

Introduction

Apple. With our world run on advanced technology that is constantly improved, we now think of the company Apple before the fruit. Apple Inc is the master crafter of all products such as Macintosh, iPhone, iPad, and iPod. Apple is a new standard for innovative technology. Every time a new apple product is rumored to come out open to the public, lines are formed out the door and those products are purchased by large percentage of the population. Apple has hooked its customers onto their products and we hope to use analysis in our research to make our findings more accurate and conclusive.

Background on Apple:

Apple was established in Cupertino, California on April 1, 1976 and incorporated on January 3, 1977. From its philosophy of comprehensive designs, customer service, user-friendly products and distinctive advertising campaigns, Apple has established a unique and individualistic perspective and reputation in the consumer electronic industry. Apple's objective is to obtain stellar products and services within a tight time frame at a cost that holds the best possible value to the customers and shareholders. Apple is committed to bringing better quality products in order to satisfy customers' needs. Apple has always upgraded in a positive direction through innovative, contemporary, and technologically advanced products. Apple's commitment to their objectives and mission statements clearly depicts that Apple has established their own strategy to business growth and profit. Their strategy, technological advanced products, and other facets makes their award as the most admired company in the world in 2008-2010 well deserved. Part of Apple's other helpful assets are their persuasive and informative marketing tactics.

The Four P's in Apple

Product

Apple's products in themselves are a different category in electronic products. Apple has marketed themselves to the number one spot simply by having products that are desired so much it has almost become a need in society. Apple has been called one of the most user-friendly companies in the world. This is because they understand that a majority of their customers have a basic understanding of technology but it is not as vast enough to where customers could easily use products that do not have step by step simplicity. Therefore, Apple's products are touch screens so customers are not pressing a bunch of different buttons to find their desired information. Each app on the iPhone has a clear purpose from messaging, calendar, photos, to Facebook. Even when app is pressed, there more clear buttons to help customers use the app. For example, when the messages app is pressed, there are buttons that can clear a conversation, or when an important dinner party needs to be placed in the calendar, all a customer has to do is press the day and then a menu pops up that easily allows the time, place, and description of the event to be written in. Apple's products also have a unique asset to them that most other electronic products overlook. Apple's aesthetics appeal to many consumers because it adds flair of personality and human interaction along with technology allowing consumers to feel engaged in whatever they are doing on their Apple products. If someone is making a presentation on the iPad, the individual can add their own colors, their own pictures, while simultaneously exchanging ideas with a co-worker on FaceTime. This makes consumers feel engaged in their work while using the most advanced technology but not being complacent to let a computer to do all the work and not even being really a part of the presentation. Apple products are incredibly convenient because it has computer capacity in the size of a folder. Consumers can take their work, and with programs such as Skype and FaceTime can meet with co-workers without ever

having to be in the same room or even country. Soldiers overseas can see their family; students can update their parents on how college is going, etc. Apple products allow for human interaction when it used to be impossible, a computer to fit in the back pocket, all with the best technology available. This allows for efficiency and good time management in consumers' lives and meets the objective Apple works so hard to strive for.

Place

Apple products are everywhere. Online, in an Apple store, various catalogs, etc. When consumers enter any electronic store, an Apple product is guaranteed to be in there. Apple has excellent timing and placed themselves in the right place every time a new product is trying to be promoted. They will put new products around the holidays and after the holidays, placing themselves in the consumers' minds. Holidays is a time where nice presents are given, and everyone wants the newest, latest technology ergo Apple is generally on top of everyone's list. Apple is even indirectly placed in consumers' minds through other products not even related to Apple. Many other companies will feature Apple products in their commercials, for example maybe a car salesman will show a consumer comparative prices for a vehicle on an iPad. Consumers make a small mental note at how professional the iPad looks in the commercial and along with the car, they are thinking "Man, everyone uses these Apple products; I might as well jump on the bandwagon." By indirectly placing themselves everywhere whether it is through commercials or advertising, Apple has made itself a home all over the world and capturing a global consumer demand for Apple products.

