

# The macro and micro environmental status of apple marketing essay



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Using external environmental analysis to find the impact upon Apple iTunes with European music delivery market mainly in Denmark - Using Porter five forces To define the Apple iTunes business - Using SWOT analysis of Apple business and Try to define the competitors and the competitive advantages of Apple iTunes - Giving consideration of future strategy of Apple iTunes how to continue success

1. 3 Methodology The report contains the secondary research such as Apple industry articles and statistics. We did also use the relevant theoretical models to obtain the objectives. I will use PEST analysis to analyze the external environment and use porter 5 forces to analyze the internal environment. To define the rivalry posed by existing and potential new competitors and a consideration of the continued success for Apple iTunes, I did also use SWOT model to summarize our data. Due to the limited research recourses and shorted of report pages, I will just make a general view of the Apple iTunes within music delivery business and try to formulate the further developing directions. 2. MARKET BASIC FACTORS: 2. 1 Market definition

During one century, there are major changes within home news and entertainment. Home music has made the major revolution in those periods, from gramophone turn to listen the music from radio and televisions broadcast, and then use computer and portable music devices such like iPod provide music download through website. Since the debut of the iPod in 2001 & Apple iTunes launched in 2002, it took the dominate position in the music delivery business and has revolutionized the digital music industry. Apple iTunes is a kind of software that allows people to import large number of audio files into their computers. The software could also provide ultimate

source for music, you could download the videos, movies, TV sitcoms and audio books through web store. The iTunes software and Apple's digital productions (iPod, iPhone, MAC note books...) becomes the perfect match. iTunes begins with the success of an organizational music database and jukebox quickly became a very large multi profitable music store.

## 2. 2 Market growth

Since April 28th, 2003 Apple opened their new iTunes Music Store, it starts with an estimated 200, 000 songs could be recently download, within 8 months Apple announced that they had sold more than 25 million songs online. On April 28th, 2004, they made their profitable history that they managed for track sold of 70 million. Within two months the iTunes music store went through world wide, on 1st, September, 2004, it reached to 125 million for track sold. More and more countries were joining the chain in the iTunes music store on October, 2004, such like Spain, Portugal, Italy, Austria, Finland... On 2005 October, due to iPod has adjusted its several functions, it could also play video clips and TV shows, so on 2006, it changed to iTunes store with selling also video and original broadcast. On 2007, the production company MGM Studios also start to provide classic movie through iTunes. This widespread adoption of Apple iTunes has deeply combined with iPod, Phone, MAC notebook... and it has a dramatic success within music delivery business.

## 2. 3 Market share

On 2008, iTunes has put a dent of its dominating 70% of market share, Amazon has analyst by NPD group estimates only 10% of its customer are also current from or former iTunes. Since 2008 digital music retailer Napster promised that consumer electronics show and converted its entire library of purchased download will turn to unprotected MP3 files, some other brand like Sony BMG and Warner Music Group 's sales jumped to 20%. Even though, iTunes still play a dominate role within music

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delivery industry. 3. EXTERNAL ENVIRONMENT 3. 1 PESTLE ANALYSIS PEST analysis showing a framework of Macro-environment aspects that summarize the external environment may impact Apple iTunes within European market mainly in Danish market. 3. 1. 1 Political-Legal issue: Over past 10 years, it always be the illegal download has warned those big four recording companies (Vivendi Universal, Sony/BMG, Warner, EMI), so they have developed their own pirate-proof internet to distribute their own music in system called Digital Rights Management (DRM). But in 2002, Apple Computer's iTunes make the deal with all of the record companies that breakthrough the record industry. European copy right is quite different compare with US laws; the European legislation has not been coordinated up to date. Different legal environments lead to different market related to selling digital goods online. It also takes longer time for Apple iTunes came into European market. Several governments strongly against iTunes than against music piracy, such like Scandinavia countries, the consumer groups across still follow Norway's fight for iTunes operate smoothly. 3. 1. 2 Economic issue Denmark's unemployment rate is quite low. The percentage is only 2. 1% on 2008. Its GDP growth with 0. 3% GDP per capital is 38900 \$. The inflation is 2. 4 in December, 2008, the percentage still quite low compare any other EU countries. Denmark has the highly developed welfare safety network that could assure all Danes receive tax refund health care and unemployment insurance. 3. 1. 3 Social-culture issue There are 27 EU Members; from year 2000 to 2009, the total population is growing from 483 millions to around 494 millions . Denmark has population of 5. 4 million, the density is quite higher. It has the smallest income inequality with a Gini coefficient score of 24. 4. In 2009, Denmark has the highest possible score <https://assignbuster.com/the-macro-and-micro-environmental-status-of-apple-marketing-essay/>

with 0.00 for having the freest press that together proclaimed with Finland, Ireland and Sweden having the freest press in the European Union, and indeed the world. The Dane's life standard is quite high. As all above, in light of the democratic and social-cultural influence the media take away from economic functions, it plays a very important role the citizens of democratic societies have the success to date information. For instance iTunes Store will be as the dominant as a centralized portal for news delivery. 3. 1. 4

