

# Evaluate the impact of the ipad marketing essay



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My assignment examines the impact of the iPad on the traditional media and publishing (ie 'TMP') industry by subjecting that industry to examination under the five forces that Porter would consider determines the competitive power within that industry.

The generic Porter model is reproduced hereunder;

The model provides that an industry is likely to be more attractive and generate higher returns if it;

Is difficult to enter

There is limited rivalry

Buyers are relatively weak

Suppliers are relatively weak

There are few substitutes.

## **1. The likelihood of new entry**

Until the Apple intervention the TMP industry was seen to have significant barriers to entry including;

High entry costs

Access to suppliers / distribution networks

Product differentiation

Economies of scale for existing market players

Retaliation by established products

## **2. The degree of rivalry**

The TMP industry is seen to be highly competitive because;

there are a large number of competitors all competing with each other for customers

the costs of leaving the industry are high e. g. because of high levels of investment

the market is shrinking so firms are fighting for their share of falling sales

there is little brand loyalty so customers are likely to switch easily between products

## **3. The power of buyers.**

Usually small numbers of buyers increase buyer power in an industry as they could force down prices and reduce the profits of firms that provide the product, however in the TMP industry the most significant factor is;

The large numbers of buyers can easily switch to other providers so the provider needs to provide a high quality service at a good price

## **4. The power of suppliers.**

The stronger the power of suppliers in an industry the more difficult it is for firms within that sector to make a profit as suppliers can determine the terms and conditions on which business is conducted.

The TMP industry is interesting in that while power for content suppliers (tv companies/ music/ journalists) to the TMP industry has increased due to the iPad emergence as:

the supply product is easy to distinguish and loyal customers are reluctant to switch

the resource they supply is scarce and substitutes are inferior

Power for raw material suppliers (paper/ink) decreases as that market itself decreases.

## **5 The Threat of substitute products or services**

A substitute product can be regarded as something that meets the same need.

The extent of this threat depends upon

The extent to which the price and performance of the substitute can match the industry's product

The willingness of customers to switch

Customer loyalty and switching costs

### **Conclusion:**

Given the model's identification of the TMP industry as one with significant barriers to entry, highly competitive, fickle customers and mobile suppliers normally a new entrant would be deterred.

However, not Apple. It simply capitalised on its own marketing, production and distribution abilities to generate a need that simply was not there before – people viewing TV ‘ on the go’ and their print media online rather than in print.

Therefore the iPad could, perhaps, be viewed as the ultimate substitute product.

(Word count 511)

Sources:

A Competitive strategy – Michael Porter (1980)

## **2) What makes the iPad a disruptive technology?**

**Set out likely winners and losers if the iPad is successful, explaining your conclusions.**

Disruptive technology is a term coined by Harvard Business School professor Clayton M. Christensen to describe a new technology that unexpectedly displaces an established technology.

While Christenson’s 1997 best-selling book, “ The Innovator’s Dilemma,” held that disruptive technology can

lack refinement

often has performance problems because it is new,

appeals to a limited audience, and

may not yet have a proven practical application

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it also mentions that each disruptive technology provides new capabilities or features which are attractive to a part of the market not well served by existing solutions.

His research and writing focuses on management of technological innovation, how new markets for new technologies can be found, and the identification and development of organisational capabilities – with his theories reflected in the following diagram;

By managing to converge print media, video content and the interactivity of the web into a single platform, Apple's iPad has changed the face of all three of them forever.

As this new medium presents must be measured by new criteria, it has achieved the above Christensen 'different measure of performance' and the iPad can consequently be considered a disruptive technology.

The following table attempts to isolate likely winners and losers of the iPad's being successful;

## **Market / Sector**

### **Winners**

### **Losers**

News & Magazines

Struggling publishing sector may win if readers once again pay for online content

As with book publishers,

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if Apple dominates the

portable reader sector,

magazine and newspaper

publishers will become

dependent on them for

their ongoing success. A

weak position for them in

long run

E-Books

The Ipad could be a device

that makes eBooks and

eReaders go mainstream.