Pricing

When it comes to pricing, Apple has a distinct advantage over many companies. The four factors affecting pricing, (company, consumers, competition, and distribution), apply differently in the Apple business module. All business wishes to maximize profit and uplift the brand reputation. In Apple's case, profit is at all-time peak, the new goal is to continue growth at an increasing percentage. In order to do this, they realize how much of each new product put out on the line must be sold to reach a breakeven point. Apple also gets many of their parts for products from China which makes their unit cost much lower than the price products are sold for. That being said, many people will definitely agree that Apple products are expensive. So why do they sell so well? When you go Apple, you can never go back. If you ask anyone prior to having their iPhone, many would tell you that they could use any phone they just needed a cellular device. But if you were to ask them to give up their iPhone for a different phone, that would probably not end so well. People are so used to the iPhone and are extremely comfortable with them so once they have one Apple product, all electronic products bought afterwards will generally be Apple. So, people pay the higher price. This is proven by Apple's elasticity. Apple has an inelastic demand meaning if Apple's price increases, the demand will still be relatively the same, and if it falls the percentage will be smaller than the price increase percentage. Since Apple has inelastic demand curve, Apple does not have to fluctuate prices even if competitors do. Apple does not price discriminate, but they definitely target their loyal customers and try to improve products for the customers who have stayed with Apple through every product.

Promotion

Apple has many ways of promoting the name, the products, and the reputation it wishes to perceive to its customers. When huge asset Apple had was Steve Jobs who will leave a legacy for years to come. Steve Jobs was the CEO of and the head presenter for Apple. Steve Jobs'

presentations alone were enough to sell Apple to the world. A good presenter is the biggest marketing asset. When Jobs presented, he used the new product he was promoting and related it to the audience. For example, he would not say “This new product has 8 GB.” That statement does not mean much to many consumers. Jobs would say “This product has enough music capacity to hold 100,000 songs.” He made it applicable to the audience. He also interacted with the audience and showed the audience what his product could do by using that product to make his presentation. He used colors, power points, and the technology to give a presentation that would last in the mind forever. At the end of the day, that is the image people leave with: a product and a CEO that gave a performance of a lifetime with technology as big as a folder. Apple also creates the aura of uniqueness by having the Apple Geniuses. Automatically, that makes consumers feel Apple has only the best and brightest students working for them, therefore those products must be the best on the market. Psychologically, the consumers feel that these products are so unique; the company has its own squad to fix the problems because they are the only trained personnel to solve any Apple problem. The title Apple Genius is also very credible because you do actually have to be very smart and gifted in order to work for such a respected company; therefore the consumers have a trusting bond with the geniuses.

The Marketing Environment

The Internal Environment

Apple creates a strong internal environment so their external environment can be pleased and Apple can strive to minimal complaints. Apple employs talented, extremely intelligent and knowledgeable individuals to create, fix and maintain Apple products. Apple invests in companies to produce their parts and has investors and stock holders invested in them. Apple is considered a stock market indicator; if Apple shares are up the stock market is considered to be

doing well and vice versa. The materials and machinery is obviously the top of the line and the most advanced that is available to the public. Apple is at the top of the electronics and technology industry—a market that is used by a majority of the world population. Therefore, Apple clearly is a company that has internal stability. The men, money, machinery, materials, and markets are strong and stable allowing for Apple to be very profitable.

Apple's Microenvironment

These factors are much more controllable than microenvironment factors. These include suppliers, competition, and companies that directly affect the customer experience. Apple's main supplier of computer chips is China. Competitors such as Samsung (as well as Google) are Apple's main focus in terms of target groups of customers and getting them to switch to Apple products. Companies that directly affect the companies are phone companies that sell iPhones, electronic stores, and Apple stores. All of these places play a role in how many Apple products are sold. If phone companies have a reduced price on an iPhone when a certain plan is bought, or the stores are having sales, customers are generally going to be pleased and buy more Apple products. Facets of this such as good customer service, attention to detail, and quick correction of problems that are addressed by customers all help the microenvironment succeed better.

