

Analysing iPhone products as fashion icons



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There has been a marked increase in iPhone users across the globe since the product was developed in 2007. Apple Company developed the iPhone and its superior quality combined with an effective marketing strategy has encouraged its use by millions of people across the world. By the end of 2010, over 30 million iPhones were sold in different parts of the world. In the US alone, there are over 6 million iPhone users, which illustrate the popularity of the devices. Iphones are smart-phones which have various features including camera phone, video camera, portable media player, visual voicemail, Wi-Fi, web browsing, 3G connectivity and others (Holt, 2004). These phones use virtual keyboards which are activated using a multi-touch screen. In addition, iPhones support various applications which have been developed by Apple Inc. There are hundreds of thousands of apps which serve functions such as reference, games, social networking, GPS navigation, advertising, security and others. There are also millions of tunes available on the Internet which are supported by iPhones through itunes.

Due to the success of the iPhone brand, it is important to ascertain the major factors which have made the iPhone a social symbol or fashion icon. Previous research has linked the success of Apple Inc. in marketing the products to the social influence which is generated by consumers in different geographical locations (Aaker, 2001). The social influence generated has a direct impact in consumer purchase decisions. Studying the strategies which Apple has used to create social influences and ultimately translate this to increased sales levels is of core importance. This information may be replicated by other global brands to ensure success in selling different products to consumers. This paper will evaluate the link between social

influence and consumer purchase decisions. The link will form a benchmark with which Apple Inc. strategies will be analyzed with respect to this information. The research paper may be useful not only to managers of global technological firms but also to students and business owners since this will reveal how manufacturers may use social influence to sell products to consumers.

1. 2 Objective of the Study, research questions and hypothesis

There are various objectives of this research paper. The first objective is to analyze the relationship between consumer decision making processes and social influence. The second research objective is to analyze how the iPhone generates social forces and how Apple Inc. has successfully used this influence to push for market demand for the iPhone. The third objective of the research is to determine the competitive advantage which the iPhone has with respect to the consumer purchase behavior. The research questions will be “ Do consumer decision making processes have a relationship with social influence”, “ Has the iPhone generated social influence and if yes, how?”, and finally, “ Has Apple used social influence to increase consumer demand and increase revenues?”. These research questions will also form the hypotheses to be tested by the research.

Chapter 2: Literature Review

This section of the paper will review all literature on social influence on making of consumer purchase decisions, how iPhones have created a social influence and the competitiveness of iPhones in the global business environment. Consumer behavior, factors influencing demand, social

influence on consumer decisions, iPhones and their influence as well as competitiveness of iPhones products will be discussed in detail in this section of the paper.

2. 1 History of iPhones

IPhones were developed by Apple Company after its CEO, Jobs decided to influence engineers to develop products which utilized a touch screen. He viewed this as an opportunity which had been neglected by phone companies and which may be a source of competitive edge for Apple. The company collaborated with AT&T Company to develop touch-screen device. It took approximately three years for the first iPhone to be developed and it cost approximately \$140 million in research costs (Mickalowski et. al., 2008). After the success of the project, AT&T gave Apple exclusive rights to develop iPhones both in terms of software and hardware. The first iPhone was unveiled in 2007 and thousands of sales were realized on its first day of entrance into the market. Initially, the iPhone was sold in the US, France, UK, Germany, Austria and Ireland. In 2008, another version of the iPhone (3G) was released in over 20 countries and this market later expanded to cover over 80 countries (Keller, 2002). Apple later developed the 3GS model which consumers complained of being expensive although a later version, iPhone 4 was more expensive than the previous version. During the first two years, over 6 million units of iPhones were sold by Apple and by 2010, over 73 million units had been sold (Chaudhury, & Jean, 2002). Apple is currently among the five largest phone companies in the US when ranked by revenue. In the US, there are over 6 million iPhones in use. Since the product can be

used by people of different ages and due to its high quality features, iPhones have gained a global demand over the past few years (Netmedia, 2008).

2. 2 Consumer Behavior

Consumer behavior is an important subject of study by managers in the modern business environment. Increased competition has made it necessary to determine factors which influence the decisions which consumers make of purchasing products. Consumer behavior analyzes why, when, where and how people purchase or fail to purchase products (Drucker, 2000). This subject utilizes knowledge learned in sociology, psychology, economics and anthropology. It seeks to understand consumer decisions both in terms of group decisions and individual decisions. This understanding is gained through study of behavioral variables and demographics in order to develop conclusions on what drives consumers to make certain purchase decisions. There are several factors which are studied when advancing arguments on consumer behavior. These are grouped into environmental factors, consumer factors and choice factors. Environmental factors include market stimuli such as product, promotion, place and price while environmental stimuli include factors such as technological, economic, cultural, political, natural and demographic factors (Peter & Olson, 2004). Consumer factors include buyer characteristics such as motivation, attitude, personality, perception, knowledge and lifestyle while decision making characteristics include informative search, problem recognition, purchase decision, alternative evaluation and post purchase behavior (Olins, 2003). Finally, choice factors include choices such as brand choice, product choice, dealer choice, purchase amount and timing.

