

The key elements in apples marketing strategy



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How well Steve Jobs done as Apples CEO? Has he done a good job of performing the five tasks of the strategic management discussed in Chapter 2? Why or Why not? What grade would you give him?

If we evaluate the figure of the five task of strategic management we can see that in the case of evaluating Steve Jobs ' performance as the CEO of Apple, we should start in the Task 5 " Evaluating performance and initiating corrective adjustments"; Apple had already an strategy implemented.

When Steve Jobs was hired again by Apple in 1996, no one knew about the future of the company. One day, during the MacWorld in Boston, Steve Jobs appeared in front of the public announcing different and important changes in the company:

New Board of Directors.

Aggressive Advertising Campaign.

Strategic alliances with main competitors.

Lowering cost.

After these announcements in 1997, the company skyrocketed.

It is obvious that the announcements Steve made during the MacWorld in Boston, were the result of a well meditated plan, consequence of a careful observation and evaluation of Apple´s weaknesses and competitor´s success.

Steve Jobs realized that the versatility of Microsoft buried any Apple chances in the computer market, and their original strategy evolved to a " stuck in the middle" strategy.

Steve Jobs foresaw the success of his company launching different and innovative products and strategic alliances. Also he realized that under the conditions of the market, Apple should focus its strategy as a focused differentiation strategy.

Even if it is not explained in the case, it is obvious that Steve Jobs had set new goals and objectives for the company and crafted and implemented a new strategy based in the failures of the last one.

I would give Steve a “ B+” for his performance. I am not giving him an “ A” because I think he has failed in 2 important points:

Even with the success of Apple, I was not able to find clear vision and mission statements.

Jobs either succeeded in explaining the path that Apple will follow in the future, and now, with his health problems, everybody is afraid of the company´s future. People do not perceive Apple as a “ company”, people perceive Apple as “ Steve Jobs” and this is not good for a business.

What are the chief elements of Apple´s strategy? How well do the pieces fit together? Is the strategy evolving?

I think the different key elements on Apple´s strategy are:

Change the computer strategy to a “ focused differentiation strategy”: In this way, Apple will focus it sales on a narrower number of buyers (graphic designers, for example) that will be willing to pay extra money for a better computer with special characteristics.

As it is explained in the case “ Apple ´s proprietary operating system and strong graphics handling capabilities differentiated Macs from PC ´s but many consumers and businesses users were hesitant to purchase a Mac because of Apple ´s premium pricing and because of the learning curve involved with mastering its proprietary Operating System”.

Offer innovative products related with the same industry as their core business: All users know the high quality offered by Apple in computers but Microsoft had a better strategy.

Currently the majority of users have a PC rather than a Mac, and that monopoly seems difficult to break. So, why not to use the quality of the computers in new and different product lines? ... How about creating a “ monopoly” in with other product line based in the differentiation, innovation and strategic alliances, just like Microsoft did before with computers?

The key of Apple ´s Strategy was to convince consumers of their innovation and technological differentiation superior products.

Does it make good strategic sense for Apple to be a competitor in the computer, digital music player and mobile phone industries? Are the value chain activities that Apple performs in computers, digital music players and mobile phones very similar and compatible or are there very important differences from product to product? Which of the 3 products lines do you think is most important to Apple ´s future growth and profitability? Why?

For me makes good strategic sense.

Becoming a supplier of “ high-status computers” is a really good strategy in order to save that production line. , while opening the market of new and unique electronic products using the competitive advantage of Apple’s technology.

The production lines and value chains of the three main activities of Apple are very similar and compatible because they are producing the same kind of product: electronic devices. I believe that this is one of the main points of Apple’s success: to build small computers shaped as phones or MP3 players.

Also I believe that the final goal of Apple is to build a device with all the 3 characteristics offered by their 3 product lines: a cell phone that will be a MP3 player and computer at the same time... And they almost achieved it already, launching the iPad.

I think that the future growth and profitability will be based in the smart phones and audio (both of them). The computer industry is a hard piece to bite. Major manufacturers are constantly competing to produce least expensive and most efficient machines in the market. As technology changes rapidly, competition in the industry is to rise. However, Apple owns the 72% of the share market for digital music players placing the company as the indisputable leader of the market where competitors try to imitate or copy the devices Apple produce.

In which industry is competition more intense? Prepare a five-force analysis of each industry to support your position.

I have determined that the higher competition is more intense in the computer industry.

The five-force analysis for the three industries is:

Five-force analysis for computers:

Supplier bargaining power: HIGH

There are few suppliers of processor technologies (Intel/AMD).