Technological Issue According the widely using of internet through Denmark, people start to buy online. In year 2002, 22% of the consumer using internet to purchase films and music. The trend within the Danish market has moved from mainly travel related to entertainment such as CDS and Videos. And new functions of mobile phones started to enter the music delivery markets, such as iPhone, Sony Ericsson Walkman phone. iPhone is a new stable mate compares with iPod and iTunes, it is really using friendly, in standard Apple style, it is capable working with Apple's clear and music downloads trade. iPhone take an advantage into the phone business, as now free internet is provided in airport, bus and train or your working place, people could easily using iPhone to watching the video and downloading the music. And they could also drive a car with iPhone as a GPS. 3. 1. 5 Environmental issue Since the Climate conference was holding last year December in Copenhagen, everyone is aware of protecting the environment and prevent the climate. People did also notice about the sustainable greening business. Apple is also doing their efforts to be green apple; they are moving the toxic chemicals from their new products and start to recycle in 1994 and until today they operate recycling in counties more than 82% of all iPod and MACS are sold.

Apple will also bring other environment issues on the table as well, for <https://assignbuster.com/the-macro-and-micro-environmental-status-of-apple-marketing-essay/>

example the energy efficiency of the products in the industry in the future development. 4. Porter five forces: Which position is Apple iTunes situated within European market mainly for Danish Market? In order to exam Apple iTunes how to make their business sustainable in the long term of the developing. Start with a general examination of the porter five forces (figure 1) influencing the business within European market (mainly for Danish Market), try to identify the threat of substitutes, Bargaining power from supplier, Buyers bargaining power, and rivalry in the Music deliver industry.

4. 1 Bargaining Power from Supplier Due to the illegal music download through online, those four big recording companies realized that they have to develop the new internet system to protect their distribution of their own music, it called DRM (Digital Rights Management). Year 2002, Apple computer's iTunes has made the deal with those four recoding companies that the customers could download the music legally for a payment through iTunes store with no problems with DRM. Those four record companies have the competitive advantages come from the following areas: 1) recording contracts 2) High promotional barriers 3) Recorded sales through retail stores 4. 2 Bargaining Power from Buyers From table 1, you could see compare some other music sellers like Napster and Sony, Apple iTunes still in the Top ONE music seller. That means actually the Power from Buyer are very high. Applets productions like IPod, iPhone, Mac book..., and its design, service concept have attracted really a number of customers to purchase for those products. And the developed of Apple iTunes has perfect match their productions, the other iTunes Music offers also some other beneficial characteristics like ` try before you buy ` option. And during the recent

developing years, many digital productions with different brand are fulfilling  
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the market. Customers become very selective, Apple iTunes and their productions suit their taste and they are real showing their buying power. 4.

3 The threat of substitutes The present of substitute's productions could also down the attractiveness and profit ability within Music deliver industry. Currently the digital music industry contains several firms like APPLE, RIO, IRIVER and RCA. Some of the firms could offer MP3 downloading songs. Compare to Iphone, Nokia and Sony Ericsson they are also providing the Mobile phone with Music and video delivering. The mobile phones could also be a new revolution in music delivery, and the potential for new delivery music business could be the broad ban and the web. 4. 4 Rivalries in the music deliver industry The four record companies start to think that the Apple iTunes start to dominate the music delivery industry and it could dictate prices to the record companies. Then they decided to drop DRM totally and encourage other competitors to join the market. Two of the competitors are now coming out to take the challenges, they are Google and Nokia and Amazon. MSN music is now available within 13 European countries, compared with 12 for Apple iTunes store. Apples iTunes refusal to open its technology to other online music delivery suppliers, the songs only plays on Apple's own productions; it will narrow its developing direction. Oppositely, MSN music has a wider influence with other music provider. The rivalry within the music delivery industry currently will be as follows: 1) Record the music from the traditional record companies 2) Mobile telephones-a new revolution in music delivery 3) Broadband and the web-potential for new music delivery 5. Market rivalry As Apple iTunes suppliers like the 4 big record companies realized that they have given Apple iTunes too much rights , so it has taken the dominate of the music on line delivery <https://assignbuster.com/the-macro-and-micro-environmental-status-of-apple-marketing-essay/>

industry and they decide to drop DRM completely and encourage other delivery companies to join the industry in order to be competitive with Apple iTunes. The current market rivalry is mobile phones entering, like Nokia, Palm. Nokia will offer free downloading music for one year and free keeping of all downloading music for one year. Palm also point that the Palm Pre's selling point is the Smartphone's ability link to iTunes. The potential for new music delivery compare to iTunes will be Broadband and the web like the broadband technology increased the speed of downloading one complete CD in 3 minutes. The social Networking MySpace did also make the contract with three leading companies to create music online service. Face book is also under negotiating with contract for the online music delivery system.