In addition, there are also external and internal influences which determine how consumers make purchase decisions. External influences include sub-cultures, cultures, royalty, loyalty, family, ethnicity, past experience, social class, marketing mix factors and lifestyle (Kunde, 2002). Internal factors which influence purchase decisions include lifestyle, demography, motivation, personality, attitudes, knowledge, feelings and beliefs. For purposes of research, the economic and psychology perspectives of consumer decision making processes will be discussed. These include the economic factors which influence the purchase decision processes as well as social factors which affect the decision making processes. Economic factors include income, future expectations, price of product, taste and preference, availability of supply and others. Social factors include lifestyle, demography, beliefs and attitudes. The influence which these economic and social factors on consumer purchase decision of iPhones will form the basis of the literature review.

2. 3 Factors influencing demand

There are various economic factors which influence demand of products. Some of them are income, future expectations, price of product, season, taste and preference, availability of supply and others. These factors will be discussed individually below;

2. 3. 1 Income

Income is one of the major factors which influence demand for products. Consumers budget for products to be purchased depending on the income they earn. They have a higher purchase power when they earn high income

and vice versa (Leuthesser et. al., 2005). Consumers are also able to spend more on luxuries when they have high incomes and vice versa. iPhones are considered by many consumers to be luxury items and therefore purchase of these products will heavily rely on income earned. People who earn more incomes are likely to purchase iPhones and vice versa. They are also likely to purchase more quantities of iPhones than those who earn low incomes.

2. 3. 2 Future expectations

A future expectation of price changes is another important factor influencing demand. When consumers are aware that prices of products will fall or rise in future, this affects their purchase decisions. When prices are set to fall, consumers purchase fewer quantities of the product at present while awaiting the future price reduction (Solomon et. al., 2003). When they expect future prices to rise, they purchase more quantities of products at present in order to mitigate against the future price increase. In relation to iPhones, there are few strong expectations of future price changes, except the normal price reduction which is experienced as more quantities of a product are supplied to the market. This means that consumers of iPhones may purchase these products a few weeks after they are introduced into the market in order to take advantage of a fall in prices.

2. 3. 3 Price of product

The product price is arguably the single most important factor which influences demand (Solomon et. al., 2010). Consumers purchase products depending on the prices charged. Cheaper products are likely to be more purchased than expensive products holding all factors constant. However,

since consumers analyze other factors such as product quality, availability of substitutes and other when making purchase decisions, these should also be considered in addition to the product price. When dealing with iPhones, product prices are not very important factors affecting purchase decisions. Since iphones are of higher quality than many other products produced by Apple Inc. competitors, consumers readily purchase these phones since they are unique and have many features not available on other phone products.

2. 3. 4 Taste and preference

Taste and preference also affects the making of purchase decisions by consumers. Many consumers purchase products, especially luxury products, based on individual preferences and taste. Preference and taste varies across consumers and producers of luxury products analyze the various preferences which consumers may have regarding purchase of products (Bateman, 2010). When developing iPhones, the manufacturer developed various features and applications which would be able to satisfy the preferences and tastes of diverse market segments. These features include camera phone, video camera, portable media player, visual voicemail, Wi-Fi, web browsing, 3G connectivity and others. There are also millions of applications which satisfy different preferences and tastes. These features and applications which satisfy utility of consumers encourage them to purchase iPhones and this is one of the factors which have contributed to the success of Apple Inc.

2. 3. 5 Availability of supply

The availability of supply influences demand quantity and prices. When products are in high supply, their prices are likely to reduce for normal goods and this can likely result in more quantities purchased by consumers (Beach, 2007). On the contrary, when there is low supply of a product, prices are likely to increase and this may lead to lower demand for goods by the consumers. However, it is important to note that these scenarios may only be realized when dealing with normal goods and when all other factors are held constant. This is due to the fact that for certain goods such as luxuries, changes in supply which necessitates changes in price are unlikely to affect the purchase trends of consumers. In addition, there are many other factors which influence demand for products and it is not prudent to analyze supply as a factor on its own. In relation to iPhones, supply may be seen to have a minimal influence on consumer purchase decisions. It has been discussed that many people view iPhones as luxuries. They are therefore able to purchase them regardless on price or supply shifts as long as their disposable income supports such a purchase.

