

Apples apple tv
business, and its
complementing itunes
business essay



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Introduction

On January 9th, 2001 Apple Computers Inc. (now Apple Inc.) opened its iTunes music store, thereby revolutionizing the music industry. To complement iTunes they also added industry leading gadgets like the iPod, Apple TV and iPhone. During these 7 years iTunes has evolved into an online media store catering not only music, but also podcasts, Movie Rentals, television shows, and Apps for iPhone. The one gadget that brings all these media forms (except Apps) into the consumer's living room is Apple TV. Apple TV is a set-top box that, in addition to content from iTunes, also consolidates content like photos, home movies, etc. wirelessly from the users. Apple TV, therefore, is the gadget that consolidates all the content owned by the user and manages it in one location. In addition, it presents that content on the best display and sound system that the user owns which in most cases today is a large screen TV and a surround sound system. This paper will concentrate on Apple's Apple TV business, and its complementing iTunes business.

Background on the business

From its infancy, Apple's computer line of products had a cult following. However, it never enjoyed a large market share. true However, iTunes and the iPod have brought Apple into the mainstream unlike any other product. The Apple brand is one of the most recognized and admired brands.

While iTunes is the content distribution site and store, Apple TV is the one product that amalgamates Apple's entire ecosystem of products and services. Apple TV has not been a growth driver for Apple. It is a very diverse product, but still lacks a few features that will make physical media killer.

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Apple has not released its Apple TV sales figures, but Piper Jaffray analyst Gene Munster estimated [1] that Apple sold 1.6M Apple TV's in CY2007 and is estimated to sell 2.9M units in CY2008. Gene Munster, other analysts and the investor community also believe that adding small changes in Apple TV could drive tremendous material growth. iTunes on the other hand is as successful as the iPod because they both go hand in hand. Until June 2008, 5 billion songs were sold on iTunes.

Fig 1. iTunes music download numbers

Source: http://en.wikipedia.org/wiki/Image:ITunes_Store_Songs_Sales.jpg

Until October 2008 (see Fig. 1), 200 million TV episodes and 2 million feature length films were sold [2]. These figures make Apple the largest music and the most popular online movie store.

SWOT Analysis

Let's take a look at the SWOT analysis of iTunes and Apple TV separately.

iTunes Strengths

iTunes is the largest online content purchase and rental store.

It sells more music than any other store - online or brick and mortar.

It has tie-ups with major motion picture studios and recording labels.

It also has tie-ups with most television channels including all networks.

Apple adopted a blue ocean strategy spawning an entire industry creating one of the world's most popular brands. Their blue ocean strategy was to introduce iTunes as the first and largest copyrighted music download site. Apple teamed up with the music industry to legalize music downloads. They also produced an mp3 player, the iPod that seamlessly worked with iTunes with almost no computer expertise on the part of the user.

It has a loyal set of enthusiastic customers. Many of its customers are bloggers, and Internet savvy users. Apple has taken advantage of its customer base for its marketing strategy.

The iTunes software works on most of the popular operating systems and also works online through Apple TV, iPhone and iPod touch, making it accessible through multiple mediums. In addition, content purchased from iTunes can be transferred on multiple devices (in addition to iPod), thus making it extremely attractive.

Searching for content on iTunes is simple. You can search using genres, keyword search, power search where you can provide different parameters of your search

1-click movie and song previews.

Help and support for iTunes is among the best in the world.

Using cloud computing, iTunes now suggests what you may enjoy listening or watching based on the tracks and movies in your library.

Movie rentals can be view instantly and it is streamed, while the competition makes you download the entire movie before you can watch it.

iTunes Weaknesses

DRM-free downloads has a higher fee associated.

Movie and music formats are Apple proprietary

HD movies can only be seen through Apple TV

HD is limited ta resolution of 720p, which is not as good as 1080p

iTunes Opportunities

The age of online content offers Apple and iTunes many opportunities. As more and more music is purchased through online downloads, iTunes has the opportunity tbe the market leader in obtaining that business. It is true on a much larger scale on Movie Rentals and TV shows. With more and more bandwidth becoming available, physical media like DVDs can easily fall prey tdigital online content.

In this global marketplace, iTunes should tie up with content providers and media outlets in other countries, especially where there is heavy Internet use and provide content from different international languages. Apple has done a tremendous job at that in music, but has failed tdsin video.

iTunes Threats

Apple should maintain its relationships with different content creators keep its offering on iTunes ahead of the curve.

