

# The apple pricing strategy marketing essay



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The mobile phone handsets are widely spread all over the world but users are not very keen on them. Some of them such as Motorola RAZR and Q and the Blackberry Curve, are hardware specific but software side is not so innovative rather confusing. On the other hand some cellular carriers such as Verizon offer custom-branded and painfully slow interfaces to subscribers. The acceptance is taken are part of experience. Apple decided that does not need to be that way and took on the challenge to better design the mousetrap and turning head on cell phone industry aiming to get a slice of \$115 billion market (Topic, 2010).

According to Apple CEO Steve Jobs's the venture has been successful and great demand for iPhone have come from consumer market. Apple focused on consumer market focus, with its sense of design and user interface

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expertise into a huge existing market. It started from a small market and grew it into a huge market. However there are dozens of big companies with similar products and cut throat competition. In parallel with Apple introduced iPhone, LG and Prada introduced the equally stunning KE850 touchscreen Smartphone, with similar specifications.

Handset makers try to get ahead in features with each other to get orders from carriers who need to subsidize handsets to win subscribers. Carriers play makers against each other to get best possible price. In this setup of market Apple has yes able to craft a deal with AT&T to sell iPhones and service, without the traditional handset subsidy. On the other AT&T gets new customers at a lower acquisition cost as iPhone customers are bounded into AT&T for two years.

The competitive edge of Apple is customers experience and succeeded where Palm, Nokia and Motorola have not been so successful. The existing handset makers have Windows-style interface. Apple has reinvented the interface by introducing fully integrated core Internet web and email functionality into the device. Apple has truly a mobile phone experience from a chore into a pleasure. It has seamlessly integrated Internet tools into the package. Like Apple II, iPod, and Macintosh, iPhone is ready to win the hearts and mind of User and leave competitors to catch up for months (Topic, 2010).

In UAE Market, Etisalat has launched the fastest and most powerful phone, iPhone 3GS to date, on October 27, 2009 (Guide, 2009). On the other hand a Dubai based telecom firm du and Apple have reached an agreement to bring

the latest iPhone to the UAE at the end of October, 2009. iPhone 3G and iPhone 3GS will be available to qualifying customers and can be booked online at “ <http://shop.du.ae/iphone>” at any authorized retail outlet throughout UAE.

## **History of iPhone**

After the two years of Apple’s phone’s launch it has changed the world of mobile. It has introduced a new age of smartphones with touchscreens, complete mobile browsing, decent music players and if not enough third-party applications. Even the mobile phone manufacturers have acknowledged the Apple’s iPhone. The touchscreens are now common while from Microsoft to Nokia have started on related applications. It’s iconic phone has helped boost profits even in recession (Kobie, 2009).

We look back at the short history of the gadget.

Figure : iPhone 3G

While rumors are there about how successful iPhone would be. A survey by Entertainment Media Research showed the British public may not be much eager about such a device rather like to keep iPod and browsing separate. When the first ever iPhone was unveiled in January 2007, Steve Jobs described it as “ a revolutionary and magical product that is literally five years’ ahead of any other mobile phone (Kobie, 2009).”

Apple got into controversy with Cisco over the name “ Apple” usage as that firm had already registered it as a trademark. The usual legal fireworks ensued and afterward’s both agreed to use name mutually under an

agreement on undisclosed conditions. The first iPhone hit the US market in June while the UK in November 2007. Lucky O2 got the rights exclusivity for the much waited new phone, and on 9 November 2007 it went on sale in O2 shops in addition to the Apple Store and in Carphone Warehouse as on the same time. Although the phone was launched with widespread availability people has to queue in order to get their hands on first (Kobie, 2009).

Apple introduced its third party applications plan ahead of the launching of the next iPhone, which prove to a well planned step with major success that is App Store. Another important step in the same direction was that Apple added 3G and refreshed the hardware within one and half years after the first iPhone,

The iPhone 3G provided the support for third-generation UMTS and HSDPA 3.6. It did not gave the support for the HSUPA networks while iPhone 3GS supported HSDPA 7.2. In late as 2007 Steve Jobs stated that it was still not widespread in the US and the chipsets not energy efficient enough to support. The 802.11X, an authentication protocol for Wi-Fi networks was added in the 2.0 version update.

## **Time-line**

Following is Apple iPhone 3G history time-line in pictorial format.

Figure : iPhone 3G Time-line

## **Apple Pricing Strategy**

Despite of being popular in press and demand iPhone faces many challenges. Many mobile phones are now adopting Android OS, designed by

Google. The Palm Pre is the first phone to use Palm's new OS called WebOS. Late 2009, Apple rolled out multimedia message (MMS) and cut and paste support to its users. With the introduction of new features would put strain on the carrier's networks and also affects the pricing policies as a result (Wilson, 2010).

In US the iPhone buyers require having a two-year contract with AT&T. It won't work without AT&T unless you hack and unlock it. AT&T packages include a mandatory data plan of \$30 per month (as of September 2009) and can never remove even without using 3G services.

The introductory price for the iPhone's price was \$499 with space storage of 4 GB and \$599 for 8 GB storage. In September 2007, Apple changed the price strategy by lowering the price of the 8 GB model to \$399 and selling 4 GB until stock is out. Another slice in the price came due to the AT&T subsidized hardware. The price of 8 GB iPhone further reduced down to \$199.

The third price cut yet was offered after introduction of iPhone 3GS. In iPhone 3G only one model available is the 8 GB black phone for \$99. The price of 16 GB iPhone 3GS is \$199 and the 32 GB model is available at only \$299.

Figure : iPhone Pricing

Soon after the release, in June 29, 2007 in US market, some of the iPhone's features were criticized, like; slow browsing and difficult the virtual keyboard, cost of battery replacement, and lengthy activation hundreds of pages long

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billing statements. However, Apple was able to sell its millionth iPhone in September 2007 despite of above problems (Wilson, 2010).

## **Setting the price of iPhone**

## **Demand and Supply of iPhone**

## **Price Elasticity of demand and supply of iPhone**

## **Competitors**

## **Conclusion**

Customers on their part have not been enthusiastic about cell phones due to too much hardware oriented product and slow software. Apple decided to design a better mousetrap and get their slice out of \$115 billion market. In a market where service providers play out handset makers to get best price, Apple was able to win good deal with AT&T at its terms by successfully delivering on customer experience. It has reinvented the user interface by introducing core internet functionality into one package. Like Apple II, iPod, and Macintosh, iPhone is ready to win the hearts and mind of User and leave competitors to catch up for months.

## **Recommendation**

Here are some recommendation from above study and analysis:

The strength of Apple is unique user experience; however it needs to be abreast with innovation based upon above core interface. Like there was functionality very late and recently added like cut and paste function.

Despite drastic cuts in prices there are additional services that have high cost of replacement, like battery replacement is unusually expensive.

The itemized billing should be replaced with shorter version since monthly logs span over hundreds of pages which proves to be problematic instead facilitating.