Cheap eReaders could

prosper.

The iPad makes existing

eReaders including the

Kindle, Sony eReader,

Plastic Logic Que and B&N

Nook look very ordinary and

obsolete

Record Labels V iTunes

By controlling iTunes, Apple

will be able to maintain

their premium pricing

Apple will continue

to control the music

distribution business and

the industry will have to

accept what they do and

say. The consumer will also

lose because of the lac of

competition

Portable gaming

Nintendo DS and Sony PSP



have seen sales decline,

partly because of iPod

Touch and iPhone. The

iPad could cause further

problems.

While an iPad success will also mean a likely boom for Apple's ecosystem partners;

## **Ecosystem partner**

### **Reason**

Google

Google's AdMob and YouTube vehicles will make it the premium ad content provider to the iPad.

Electronic Arts ('EA')

digital downloads are cheaper to churn out than traditionally packaged games

AT&T

As the official iPad wireless partner, all iPad data is likely to flow through AT&T—and eventually its subscriber's bills

It would not be good news for the following Apple outsiders;

## **Outsider**

### **Reason**

Microsoft

Yet another game enabled device to compete with Microsofts XBOX franchise

IPAD uses Apples iWork software which competes directly with Microsofts lucrative Office software.

Amazon

Amazon tweaked its publishing royalties shortly before the iPad was announced, likely because it wanted to stay competitive with Apple's 30% cut on all media and application sales

Qualcomm / Intel

Apples iPad is built using its own silicon chips.

### **Sources:**

The PwC innovation Blog -

<http://pwcinnovate.wordpress.com/2010/03/03/is-the-ipad-a-disruptive-technology>

The Innovators Dilemma – Clayton Christensen (1997)

The Quora technology Blog;-

<http://www.quora.com/What-characteristics-make-the-iPad-a-disruptive-technology>

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The Smart Cube Knowledge Process Outsourcing (KPO) firm blof

<http://www.thesmartcube.com/about-us>

Education and e-learning web-site

Is ipad a disruptive technologyfromMohd Farid Awang

**3) Describe the effects that the iPad is likely to have on the business models of Apple, content creators, and distributors.**

The Apple business model is one built on a tightly integrated vertical business model that gives them access to (and profit from) every element of the customer experience. They manufacture hardware, develop the software to run on the device, control the delivery of, and make money from the sale of content through its own distribution channels such as the Apple shops, iTunes, iStore and iBooks.

The above is well represented by the following Porter Value chain

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In terms of the Apple business model, the iPad ticks all of the following boxes

Sustainable Competitive Advantage

Presence of Network Effects

High visibility/ Predictability of Revenues

High switching costs/ Customer lock in

High Gross Margins

High Marginal Profitability

Lower Customer concentration

Lesser Partner Dependencies

Lower marketing Spend

High Revenue Growth

Expanding on some of the above points gives an indication of iPad's ongoing impact;-

1. Sustainable Competitive Advantage - Apple has created a sustainable competitive advantage for itself with iTunes platform. Earlier iTunes allowed users to download songs for iPod. Now, iPad is also integrated with iTunes for apps download. The iPad, which didn't even exist 5 years ago, now contributes nearly 70% of Apple's revenues.

2. The presence of Network Effects - With its products, Apple is able to build both the same-side and the cross-side Network effects. On one side, iPad users. On the other side, Apple has app developers. As per Apple financial disclosures, Apple has sold nearly 29 Million iPads during 5 quarters to y/e 2011. These numbers are big enough to attract the developer community to develop apps for the users. More the users buy Apple products, more the developers will develop apps. The more apps in Apple App store, the more users will buy.

10. Growth - The faster you are growing, the larger and larger future revenues and cash flows will be. Apple crossed the \$100 Billion TTM revenues milestone in Q2 2011. This translates to nearly 4x revenue growth in 4 years.

**The following table represents the iPad impact on the business models of Apple, content creators and distributors;-**

Business Model

Content Creators

Distributors

E-books, E-news, E-mag and etc.