One of the biggest threats it faces in the videarena is the lack of 1080p HD quality. In addition, enhanced HD should be alsavailable outside of Apple TV.

As in any market leader, iTunes should be weary of being complacent.

As the industry leader, they should alstry tstandardize the content such that it can be played on different mp3 players, and not just iPods.

Apple TV Strengths

Apple TV is a comprehensive digital offering that allows users tconsolidate all they own or look forward town. Apple TV allows a way tview this content on the best videequipment owned by the customer - their TV, and the best music system they own.

Podcasts, Movie Rentals, music, photos, and even YouTube videos can be enjoyed on Apple TV.

Apple TV is seamlessly integrated intthe iTunes store, which means that the content can be directly downloaded tApple TV, without the use of an intermediate computer.

Movies dnot need tbe downloaded before watching. Streaming videcan be seen within a matter of seconds from when it was ordered.

Easy tuse interface. Apple says it best on its website: " Apple TV gives you access tan easy-to-navigate world of entertainment".

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It also provides subtitles, multiple audio tracks and parental control [3].

Apple TV weaknesses

Apple TV hasn't made as big an impact as it was envisioned of making.

The movies and TV shows rented from iTunes have to be seen within 24 hours of renting.

From a hardware front it needs to contain a TV tuner to make it more promising. That feature should be also complemented with DVR functionality.

As mentioned in the iTunes SWOT, HD video is only 720p, and not 1080p.

Apple TV Opportunities

Opportunities are endless with Apple TV. If a TV tuner and DVR functionality is made available, it will unleash its growth potential

HD TV sets, and Home theater ownerships have had double-digit growth over the year. Marketing Apple TV to households that own such equipment would be tremendous growth to Apple.

Apple already has a great set of customers that own one or many products from their line of products. Apple TV is a great device that can manage content from these multiple products.

Apple TV Threats

While online and digital content has been around for a while, the market is far from saturated. Apple TV hasn't gained the market share it was projected

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again. This clearly indicates that users are looking for something more from the device. This could provide a golden opportunity for a competitor who can gain headway in that space.

Apple needs to relax its rental time window to more than 24 hours. The rental time should be as much as what other video rental shops offer to make it more lucrative.

Apple TV is trying to change the way people rent movies, view TV shows and manage content they own. The biggest threat is being able to succeed at this attempt. So far Apple seems to have been unsuccessful.

This looks comprehensive, but I need some text to lead me through it.

Competitive analysis

While there is no competing offering to the iTunes and Apple TV combination, especially since iTunes has a more comprehensive content offering, there are some viable competitors. While Apple was ahead of the curve when it introduced music via iTunes, it is behind the curve when it comes to video. The one thing going Apple's way is that iTunes already has such a huge subscriber base that the competition has its work cut out.

VUDU [4]

VUDU is a venture-backed firm that allows instant access to thousands of movies and TV shows directly through the television, without requiring a computer or cable/satellite service. VUDU service works in conjunction with a set top box. Much like Apple, they have struck deals with movie studios and

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distributors. In most formats the videos can be seen instantly upon rental with no download time required.

Strengths

Using their new technology HDX, videos are streamed at 1080p with an audio bit rate that is equivalent to Blu-ray.

While the rental prices are higher than iTunes they provide a way to extend the rental by a week for \$1.99.

Catalog of 5000+ movies, much larger than iTunes. However, both have approximately the same number of HD movies [6].

Weakness

HDX is a plan-ahead feature, as the movie needs to be downloaded before watching it. The download times may be as much as twice the viewing length of the movie.

A \$299 set top box is required to watch the movies. While Apple TV is a set top box for iTunes, users can still access video rentals through their computer. Apple TV is only required when watching the content on TV. iTunes movies can be watched on a computer, iPod or iPhone. Users have to be convinced to make the \$299 investment with VUDU, while Apple already has a huge user base that can find Apple TV a solution to their other content management needs in addition to movie and TV show rentals.

Search capability is not as powerful as iTunes

Higher rental charges when compared tiTunes

Doesn't compare tiTunes and Apple TV when it comes tTV shows. iTunes has thousands of episodes on hand from all the major networks

Netflix

Netflix is the most popular DVD-Delivery rental service. They have 90, 000 titles in DVD's and recently converted 6000+ of those titles for online streaming ta PC. Netflix, in a venture with LG, is alsworking on creating a set top box tstream movies directly ta TV. Netflix has a per-month subscription model as opposed tApple's pay-as-you-gmodel.