5. 1 Competitors analysis A company will not count all of its competitors will be beneficial. An industry will also contain good and bad competitors. Good competitors will follow the rules in the industry and bad competitors will in contrast and break the rules. Google is going to develop a movie rental service for YouTube, it is a kind of extend for their web's top video site, and it could be raised on its professional content. It is a part of competitors with Apple iTunes store. The portable entertainment like SONY Play station portable and Microsoft Xbox and Internal Wii are also will be the competitors for Apple iTunes. Within the Danish local market, there are also some other music deliver system such like TDC (your see), if the customer has bought the broadband with their company, they could offer the free downloading music. Sony Ericsson design a kind of Walkman phone, people could easily listen the music and radio walking by street, and they could easily download the music thorough their network.

5. 2 Sustainable competitive advantages

Apple iTunes appearing is not only the software, when the users using the <https://assignbuster.com/the-macro-and-micro-environmental-status-of-apple-marketing-essay/>



ITUNES, sometimes it is not only updated the software, it could also reprograms apple's production like IPOD and Iphone, this called M2M(machines t machine) marketing. Apple develops a kindly of all software inclusive software. As Apple has first break through the record industry, the customers could legally download the music through ITunes, it have the most complete advantages that it could be they did Preconceptions. APPLE came late than MP3 player market but its design of IPOD range now occupies the market. Since customers could only download their music or videos to Apples own production Ipod, Iphone, and they have the only copy -protection software. Apple do not want to sell the licences to other companies, it is the disaster for other APPLE iTunes competitors. Apple made a great success for their branding orientation; they have a lot of fans for only buying Apple productions. Apple is also trying to be `a green apple`, they are doing the process of remove the Toxic Chemicals and be more aggressively for recycling their old products.

6. SWOT ANALYSIS OF APPLE ITNUES Make a SWOT analysis could evaluate the Strengths, Weakness, Opportunities, Threats involved into the music delivery business. And the four elements form both internal and external of viewpoint.

6. 1 Internal analysis Strengths:

- All inclusive software package-Apple Company design the ITunes store and also the digital productions, IPod, Iphone and Mac..., it provides the customer full service.
- Brand and design-it attractive many customer to but its design and many customers buying for its brand.
- The company is trying to do a green apple- they are more take care of production of envirement.

Weaknesses:

- Downloading music only could be used for Apple's production-the customers could only use the downloading music from iTunes to Apples production. - Since the four big record companies drop DRM, now the customers could download music in any other music media.

#### 6. 2 External analysis Opportunities:

- Combine with iTunes, Apple will develop a more complete system with software and productions. With iTunes, the company could self check the advantage and disadvantage of the productions, they will do research and develop new and creative productions. - Since the new entertainment of computer games like Sony station, Microsoft Xbox and Internal WII are entering the market, Apple iTunes could also focus on this area to complete the ITUNES store. - iTunes is also a media enter could connect face book and Google earth....

#### Threats:

- 4 big record companies drop DRM and encourage other companies' entry to have the competition with Apple iTunes. - Some other multi functions mobile phone company entering to make the music delivery industry more competitive - Broadband and web are also the potential for new music delivery

7. Reccommodation: In order to offer a consideration of how Apple iTunes could be continued success in the future business. I did first make the PESTLE external analysis of the European market mainly for Danish market, to give a general of view. And then make the porter 5 forces analysis the

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Apple iTunes combine with its production within the music delivery market. Finally the SWOT analysis could help us define the opportunity and threats which Apple iTunes will face to in the future. As above, we could see that Apple should continue make research and develop their system ITUNE store combine with its production, therefore Apple iTunes could be in the dominative position. Apple should also keep updating their service concept as before they are providing the free signature on IPOD and Iphone, in this point company could selling more products, in another of view that they could use more Apple iTunes. They should also take more careful with the customers, there are quite number of potential customers which are big fun of the Apple products, if they could keep this part of the customers. Then Apple iTunes could still on the main position. Apple should also realize the reputation of the Apple Itunes through the customer's reaction. Apple should also take more careful of and keep nice attitude with other record companies and making sustainable contracts in the future.

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