2. 3. 6 Season

There are various seasons which affect the purchase behavior of consumers since goods are on high or low demand during these seasons. For instance, Valentines Day will be celebrated very soon and during this day, demand for products such as flowers, chocolates and rings will be very high. In addition, demand for services such as movies, restaurant and luxury transport will also be high. This demand is artificially created by the season and as soon as it is over, the demand for such services and goods may fall. Other seasons include winter and rainy seasons which raise demand for products such as

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heavy coats and umbrellas, or Christmas season which raises demand for gifts and cards. When dealing with iPhones, it is unlikely that seasons affect the purchase behavior of consumers. These phones are used across all seasons of the year and many consumers do not analyze season as a primary factor when purchasing an iPhone (Kotler, P. & Pfoertsch, 2006). However, when there are special events and celebrations such as Valentines and Christmas, demand for iPhones may rise as some people prefer purchasing them as gift items.

2. 3. 7 Availability of substitutes

This is one of the most important factors which influence purchase of goods by consumers. Consumers in the modern business environment have market information including presence of substitutes (Lassar et. al., 2005). Before making purchase decisions, consumers analyze the presence and cost of substitutes as well as their quality. They then make a purchase decision based on the most high quality product which has the least cost. When purchasing iPhones, consumers analyze other substitute products which may be available from Apple Inc. competitors. There are many substitutes available and these include blackberry, android phones, HTC phones and others. These phones have similar or even superior features than those possessed by iPhones. When consumers are purchasing iPhones, they analyze these substitute before deciding on whether to purchase iPhones or not. It is important that Apple Inc. improve features and quality of iPhones if it is to discourage the market from purchasing iPhone substitutes.

2. 4 Social Influence on Consumer Decisions

There are many social influences which affect the consumer decision making processes. Social influences are social factors which affect the decision making process made by the consumer. There are various social factors which affect the consumer decision making processes and these include environmental or personal choice factors. Environmental factors include technological, cultural, political and demographic factors. Personal choice factors include buyer characteristics such as motivation, attitude, personality, perception, knowledge and lifestyle. These factors influence the decision making process by the consumer since most people are directly or indirectly influenced by the society when making personal choices and decisions. For purposes of this paper, social factors will be analyzed with respect to four categories. These are cultural factors, social factors, psychological factors and personal factors. These will briefly be discussed below;

2. 4. 1 Cultural factors

Cultural factors are factors which influence decision making processes of consumers due to belonging to a certain cultural background. These factors may be divided into culture, sub-culture and social status. Culture is the wants, perceptions and behavior learned from social institutions such as family. Sub-culture is a group which has people who share certain values or beliefs. Social class is a division in society based on shared behaviors and interests. Cultural factors influence the purchase decisions making process by consumers since many consumers make decisions which conform to the society in which they live. There are certain products which may be deemed

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offensive to certain cultures. For instance, Muslim people do not take pork or pork products and purchase of these products in a society which has a strong Muslim culture may be deemed as offensive. Culture also dictates that a person acts in a similar way with which people in his or her social group operate. For instance, teenagers who share technological ideals and beliefs are likely to purchase IT products in conformity with their social group. With relation to iPhones, social groups which share a culture of trendy IT products may all be attracted to iPhones which form a basis of group identity. Cultural grouping may act as a form of peer pressure to encourage the purchase of iPhones especially by teenagers and young adults.

2. 4. 2 Social factors

Social factors are similar to cultural factors and they influence consumer decision making through family, social groups and social status and role. Social groups include neighbors, friends, workers and family. The family is one of the most effective groups which influence consumer decision making processes (Neumeier, 2006). This is due to the strong bond between family members which influences how they act and think. Spouses influence each other when making purchase decisions mainly through preferences and tastes as well as budgeting on available income. Children also have an influence on how parents make purchase decisions. When dealing with iPhones, family and other social groups should not be ignored since they have a major influence on purchase decisions. For instance, a wife or husband will purchase an iPhone after consulting each other or friends in their social group. In addition, social status and role also affect purchase decisions. The social status one has will determine the products one

purchases. For instance, a person in the upper economic social group will likely purchase expensive products from exclusive outlets in order to conform to the social expectations of society of people in this group. It is therefore likely that people in middle and high income status will purchase iPhones as opposed to people in the lower income group. This is because iPhones are considered by most people to be luxury goods and are associated with people in the upper income brackets (Wilson, 2007).