Strengths

Netflix has a huge customer base that is used ttheir pricing model

They have a large collection of digital titles that goes in conjunction with their over 100, 000 titles DVD library.

Weaknesses

Movies have tbe seen only on the computer -until the set top box becomes available.

Their customer base is used twatching movies on a TV screen and may not find the computer screen toappealing twatch a movie.

Amazon VideOn Demand (Amazon Unbox)

The largest online retail store also entered the online video demand market. Videos can be viewed through any broadband-connected compatible device or through a computer.

Strengths

Users can purchase and watch titles through any broadband-connected compatible device connected to a TV like TiVo, Sony Bravia TV, or Xbox 360. Users can also watch movies on a Computer [8].

Up to 40,000 movie and TV titles

Using the TiVo option, allows the users to send their rentals directly to their DVR.

Weakness

Rented movies cannot be transferred to a portable device. They can be viewed on only the device on which they were downloaded [7].

Apple TV and iTunes business model

iTunes and Apple TV were developed using a value delivery system. iTunes and Apple TV were developed keeping both its suppliers (music labels and movie and TV studios) and end consumers in mind. It provided customers a convenient way of tracking and sharing downloaded music between different devices legally. Apple TV was built with the idea of consolidating the different forms of digital content, including music and videos downloaded from iTunes. While Apple TV and iTunes are complementary, their business models are quite different.

With iTunes and the iPod, Apple's true innovation was to make downloading digital music easy and convenient. To achieve that the company built a groundbreaking business model that combined hardware, software and service. Apple essentially gave away low-margin iTunes music track in the purchase of the high-margin iPod. The model defined value in a new way and provided game-changing convenience to the consumer.

For its consumer electronics (Apple TV is part of this business) and Computer hardware business, Apple has adopted a multi-channel model. In addition to its online store, Apple also has 230 Apple Stores worldwide. Each Apple Store contains a Genius Bar (a tech support area), a large variety of Apple hardware, software and peripherals and in some cases a theatre, or Studio. Employees in the store are highly trained on Apple products and are very helpful. Customer service and satisfaction are highly regarded by the employees. The online Apple Store is easily navigable and very well designed to suit their visitors needs. In addition, Apple's consumer electronics are also sold by retailers like Best Buy, Circuit City, Target etc. in their web and local stores. Apple TV is also sold on different online retailers like Amazon.com and Buy.com.

iTunes on the other hand is a media and content Aggregator. It is a single place to obtain different form of media, each from different content sources. iTunes keep track of downloads on users accounts. Content is obtained from television and motion picture studios, music labels, Audibooks producers and now with the iPhone - App software developers. Customers pay on a pay per download basis, most the proceeds going to the content creator. Apple claims to get a very small share, just enough to break even. If that claim has the <https://assignbuster.com/apples-apple-tv-business-and-its-complementing-itunes-business-essay/>

believed, iTunes is created just to provide value to content producers and consumers. Apple generates revenue on the complementary hardware business like iPod, iPhone, and Apple TV. Recent analysis of Apple's revenue shows that Apple earns an average of 30% of the download fees.

Value Proposition

The music industry needed a piracy free method of delivering music. Did it ever! Music lovers needed a way to download music in a digital format while being able to do so legally. Apple swooped in with iTunes and provided a value proposition to both the music industry and the end user. Similarly with increased bandwidth in the Internet backbone and the availability of excellent compression technology, movie and television studios wanted a way to deliver video content piracy-free. With the advent of the video iPod, this video content could be effectively downloaded on a portable device. However, end users also wanted this content to be available in a format that was comparable to HD quality, and wanted to play the content on large screen TV's and multi channel surround sound systems. While a little late in the game, the Apple TV and iTunes combination provided that value to its end users. With the Apple TV and iTunes integration, a whole library of millions of movies and TV shows were now available in the living room at the click of a button. Apple TV, while falling into the category of set-top boxes, is a computer that runs primarily using software. Updates to the software are directly sent to Apple TV with very little user intervention, another huge value for customers.