Apple's Microenvironment

These factors are much less controllable. These include factors such as politics, culture, demographics, and location. While technology is capable of being everywhere in the world, the value of technology varies from place to place. For example, countries such as the United States, England, and China welcome technology because it suitably accommodates the fast pace life. Countries in Eastern Europe, Africa, and Southern American countries have technology in certain areas. These places are not as developed or simply do not feel the need for too much technology

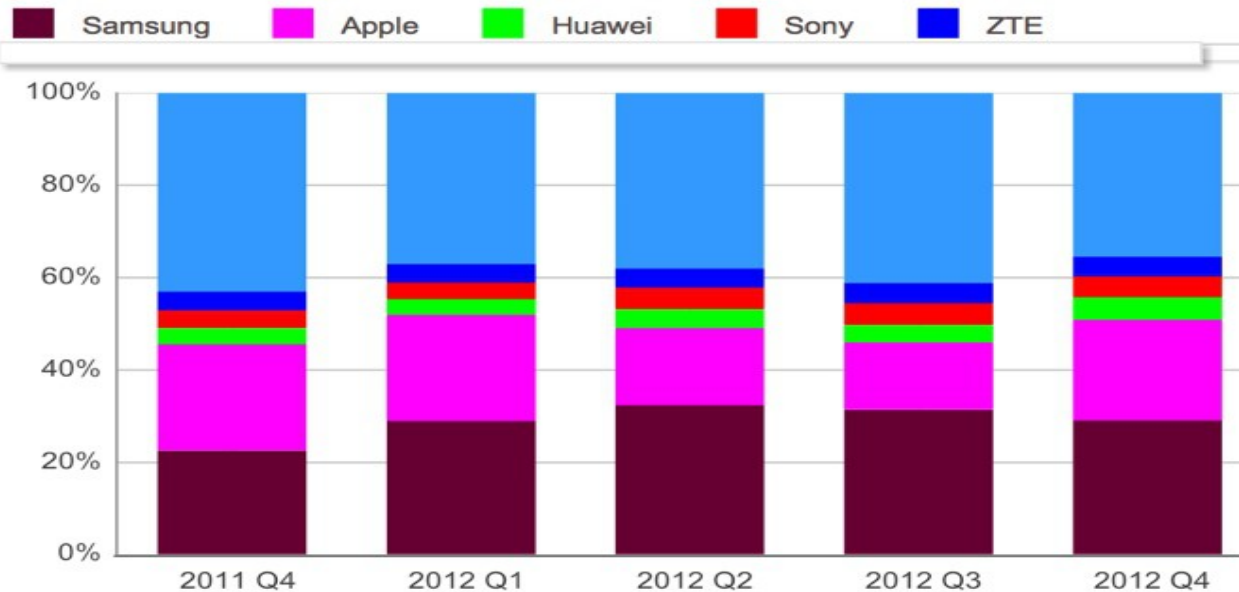
in the lives of their citizens. Apple has to accommodate to these cultural differences. Standards of living vary from place to place, Apple has to remember while many Americans can afford at least one Apple product, only half the citizens in India can afford the products. But Apple has a strong market and range of demographics that buy their products globally allowing for company growth and increased profits.

The 3 C's in Apple

The competition, the consumers, and the company are the three players any business wishing to succeed has to play with. Apple has made all the competitors realize it is the alpha player in the game. Every year, Apple beats Android's sales and every holiday season is in the top 3 of items bought. The consumers continually prove their loyalty to Apple by buying products hours after it becomes available on the market. Every update, every small change has record numbers in consumers who update their phone to the new IOS system or buy the new iPhone 5 versus the 4s. And last but not least the company prides itself in good customer service through quality, user-friendly, and aesthetically pleasing products. The management has proven themselves as worthy business men and knowledgeable technicians. The goal of Apple has always been to make products with the end user in mind. This mentality can easily be seen in everything Apple produces, from their phones to their computers and laptops. But while Apple has its great successes, no company is perfect. Apple is close, but there are products and updates that could be improved upon.

