

Marketing Case Study;

Apple Ltd

Full Name	Apple Inc
Legal Structure	Public Company
Industry Sector	Mass
Location of Head Office	Cupertino California
Stage in Business Life Cycle	Maturity – increase in competition – products are constantly innovating (Iphone)
Prime Function	Production of goods and retailing of goods to the consumer
Revenue	2014 Revenue = approx. \$182.4 billion
Profit	40 Billion rounded AUD
Main Competitors	Samsung Blackberry Nokia Sony Google Toshiba Lenovo

1. Role of Marketing

1.1 – Strategic role of marketing goods and services

- Strategic role of marketing at apple is to be able to have the most innovative products and the best customer service + be known for having this
  - Main Slogan ‘Think Different’
    - Encouraging employees to be the most customer friendly in their field
      - In most stores it is usually a ratio of 1:1 – ie one apple employee to one paying customer
- Apple was voted as the overall winner of the CMO Survey Award for Marketing Excellence in 2013, 2012, 2011 and 2010
- Core philosophy at Apple began in its inception – 3 core philosophies;
  - Empathy – truly understanding the customers needs better than competitors
  - Focus – We must eliminate all of the unimportant opportunities
  - Impute – ‘People DO judge a book by its cover. We may have the best product, the highest quality, the most useful software, etc.; if we present them in a slipshod manner, they will be perceived as slipshod; if we present them in a creative, professional manner, we will *impute* the desired qualities.’
- Strategies used;
  - Hire customer obsessed empathetic employees
  - Iterative Customer involvement – removes focus of marketing research

- Protect against the division between engineers and business people – ensure that products are simple to use with a clear fundamental purpose
- Build Compatible experiences – integration of hardware and software
- Enable customer discovery and differentiation through apple stores – customers are taken on a “ride” within the store – apple genius bars
  - Highest sales per square foot among US retailers
- Build a moat – advertise in special ways by differentiating themselves from competitors
- Devise a business model that creates ongoing customer value – itunes Store – updates of technology
- Cannibalise where necessary – remove old + good selling products where necessary to improve and add new ones
- Don’t try to be all things to all customers – focus on a limited number of product lines and limited offerings in each line
- Create an ecosystem that makes offerings available – ie phone would be useless if there was no apps sold on the app store

#### 1.2 – Interdependence with other key business functions

- Apple has a direct link between operations and marketing.
  - Apple needs the most innovative products – encourages constant innovation
    - Capitalising on the theory that customers replace their phones on an average of every two years
  - At Apple Human Resources act as the key asset to its evolution and to its innovation. – Steve Jobs and Wozniak with the Apple Macintosh
  - Apple requires a huge marketing budget

#### 1.3 – Production, Selling, marketing approaches

- Apple integrates a marketing approach – rarely relies on selling.

#### 1.4 – Types of Markets

- Apple operates in the intermediate market to sell its products – apple stores
- Also operates in the mass/niche market
  - Mass because everyone can use their product and everyone wants to use their products. All of Apples products have extremely large customer bases
    - Advertising has a niche focus – ie discount for University students

## 2. Influences on Marketing

## 2.1 – Factors Influencing Customer Choice

### Psychological;

- Slogan ‘Think Different’
- Psychological factor at play with the colour white focus

### Sociocultural

- Apple has a high cost for its products which could alienate some groups within society – same for economic

### Economic

- Apples products have a large price to reflect their market skimming (high price of R and D) they are made more affordable through phone plans for example

### Government

- Flight Centre operates in Aus and therefore is affected more closely by the Government regulations (monetary policy, fiscal and microeconomic reform)
  - These can drive or limit sales
  - For example the payments the Government gave to offset the GFC prompted some individuals to travel
- Apple was affected by a Patent battle in Australian courts
  - Chose to focus the battle only on the American case to allow for cost savings with Samsung

## 2.1 – Consumer Laws;

- Consumer laws are monitored by the Australian Competition and Consumer Commission (ACCC)

### A – Deceptive and Misleading conduct

- **Coles was recently prosecuted for deceptive and misleading conduct in relation to its advertising of its bread as being ‘baked fresh’**
  - **In reality it was found that the bread was baked up to 80% in Ireland by its suppliers then snap frozen and warmed up in Australian stores**

