

The marketing strategy and sales marketing essay



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Introduction

Apple is an American multinational organization, famously known for its wide range of innovative products such as the iPod/iPad/iPhone. It was first established in 1976 by Steve Jobs, Steve Wozniak and Robert Rayne. It is currently one of the most profitable organizations in the world, with worldwide annual revenue of approximately \$156 billion this year.

Apple's target markets for their products (iPhone/iPad) include business professionals communicating on a regular basis and students/youngsters, interested in games/music. Apple has developed a loyal customer as a result.

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2. 1. Porter's Generic Strategies (Apple)

In Porter's Generic Strategies, cost leaders aim to produce their products at lower cost, and sell at a lower price. Differentiators aim to be unique from competitors with activities such as higher expenditure on advertising/Research & Development to gain competitive advantage.

Few of Apple's activities describe it as a cost leader. For example, they have reduced their supply chain to standardize production of the iPad1 at a lower price, but it is still a differentiator in general. However, Apple is still more of a differentiator in general because it's objective/strategy is to provide the best personal computing experience by differentiating their products with high-quality/innovative design/personalized service to their target markets globally like the iPhone. Barney (1991) supports by saying that businesses must have products that are hard to copy, making it rare/physically unique in

nature. Apple's competitors such as Dell and Nokia find it difficult to copy its unique product quality/design.

However, Porter's differentiation concept may be a problem because remaining unique may be difficult. Apple is now facing a big threat in competition. Despite Apple's products being hard to replicate, Samsung have overtaken Apple in terms of sales in the smartphone sector. Samsung Galaxy S3 is now the world's best-selling smartphone, according to International Business Times (2012). This is because Samsung offers more features, and their new operating system, Android is fast growing. Plus, Samsung Galaxy S3 is also relatively cheaper, which supports the concept of differentiation in Porter's Generic Strategies, where customers become less price sensitive, when product differentiation matters less with wider choice.

According to Grant (2010), a firm's resources are defined as the productive assets owned by the firm.

The content below highlights the resources and capabilities, reflected in the value chain which helps Apple's strategy to achieve its objectives and gain competitive advantage over its competitors.

Resources

Financial Resources

Apple possesses strong cash balances/reserves. Apple's huge financial resources allow them to invest in equipment/machinery/advertising and Research & Development, as mentioned below. The Guardian (2011), further mentioned, Apple's 2011 profits/revenues increased to approximately \$7. 31 billion due to factors like increased sales of their products.

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Raw Materials

Firstly, Apple requires materials liquidmetal/glass/plastic/ink in order to produce their products

Apple's website mentions that it is moving towards using environmentally friendly materials. Apple was criticized by environmental stakeholders for being environmentally unethical. Currently, Apple uses less material and removes toxic substances such as arsenic and mercury to reduce harm to the environment. This has then contributed to increased production of thinner, lighter, more powerful technological goods, since less harmful substances were needed to manufacture them. For example, a 50% decrease in material/emissions contributed to an increase in iMac production.

Apple also outsources their production/raw materials to China. Hill (2010) mentioned that strategic outsourcing has several advantages, as it will lower firms costs, and increases product differentiation.

iPod/iPhone production is outsourced to China because the speed, scale and efficiency of Chinese manufacturing are far superior to the US. Chinese workers are also better trained/educated, and more efficient, leading to a competitive advantage of faster production of finished goods. Chinese workers are also more motivated, as manufacturing jobs are high in demand in that country.

Physical Resources

An article on Asymco (2012) mentioned that investment in advanced technology/machinery is needed for Apple to achieve success. Apple has

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invested in them exceptionally, as it has never before exceeded \$1, 500 million on production investment till 2011. Apple's investment in production/machinery would continue increasing as long as the demand for its products still remains strong. Therefore, this allows Apple to achieve higher production efficiency and continuous improvements, hence gaining competitive advantage.

Brand Reputation

Grant (2010) mentions brand reputations are a useful intangible resource. Apple's strong corporate culture is one of the reasons for its success today. Its culture encourages employees to think creatively outside the box for new concepts of future innovative electronic goods, leading to their positive brand reputation. This is because high quality innovative goods are produced as a result. Therefore, Challis (2010) further mentions when people buy an Apple product, this makes them feel special, complete and empowered. With a positive brand image, it helps Apple become one of the leading consumer electronics businesses in the world, with higher product sales.

Capabilities

With the resources, Apple can then perform their capabilities. Capabilities are a firm's capacity/ability to deploy resources to achieve their objectives.