Competition

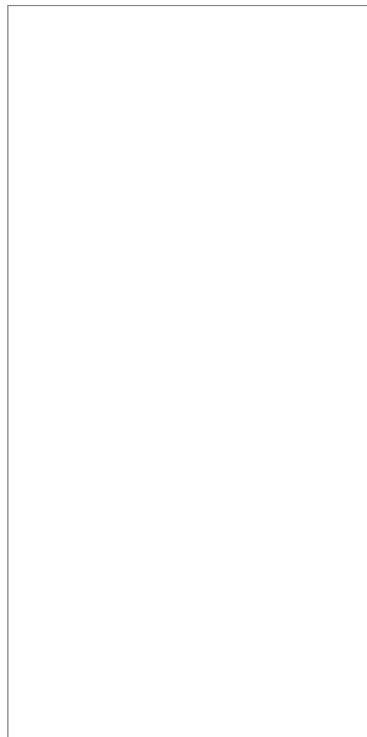
Worldwide Smartphone Vendors Market Share, 2012 Q4



The above chart shows Apple’s market share of the smart phone industry worldwide by quarter. The smart phone industry is currently one of the most competitive industries, and Apple seems to be doing well. The main competitor to Apple, as shown by the chart, is Samsung. Samsung smart phones run a rival operating system, Android, which differentiates themselves from the competition by being open sourced. While Apple prides itself on exclusivity, Android has chosen to go the other way by letting their consumers make major modifications to their source code. There are several other distinct differences with the products that help Apple differentiate itself from other smart phone vendors. For example, Apple has designed their products in such a way that there is seamless integration between all Apple products a person may own. This is accomplished through Apple’s use of cloud computing. Apple has pushed their own product (iCloud) that allows Apple users to move between Apple products with minimal interference.

Consumers:

Consumers of Apple products have a wide range of ages. The main feature that draws them to Apple products is the aesthetics, both internally and externally. A trademark feature of Apple's products is their rounded corners and use of light material such as aluminum. The external beauty of Apple products, combined with their lightweight designs attracts many people towards buying an Apple product. However the internal aesthetics (operating system) really help Apple to attract customers.



The above picture is a screenshot of Apple's most recent operating system (iOS 7). The operating system boasts simplicity as well as functionality. Apple designs its products with the consumers in mind, and therefore their operating systems are made to be easy to learn and use. A major advantage that Apple has over its rival smart phone vendors is that Apple manufactures its smart phones with their own operating system. While other smart phone vendors have to form partnerships with companies such as Google, which develop operating systems, Apple is able to

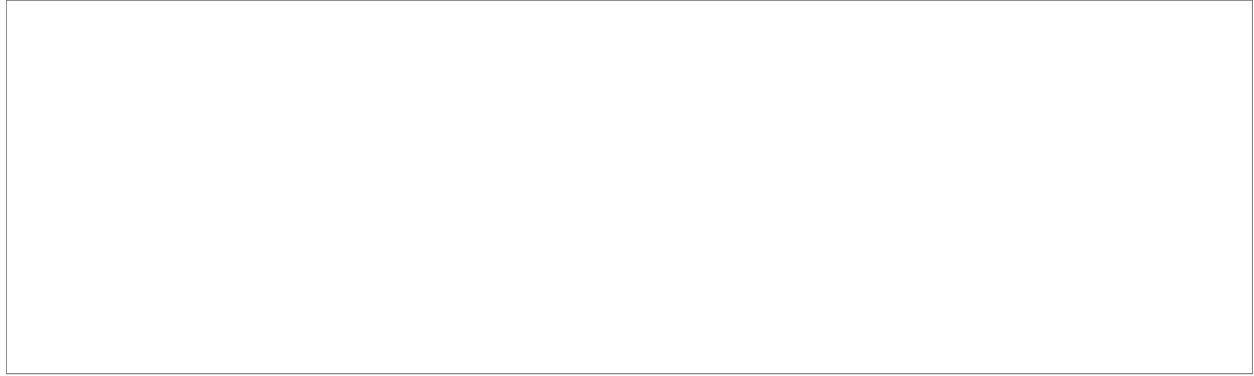
keep their products “in house” and minimize external influence. In addition to its simple to use operating system, Apple products also feature an exclusive application store where Apple users can buy or even sell applications to other Apple users. This “market place” like environment has been emulated by competitors such as Google, who also offer their own user driven application store. The App store allows Apple users to customize their products, in addition to promoting a “user driven” base.