The value proposition iTunes and Apple TV provides for content creators like music labels and TV and motion picture studios is a legal platform to stream

music, TV shows, movies and other video directly to their customer's living room on an on-demand basis. Piracy is a big issue for content creators, and the iTunes and Apple TV model gives them the revenue they rightly deserve. Since the content is completely digital, the content creators have the added value of generating that revenue without added overhead like manufacturing of physical media (DVDs, CDs etc.), warehousing, logistics etc. In fact, even the digital content is stored on Apple servers.

The value proposition for Apple is that the iTunes and Apple TV combination not only adds to their bottom-line, but also provides an offering like no other to their consumers. That means that they can get into lucrative deals with content providers which has catapulted the Apple brand to one of the most recognized and respected brands.

Makes sense to treat the industry and the consumer separately

Does Apple TV have an Internet revenue stream-I assume you can purchase it on the Apple website

Identifying the Target Market Segment

Identifying the Apple TV and iTunes (for movies and TV shows) market segment is easy for Apple. Millions of users are subscribed to iTunes. With the introduction of music, that entire user base was a Target Market segment. These are users with already a form of digital content. With Apple TV, the target market segment is large. The entire iTunes user base was a target, as were customers of the Apple's computer and iPod business. Apple TV provided a unique value to users with content spread over different devices.

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Apples target market segment is alsthe one that has high definition TV, and surround sound systems. That's probably accurate, but I could use more of a profile-both demand lifestyle-thelp me understand it

Revenue Streams

Apple TV and iTunes have multiple revenue streams. Apple TV, the hardware, can be purchased online from the Apple store, or from one of the 230 brick and mortar Apple Stores. In addition, Apple TV can alsbe purchased from other retailers like Best Buy, Target and Amazon. com. Apple TV does not need a paid subscription, just a free iTunes account. Apple TV has 2 models; a 40 GB model for \$229 and a 160GB model for \$329.

Business week reports that Apple makes a gross profit of 20% on Apple TV before marketing costs [11]. That profit margin is uncharacteristically slim for an Apple product. However, that is only the initial profit. Apple enjoys steady future revenues in the form of rentals and purchases from the iTunes store.

iTunes on the other hand is the steady continuous revenue stream. iTunes is the largest digital content store, and as of January 2008 the second in streaming media, only second treal player and it is growing at 26. 2% annually [12]. Sam Bhavnani of market research firm Current Analysis estimates 200 million iTunes users [13]. Lets look at the revenue stream related tthe pure Apple TV part of iTunes - TV show and movie rentals.

Fig. 2: Apple iTunes market share in videdownloads

While Apple has stopped reporting its videdownload revenue, apple kept about 30% of audidownload charges of 99 cents. Movies can be rented for \$3. 99 with the HD version costing a dollar more. TV shows can be downloaded for \$2. 99. Users can allsign up for season pass, the cost of which differs from show tshow. I think this needs a citation

PART 2

Target Customer Segment

Apple TV, in addition tits connection tiTunes, is also hub where all the content you own is pulled into. It uses the wireless (or wired) network in your home and automatically pulls music, photos and videos from your computer intits in-built hard drive.

Home Theater Owners - The output from Apple TV is Hi-def in nature, and the sound is multi-channel. This makes it an ideal candidate for people whown a home theater system - with a hi-def TV and a surround sound system.

The Apple Install base - Existing Apple computer and iPod owners whslove and adore the Apple brand are ideal candidates because Apple TV brings content stored on different pieces of hardware and software together. While Apple TV can be used tbring all the content together, it can alsbe used selectively for any particular content. For example, a customer that owns an iPod can use Apple TV tstream music from iTunes directly tthe home music system. The software on Apple TV alscomes installed with connectivity

tYouTube, sa customer can bring all the fun YouTube videos ttheir living room.

Cable and Satellite TV customers - A large number of Cable TV customers pay large cable TV bills even when they don't watch much TV. This is because cable TV companies bundle channels intpackages. A consumer has tsubscribe ta package with maybe 50 channels tget the 2 channels he/she is interested in. Such customers alsform a large segment for iTunes and Apple TV. TV shows become available on iTunes (with or without Apple TV) almost immediately when they are telecast on cable. Users can rent TV shows from close ta 100 different channels on iTunes. This means that the user can selectively pick the shows he/she wants twatch, paying for only what was downloaded. Someone whonly watches 3 or 4 TV shows can make huge savings by using the iTunes and Apple TV model.

