

The diffusion of innovation: iphone launch



1. 1) INTRODUCTION:

Diffusion of innovation is the ' process by which an innovation is communicated through certain channels over time among the members of a social system. It is a special type of communication concerned with the spread of messages that are perceived as new ideas'

Roger (2003). Here we are needed to critique the international launch and marketing mix of apple i phone in relation to the ' diffusion of innovation' model of Roger.

1. 2) IDENTIFYING APPLE I PHONE MARKET:

1) Apple I-Phone Target Market:

Apple wants to encompass the communications market by means of differentiation. Apple seeks deals that could be far more onerous than past agreements with other handset makers. (Financial times 2007)

Partnership with major cell phone service providers like AT & T, Verizon, Sprint, Cellular one and O2, Orange, T-mobile, etc. Considering no one operator is responsible for coverage of the entire nation, O2 is known in UK, Orange in France, while T- mobile leads in Germany (Ibid).

Partnerships with enterprise software firms (critical information of the user is stored).(Associated Press 2009)

It aims its products to get attention of the consumers of high school, college and graduate students who need one portable functional device. Their primary target being the upper-middle professionals.(Ibid)

2) Apple I Phone Market Positioning And Segmentation:

Apple plans to achieve its targets by positioning itself in the following way (see appendix):

Apple positioned itself under three categories on the basis of innovation, differentiation customisation connectivity and storage (Associated Press 2009) of:

Convenience.

Entertainment

Staying connected (See appendix)

1. 3) ADOPTION PROCESS: The way learning helps adoption follows 5 stages called adoption process:

Awareness: Customer gains first knowledge – apple advertisements, PR's.

Interest: The above first step evokes interest in the customer, arousing the customer to look for more information – blogs, social websites, apple website, etc.

Evaluation: The customer evaluates the importance, budget, etc before planning to invest.

Trial: Customer tries it by using the devices in the apple store on display, to take the first experience.

Adoption: If after the trial the customer is satisfied, buys the i-phone and adopts it completely.

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It is generally the last process that every business wishes to accelerate, including apple.

1. 4) marketing mix and roger's perceived attributes :

Rate of adoption in the process of ' diffusion of innovation' is defined as the speed at which the innovation is adopted by the member of the social system; it varies on the basis of some perceived attributes as observed by Roger (2003). Marketing mix of apple I phone involves the 4 p's product, price, promotion and place. These 4 p's were skilfully enforced by the apple in the perceived attributes of the diffusion of innovation model as follows:

1) Relative Advantage (RA):

“ An i-pod, a phone, an internet mobile communicator.. These are not three separate devices!”

Steve Job (2007)

Hence the i-phone is an ingenious combination of touch screen (user friendly), mobile phone, internet device, and an I pod with a good storage memory.

“ I-phones stand out feature is the safari web browser which allows you to surf the net as you would on a computer, without having to visit the decimated version for mobile phone handsets and their pitiful screens.”

Claudine Beaumont (telegraph 2010)

Apple could have suffered a lower diffusion rate since its initial launch in US as it was not 3G compatible but it increased its relative advantage

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considerably from the first launch by churning out a good marketing mix of product and price by introducing the new improved i-phone 3G at an affordable price in the Smartphone market.

2) Compatibility:

Since i-phone is simply an evolution of the smart phones and doesn't really involve an invention of a kind it is a continuous innovation

“ Continuous innovations have a greater compatibility”

Moore (2002)

Hence it has the tendency of diffusing into the market at a greater rate.

In US i-phone was sold only by one carrier at & t could have lead apple to suffer lower rate of diffusion as not everyone likes to change their phone operator.

But in its global launch

“ it rolled out I phones in 10 countries on may 6th 2008, telecom Italia announced deal to bring the I phone to Italy a country already on Vodafone's list, ending exclusive deals with one operator per country.”

Rex Crum (Market Watch).

Since customers won't need to change providers it increased the compatibility. Thus apple appealed to its customers by using the marketing mix of product and promotion.

3) Complexity:

Apple was the first to commercialise the graphical interface and devices that work 'out of the box' with minimal instruction (Moore 2002 cited in Chris Maloney on marketing)

Its commercials are targeted to the audience in such a way to remove any perceived complexity of the product.

(Apple. com)

Apple manage to accelerate its adoption rate by achieving a good well planned marketing mix of product and promotion.

4) Triability:

The i-phones are put on display in apple stores a month before its actual release hence giving the customer a chance to try its applications and check its performance. (Associated press)

“ Apple stores will be outfitted with cell phone repeaters so prospective buyers can test the i-phones on display under real life conditions.”

Allen (wired. com)

Hence apple planned to accelerate its adoption through such perceivable attributes that were relevant to the marketing mix of promotion and place.

About one million phones were unlocked from at & t network (cnet2008).

Hence the innovators in UK Europe Australia were able to try it much before the actual launch therefore already aware of the RA, the lack of complexity,

etc, thus helping further increase in the demands, increasing the rate of adoption by word of mouth.