The Value Chain mentions that the primary value chain is made up of inbound logistics, operations, outbound logistics, marketing and sales and service.

In Apple's case, inbound logistics deals with the warehousing of raw material needed to produce Apple's products. Operations deals with the

transformation of raw materials (metal/glass/lead) into actual products of Apple. When the products are finished, outbound logistics will do the part for product distribution. Examples of distribution channels include retail stores and direct selling. Hill (2010) mentions that Apple has bypassed retail distribution, as it sells their products through e-commerce. This then leads to its marketing.

Marketing Strategy & Sales

An article on Marketing Minds (N. D), mentions Apples branding strategy & personality gives an image of imagination, lifestyle and innovation. Apple spent a lot on marketing/advertising as their global advertising budget hit \$933 million as of 2011. (BusinessWeek, 2012)

Apple wanted to capture a large global audience. Therefore, they spent a lot to advertise through television. For example, prior to the official release date of the iPhone, Apple aired teasers and lifestyle campaign ads of the iPhone globally. The commercials portrayed the iPhone, coming with its extra features, capturing the attention of Apple fans globally, as the iPhone is shown to be more superior than both the iPod and a regular phone combined.

Service

The final part of the primary activities in the value chain is the 'service', aiming to provide service or maintain Apple's product value such as product warranty. Customers covered by consumer protection laws in their country of purchase, will have the benefit of being covered by Apple's One Year Limited Warranty.

Secondary Activities

Secondary activities deal with increasing effectiveness or efficiency of the firm, such as effective corporate culture and Human Resource Management.

Infrastructure (Culture)

Apple's culture has led to its success today. Grant (2010) theory supports the fact that corporate culture helps to coordinate an organization.

Burrows (2004) mentioned that Steve Jobs possessed a "gravitational force" inspiring people and effectively conveying the company's vision of innovation. He values pure creativity/innovation. He sets high standards for everyone, although it can make him angry when his employees can't live up to his expectations. His leadership style can be described as authoritative, as a Financial Times (2005) report mentions that he is not always tolerant. He is very passionate about his job, and tends to get abrasive if things don't go his way.

The culture of Apple has led to its employees adopting behaviours that they create/innovate products that change the world.

Human Resource Management

With Apple's competitive culture, Apple follows selective hiring procedures to recruit creative staff for their design team based on their expertise in order to achieve their objective. They must be exceptional at what they do. Apple's employees harmonize their efforts and apply their separate skills in the organizational context. They have extremely high commitment. This then follows up with technological development activities like Research & Development.

Technological Development(Research and Development)

With Apple's continuous expansion of their product line and huge financial resources, Apple has increased expenditure on research and development as they believe that it would improve future business growth, with more advanced technological development.

Apple's research and development spending is also focused on new hardware and software products, and in improving their existing products such as iPhone/iPad/iMac. Therefore, Apple must continue research and development to sustain a competitive advantage. Apple's research/development budget increased due to their wide range of products. Apple spent \$1. 782 billion on research and development in 2011, and this year, it increased to \$3. 381 billion.

Procurement

After research/development, Apple's procurement takes place, where inputs/raw materials would be purchased for production. Apple would need to purchase chipsets, Display panels, and all rare metals from countries with a strong supply of these resources in order for production to take place.

Evaluation

Johnson et al (2011), mentions that suitability, acceptability and feasibility evaluate a firms success.

Suitability

Suitability is concerned with

Bowman & Asch (2010) further mention that suitability also concerns the external environment which impacts product demand. This will be illustrated with PEST analysis. Apple's strategy considers external environment factors such as political/economical/socio-cultural/technological factors, especially since it operates globally. (See Appendix1)

Apple utilizes its strengths of resources/capabilities to become one of the leading innovative companies globally, giving it a competitive advantage over its competitors. (See Appendix1). Their strategy is also achievable as it considers factors of the external environment such as socio-cultural trends/technological developments. (See Appendix2).

Acceptability

Apple's risk and returns are of generally expected levels. (See Appendix 3).

Therefore, its strategy is generally acceptable because its strategy expected performance outcomes meets its stakeholders expectations.

Feasibility

Based from Apple's Balance Sheet, Apple's strategy looks good as far as financial aspects are concerned. With their strong financial resources, Apple is ensured to obtain further resources/capabilities such as Research & Development and equipment/machinery etc, as mentioned in the Value Chain (See Appendix4) to carry out its strategy of innovation. As of 30th June 2012, Apple's balance sheet shows that it has worth \$117. 2 billion in cash. Although the product development strategy will require lots of investments, Apple is able to carry it out financially.