Company:

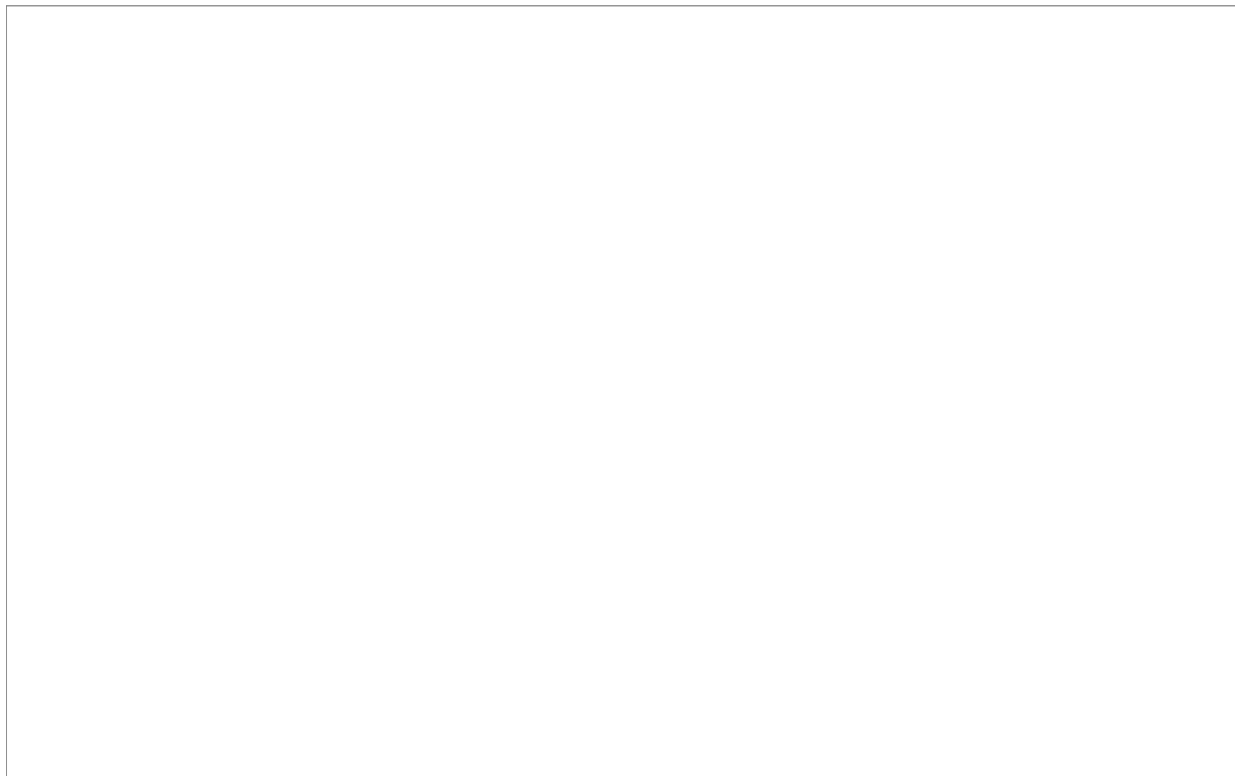
Apple as a company has thrived under the leadership of the late Steve Jobs. He pushed the boundaries of consumer interaction. Products such as Siri have garnered consumers’ respect for Steve Jobs as a leader and visionary. Apple has been able to maintain its image as a company that delivers easy to use products that do not place form over function. All advertisements that Apple has emphasize that the company has not sacrificed functionality to create an impressive design for all of its products.

Public perception is very important to a company of Apple’s size. Apple must make sure that the products that they sell perform as they should. To accomplish this, they hire a collection of businessmen and engineers. The company hires as many businessmen as it does qualified engineers. This shows to the public that the focus of the company is not completely on selling products and producing revenue for shareholders. Obviously public perception is very important to a publically traded company; therefore Apple must carefully watch how their products and marketing strategies are looked at by the public.

