

Apple channel strategy in singapore

Business



INTRODUCTION Apple Inc. designs, manufactures and markets a wide range of personal computers, computer software, and portable music devices. Some of these Apple products include the Macintosh, iPods as well as the iPhones. Apple's strong value chain is one of the reasons for its success today. Its' efficient and strong value chain has allowed the company to expand globally with a strong presence in 102 countries. Furthermore, Apple has joined in the process of reintermediation, adding an online store and more resellers into its distribution channel in order to reach more consumers and to boost its sales and profits (Kevin L.

Webb, 2001). Fueled by globalization and opportunities presented in the emerging Asian markets, Apple recognises the need to enter into these new geographical areas. Based in California US, the vast geographical distance has made it expensive for Apple to use a direct distribution method to open up a flagship store in Singapore. Moreover, The Singapore market is unique and requires a different managerial expertise. Therefore, to enter into the Singapore market, Apple has used the multi channel strategy to develop its channel distribution.

Apple believes that by using multiple intermediaries, its channel members will be able to do a better job in customizing to Singaporeans wants and needs, as they understand the local market better. In order to be successful in building its brand presence in Singapore, Apple has carefully and selectively chosen suitable distributors, retailers and service providers whose firms' objectives and strategies are consistent with Apple's. APPLE

SINGAPORE CHANNEL STRATEGY & DESIGN Selling highly standardized

products, Apple Singapore distribution channel is able to go through a relatively wide and long distribution structure. Power Balance

Being a huge company with the necessary resources, Apple has a high reward power to encourage and motivate them its channel members. Adding on, Apple also has the coercive power to substitute its channel members easily since there is an abundance of entrepreneurs wanting to jump on the “Apple phenomenon”. However, channel members has a greater referent power as Apple relies on these resellers to a certain extend (because it has its own online store) to reach out to consumers in Singapore.

But in terms of legitimate power, Apple has a higher influence on its channel members because of its tightly control and developed distribution design.

All in all, Apple has a relatively high degree of flexibility in choosing its channel members and has a high power base, allowing it to have a high degree of control over its channel members. Distributors Apple carefully accessed and selected two local distributors, whose objectives and strategies are inline with Apple’s overall image and objectives. Apart from that, these two distributors are also chosen because of their stable credit and financial capabilities to hold many of its products in their inventory during heavy selling season (E. . IT Fairs) to assure timely availability.

Moreover, their management abilities, wide market coverage as well as their well-known reputation in distributing other companies’ products in Singapore affirmed Apple’s choice of selecting them as Singapore Apple distributors.

Apple Resellers Apple recognises the importance for its consumers to experience the tangible access of its products to facilitate learning and

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discovery in the retail stores hence, there is a need for Apple to have a high degree of control over its resellers.

In order to have this high degree of control (in terms of formulation of the store design, merchandising, providing impeccable services and inventory of no competitors' products), Apple has differentiated its resellers by creating the Apple Premium Reseller Program (APRP). Even though Apple Authorized Resellers (ARs) do not carry its full range of products, price consistency of all its products applies to all retailers. Using this channel structure, Apple has strong governance over its product pricing.

This will help to prevent undermining of its products quality and competition between resellers is kept at the minimum.

On the whole, the APRP is established to fulfil consumers' satisfaction through maximizing communication, marketing initiatives and support within its resellers. Value Added- Resellers And to reduce the complexity of its current channel structure, it has branched out its mobile communication business (iPhone) to three other values added resellers namely Singtel, Starhub and M1. These telecommunication service providers were chosen over its current resellers because of their abilities to package and sell the iPhones with attractive data plans that would bring convenience to consumers.

Online ; iTunes store Besides its traditional channel structure, it has also established an online store that sells and provides information of its products directly to customers.

The company also sells digital content and applications through the iTunes Store. Value Added Partners Not forgetting, that its products would need servicing and maintaining, Apple has chosen seven value added partners whom are their authorized service providers. Apple also runs a pretty tight control over its products ensuring that resellers would not over order and result in a high return rate.

This helps to reduce high inventory cost for its resellers and ensured that return rates are low, mutually benefiting both parties. On the whole, Apple has a comprehensive and well-developed distribution channel structure.

PROBLEMS IN APPLE CHANNEL STRATEGY Lack of control over its ARs Apple has done well in differentiating and gaining a tight control over its APRs. However, comparing to its APRs, there is a lacked of control over its ARs. Sales personnel in non-APRP might not have adequate knowledge and the competence as compared to those who were given intensive training in its APRP.

On the whole, consumers who did not received the expected level of service at the non-APR stores will attribute the bad sale services and dissatisfaction to Apple and not to the non-APR stores. And this will ultimately reflect badly on Apple. Pricing Issues Apple has a tight control over its products pricing, leaving as little as only 3% of the profit margins for its resellers to gain from (Ian Fried, 2001).

This clearly shows that Apple is at a disadvantage given the margin the ARs can obtain as compared to other brands (For e. g.