Buyer bargaining power: HIGH

Infrequent customer purchases (we buy a computer for a wide number of years).

Customer switching costs from one product to another are really low.

Threat of substitution: LOW

Product loyalty of Mac users is very strong.

Potential new entrants: VERY LOW

High barriers to entry: there are already too many competitors with strong and fierce strategies.

Competitive rivalry: VERY HIGH

Rapid and frequent product innovation by large firms.

Possible product technology copying.

Large firms with different and good strategies.

Potential new entrants:

VERY LOW

Threat of substitution: LOW

Buyer bargaining power:

HIGH

Supplier bargaining power:

HIGH

Competitive rivalry:

VERY HIGH

Five-force analysis for computers

Five-force analysis for music players:

Supplier bargaining power: LOW

There are lots of suppliers of MP3 technologies.

Buyer bargaining power: MODERATE

Infrequent customer purchases (we buy an MP3 for a wide number of years).

Customer switching costs are low.

Threat of substitution: MODERATE

Costs of substituting iPods for an ordinary MP3 are low because they offer similar services.

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Product loyalty of iPod's users is very strong.

Potential new entrants: HIGH

Low barriers to entry: many consumers are willing to pay a premium for some perceived benefit, whether is high quality, more technological sophistication or greater ease of use.

Copyright of iTunes and strategic agreements with the main music labels.

Competitive rivalry: LOW

Potential new entrants:

HIGH

Threat of substitution: MODERATE

Buyer bargaining power:

MODERATE

Supplier bargaining power:

LOW

Competitive rivalry:

LOW

Five-force analysis for MP3Apple represents nowadays the 72% of the market share of digital music player.

Five-force analysis for phones:

Supplier bargaining power: LOW

There are lots of suppliers of phone technologies.

Buyer bargaining power: HIGH

Very frequent customer purchases.

Customer switching costs to between one company and another are low because they offer similar products (Androids vs. iPhones)

Threat of substitution: LOW

Very trendy.

Product loyalty of iPod's users is very strong.

Potential new entrants: HIGH

Low barriers to entry: in the same way as music players, many consumers are willing to pay a premium for some perceived benefit, whether is high quality, more technological sophistication or greater ease of use.

Wide variety of applications to use at with the device.

Competitive rivalry: MODERATE

Strong and big competitors as Nokia and Blackberry.

Product technology copying.

Potential new entrants:

HIGH

Threat of substitution: LOW

Buyer bargaining power:

HIGH

Supplier bargaining power:

LOW

Competitive rivalry:

MODERATE

Five-force analysis for Phones

What does a competitive strength assessment reveal about Apple, as compared to the leaders in the personal computer industry? Among these competitors, who enjoys the strongest competitive position? Who is in the weakest overall competitive position? Has Apple's strategy resulted in a substantial competitive advantage over its rivals in the computer industry? What is the basis for whatever competitive advantage it has?

Under the competitive strength assessment presented in the last table, Apple is placed as the second main company in computer industry, behind Hewlett-Packard. The weakest computer manufacturing company is ACER.

In my opinion, the product technology, quality, capability of producing new products and design are the competitive advantages of Apple.

These competitive advantages motivate certain niche of customers to pay more for an apple computer than one of the competence.

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These competitive advantages offer an exclusive product: who owns a Mac owns a top quality computer (like the one who has a Lexus or a Mercedes rather than a Chevy).

If Apple would not have high scores in these factors, would be placed in the third place, behind Dell; thus this support and demonstrates that the differentiation strategy based in quality and technological advance is a substantial comparative advantage.

What does a competitive strength assessment reveal about Apple, as compared to other main players in the digital music industry? Among these digital music player competitors which company enjoys the strongest position? Who is in the weakest overall competitive position? Has Apple's strategy resulted in a substantial competitive advantage over its rivals in the digital player industry? What is the basis for whatever competitive advantage Apple has?

Under the competitive strength assessment presented in the last table, Apple is placed as the first company in the music player industry, while the weakest company is Microsoft.

Even without having the best quality product (in the case was explained that other competitors were awarded with prizes in quality), the strategy based in design and the music networking (available thanks to key strategic alliances) has positioned Apple as the main seller of MP3 players.

The basic competitive advantage and the key of the success have been, again, the technological advance and innovation. The complexity of the

technology used by Apple helped Steve Jobs to achieve crucial agreements in the music industry, developing (under my point of view) the most important product of Apple: The iTunes. As it is explained in the case: “ Jobs was able to negotiate the agreement with the labels for two main reasons: First, the labels were eager to offer a legitimate online source for their music that would reduce the flow of pirate music. Second, the music provided by Apple was compressed using Apple’s proprietary Advanced Audio Coding (AAC) and the music was protected with Apple’s Fairplay Digital Rights Management System, one of the strongest of the industry”

What is your assessment of Apple’s Computer financial performance the past three years?