Movie Lovers - Movie lovers can rent any movie and watch it instantly, without having tdrive ta videstore or having treceive and mail DVDs. They can rent any movie (large number of them in HD quality) by the click of a button without leaving their couch. A movie rented is ready tbe watched within 30 seconds of ordering since Apple TV streams the movie simultaneously. In addition, the movie can be completely downloaded tthe hard disk built inside Apple TV and watched at a convenient time. Movies are alsavailable for download the day the DVD is released, which alsmeans that you can watch a movie even as the local Blockbuster is out of stock.

Is what I was looking for before, but some demos or something tlet me know how I could reach these behavioral segments would be useful

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Customer Acquisition Strategy

The Apple Brand

“ People talk about technology, but Apple was a marketing company,” John Sculley, Apple’s marketing executive from the late 80’s to early 90’s told the Guardian newspaper in 1997. “ It was the marketing company of the decade.” [19]. Sculley had boosted Apple’s advertising and marketing budget from \$15 million to \$100 million. The current CEO, Steve Jobs, spent \$100 million marketing the iMac, which was a run-away hit. Apple continues to spend lots of money on high-profile ads like the “ I’m a Mac, I’m a PC” campaign, and it shows.

The presence of the Apple brand oozes in everything they do. Apple, of course, is the archetypal emotional brand. It’s not just intimate with its customers; it is loved. The following are what make it an emotional brand:

In its early days Apple came across as profoundly humanist. It gave power to people through technology, and remained committed to computers in education.

Its products and advertising are clearly recognizable.

Its products are designed around people. Their design is people driven.

Marketer Marc Gobe, author of Emotional Branding notes that Apple has always projected a human touch — from the charisma of Steve Jobs to the notion that its products are sold for a love of technology. He goes on to say that Apple’s flat-screen iMac or iPhone, for example, were marketed as

though they were created personally by Steve Jobs, not by factory workers in Asia. [19]

Writer Naomi Klein is a leading critic of branding, especially Apple's. Klein, author of *No Logo*, argues that companies like Apple are no longer selling products. They are selling brands, which evoke a subtle mix of people's hopes, dreams and aspirations. [19]

In 2001 when computer manufacturer Gateway was cooling down its 'offline' establishments and Dell was winning by a landslide with its direct Internet sales model, none predicted what would be another great idea by Apple - opening its first Apple retail store. Apple's Steve Jobs declared that when he arrives home with a gift for his children, he hopes for a smile as a sign of appreciation. "I can't imagine giving a smile to the UPS delivery man", he said ironically. He was defending his theory that the spectacular, simple, and terrific Apple stores, such as the ones in New York and London, are a tribute to the customers, to whom they owe a smile of appreciation [23]. That is the emotional connection that the Apple Brand is built around.

Today, Apple is selling huge volumes of products to a much wider, and perhaps less emotional, audience. The iPod, starting at just \$79, has put its name in the hands of millions of mainstream consumers, many of whom, analysts say, have gone on to buy items that represent emotional attachment to the brand: Macs and iPhones. In the most recent quarter, ended on June 30 2007, Apple sold 1.76 million Macs, up 33% from the prior year. That gave it 5.6% of the U. S. PC market, up from 4.8%, says researcher IDC. [20]

Email announcements for new products

Owners of Apple products who have registered their products with Apple, or users who have registered with Apple otherwise receive emails from the Apple store when a new product or feature becomes available. The email typically explains what is available and how it can make a difference in your life. Major Apple products are typically released during Mac World, Apple's largest trade show. Steve Jobs' (Apple CEO) keynote is one of the most watched annual corporate media events heavily covered by media and the blogger community. While that announcement itself is a huge acquisition strategy, the email that shortly follows the keynote is a huge acquisition strategy especially among Apple product owners. See Fig. A in the Appendix for an example of such an email. Notice that this email has a very familiar Apple Store-like look and feel.

Organic Search Results

The Apple store is well optimized to be one of the top search results when looking for media. For example, when searching for 'movie rentals' iTunes and Apple TV were the second and third respectively in search results. Even when searching for something like 'online movie rentals', Apple TV was the third in the results. The search result is a link to a 'What's on ...' page on the Apple Store. The 'What's on Apple TV' page, for example, shows new content available on Apple TV. In addition to text and images, there is a video to see Apple TV in action. There is also a 'Buy' button to purchase Apple TV - right from that page.

