

Analysis, segmentation and marketing mix of apple



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Introduction

The aim of this report is to analyse the current position of the company which includes the products, current strategic position, and current financial strength. Different types of marketing tools are used in this report. PEST analysis and Porter's five force model for looking into the external environment. SWOT analysis for looking into the internal environment of the organization. This report also looks into market segmentation and the marketing mix of the product.

Apple was first introduced by Steve Jobs, Steve Wozniak, and Ronald Wayne on April 1, 1976 to market and sell the Apple personal computer kit. The first computer kits were hand built and was kept for a public display first at the homebrew computer lab. This computer kit consisted of Motherboard with RAM, CPU, and some video chips. Since then apple have come a long way in the market all over the world and they are one of the leading companies in electronic products. This can be known with the information given below:

Current Strategic Position

Apple believes in continuous improvement and they look into all the key sectors like environment, health and safety management systems and the quality of our products, processes and services.

Looking into the Principle and goals of Apple, Apple has set out their own principles where they look to meet all the health and safety requirements, promote energy efficiency, and their main goals are; innovation is the most important thing for apple, to increase the number of sales of the product in the education field, providing new and user friendly software for the

customers, and last but not the least providing high quality products to the customers.

Looking into the current strategic position of Apple, with the introduction of its own operating system, hardware, software application, and with a completely new design, Apple looks to meet all the customer requirements like new products, ease of use, and an innovative design of the product. Apple is currently focusing on, brand awareness and improving the product by increasing the financial investment on marketing and advertisement, they are looking at expanding the retail segment by opening more number of stores all over the world, they are looking at keeping it up with the competition by implementing a cost leadership strategy, and they are looking to continue the reputation of being the leader in innovation for new technology by implementing product differentiation strategy.

Looking into the current finance position of Apple, on October 19, 2009 Apple announced the financial results for the year 2009. The company posted revenue of \$9.87 billion and a net quarterly profit of \$1.67 billion. These results can be compared to the revenue of \$7.9 billion and net quarterly profit of \$1.14 billion in the previous year quarter. International sales also helped 46% of the quarter's revenue. Gross margin is 36.6% when compared to the previous year quarter which was 34.7%.

Apple reached 17% increase when compared to the previous year quarter by successfully selling 3.05 million Mac computers during the quarter.

PEST analysis and Porter's five forces are very important tools to establish the external environment of Apple:

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PEST Analysis

Political Factors

Different countries have different rules and regulations which can act as a positive or a negative barrier which can result in restricting the companies or lend opportunities to the company. Good thing for Apple is NAFTA, European Union and other regional trade open doors so that the company can have a wider market in Europe, Asia, Latin, and America which can offer enormous potential to the company. Beatles lawsuit against Apple can affect the reputation of the company in a negative way. There is a direct impact on the overall business of the company (Apple) due to the political uncertainties caused by terrorism. Apple relies on the government to give a grant and intellectual property obtained from third parties.

Economic Factors

Apple has been affected in the last year by the slow economic and that resulted in low consumer spending. However the current economy shows consumer spending, some amount of improvement, and investment might increase as well. In US due to the weak economic condition the educational segment is encountering a large loss in many states. Hence this has caused a negative impact over the Apple's sales in the educational segment. With respect to sales of product Apple having a worldwide market can be affected by currency exchange rate and by international trade regulations as they obtain the components of the product from foreign suppliers.

Social Factors

Apple have designed their own computers and their own software's which will help this generation as the computer and internet usage is rapidly

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growing worldwide. With the introduction of Mac people have more information, gain more knowledge about different types of computers and becomes a good source of opportunities for the Apple computer industry. Education has become the primary issue for the new generation which is a key factor for the company's business. Social factors also include internet revolution, shopping online, Brand awareness of the company.

Technological Factors

Technology is experiencing a rapid boom in this generation, and people appreciate more and more innovative changes in their systems and are switching over to the new information appliances and Apple have been successful in providing new appliances. There is a rapid growth in the usage of the internet which is also a good opportunity for the company. The traditional desktop is becoming outdated with new products coming into the market like Mac laptops. This new technology can be used in schools, collages, and by professionals as they will be able to gain the more knowledge and this in turn increases the demand of the product.

Porter's five forces

Porter's five forces model is an excellent model to use to analyze a particular environment of an industry. In this report we are entering the PC industry and hence Porter's model will help us to find out about:

Competitive Rivalry

Competitive rivalry for Apple is very high as it is a competition among the big companies and it is fierce as everyone is aiming at a larger market share, intensive price cuts and changes. PCs are differentiated as hardware /

software configurations. Competition is mainly based on cost. The main competitor for Apple is Microsoft. Microsoft also has their own operating system but is providing it to the customers in a very cheap price when compared to Apple. Hence I can say that there is a fierce price competition.

Bargaining Power of suppliers. (Low)

Looking into Apple, the company is highly dependent on component suppliers. If the supplier wants to increase his profits he can put pressure on the market by supplying the components at a higher price. Apple is running at a higher risk than others as they are working with only a few selected suppliers.

Bargaining Power of customers. (Low)

In the PC world there is a high number of suppliers in the industry and Apple being a part of it, has its product price higher than the other company products. Hence there will be a lot of options for the customers to buy the cheapest and the best product.