Analysis of Apple’s marketing strategies relative to stock price



The above graph was taken from Google's Finance tool, which tracks stock prices of publically traded companies .The graph shows the stock price of Apple Inc. over the past 23 years. Since the stock market is one of the most stable ways to measure company performance, we will analyze Apple's marketing strategies with the use of stock price as a metric. While increases and decreases in stock prices cannot be wholly attributed to the marketing strategies of Apple, the stock price does serve as a good indicator of the effectiveness of the strategies.

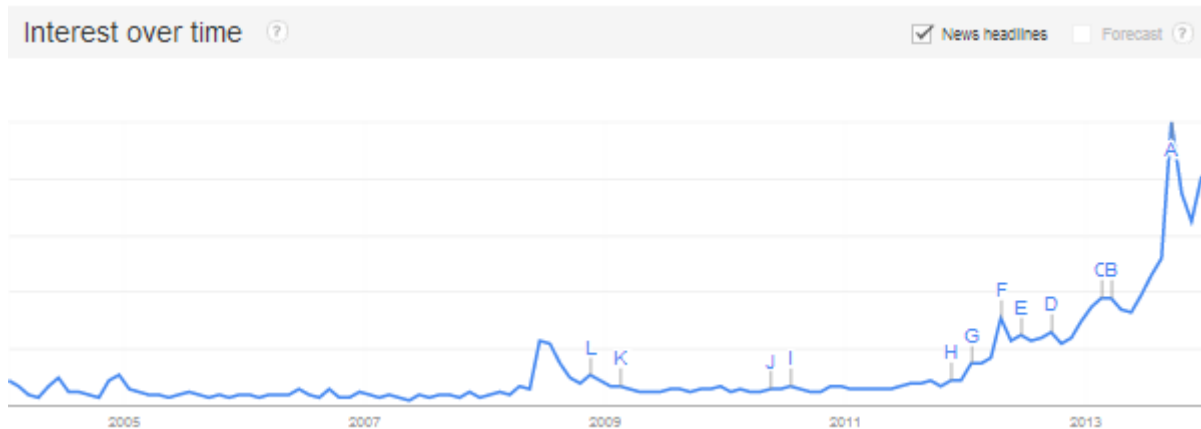


The above graphic charts the launch of notable Apple products as well as historic events in Apple's history and gives an approximation of share prices of Apple at the time. As mentioned earlier, there is some correlation between the introduction of new products and share prices for a company. Some of the most important drivers of Apple stock price over the years have been through the introduction of new products and tools. The launch of the iTunes Store, the first iPhone, and the first iMac are all drivers that helped to increase the stock price a large amount over a short period of time. Therefore, it can be determined that consumers respond well to Apple products that offer new and innovative services. While the iTunes Store was not the first online music store, it was a centralized place to purchase music, games, and even movies for Apple product owners.

Suggestions for product:

Apple as accompany has been quick to pick up new trends and ideas. Currently, there are a growing number of smart phone vendors that are beginning to manufacture "smart watches". These watches interface with smart phones to essentially become an extension of the phone when a smart phone may not be accessible. The smart watch provides a summary of information that can be found in more detail on the smart phone. For example, a smart watch can show notifications for text messages, calls, and even a calendar. This interface lets smart phone users simply look at their smart watch instead of pulling out their phone every time they receive a notification or update. Furthermore, smart watches are able to control, to a certain degree, a smart phone. Smart watches have the ability to play music, take calls, and even take pictures giving owners of the smart watch a large amount of mobility and freedom.

Below is a Google Trends analysis of smart watch interest over time. The letters represent notable news stories involving smart watches. The graph shows that significant interest has built up over time, especially since 2012. Essentially, the visual shows that there is definite growth in the newly emerging smart watch industry and many companies are capitalizing on this by introducing their own products.