Paid Placements

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Apple buys placement ads in search engines like Google, and in many Apple related blogs. Its retail partners like Amazon.com and Target also have top placements in the right advertisement bar. The landing pages for these ads are also comprehensive and contain information about the product, seasonal promotions and always to buy. See Fig. B and Fig. C in the Appendix for examples of the landing pages.

iTunes Affiliates program

This is a partner program that lets partners earn money by adding links to iTunes from their website. E. g. HBO has a link to iTunes from www.hbo.com. Affiliates can earn a 5% commission on qualifying revenue generated by links to iTunes [9]. Apple also gives access to Apple-designed marketing material for use on the web, email and online promotions. This program also means acquiring customers from their affiliate's customer base.

Fig. 3: Example of Affiliate Program

Source: <http://www.hbo.com/>

iTunes tagging

It's a new program started by Apple, which is aimed at radio stations. This is a facility where radio listeners with compatible HD radio's or car stereos can tag a song they hear on the radio. An iPod connected to the radio will record the song's title and metadata. On syncing the iPod a playlist will be generated of tagged songs that will contain links to buy the song from the iTunes store.

Radio station receives a commission on every purchased song tagged from

their broadcast [10]. This is another example of how customers are acquired through over the air radi affiliates and their online radistations

Blogs

Apple products including Apple TV are advertised on different Internet blogs and other Apple related news items on different online news sites.

iTunes continues to expand its market share lead through awareness despite increased competitive pressure. A study of fee-based online music brands and consumer digital music behaviors found that iTunes continued to grow in terms of awareness, usage, familiarity, and “best brand” mentions [21].

Fig. 4: Awareness of Fee-based video download services

Source: Marketing Charts [21]

Can you at least comment on the power of word of mouth, given the strength of the brand?

Customer Retention Strategy

iTunes email newsletters

Apple sends updates on new albums, videos and also live concerts of its best-selling artists. Some of these newsletters also have pre-order capabilities.

Online newsletters also let customers know about iTunes-only products like unreleased Beatles songs, which was only available to iTunes customers. See Fig. D in the Appendix for an example of an iTunes newsletter

Product release emails

Information about new versions of Apple TV, and iTunes are sent to existing customers and people who have expressed interest in certain products

Feature set is always enriched

The first release of Apple TV did not have many of the features like the current Apple TV has such as HD rentals, direct connection to the iTunes store without a computer etc. However, when the new version came out, all existing Apple TV owners were given a free software update so their Apple TV's were now as good as the newer version. Apple has one of the best software update delivery mechanisms in the industry that enables them to push free updates to products with very little customer interaction.

Integration between Apple products

Apple does a phenomenal job in integrating its various products. For example, iPod and iTunes are well integrated. Similarly iTunes and Apple TV is very well integrated. The Apple TV software can now be also navigated using an iPhone, which without an iPhone would typically require the customer to turn on the TV. Customers are informed when such new integration is available, usually as a software update, which doesn't require much customer interaction. This gives Apple a tremendous opportunity to cross-sell products.

Product Quality

Apple products have both quality and aesthetic beauty. Quality has always been a hallmark of Apple products – from their Computers to the iPhone to their software. Quality is what has given Apple its strong brand following. The products are easy to set up and very intuitive to use, which make the users come back to Apple for all their needs. Apple has been taking the top spot in American Customer Satisfaction Index many years in a row [14].

Cloud computing

Apple has now ventured into the area of cloud computing on iTunes. It is a free service on iTunes called Genius that matches patterns in your iTunes library and suggests other compatible content. Genius also includes Genius sidebar, which recommends music from the iTunes Store that you don't already have. If a user chooses to use the Genius feature information about his/her library will be anonymously combined with information provided by other Genius users. Apple will use this combined knowledge to improve Genius playlists and recommendations for everyone.

Customer Service Strategy

Apple boasts of one of the most comprehensive customer service stories in the industry. They have a comprehensive online and offline strategy. Apple products always cost more to purchase than other products in their respective category. They do recognize that premium and provide very high level of support. It is evident from the fact that Support is listed very prominently along with apple products on the main navigation widget on their website.

Fig. 5: The Apple store navigation bar

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Source: <http://www.Apple.com>

Online Strategy

Support Site map - Apple's main support site has a prominent 'Support Site Map' link. It is a map of all support related activities categorized by product. Apple TV and iTunes both have their own category. A customer can be easily guided to the right level of support based on the problem encountered [15].

