

# Macroeconomic factors

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Steve Job drove Apple to path of success since its incorporation in 1976. It started with computers but soon started losing market share to rivals Microsoft and IBM in 1990. Apple Inc revamped its business and entered other markets with its core competence. With strong strategic thinking Steve Jobs took the company to different level with generation next products by making its mark in communication devices, portable music devices etc. Apple, the tech giant recently topped the list of the most valuable brand by Forbes with brand value of \$56.6 billion.

The company has its wings spread in personal computers, mobile communication devices, and portable digital music and video players (O'Grady, 2008). Apple Inc the company behind Mac computers, iPhone, iPods and iPads has proved to be resilient to recessionary headwinds. The company's performance during recession was sustainable. Few of the products performed extraordinarily well nevertheless few others didn't perform to match expectations.

As evident from the numbers the second and third quarters of 2008 and 2009 i. e. January to June experienced decline in overall revenues partly contributed by recession and partly due to seasonal fluctuations. On a positive note it delivered strong performance all these years in spite of jagged macroeconomic environment. (Apple Inc 2008, 2009) The macroeconomic environment has significant role to play in marketing decision making process of any company. It helps the company to decide whether the new products would be greeted well by customers or not. Further it also facilitates to understand whether consumer really has disposable income to facilitate and support him to purchase the product.

Most important macroeconomic factors are GDP, inflation, unemployment, demand and disposable income. GDP ; Inflation- The GDP along with inflation gives the clear picture about the status of business cycle. We calculate GDP taking into consideration inflation. The real GDP is excluding Inflation. Considering the current scenario of business cycle of growth, boom or recession, the company manages its production to best suit the objectives of the organization. Similarly Apple also controlled its production during recession taking into consideration other factors like product life cycle, demand etc.

products like iPhone had strong demand during last 12 months as it was in its growth phase of product life cycle. Again going forward the demand was lifted as it was considering innovative product for tech savvy consumers. Likewise demand for iPods was strong for music lovers- the targeted audience and it was considered as great gift option. (S. Goodman, W. Ladzani, B. Bates, C. de Vries, S. Botha, 2005) The recession set in by end of 2007 but strong economic slump was felt when the news of Lehman brother's bankruptcy hit the market in September 2008. The news was hard hitting and the entire stock markets crashed.

The stock index drastically declined jeopardizing all the sectors including technology. But if we really look at the figures from September 2009 onwards till December 2009 the company, Apple had the strongest holiday season ever. The figures were as impressive as if there no recession in the economy. The company booked revenue of \$11.88 billion up 3 percent and 14 percent from previous quarter and comparable quarter year

ago. The company poised for growth on back of strong Mac and iPod sales along strong demand for new notebooks and healthy global sales. (Apple Inc. , 2010) While all analysts and investors considered it be one of the worst holiday quarter but Apple with its performance proved them wrong. Again as the non seasonal months approached i. e. from January to June 2009, the second and third quarter for the company, the sales fell a bit to \$9 billion and \$9. 7 billion respectively. The company ended the fiscal year with robust revenue of \$42. 9 billion for the year. (Apple Inc. , 2010) The last 12 months performance of the company was overwhelmed as the figures have been positive in spite of adverse macro economic factors prevalent in the market.

The company has been successfully innovating and designing high tech gadgets to attract consumers. (Krazit Tom, 2010) The company is not concerned regarding recession as they have complete confidence in their product and are launching new products time to time. If we look at the sales figure for last one year product wise then we will understand the actual performance of the company which shows better profitability. Unemployment, Demand ; Disposable Income-The unemployment rate was hovering in last 2 years which affected the disposable income of the consumer and eventually they cut back on discretionary spending.

But these factors didn't affect the sales of company's product as the target consumer find the product pricing to be affordable. Moving forward if we see the current life style of the consumer we will understand they are more inclined towards tech gadgets and flaunt them as status symbol. The personal computers have been transformed into notebooks and people can carry them. Similarly communication device has been added with element of

entertainment and altered into product called iPhone. Likewise the iPad which is advanced portable media device with strong features like reading e-books, gaming device etc has been launched few months ago.

Thus these things drove the demand. Going forward the basic version of iPhone was launched at a price of \$350 which is quite affordable to target audience. Currently iPad has been launched with price of \$499 for the basic version. The company is also able to command good price for its product due to brand legacy which has been built over years. Overall the tech innovation, changing lifestyle combined with good pricing was the key for company's growth. Apple has transformed itself from time to time and emerged as a strong company.

The company understood the Political, Economic, Social and Technological environment in context of its core competence (example - Ford core competencies). The company successfully understood the political scenario and collaborated with WTO and entered China to take advantage of cheap labor force. This helps it tap all markets with cost efficiency. The company operates in a much synchronized industry where buyers are the rulers and have easy access to goods and are price conscious. We have also said the social and current demographic rules the consumer demand. The company technological strength is a growth driver for new and innovative products.