2. 4. 3 Psychological factors

Psychological factors also play a role in influencing the way consumers make purchase decisions. There are four major factors which influence psychological decision making processes by consumers. These are learning, motivation, beliefs and attitudes and perception. Motivation is the drive to purchase the product, and this may be inherent or external. Inherent motivation includes a desire to own a product while external motivation is derived from the environment and social groups. Another factor is beliefs and attitudes and these are feelings and thoughts which individuals hold towards certain products (Schmidt & Chris, 2002). For instance, some individuals believe that eco-friendly products are effective in meeting their needs while others are indifferent between eco-friendly ones or those which are not eco-friendly. Perception on the other hand is the interpretation of facts and information to form a thought process. Motivation, beliefs and attitudes and perception are relevant in making consumer decisions about purchase of iPod products. Motivation from peers and social groups may influence the purchase of these products while perception influences decision making by consumers through differences in interpretation of

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information available about a product. For example, some consumers may perceive iPhones to belong to the upper social classes and while they may be able to afford the products, their perception may prevent them from purchasing iPhones if they do not belong to this social class.

2. 4. 4 Personal factors

Personal factors are the different unique attributes present in individual which help them in making personal decisions. These include occupation, age, lifestyle, economic situation and personality. These are unique traits which vary among individual and which play a major role when they are making any decision in their lives. These factors are relevant in the purchase of iPhones by different consumers. Age is an important factor which influences purchase of products. Some people associate products with certain age groups and they are unlikely to purchase these products if they do not conform to their age group. For example, there are consumers who associate technological products such as iPhones and ipods with the younger generation and these people are unlikely to purchase iPhones if they belong to an older generation. Personality is also a unique characteristic of a person which influences personal decisions when purchasing products. Some consumers are modest when making purchases while others are extravagant. Modest consumers may prefer purchasing cheaper phones which have fewer features in spite of their ability to afford more extravagant phones. Such consumers are unlikely to purchase iPhones. On the other hand there are consumers who are extravagant when making purchases and these may opt to purchase phones with more features and applications such as iPhones. Such consumers may or may not be able to afford such products

and they may take loans in order to satisfy their personality traits. Finally, lifestyle and an economic situation also influence consumer decisions. People who earn high incomes and who live lavish lifestyles are likely to purchase high end market products compared to those who have lower incomes and who live modest lifestyles. This is an important factor which the sellers of iPhones consider when developing marketing strategies for different population segments.

2. 5 iPhones and social influence

IPhones have a significant social influence as has been seen when analyzing the various social factors which influence consumer purchase decisions. There are different age groups and social classes which associate iPhones with social influence and class. The social influence which iPhones have amongst different consumers will be discussed using various market attributes including age, social class, peer groups and others.

2. 5. 1 Age

Age is a predominant factor which makes iPhones have a social impact among consumers in the market. The teenage group and young adults are arguably some of the biggest consumers of iPhones. This age group is associated with trendy and new technological products which redefine fashion statements. Young people who possess iPhones are the envy of their peers who also strive to purchase these products which are seen to be trendy. Various applications which are inherent in iPhones such as iTunes, game applications, security features, as well as other accessories are very popular with young people. This age group usually strives to fulfill

expectations of the peer groups and possessing an iPhone is seen as a symbol of social status by the majority of teenagers. This is one of the biggest factors which have contributed to the success of Apple Inc. in selling iPhones across the globe. The older generation is less inclined to purchase an iPhone due to pressure from peers and this is why Apple concentrates its marketing strategies predominantly among young people.

2. 5. 2 Social class

It was discussed that purchasing power and social class is an important factor which has influenced the purchase of iPhones. There are certain social classes which are associated with luxury products such as iPhones. The upper and middle social class identifies itself with luxurious and trendy products such as iPhones. The lower social class has a lower probability of purchasing these products since they are slightly expensive and are considered luxuries by this social group. This is due to the reason that the upper social class prefers spending a lot of money on products in order to maintain a distinct class difference in society. The upper social class also has more access to higher disposable incomes which makes people in this social class have a higher purchasing power. High purchasing power enables people in such social classes to purchase high end product including iPhones.

2. 5. 3 Peer groups

Peer groups also identify themselves with trendy products such as iPhones. Teenagers who belong to a similar peer group are likely to purchase similar products in order to gain a belonging to such groups. Since iPhones are considered to be trendy, members will readily purchase an iPhone if one

member purchases one. This is done to ensure that there is uniformity amongst group members and that all members have a belonging to the group. Peer groups also have peer pressure and members are likely to pressure each other to attain common objectives. Peer groups which strive to be trendy will motivate members to purchase trendy products such as iPhones in order to gain recognition from other peer groups. However, peer pressure is likely to be experienced by consumers who are of lower age groups such as teenagers.