The first item on the Apple TV support site is a PDF for the setup guide.

There are discussion forums, software updates and a categorized FAQ and troubleshooting. The site also has a link to buy the AppleCare extended warranty.

Users can also check warranty status and also repair status if they have sent the product for repair. The site also has a user discussion board

'Contact Apple Support' Site - The Contact Apple support site has a slew of support offerings. They are the following

Online service assistant [16] - The online service assistant helps order parts for Do-it-yourself repairs, setup mail-in requests, check status of a request, check warranty status, and get do-it-yourself manuals.

Apple user discussion groups - Discussion groups are also categorized based on product. These discussion groups also have a lot of information that could help users find solutions.

Other - The support site also has a separate area to check for product promotions, file rebates, and check status of rebates.

Chat - Online chat support is available for iTunes but not for Apple TV

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Email - Email support is also only available for iTunes but not for Apple TV.

Support Feedback - They have a link on their support page to provide feedback for online support.

Offline Support Strategy

Phone support - There is free phone support available up to the first 90 days of purchase for Apple TV. Beyond that customers have to use online support only. The phone numbers are clearly listed on the support site.

Apple Store Genius Bar - Each of the 230 Apple retail stores have a Genius bar. When customers have a question or need hands-on technical support for Apple TV, they can get friendly, expert advice at the Genius Bar in any Apple Retail store. The Genius Bar is home to Apple's resident geniuses. They are trained at the Apple headquarters and have extensive knowledge of Apple products and can answer all technical questions. They can do actual troubleshooting and repairs. Customers can make an appointment ahead of time or show up at a store to get expert counsel [17].

Authorized service providers - Apple has thousands of Authorized service providers who can also provide service to Apple products including Apple TV.

Integration into Overall Marketing Strategy

Apple's online marketing strategy is very well integrated into their overall marketing strategy. Apple has created a unique customer experience, that their customers (fans) do their selling, and let media do that talking. Apple's overall marketing strategy is about showing a wow-factor to customers and

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target market segment. The overall marketing strategy portrays the Apple brand, be it through traditional press, TV ads or online content. Apple has been traditionally a high-end computer manufacturer, but today all you need is \$79 (cost of the cheapest iPod) to experience the Apple brand. That has opened up their brand to a large segment of the population. Apple TV for the most part has only been marketed online, but iTunes has been marketed very heavily in all forms due to its association with iPod and iPhone. Quality of the product and customer satisfaction is one of the hallmarks of Apple's marketing and it shows in its overall marketing strategy.

Social and regulatory issues

Apple's Customer Privacy Policy covers the collection, use, and disclosure of personal information that may be collected by Apple anytime someone interacts with Apple, such as when visiting the website, when purchasing Apple products and services, or when calling sales or support associates. Their website provides comprehensive information that touches the following topics:

Why is information collected

What information may be collected and how it may be used

Information regarding Apple Id that is used on iTunes

Disclosure of information - Apple does not sell or rent information but it may share with subsidiaries and partners.

Protection of personal information - Apple takes precautions - including administrative, technical, and physical measures - to safeguard personal information against loss, theft, and misuse, as well as unauthorized access, disclosure, alteration, and destruction. It uses SSL encryption on all web pages, the Apple store and iTunes.

Integrity of personal information - Apple has safeguards in place to make sure information is accurate, complete and up-to-date. It provides a secure server for individuals to update their information if they choose to

Information about minors - Apple strives to delete any personal information from minors as some of the products may be purchased as a family and Apple may have some information for minors.

Cookies - Apple uses cookies like many other websites to gather patterns on how the website is used and navigated through. It also uses cookies to personalize their website to the computer user.

Apple's privacy commitment is evident from their disclosure of information privacy practices for compliance review by TRUSTe - an independent, nonprofit organization whose mission is to build users' trust and confidence in the Internet by promoting the use of fair information practices

Intellectual property issues fit here, and perhaps others

Missing sections on data capture/management, IT infrastructure and Internet metrics needed/used

Religious following - fans and haters

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Apple is one of the few companies that have a religious group of fans and haters alike. This is evident from the number of forums and blogs about Apple. While it is very natural for the fans to be a positive marketing source, it is very evident that the love hate relationship also adds to the glory of the Apple brand. In Apple's case it is true that 'There is no such thing as negative publicity'. On the other hand there is much speculation around in the blogs and forums around Apple events that Apple sometimes succumbs to the 'Osborne Effect' [18]. This was very evident during a recent Apple event where speculators were expecting a new improved version of Apple TV that included DVR capability and a Blue-ray player. However, the speculations were false.