Apple the second largest company in terms of market capitalization, is hovering to travel the pinnacle of an economic upswing with the strength of iPad which it unveiled on 27 January 2010 and its App Store, its iPhones, its iTunes, its doings in China. Till 2007 the company was known as Apple Computers but as it is gradually expanding it changed its name to Apple Inc

indicating it's not just computers but high tech gadgets. Initially the company was known as Apple Computers for its Macintosh computers but gradually over the years its spread its wings to other technology gears.

In January 2007 it transformed into Apple Inc as computers were just one part of the company. This branding strategy gave the company a more versatile image in the minds of the customers i. e. apple is beyond just computers. This strategy was significant in the prevailing markets where the competitive strength of the industry was developing fast. Currently Apple is being compared with Microsoft of 90's. The latter created its dominance through monopolizing on desktop operating systems and gave a cut throat competition to its rival. Apple is also using similar strategy.

For example the consumer can only download online music through iTunes for iPods and no other application would be supported. This helps the company to preserve 80 percent market share. Since long time the company is in war with Microsoft for operating systems. We will definitely see people using Mac OS X from Apple but at the same time we can't deny the fact that Microsoft Windows operating system has about 18 folds market share. However Apple has analyzed the needs of the consumer and with its latest launch it has moved from to a different level.

The company has transformed the business machine into a high end gadget whether you consider iPhone or iPad. The company understood the importance of consumer needs and launched iPad. They saw that consumer are accessing the net through their smart phones and reading on the equipment. To enhance the experience the company launched the tablet giving the consumer a better experience. The company has launched iPhone

4 during the quarter which is also having good response. Apple has gambled on iPad as the company's booming product during recovering economy. The company launched it in April and sold 500000 units in its first week.

Market extent of iPad is very huge and Apple has really hyped its product and we expect it will enjoy the advantage of being initiator. Apple has been benefiting from brand equity which it has built over years and due to which people are relying on company's innovation and expecting more out of it. The company's products are unique and are best in its field. The company has always marketed their goods in a very unique way. The company should focus on low cost and diversification and explore the consumer technology based gear markets. (Kurtz and Snow, 2009) The company also has strong pipeline of products. The company is opening new stores.

The company is expected to give new dimension to tech-entertainment oriented gadgets which can combine business with pleasure. The company is also heavily investing in R&D and also acquiring companies. The company purchased Quattro Wireless recently. With its strong product mix of software's and hardware's the company is making its dominance in gadget and application market. We expect the company to roll out new products and give boost to the organization. (Benjamin Bach 2007) PART B Marketing mix is a very vivid term used by Neil Borden in 1953. The concept Marketing Mix comprises of four elements- Product, Price, Promotion, and Place.

However these days 3P's namely People, Process and Physical Evidence have been added. This is called Extended Marketing Mix. (Key Concepts of Marketing - Jim Blythe 2009) Now looking at Apple's marketing strategy we need to understand few inherent things about the company. The company

has always thinking well ahead of time which is reflected in its product. The out of the box thinking, technological advancement, and strong brand has helped the company to attract consumers. Apple combined the marketing mix and formulated strategies which have resulted in the success of the company.

If we consider each of the above factors we would easily understand what the company did over the years to build \$56.6 billion Company. Apple owes its success to iPhones, iPods, iTunes and latest innovation iPads. In last six and half years the company's share prices have climbed from \$10 to \$250. Apple has used similar strategy that of Microsoft. It has used Monopoly for iPods. A consumer can only download online music through iTunes for iPods. The company launched iPod in October 2001 but it was absolute failure which was reflected from the sales figures first three years which were between 100-200 thousand units per quarter.

But today it is a triumphant product of the company with average sales of 10-20 million units per quarter. The success of iPod can be attributed to 3 facets recognized as visceral, behavioral and a reflective component and relating it to the owner not to the enterprise. This helps in understanding and analyzing how much a customer relates and connects with the product. The strong sale drove huge revenue stream in the organization and marked a turnaround in the company. (William M. Pride, O. C. Ferrell 2004) (Apple Inc) (Malester, J. 2005, Mello, J. P. 2005) Marketing Mix-iPod & iTunes

Product- Apple has been focused to delivery strong, user friendly, attractive deign and it's always value formoney. The iPods and iTunes have given a different definition to the music industry. IPod is highly friendly portable

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music device is the demand of current social and demographic environment which Apple has provided. iTunes are supporting this innovative tech creation. (After Dawn News, 2009) Place- Apple mostly operates in U. S, South America, Europe, Japan and Australia and gradually spread its wings in other developing nations as well. it also expanded its overseas market and today caters the entire world.

The company has its own retail stores and also sells products through third party retailers. Promotion- Before the product was launched the company hyped it and there was always a sense of curiosity among consumer what it is all about. This is common to company's all products. The company advertised the product extensively and highlighted the coolness of the product. Initially people could not relate to it much but gradually people understood its features, usage and portability of the unique product. Price- the Company's product price has always been higher than industry average.