Marketing Strategies for smart watch:

Currently Apple Inc. has no presence in the watch market. The market itself is very lucrative as there are a wide range of watches consumers can choose from. Apple can take its smart watch product in several different directions. Apple can advertise the watch as an extension of their iPhone product. In which case the User Interface (UI) would need to be similar to that of the iPhone to ensure that consumers can familiarize themselves with the product easily. This would allow the smart watch to serve as a functional tool, enabling Apple to keep their image as designers of both pleasing and practical products. Another direction that Apple can promote their product is as a luxury item. This is a feasible alternative as Apple already has products that are perceived by the public as luxury items. This strategy benefits Apple as they create a perception of exclusivity, in that only a select group of people can wear the watch. Setting a high price for

the product will help to add to the exclusivity factor that Apple seeks in this product. Not surprisingly, setting the price high will also raise public interest and desirability once the product is released. This exclusivity factor has always helped Apple in the past with launches of new products and even iterations of old products (iPhone 4s and iPhone 5s for example). The long lines that accompany new product releases outside of the Apple stores stand testament to this.

An analysis of consumer buying behavior can prove to be useful to determine how Apple decides to market its smart watch. The first characteristic of consumer buying behavior is culture of the consumer. Some important characteristics to consider with culture are ethnicity and social class. Apple products are usually more expensive than other products on the market, and therefore only people of a certain social class can afford to buy them. As mentioned earlier, Apple prides itself on exclusivity of its users and therefore they will most likely make no concessions to changing culture. The next characteristic of consumer buying behavior is social acceptance. This includes things such as: group membership, aspiration group, opinion leaders, and family. The aforementioned groups in the list are all spheres of influence that consumers may consult before making a purchase. Apple's products have proliferated so much to the point that many people know someone within their sphere of influence who owns at least one Apple product. The third characteristic of consumer buying is the person (or consumer). The information associated with this characteristic include: age, occupation, income, lifestyle, and personality. This information is useful to companies such as Apple as they can employ a marketing strategy that appeals to a target audience. Furthermore, they can adjust their pricing based on their target audience. The final characteristic of consumer buying behavior that Apple should consider is the psychological aspects. These aspects include: motivation, attention, and perception. Apple must formulate a marketing strategy that convinces consumers that their smart

watch is, in fact, an essential part of their everyday life. Essentially Apple must capture the attention of consumers in such a way so as to ensure that they view the smart watch as a useful tool that will help them.

In terms of pricing, Apple should keep their smart watch slightly above competitors' prices to reflect the fact that consumers are paying more for a better quality product. Apple should adopt a competitive strategy where they match the industry leader of smart watches in terms of quality of product. This was Apple can leverage their reputation for superior design and ingenuity to attract consumers over the competition. Apple should essentially become a product leader for smart watches. The estimated cost to produce a smart watch ranges from \$100-\$175. Therefore, we estimate that Apple's smart watch should cost approximately \$300-\$450.

Currently, Apple uses an indirect distribution channel where the products are manufactured and then sold to retailers who then sell them to consumers. This channel has been very effective for Apple in the past and will most likely be their distribution channel in the future. This distribution channel is most effective for Apple because it minimizes channel conflicts. In terms of promotion for their smart watch product, Apple should employ a special promotional team to create a good amount of public perception before the device is released. Furthermore, the promotion team should also develop an advertising strategy that will appeal to many demographics. However, a smart watch is most likely to be useful for people who work and even go to college. Therefore the target demographic should be men and women above the age of 18. This group of people are most likely to use the smart watch as opposed to younger adults who are in high school.

Advertisements for the watch should include things that cater to the interests of the consumers, and essentially help the consumers to identify with the product.

One big advantage of producing another Apple product is that the Apple smart watch will provide support to other Apple devices. Since the Apple smart watch can interface with the iPhone, there will be increased support for the iPhone. The consumers will see that the iPhone has more support, and would be more inclined to purchase both the smart watch and the iPhone. This exact marketing strategy is currently being used by Samsung. Samsung is advertising one of their flagship phones (Samsung Galaxy Note 3) with their “Galaxy Gear” smart watch. The added benefit to Apple of marketing the smart watch with the iPhone could potentially encourage the company to manufacture the smart watch device to interface with other Apple products. This integration of devices, paired with the phenomenal customer support the company offers consumers could help Apple to become the leader of a potentially multi-billion industry.