Threats of substitutes. (Low)

In the present generation PCs represent 90% of the market share as they have multiple configurations, performance and price ranges. Looking into Apple they have their own operating system called as Mac and there is no product competing in the market.

Threat of new entry.

In the world of PCs any company that has a new technology that is efficient in terms of price and performance is considered as a threat to the industry.

Looking into Apple there are no threats from any new entrants as there is no

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product competing in the market. Apple has a very good brand image and it will be very difficult for the new entrants to pose a threat to the company.

SWOT analysis is also a very important tool which will help in establishing the internal environment of Apple:

SWOT Analysis

SWOT analysis is a market tool which helps to understand the strengths, weakness, opportunities and threats in a business. During the strategic planning process the most commonly used tool is SWOT.

STRENGTHS:

Corporate reputation is high.

Apple manufactures have their own product and their own operating system hence they have a good control over the product.

Leader in innovation and product differentiation.

Apple has a very good strategic alliance with HP.

Creativity style.

WEAKNESSES:

Apple has set high prices on their products.

Apple has high inventory in their products.

Apple has problems in distribution of their products.

Apple has too many product lines.

OPPORTUNITIES:

Demand for innovation.

Internet.

Growing industry.

Employee benefit programme.

Opportunity to create a new software markets and selling the hardware in those markets.

THREATS:

There is fierce competition among the PC industry.

Loss of market share.

Price competition.

Increase in supply's costs.

Market Segmentation

The market segmentation includes:

Demographical bases.

Geographical bases.

Behavior bases.

Psychographic bases.

2. 1 Demographical bases (age, family size, life cycle, occupation)

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Looking into Apple, the Demographical market segment is successful because they are developing products on the age, life cycle, occupation of the people. They are distributing their products into various places and the PCs are categorized on age, family size, for example they would have more games and entertainment in the PCs for the kids and a professional PC with all the latest software's.

2. 2 Geographical bases (states, regions, countries)

Looking into the geographical bases of Apple they have established their business all over the world like U. S., South America, Europe, Japan, and Australia.

Recently Apple chose to implement a vertical growth strategy and began expanding their own retail stores. The company also sells its product via third-parties dealers, or via internet through their own website or through the iTunes online music stores.

2. 3 Behavior bases (product knowledge, usage, attitudes, and responses)

In this market segment Apple providing good product knowledge to the customers by advertizing on search engines, T. V. as they have a very good brand image. Using this brand image they are continuously coming up with new ideas and products and attracting the customers. Apple has got a very good response rate as many of the customers are looking for new designs and innovative products which Apple is successfully delivering.

2. 4 Psychographic bases (lifestyle, values, personality)

Looking into Apple the psychographic market segment is successful because they are developing products on the lifestyle of the people such as Mac book for the younger generation. Apple having a very good brand image has very good value for its products as they are different and innovative. Looking into the personality (style) sector Apple is providing their products with different colors for the people who like fancy colors.

MARKETING MIX

Marketing mix is the combination of the product, the price, place and promotion. These are popularly known as Four Ps. When the marketing condition like political, social, economic, and technological factors change even the marketing mix has to be changed.

The four Ps are listed as below:

3. 1 Product:

Apple is committed to sell original, good looking products that have an easy-to-use interface. The company offers a range of personal computing products, related devices and various third party hardware-products. In addition, the company offers software products (Mac OS X), server software and related solution; professional application software; and consumer, education and business oriented application software. Apple has been very innovative by finding new usages for its Mac computer, such as desktop publishing and strong graphics/animation capabilities. The Mac functionality for managing multimedia files from cameras, DV recorder and MP3 devices has been very popular and successful.

3. 2 Price:

Apple price is known to be above average in the industry. The company is using a differentiation strategy and focuses more on innovation, and quality. This strategy is justifying their premium prices. Lately, however, their new technology and their high cash flow allowed them to lower their price and to offer more discount to certain markets such as the education market. This new pricing strategy may help Apple to compete better with the non-Mac user market but might cause some issue with the brand image/recognition.

3. 3 Place:

Apple's operating segments are comprised of:

U. S.

South America

Europe

Japan

Australia.

Recently Apple chose to implement a vertical growth strategy and began expanding their own retail stores. The company also sells its product via third-parties dealers, or via internet through their own website or through the iTunes online music stores.

3. 4 Promotions:

The best in the Apple Mac is that songs can be played only from iTunes and hence Apple In 2003, formed a strategic alliance with PepsiCo. The Pepsi

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iTunes music promotion calls for people to use the winning code found under the Pepsi's bottle caps products to redeem songs from Apple's iTunes music Store. This promotion has already been successful for both companies and increased the awareness of the iTunes presence in the market.

In 2003, Apple also announced marketing partnerships With America Online that are aimed at driving iTunes use deeply into the mainstream. Apple computers could play a song only from the iTunes. Apple and America Online have agreed to put iTunes " buy this song" buttons next to every song that's listed in AOL's music service, which its 25 million subscribers can access. Clicking the button will automatically launch the iTunes music jukebox and begin downloading the song; billing will be handled through the customer's existing arrangement with AOL.

Apple has a joint venture with Hewlett Packard. Apple has produced an iPod for PC users and the success of this product was a good way for the company to capture non-MAC users.

The company' also drew on endorsements from music stars. In 2005, Apple Computer has initiated a partnership with Wal-Mart that saw the iPod shuffle featured at Wal-Mart discount locations around the country.