pepsi, offering promotional codes hidden inside the Pepsi bottles that offered free downloads to those who got lucky. 3. Competition Barriers This question is a bit easy, as one can recite actions already taken by APPLE to strengthen its position, for example: teaming me up with other giants such as Pepsi, Starbucks an McDonalds in their joint promotional campaigns... I would also use APPLE's favorable reputation to sign exclusives with record companies to

block out competition; Also sponsor music events and upcoming artist.

Another way would be to strength its position in the education sector, the youth of today are the adults of tomorrow, by binding the students to APPLE products and services, APPLE can insure a better brand royalty tomorrow. 4. strategic perspective

The facts in the case-study indicate that APPLE launched iTunes to strengthen its position as myriad of digital media... Where does APPLE see itself in the future: well iPods have limited capacity in Gigabytes (even though that now a days they surpass 160 gigs), Users with huge libraries of digital media (we are talking about music, movies, tv shows & soap and musical videos) tend to maintain their libraries on personal computers, be it Laptops or Desktops, which can be connected to sophisticated stereo systems and huge high resolution flat screens. In a way of changing how people listen to their music or watch their movies, stores it, sorts it, catalogs it, etc... APPLE's future vision is that homeowners will own a computer or two, say one dedicated to digital media that is connected to modern outlets (Stereo, wireless speakers, TV screen) acting as home entertainment centre... 8