

Apple online store strategy

[Business](#), [Strategy](#)



GROUP B _Choose three core competencies of Apple Inc. How did these competencies allow Apple to make sense out of the recorded music industry in the early 200's? How did they set the company up for robust first user advantage? How stable do those advantage seem now? (See Jay Barney's Looking Inside for Competitive Advantage; Zook's Finding Your Next Core Business). As the Internet based recorded music segment continues to evolve into other devices, will Apple's competencies continue to generate advantage versus such competitors as Research in Motion and Dell Inc.? Apple today is the leading player in the internet music industry with over 6 billion songs downloaded since the launch of its iTunes online music store, which today contains more than 10 million songs. Apple introduced iTunes and its online music store in 2001 when there were several major players, such as Amazon and Napster, competing for the market. However, Apple was able to outperform these competitors with its three main core competencies, software, retailing and branding.

In 2003, Apple introduced the iTunes online music store that allowed customers to purchase and download songs directly from the store to their computer through iTunes, and then transfer them directly to their iPods. By that time, most of Apple's competitors offered their customers songs through subscriptions, however they did not provide customers full control of the songs they purchased, i. e. , songs purchased would be lost once customer no longer subscribed. Apple was able to offer customer a whole new way of selling songs to customers.

They allowed customers to buy songs like CDs, cassettes in store and never had their songs lost since there were no subscriptions required. In addition,

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Apple also allowed the customer to preview the songs they intended to purchase in order to avoid downloading the wrong songs. In order to be able to allow customers to purchase songs for a low cost, Apple managed to negotiate a landmark deal with biggest five music companies in the world, Warner, Universal, BMG, Sony and EMI.

Songs offered by Apple were using DRM (Digital Right Management) technology to prevent the songs to be unlimited shared. However, the songs could be used to burn unlimited CDs and transferred to unlimited iPod. Since 2001, Apple had gained tremendous branding reputation for its iPod MP3 players. Since then, it has become the most popular MP3 player in the world. When iTunes online music store was introduced in 2003, Apple had provided an extremely convenient way for legally purchasing songs and transferring them directly to customers' iPods.

Therefore, Apple's iTunes online music store was widely welcomed and accepted by a large number of customers. Apple was a pioneer in combining online music store and music management in one software that allow customers to conveniently purchase and manage their music. Since iTunes was introduced along with the first iPods, it has been well known for simplicity and user-friendly interface. Therefore, iTunes had largely contributed to the success of Apple's online music store and the elimination of its competitors.

As the internet based recorded music segment continues to evolve into other devices, Apple has taken another new strategies in selling music to customers. In June 2009, Apple has more than 10 million songs in its online

music store, and since 2006, Apple started to take DRM off their songs and offer customers DRM-free songs. Eight million songs was DRM-free since June 2009 and Apple has been making effort to offer all of their songs free of DRM.

Today, Apple does not have only iPod as their MP3 players, but they also have other devices such as iPhone, iPad and iPod Touch, that can all utilize the iTunes online music store. The introduction of iPhone and iPod Touch has provided Apple an opportunity to expand its iTunes store beyond a simple online music store to become an online entertainment store, which offers numerous varieties of movies, music, TV episodes, games, applications and books. This has made Apple become the leading brand in innovative technology and its brand ranking has been going up in recent years.

iTunes itself also has gone through remarkably improvement in order to offer customers a simpler, more interesting and interactive way of browsing the online store. In general, despite intense competitions from other player such as Research in Motion and Dell Inc. , Apple has been able to outperform them and offer customers the most unique and efficient way of purchasing music and other online entertainment contents. This has been proved by growing stock prices, and increasing profit figures since Apple iTunes online music store was introduced in 2003.