Dell resellers can earn as high as 5% - 10% for each Dell product sold). The ARs will then prefer to devote much effort to promote competitors' product with higher margin profits instead of Apple's. Acceptance of New Products Apple is a technology driven company, its constant innovation would mean constant release of new products.

The success of the new products would depend on its resellers' willingness to carry it. Factors that come into play on retailers' willingness to carry the new product would include profitability of the product and whether would it be easy to stock and display.

Therefore, should resellers (especially the ARs) gather/hear poor responses towards the new product, it is likely that they will not want to carry the new product. This will decrease Apple chances of selling it through the resellers, reducing the reach to more consumers. Possible Conflicts between Apple and Resellers Role Incongruities To become an Apple APR, it has to follow the strict policies stated in the legal contract before the partnership.

Should any of the APRs deviate from its current role (For e. g. not compiling with Apple intended store layout and try to change to its own layout), it would result in a conflict.

Resource scarcity The main features of the Apple online store are free shipping, iPod engraving, guaranteed new stocks and the option for being able to customise his/her personal computer. These attractive features are great deals for many. However, with Singapore having a small pool of consumers, setting up the online store would mean snatching away potential customers from the resellers.

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Not only that, there has been an increase in number of resellers here in Singapore. Resellers would ultimately be unhappy over the increase in competition thus, conflicts will sure to arise. Goal Incompatibilities

Apple would want its channel members to sell as many of its products as possible. However, should a competitor's product be more popular, its ARs would naturally try to sell more of the competitor product in order to increase its sale than to sell Apple products. RECOMMENDATIONS The consumer electronics industry is getting more and more competitive each day. The need to find a sustainable advantage is very crucial so as to maintain competitiveness in this industry.

Therefore, having a strong relationship with its channel members is one way a firm can gain a competitive advantage over its competitors.

Hence, Apple channel managers, have to constantly weigh any margin differentials between their own and competitive brands, in terms of what kind of support their firms offer and what level of support they expect from channel members. Apple can support and motivate its channel members to sell more of its products by offering monetary benefits, such as giving a commission payout to the highest earning AR. This will help to promote healthy competition and sales personnel will be keener in selling Apple products. Not forgetting that an impeccable service would help to enhance customers' experiences in the store.

Thus, there is a need to standardize and improve its service quality throughout the entire channel distribution.

To do this, Apple can send mystery shoppers on a regular basis to gather feedback on its sales personnel services especially from the ARs in which it has a lack of control. In this way, Apple can personally advise or provide special training programs for sales personnel who are lacking in this area. This will help to standardize services provided across the channel. Constant innovation and producing new products has helped Apple to gain a competitive advantage.

This being the case, the need to educate its channel members about its new products would also help to increase the acceptance of new products.

Although Apple is always quick to provide its resellers information on its new products but its not enough to convince them to carry the new products.

Thus, Apple can provide extra training sessions to teach its resellers about the unique attributes of the new product and equip them the necessary skills to sell the product. However, it would be well worth the effort for Apple to investigate the possible educational requirements for the new products as the new products are being developed.

In this way, it will enable a well thought out training program that will engage sales people interest. Besides that, Apple can eliminate its resellers' fear of not being able to sell the new product by offering unrestricted return of the product. Apple can help to provide financial support in a move to motivate its resellers. Furthermore, to reduce conflicts in it channel, Apple can implement its build to order purchasing experience in its Singapore APRs.

This will entice consumers to purchase from the stores, guaranteeing sales for the APRs. Hence, this helps to achieve mutual benefits for both parties.

Capping a number of resellers to be set up in Singapore would also help to reduce unhappiness about the increasing competition. Such developments will help to strengthen its channel member relationship. To improve its overall channel distribution, Apple is also advised to carry out regular channel audits to help minimise conflicts and solve all channel problems amicably. IMPLICATIONS Apple focuses a lot on product and promotions, but it must never forget its channels members who help to bring in sales.

Without its Singapore counter parts, it will be hard for Apple alone to tap into this market.

The recommendations suggested above will no doubt increase in cost (in terms of providing extra trainings, hiring of mystery shoppers, conduct regular channel audits as well as monetary benefits given to its channel members) but this will helped to strengthen its relationship with its channel members in the long run. Extra effort is also needed from all parties, especially much more from Apple's to maintain healthy relationships between its channel partners. All in all, all parties will stand to gain from efforts made from both sides. A greater understanding between each channel members will help to reduce conflicts in the long run as well.

CONCLUSION Apple has done well in all aspects of its marketing mix. Its well-developed distribution channel has allowed Apple to build its brand successfully here in Singapore. Apple's choice of a highly selective multi channel distribution has protected its Singapore channel members' sales. Its <https://assignbuster.com/apple-channel-strategy-in-singapore/>

structure alliance with its channel members has also helped to reduce task and organizational complexity. The most important thing in managing its relationships with its channel members is to address their needs and to find ways to motivate them. In this way, Apple will further gain an upper