2. 5. 4 Family

The family which is a social unit plays a significant role in the making of purchase decisions. Spouses and their children influence each other as far as making purchases is concerned (Peter & Olson, 2004). Spouses usually consult one another when purchasing trendy or relatively expensive products such as iPhones. This is due to the reason that large purchases may affect the family's financial stability. This is also due to the reason that family members trust each other and they are likely to consult one another when choosing a high quality product to purchase. Children also influence the purchases parents make either for themselves or on behalf of them. Children give their unbiased opinion on the appropriateness of products to their parents. They also apply pressure to parents when they want certain items purchased for them. Families are therefore important when making decisions to purchase iPhones. Couples may advocate for or against iPhones based on the financial stability of their families or their tastes and preferences.

Children may also face pressure from their peers to purchase iPhones and such pressure may be projected to parents in order to influence their

purchase decisions as far as purchasing iPhones is concerned. Apple Inc. has realized the potential which children have in relation to influencing parents in decision making and they have targeted them in many advertising campaigns involving sale of iPhones.

2. 6 Competitiveness of iPhone products

When making purchase decisions, consumers also analyze various aspects of products including price, product, promotion and place. These are also known as 4Ps and they are marketing strategies which are employed by many successful firm. The competitiveness of iPhones will be analyzed in relation to the 4Ps of marketing.

2. 6. 1 Product

Product is an essential component of the consumer decision making process. In order for consumers to purchase products, they should be of high quality and they should satisfy their utility. Iphones are high quality phones which have superior features which are not present in many cell phone products. They have high quality features including camera phone, video camera, portable media player, visual voicemail, Wi-Fi, web browsing, 3G connectivity and others. Iphones are also capable of receiving millions of iTunes and applications which serve different needs of users. These have made iPhones very popular with different market segments. Apple Inc. undertakes regular research and innovation to ensure that better products are created over time and that iPhones remain relevant to the market. Already four generations of iPhones have already been developed and the firm is in the process of developing more. Since iPhones are high quality products, the firm which

produces them has managed to attract a fair market share in spite of the presence of substitutes. This has ensured good financial performance by Apple over the years.

2. 6. 2 Place

For any firm to be successful in selling products, they should be accessible to consumers. Apple has ensured that iPhones are accessible in nearly all parts of the world. These phones are sold both in Apple outlets and through the Internet in order to ensure that they are accessible to consumers. Apple has outlets both within and outside the US. It has also collaborated with overseas firms to ensure that they sell Apple products including iPhones and this generates huge sales volumes globally. These products are available in emerging markets and third world countries (Banerjee, 1992). In terms of Internet sales, Apple realizes billions of dollars annually in sales revenues through Internet sales. Apple realized that many consumers can be reached over they Internet and it took an opportunity to advertise its products online. This generated a high response rate which translated to high sales volumes. This is a major factor which has ensured that Apple realized high sales volumes of iPhones over the past few years.

2. 6. 3 Price

Price is a major determinant of consumer decisions as far as purchasing is concerned. Many consumers analyze product prices before making purchase decisions. They try to match the product quality to prices sold in order to determine whether it is economical to purchase a product. Consumers usually also compare the substitutes which are available with the product

they intend to purchase in order to make wise purchase decisions. Apple has priced its products at between \$200 and \$500 depending on the version and features which the phone has. This is a fair price when compared to the quality of the phone and the features which are present (Gregory, 2003). This is a major reason why iPhones have grown in popularity with such phones being affordable to the middle and upper social groups. Apple periodically adjusts its market prices for iPhones depending on market demand and competitor strategies within the market environment.

2. 6. 4 Promotion

Promotion is the final marketing “ P” and it involves making markets aware of products sold to them. Unless consumers are aware of availability of certain products in the market, demand may not rise for such products (Adcock, 2000). Apple has ensured that the market is aware of iPhone products in the market through effective advertising campaigns. Apple uses a combination of mass media, print and internet media to undertake advertising. This combination of media targets certain market segments which have access to these media. Internet advertising has enabled Apple reach out to many people across the world who have access to the Internet. The firm has effectively used its website to interact with consumers and gain feedback on products it develops. This has enabled the firm improve the weaknesses which are present in iPhones and attract a wider market client base. Apple has also effectively used corporate social responsibility programs to advertise its products as well as give back to society. This is a strategy aimed at gaining support from communities and people who believe in various causes which Apple stands for.

2. 7 Summa