### B – Price Discrimination

- Flight Centre was charged with anticompetitive pricing conduct (fine of over \$3 million) for trying to collude with airlines so that they could be the ones offering the lowest prices for flights.
- There is considered to be a degree of price discrimination as Australian consumers are required to pay a much larger levy on Apple products than their American counterparts (still equates in the demand and supply)
  - Was successfully changed for songs to be similarly priced on the itunes store.
- JB HIFI advertises almost all of its products with a mark up that can be reduced to encourage sales yet also drive profit levels for consumers who are unwilling to ask employees
- **Both Coles and Woolies have both been accused of unsociable conduct with regards to their suppliers**
  - **Both have cases against them that they force ad prices and sale discounts onto suppliers by using their large market share.**

- Woolies healthy food campaign, which featured Jamie Oliver was halted as suppliers campaigned against a marketing fee that Woolies was basically forcing on suppliers

#### D – Warranties

- Apple was found to have breached its rights under Australian competition law by denying customers the ability to receive a refund for damaged products
  - Changed its practices to more closely accommodate consumer rights under Aus Competition Law
- HP was charged \$3 million for failure to meet its contractual obligations in regards to its warranties

<http://www.smh.com.au/business/markets/apples-fiscal-3q-earnings-beat-projections-20140723-zvzf5.html>

### 3. Marketing Processes

#### 3.1 Situational Analysis

##### SWOT

- Apple will use the SWOT to examine both its internal and external environment
  - For example an increased threat to Apple is the dominance Samsung holds in the Asian market. This also represents an opportunity as Apple through offering a larger screen would be able to meet consumer needs in that market

##### Product Life Cycle

1. Mac Air = growth
2. Mac Pro = maturity/Post
3. Iphone = maturity
4. Ipad = post maturity - decline

#### 3.2 Market Research

- Apple does not in principle do market research on its new products – to keep them secret.
  - Jobs' philosophy was that the consumer does not know what they want until they see and it and therefore cannot describe
    - Their was no research into the iPad.
- Apple does use Market research on customers who buy the product and then use it – every month.
- As the Ipad was the only product of its kind on the market it was extremely important that it kept its research private to ensure competitors couldn't capitalise on its faults.
- Most of Apples research is Primary

#### 3.3 Establishing market Objectives

- Strategic goal at FLT (flight Centre) is as follows; “To be the world’s most exciting travel company, delivering an amazing experience to our people, customers and partners.”
- Market Objectives;
  - Improve the brand perception by targeting new market segments
  - Growth in Social Media advertising and promotional campaigns
  - Creating unique products for all brands
  - Maximising the possibility of 24/7 sales – to combat the increase in online retailers
  - Enhanced online content

### 3.4 Identifying Target Markets

- Apples Target Market differs based on its product it aims to cater to all types of people
- As its products can be differentiated by the user, the hardware is able to cater to the more technologically savvy as well as those who struggle with technology.
- Apples focuses on simplicity. Therefore can attract customers from across the globe.
- There is a large student focus with deals aimed at attracting students into purchasing technology especially – caters to the technological age.

### 3.5 Developing Marketing Strategies

- Refer to strategies listed below

### 3.6 Implementation, Monitoring and Controlling

- Apple has in place several quality controls in management to protect it from the costs associated with having poor/sub par quality products.
- Through the Genius Bar and returned products Apple can determine product failures to fix the issues/locate at which stage of production the error occurred.

## 4. Marketing Strategies

### 4.1 Market Segmentation

- Both Apple and Flight Centre segment their markets to attract different consumers
  - Apples products are differentiated based on features and therefore price
    - For example the Macbook Pro isn’t targeted at everyday consumers
  - Flight Centre on the other hand offers packages based on age and in some cases Gender
    - For example its Student Flights subsidiary specifically targets student backpackers whereas many packages are

designed for families, singles etc

#### 4.2 Products

##### Branding;

- Apple is accompanied by a reputable brand image
  - The logo is one of the most commonly recognised internationally
  - The white acts as a clear differentiator to competitors who have strikingly different colours
    - Apples 'white' (symbol of purity) was flawed. In production Jobs ordering of all white machines backfired as they accumulated dust more easily and were harder to clean + more susceptible to breaking down.