5) Observability:

Mass media spilling (marketing mix of promotion and place) i. e the media highlighting sports and technology spreads to consumers all over the world.

6) Risk: it's observed that the customer buying behaviour is inversely proportional to the economic risk perceived but Job Steve managed to strike the right marketing mix of product and price by slashing the prices to accelerate the adoption.(apple. com)

7) Communicability: the adoption is accelerated if the performance of the product is easily demonstrated, this apple made possible by its marketing mix of place and promotion by putting banner ads, TV ads, its website in apple stores are dedicated to I phones.(ibid)

1. 5) THE MARKETING STRATEGIES APPLE APPLIED AT EVERY STAGE:

According to Roger 5 categories of adopters follow the ' S' shaped curve in the graph of diffusion of innovation. In 2007 apple advertising budget was \$467 million which it skilfully allocated to market I phones. (Techcrunch 2008). It employed different communication mix channels at different stages of adoption. Following discusses the i-phone adoption curve in relation to the plc curve and the marketing strategies followed by apple in each stage: (see appendix).

Visionaries/innovators – the risk takers, willing to deal with setbacks related to time money and effort. They seed a diffusion process and contribute to the curve about 2.5%. These are people who wanted to get the apple iPhone at its initial launch. They mark the beginning or the stage of product development in a PLC of the iPhones. The already loyal apple customers were informed through emails messages about the launch before it was actually launched. The rest of the customers in the innovators strata were targeted by PR's, blogs and buzz marketing.

Early adopters: also called opinion leaders (see the graph- appendix) and also change agents as they are responsible for fuelling the diffusion process; they constitute about 13.5%. In terms of PLC graph these are the consumers located on the introductory stage. Targeted after launch through strategies like printed media, blogs-industrial forums, apple fan club, TV ads, banner ads, interactive ads, outdoor media, exhibitions, social media- like face book, my space, etc.

Early majority: the cautious ones depending on the experience of the early adopters and contribute to about 34% of the graph. They are located in the growth stage of the PLC cycle and hence it is believed apple iPhones are in this stage right now.

Late majority: are also sceptical and cautious, respond to peer pressure and society and contribute the same amount i. e 34%. This is the maturity stage in a PLC cycle.

Laggards: the last movers, who adopt the technology when the technology has become a tradition of a kind and contribute to about 16 % of the graph. They are usually located around the declining stage of a product.

In the stage of growth, also the consecutive stages, the early majority and the rest of the adopters respectively, apple planned/s to use strategies like carrier handheld advertisements, apple.com, search engine marketing, apple.com-supplying access to iTunes iPhone apps section for free.

1. 7) Critical REVIEW:

I personally feel its international launch strategy was commendable. It accelerated its adoption rate as is apparent by the application of the diffusion of innovation curve by applying the right marketing mix to satisfy the perceived attributed within the diffusion model and by way of advertisements that it used to target the innovators, early adopters and early majority- it used the push and pull strategy- promoting product by full spectrum advertising. At that time- in 2007 the gap between the iPhone and other phones like Nokia, Blackberry, HTC, etc was immense. But now in 2010 when a slew of touch screen have flown into the Smartphone market with similar capacitive multitouch and accelerometer the competition is increasing and the gap between the other phones and iPhones decreasing. For support I have the never ending article of Tomi T Ahonen and Alan Moore from blog of the book-communities dominate brands(august 05, 2010) where he mentions how Google android is already outselling iPhones as the consumers think the latest edition of OS is good enough and the rivals RIM and Symbian have upgraded their OS. Though iPhone was the first mover in this field it faces hard competition now as today the market is abrim with <https://assignbuster.com/the-diffusion-of-innovation-iphone-launch/>

touch screen smart phones which are available at a similar or affordable prices. Similarly apart from the product price marketing mix that apple is going wrong with in today's era, it is also going wrong with its compatibility component of perceived attributes and the product promotion marketing mix, as the apple apps store also faces tough competition from Nokia ovi store as supported by the Tomi T Ahlonen and Alan Moore of the blog- 'Communities Dominate Brands'. Though apples launch was executed very well its strategies are turning old in terms of the new era of 2010 as Steve job said " That's technology. If they bought it this morning, they should go back to where they bought it and talk to them. If they bought it a month ago, well, that's what happens in technology."

Hence Apple needs to upgrade its products further to keep its hold on the market shares. also the early adopters must face the brunt. Furthermore Apple has a non imitable asset- it loyal customers, apples has a record of almost 90% customer retention and thus its customer loyalty is beyond any rivals therefore apple should focus more on keeping them happy. Steve Chazin who once held sales and engineering roles at apple reveals in the article by yahoo- ' shiny new things' that the company targets early adopters while striving to target mainstream customers.

Hence the price cut incident forced Apple to acknowledge the role of early adopters and balance them with the majority in the middle of the adoption curve. Steve job was forced to issue a letter to rebate (apple. com) consequently (see appendix).