Conclusions

The Apple brand wins half the battle in marketing Apple TV and iTunes. While iTunes is one of the products that catapulted the Apple brand, Apple TV has not had much limelight and only rides the Apple brand. The iPhone may have stolen much of Apple TV's thunder due to their fairly close launch date. As explained in the SWOT analysis there are a few product deficiencies in Apple TV that have been the reason for it not meeting its projected demand. However, most analysts and technologists believe that Apple TV is a bit ahead of its time and that people haven't completely realized its full potential - which shows inadequate marketing.

However, I believe that even in its current state it should have sold more than it did. While Apple has marketed Apple TV well in its infancy, it did not reach out to its entire market segment. For example, they should have run a

campaign tunderstand the Television and movie habits of its customer base tbegin with, and expanding that study tits non-customers through traditional media.

Some of the failure may be related tthe pricing of rentals as well. When television studios have their shows available for free online, it is hard tunderstand why anyone would pay \$1. 99 on iTunes and Apple TV tsee the same show.

Recently, Steve Jobs was quoted referring Apple TV as a hobby and not a business. It is important for Apple TV tbe more than a hobby since it plays a huge role in the iTunes viderental strategy and vice-versa. Apple TV is a key piece in boosting growth in the iTunes business and a key driver in Apple changing the way people think of videdelivery.

Apple has a very successful integrated marketing program with its brand in the drivers seat. It needs texpand its marketing in the web 2. 0 space, especially in social networks. A large percent of their millions of customers are on social networks. They need tdevelop social network applications that boost their presence and form a community. For example, Apple could easily develop a Facebook application that lets users stream music between friends, much like iTunes allows that within a computer network today. They can provide music tagging facilities through social networks; similar tthe program they have with radistations as explained in this paper. This will ga long way towards customer acquisition and retention.

In a recent study it was found that the percentage of videconsumed on a TV among videdownloaders and streamers (some 52% of Americans age 12+ <https://assignbuster.com/apples-apple-tv-business-and-its-complementing-itunes-business-essay/>

whhave ever done so) declined from 75% in February 2007 t70% in February 2s008 - a small but significant drop in overall “ share of screen time” among digital videusers. At the same time, the percentage of videconsumed on a PC among digital videusers increased from 11% t19% during the same period, according tfindings of Ipsos MediaCT’s MOTION- its quarterly tracking study investigating digital videusage and behaviors in the US. People are watching more videon their computer because that digital content cannot be really watched on a TV, not without a device like apple TV. Since digital media is eating up more and more market share the growth potential for Apple TV is seems tfit the current trendendless, and needs tbe exploited through a well engineered marketing program. This marketing program needs tbe aimed at individuals whare going digital for their videviewing habits [22]. Apple TV should be Apple’s strategy tbring that digital content from PC back tTV.

Shows a good understanding of this fascinating brand. Good infand presentation-missing 3 relevant sections as noted above. Interesting appendices; would have embedded them in the text-easier for electronic reading.

Overall, well done with exception of the other elements that needed tbe covered.

Entire Strategy Assignment

A- Fig. 6: Change in Videwatching habits

From 2007 and 2008

Source: Marketing Charts [22]

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The future continues to be very bright for iTunes due to its brand and due to its ever-increasing features. It has a very good integrated marketing program by itself. It also features in the integrated marketing programs of its complementary products like iPod, iPhone and Apple TV. The integrated marketing program for Apple TV, however, needs a huge facelift. Even though the public expects more than the features it currently has, it is by far the best personal content management products out in the market place. It needs to be marketed a bit more aggressively. On the retail front, it should be promoted along with media rich computers and home theater systems. On the online front, it should be showcased more often on the Apple site. Apple should dig more deeply in its customer and non-customer data to surgically market the product to consumers who may largely benefit with Apple TV.

Appendix

Fig A. Example of Apple TV E-mail marketing - Retention and Acquisition strategy.

Fig B. Landing Page from an Organic search link

Fig. C. Landing Page from a Paid Placement - in this case Amazon. com selling Apple TV

Fig. D. Example of iTunes E-mail marketing - Retention strategy.

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