Portability

Everything is to go

Bigger segment

High competition

More niche contents

Specific customer needs and wants

Personalization

High quality application

More freedom to publishers

Act as an agent

30% fees on sales

\$12 - \$14 per e-book

Cheaper e-book in the future

It evidences the potential offered by the iPad to both sectors that, if embraced properly, this medium can give them compelling business model opportunities.

After years of what could be considered a devaluation of its own product by offering low or no-cost subscriptions, Apple led apps and their subscription based revenue generators provide an alternative to the de-facto advertising funded web business model and this may be its most powerful innovation to date.

Sources:

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Harvard Nieman journalism Lab;

The iPad business model for news: Strategies publishers must embrace

STL Partners specialise in business model innovation in the Telecoms-Media-Technology sector provide consulting, research and special event services;

[http://www.telco2research.com/articles/AN\\_Apple-iPad-business-model-analysis\\_summary](http://www.telco2research.com/articles/AN_Apple-iPad-business-model-analysis_summary)

<http://www.infoworld.com/d/mobilize/apples-ipad-subscriptions-troubles-all-around-832>

**4) In less than two years iPads have moved from curiosities in the eyes of bankers to “must have” technologies. Briefly describe how banks can use iPad technology to enhance their business.**

The iPad has brought benefits to Banks business in both how

the Bank interacts with its clients and

how it can use the technology to allow it work more efficiently.

According to <http://www.the-decisionfactor.com/mobile-analytics/a-mobile-dilemma-why-bankers-use-the-ipad-more-than-anyone>, usage can fit into:

Internal information applications/information on the go for every day

employees, whether it's risk positions, trading completions, or branch and

customer sales reporting. Employees move between offices and floors of

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buildings, and the iPad allows everyday access to information in an easy-to-use format

Internal executive use for displaying the bank's balanced scorecard or key performance indicators. This pulls new analytics users because of the easy-to-consume-and-use interface for summary-level board book-type information.

Internal process-related applications, such as accessing expense applications, inputting new account sign-up information, and testing new mobile banking applications.

External customer-facing tool to display new proprietary or publically available research or performance information to clients. It makes the bankers look knowledgeable, on top of it, and it's impressive to clients who may then load their wealth management accounts with more net-new money. It may also shorten the sales cycle of an M & A deal.

However, the iPad has further benefits not covered by the above

Cost savings

Data visualisation of key financial data

In the April 2012 edition of the American Banker, Shane Kite outlined the tale of America First Credit Union's (ie 'AFCU') total conversion to the iPad.

### **Cost saving;**

Kite presented AFCU's cost cutting drive in response to the strains of the recession.

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The tablet computers cost \$499 to \$699 – about 50% to 75% less than the notebooks America First had deployed. Plus, the iPad's \$25 metered monthly service fee was 40% less than broadband plans for the laptops – a clear benefit.

## **Data Visualisation;**

However, while the above was AFCU's primary objective, once they had the iPad, AFCU's executives saw its potential to resolve an ongoing recurrent problem –

It was taking executives too long to make sense of the credit union's financial information compiled by way of dense, general ledger-style text and line items.

This problem was translating into serious pressure when the National Credit Union Administration was hounding credit unions to prove they had sufficient risk controls.

Once AFCU viewed the iPad's touch screen, they saw that the interface had the portability and user experience that might help risk management provide its financial reports to principals in a compelling, standardized format.

The solution presented itself in Apple's App store with the Roambi data visualisation App. This helped transform the reams of financial information into pictures with a bit of descriptive text, then revenue, risks, cost and geographic trends were more easily understood and management could have a better understanding of the credit union's financial health and thus work faster to promote it.

Such data visualization has come to define business intelligence (BI) and is yet another benefit that accrued to the banking sector.

Sources:

<http://www.the-decisionfactor.com/mobile-analytics/a-mobile-dilemma-why-bankers-use-the-ipad-more-than-anyone>

April 2012 edition of the American Banker

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