But at the same time we should always see the company is taking advantage of first mover. The basic version of iPod was priced at \$399. This premium price is justified with the company's out of the box thinking, innovation, quality. The second generation of iPods launched in 2002 was made friendly to both Mac operating systems and Microsoft Windows operating systems. At the same time it maintain the uniqueness of the product with good style, portability and explicit. As iPod only supports music from iTunes and as a result iTunes generated strong revenues.

So we can actually see with strong product and pricing it lured the target audience in the best market where people are inclined towards tech devices. (William M. Pride, O. C. Ferrell 2007) Marketing Mix-iPhone Now coming to

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iPhone, which was launched in 2007 in a matured market of mobile communication device proved to be a block buster product. The market was already dominated by players like Nokia, Samsung, and Sony to name a few. The success of iPhone is due to innovation, compatibility, user friendly, brand name, price and quality. Product-The product was a high end product with unmatched features as compared to other Smartphone.

It is a touch screen phone with camera and iPod with internet communicator. It is a multifunction product which catered to the need of business professional to college students. Place- The company massive rollout of the product through its third part retailers, Apple stores and online stores also collaborating through mobile connection service provider. The attractive merchandising at various places before the product was in market to lure the consumers. Promotion-The Company distinguished its product from other smart phones through its marketing strategy.

It targeted the phone towards upper middle income group of professional who wants to manage business and personal life. Along with that the company also targeted college students and graduates who are willing to flaunt and use multifunction gear. It was positioned as device for professional and personal needs. It did a mass roll out through retailers, service providers, online marketing and personalized Apple stores. A colossal TV campaign supported the entire strategy. Further the company launched better version of iPhone like iPhone 3GS and iPhone 4. Price- iPhone's price was set near \$350 which we can say was 'value for money'.

Last but not the least it was good quality product. The strong demand for iPhones lies in the fact that they are smart phones providing with wide range

of features and networking functions and therefore they can be expected to be exactly what modern day consumers are looking for. For consumers, iPhones are simply combination of iPods, internet devices and include personal computer features (Dooreley and Garcia, 2007). Marketing Mix-iPad Ipad is one of the revolutionary products from Apple which combines business and personal interest things. It's a high end media and business machine.

It very unique and stylish product and majority of people are buying this product due these factors. (Tony Bradley, 2010) Product- It's a high end product which provides facilities of notebook, gives tech savvy people a better experience for electronic media, music experience eBooks viewing and storing etc. The product is highly portable and handy as compared to notebooks and laptops. It performs 90% of the function which a notebook does. Place- the Company did hype for its product and launched it in different places with much ease. It did massive rollout of the product through its third part retailers, Apple stores and online stores.

The product has been targeted to business professional and strong ad before its roll out was done to attract consumers. Promotion- the company marketed the product as a user friendly device for all purpose starting from business to personal. It is slimmer version of notebooks and is very portable. The company did e-marketing as well. It also highlighted the importance of digital media over print, e-books in much portable format and digital music for consumers. The company in a much intriguing, sober and simple way communicated the advantages of the product.

Price- the product has been priced at \$499 for the basic version which we think is affordable for target audience and it's moreover value for money. The iPad was rolled out in April and sold 500000 units in its first week. We expect the company will benefit from first mover in the industry and will take advantage of that before rivals launch the clone of it. The company shipped 3.27 million iPads to customers in 10 countries by end of June quarter 2010. Apple generated \$2.17 billion of revenue from sale of iPad and iPad accessories during the June quarter. (Apple Inc)

Other companies have also launched few slates like HP slate similar function that of iPad supplemented by Flash and full blown multitasking like Windows. Other tablets in which can give competition are Fusion Garage's Joo Joo, Dell mini 5's to name a few. But we expect the company to be successful for this innovation due to its core competence in the field and strong marketing strategies. Many companies like Microsoft and other Tech gain are really working hard and doing their level best to come out with something innovative like Apple Inc. the company's understood its core competence and brand value along with future demands of consumers.

Moreover its surprising to see that we just focus on few products under its belt it made a success story while other players in the market are having 'n' of products but are not able to make big. The company's core strength is its brand which it has acquired through extensive efforts over the years. This brand image and popularity is driving business for future products. Consumers are easily willing to buy company's product knowing its past performance. The company also has strong technological advantage and

constantly living up to the expectation of the consumers. The company has strong R&D which others are lacking.

The rivals are following the company's footsteps. The company has been successfully maintaining high market share being the leader in the market for tech innovations. Further the products are very easy to use and highly stylish and sleek. The company's promotion through iconic figures is also a good strategy. Over last 10 years the company has successfully changed its image and became its top brand through its product innovation and marketing mix. (Kurtz and Snow, 2009)

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