The performance for the past three years has been very good:

The gross profit margin each year has a growing tendency and it is very high, indicating that the company earn enough revenues to cover its operating expenses and have a profit.

The return on equity for the 3 years is above the average with a trend upward, indicating that stockholders are earning on the investment in the company.

Earnings per share shows a upward trend each year with a big percentage gain each year.

Current Ratio: with an upward trend each year, ratios higher than 2 are great!

Debt-to-Asset Ratio: very low (under one each year) shows a very low risk of bankruptcy.

Inventory Turnover: Even if it has a downward slope is still a very high ratio.

Average Collection period: It is good because shows that the company spends less than one month in collecting cash payments.

What accounts for Apple's noteworthy success in the market for smart phones and digital music players, but its overall weak showing in the computer industry?

In my opinion the success of Apple in the phone and MP3 industry falls in its innovation and technology used and price position of the product.

As I explained before, the complexity of its technology allowed Steve Jobs to sign contracts with the main music labels. The technology used by Apple, gave enough confidence to the music industry and pushed them to sign contracts to sell their content in a copy-protected form in iTunes.

Also, the innovation as a core principle of the company, allowed Apple to launch unique products into the market: the iPod and iPhones. Eventhough similar products were already in the market, Apple was the only one able to combine all together in one device: Music, photography, video and design.

Least but not less, the price position played an important role. Although iPods and iPhones were more expensive than similar devices offered by the competence, the price of Apple positioned its products as "luxury" goods affordable for most of the people (To show off is in human nature).

However these 3 points of the strategy were really succesful for MP3 and phone markets, were very bad points in selling computers.

The technological simplicity of the regular PCs versus the Mac complexity made consumers take a step back when buying an Apple computer.

In the same way, the price position of Mac Computers is very high, making their laptops not worthy, in a very competitive and versatile market. As it is explained in the case: “.... PC owners were hesitant to purchase a Mac because Apple’s premium price and because of learning curve involved with mastering its proprietary operating system.....”

Finally, the restrictive agreements of MAC OS made the marketing system fail: “.... However, very few companies ever chose to license the Mac OS because many felt the licensing agreements were far too restrictive...”

Is Apple’s strategy in its computer business strong enough to compete successfully against Dell and HP?

I think that Apple will never be able to rival against Dell and HP. Microsoft built almost monopoly with its operating system and manufacturers of regular PCs are ferocious. Altogether makes very hard to change people habits, and high prices for Apple computers make the situation even worst. But I think this is not Apple’s strategy. As I mentioned before, I believe that Apple want to pursue a product differentiation strategy were Mac will be identified with designers and fashionable people.

My theory is supported by Steve Job’s speech during the MacWorld in Boston in 1997:

“.... Lastly, I want to just talk a little about Apple and the brand and what it means, I think, to a lot of us. You know, I think you always had to be a little

different to buy an Apple computer..... I think you had to think really differently when you bought a Mac. It was a totally different computer, worked in a totally different way, used a totally different part of your brain..... And I think you still have to think differently to buy an Apple computer. And I think the people that do buy them do think differently and they are the creative spirits in this world....”[1]

Apple will succeed over Dell and HP on targeting that niche of particular customers because Apple offers a much more valuable computer than its competitors.

Does Apple’s strategy for its iPod business seem capable of allowing the company to remain on top of the digital music player industry over the next 5 years?

I think so. Apple has reached with the iPod what Microsoft reached 20 years earlier with windows.... almost a monopoly with the 72% of the digital music market share. But Apple should keep going with its innovation strategy because the product copying is really strong in this market and it could happen that its products become obsolete fast.

What steps should Apple take to improve its corporate performance and to strengthen its position in its most important markets?

As I mentioned in the first question, I think that nowadays the biggest threat Apple is facing, is the uncertainty in the company’s future without Steve Jobs. With Steve’s sickness some people believe in Apple’s “end”.

As a company, Apple’s main step now should be focused on spreading confidence across its stakeholders. I suggest them to clarify the path that <https://assignbuster.com/the-key-elements-in-apples-marketing-strategy/>

the company will follow now without Steve and I will fight strongly to launch new products or improve the current ones, to encourage that confidence.

Also this will have a very positive effect in the Stock Market of the company.

Finally, I have noticed that Apple is not very successful in foreign markets or at least not that much as in United States, so I think that future strategic steps should be driven into this direction.