##### Packaging

- Apple offers all white packaging with image on top
  - Apples simplified box packaging revolutionised the sale of phones as one of Jobs key philosophies
  - The packaging of all of all Apple's product are the same universally – white box with image of the product on top
  - Helps it to stand apart from the crowd
- The design of the IPod revolutionised MP3s
- The Iphone revolutionised, modernised and more smartphones more acceptable
- The IPad created a whole new area of technological exploration
  - Has seen falling sales in recent fiscal periods

#### 4.3 Price

##### Pricing Method

- Apple uses a Cost based pricing strategy that considers the prices offered in the marketplace (competition based)
  - As Apples products all have a generic competitive advantage they are able to command a higher premium price for them in the marketplace – Macbooks
    - IE APPLE DOES NOT HAVE TO COMPETE ON PRICE – ALL OF ITS COMPETITORS DO
  - Pricing is similar for most competitive products in the market
- **Flight Centre on the other hand has to use competition based pricing to truly offer the lowest prices**
  - **Acts as a reason to use a travel agent – to find the lowest prices**
  - **Flight Centres slogan – 'Lowest Price guaranteed or you fly free'**

##### Strategies

- Apple uses market skimming (high cost to recover r and d) upon the release of a new product – meets demand
- Apple also uses price points (varied based on features) for all of its products

- There is an interrelation between price and quality as Apple is able to command the highest price as it has the highest level of quality in the marketplace
- Flight Centre uses loss leaders in some cases to encourage flights (student flights) it also uses price points to differentiate its packages based on what the consumer wants

#### 4.4 Promotion

- Both have a heavy advertising presence
  - Apples accompany the release of a new product
  - Flight Centres are consistent to encourage consumers and to be consistently seen as offering the lowest prices
- Apple and Flight Centre both use personal selling and relationship marketing
  - Apples = 1:1 – ratio of staff to customers at all times based on estimates of customers
  - Flight Centre through its travel consultants accompany consumers the whole way through the travel process
    - It will call the consumer afterwards for feedback and to encourage them to travel again
- Apple aligns itself with influential figures (Ghandi) in its ads – opinion leaders
- Flight Centre has weekly travel deals advertised on the television as a form of sales promotions

#### 4.5 Place

##### Distribution Channels

- Apple = Producer to retailer – retailers are either through the Apple stores (both online and externally) or through other businesses such as Optus, JB, Harvey etc

##### Channel Choice

- Apple has a high presence therefore selective channels only
  - This is especially prevalent with its phones, with phone companies buying the rights to offer the phones from them – ie Iphone 4 was only available through Optus

##### Physical Distribution Issues

- Apple uses clearance sales to remove excess stock as new innovative products are moved into production
- Keeps limited numbers of supplies after new product and after a specified period of time removes them and stops their sale entirely

#### 4.6 People processes and physical evidence

##### People

- Apple and Flight Centre both estimate that people act as a competitive advantage in guaranteeing a sale
  - Apple has specific 'geniuses' to help teach and fix products

- Flight Centres travel consultants act as the face of a business and therefore must be extremely knowledgeable and able to accommodate customer needs.

#### Processes

- Flight Centre is careful to ensure that it can facilitate the whole process until return back home.

#### Physical Evidence

- Focus of white at Apple throughout the whole business – important to brand image

#### 4.7 E – Marketing

- Flight Centre operates a portion online their focus remains on brick and mortar stores
- Same as Apple who offer their products online and also through its stores
- Both access Facebook + social media as a form of advertising through their 'pages'. These pages also allow customers to access information as well as leave feedback.
  - Positive feedback acts as an encouragement and can be seen by everyone who visits the page

#### 4.8 Global Marketing

##### Global Branding

- Both Apple and Flight Centre have a global brand that is the same worldwide
- Flight Centre also uses subsidiaries that differ internationally – they are called Flight Shop in some parts of the world

##### Standardisation

- Apples products are the same the world over with the user given the ability to alter the product to suit their needs. For example Asian customers are able to change the language from English.
  - Individuals can also purchase additional extras to the product – apps, music etc

##### Customisation

- Flight Centre can customise all of their packages to suit consumers.
  - Ie can stay with friends they are able to remove the hotel from the prices
- The travel consultants can organise the whole trip without use of a package. Packages are just able to make it more convenient and cheaper

##### Global Pricing

- Apple has been repeatedly criticised for its variations in pricing between markets – ie Australian consumers are forced to pay much more than their American counterparts – difference of over \$100 on all Apple products

##### Competitive Positioning

- Apple positions itself as offering individuals the most simplistic and convenient pieces of technology – allows all individuals in the community to use it.