Introduction

Apple Inc. has been hailed as one of the defining corporations of our time. Not only has it been committed to developing innovative and industry-disrupting products, but Apple also focuses on “bringing the best user experience to its customers through its innovative hardware, software and services.” What has distinguishes Apple’s product portfolio from competitors has been the “superior ease-of-use, seamless integration, and innovative design” of their operating systems and hardware. Because the markets Apple is involved with are highly volatile and endlessly evolving, Apple needs to constantly innovate and improve their products for consumers. Another method of attracting and retaining customers has been through a “enhancing and expanding its own retail and online stores and its third-party distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience” (Apple’s 2013 10-K).

Apple has seen great successes in the past few years, and many often wonder what the company’s “secret sauce” is; we believe that Apple’s commitment to constant innovation, a top-notch company culture, and its comprehensive approach to providing high quality products and services has enabled Apple to remain relevant, rebellious, and revered by millions of followers globally.

1. Compare Jobs' strategies versus Sculley, Amelio and other Apple leaders and evaluate their rationale and results?

When comparing Steve Jobs’ strategies with John Sculley, Gilbert Amelio, and other Apple leaders, we are truly able to see the strength in Jobs’ leadership style and vision, and how it impacted Apple’s performance. While each leader had his own strengths to bring to the table, ultimately, they could not match Jobs’ charisma and drive to design industry-changing products (Exhibit 1A).

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<tr>
<td><strong>Unique Skills/Strengths</strong></td>
<td>-Marketing background -Responsible for helping PepsiCo overtake Coca-Cola market share</td>
<td>-President of Apple Europe -great strategist</td>
<td>-CEO of National Semiconductor -regarded as a turnaround artist -visionary/charismatic -focus on building company culture</td>
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<tr>
<td><strong>Overall Operating Strategy/Focus</strong></td>
<td>-(in the 80s) copy IBM’s sale structure of targeting price-sensitive customers -early 90s) sacrifice high profit margins for greater market share -internal reorganization by business function (marketing, product development, engineering, etc)</td>
<td>-Radical reorganization (15% of workforce cut) product development teams grouped by market -reduced employee perks -cost cutting²</td>
<td>-Overturn the company’s low quality products -Reshape R&amp;D and marketing efforts⁴ -“house-cleaning during the first 100 days”⁵ -introduced new innovative products in various markets -implemented build-to-order manufacturing strategy -make Apple OS more accessible to software providers</td>
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<td><strong>Effectiveness/Results</strong></td>
<td>-$983 million in revenues in 1983 to $4 billion in 1987⁶ -“[changed] the perception of Apple from a consumer education company to a business computer company”¹¹</td>
<td>-low employee morale -failure of the Newton and Copland OS -started takeover discussions with IBM, Sun and Philips -Price shares dropped to 1990 levels</td>
<td>-Apple’s stock slumped to a 12 year low -introduced Mac OS 8 -purchased Steve Jobs’ NeXT for $429 million -Consistent losses throughout 1996 (until October)</td>
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Exhibit 1A: Apple Leadership (1983-2011)

In 1983, John Sculley was tasked with increasing Apple’s market share, and his strategy was to produce low cost products with mass-market appeal. He was focused on competing with I.B.M. in the household-computer market, so reducing costs and prices were critical elements of his overall plan. During the time Sculley took over Apple, computers were being sold “like soap,” a household commodity, which validated his strategic goals for Apple in 1983 (Hayes, 1983). Although he was successful to some extent and led Apple through a brief “golden age,” Sculley was removed as CEO after a poor first quarter in 1993. (Hombry, 2002).

After Sculley, Michael Spindler took the reigns as Apple CEO. Before taking on this role in the US, Spindler was the President of Apple Europe; he earned this role by being a great strategist. When he assumed the role as CEO, Spindler had two goals: to
increase Apple’s market share and increase its competitiveness. To realize these goals, Spindler focused on reducing costs, but he did so at the expense of hundreds of employees. With the large layoffs, reduced employee perks, and radical company reorganization, Apple employee morale fell to an all time low. This was not conducive to producing innovative products, and reduced Apple’s share prices.

In 1996, Gilbert Amelio briefly took control of Apple’s operations as CEO. Apple’s board of directors brought him in because of his reputation as a “turnaround artist” (“Apple ousts Spindler as CEO—report”). His goal was to “house-clean in 100 days” by overturning low-performing products and reshaping R&D (“Amelio’s 1996 campaign”). Amelio did not have time to see the fruits of his restructuring. Because of Apple’s consistent losses throughout 1996, he was stripped of his CEO title after a year.

Eventually, Jobs returned as CEO, and he had a profound impact on the company. By refocusing Apple’s operations and strategies towards producing innovative products and establishing a strong brand, Jobs was able to make one of the most astounding business comebacks in history.

At his core, Jobs embodied Apple’s mission, since he was an innovator and visionary; he questioned the status quo and sought out employees who questioned it as well. Jobs had a knack for convincing others to understand and follow his vision, which was a critical skill to have if Apple’s mission was to disrupt industries and create innovative products. Because Jobs focused on seeking the right kind of human capital for Apple, he was able to establish a strong company culture of innovation. This contributed to Apple’s long-term success, and translated into Apple’s brand value as well. Many consumers saw Apple as a “rebellious” company and bought into the “Apple cult” because they wanted to embody that rebellious spirit as well.

Jobs was not only a visionary, but also a strategic businessman. He made critical decisions to drop failing products, make the Apple OS accessible to software providers, and redesign a more efficient manufacturing strategy. Ultimately, these actions led to higher marginal profitability for each product. By reestablishing Apple’s company culture, acquiring the right kind of human capital, and making strategic business decisions to reduce costs, Steve Jobs grew Apple Inc. into the company many of us know and love today.

2. What overall marketing strategy is Apple following? What have been the secrets of Apple's success in implementing this strategy? What does it need to do to maintain its success?

Apple's overall marketing strategy aligns very closely with its corporate mission of "bringing the personal computing experience by constantly innovating [its] hardware, software and internet offerings" (Apple, 2014). Its marketing strategy focuses on building a premium brand that customers associate with: (1) innovation, (2) simple design, and (3) superior customer support. Apple leverages its marketing strategy through its unique STP (Segmentation Targeting Positioning) and robust USP (Unique Selling Proposition) (Exhibit 2A).
Apple's overall marketing strategy is fueled by context and four key players: customers, competition, collaborators, company:

- **Its customers** are tech savvy people who want a simple user experience across multiple platforms that exist within one ecosystem. Apple customers are very brand loyal, non-price sensitive, and associate the Apple brand with high quality and superb customer service. In the early 2000s, Apple’s initial customers were fairly new to the brand, young, and tech savvy. Today (2014), Apple appeals to many demographics of all ages, status-seeking people, and Apple enthusiasts.

- **Its competitors** are other tech giants such as Samsung, Microsoft, Google, and Amazon. Microsoft has been a longtime rival of Apple, and in the 1990s, it was able to capture the dominant market share of the personal computer (PC) with Windows OS. The collaboration between Google and Samsung to leverage the Android OS in Galaxy smartphones has created competition and threatened Apple's market share in the smartphone space. In recent years, Amazon has been attempting to develop its own robust ecosystem for media consumption through its Prime subscription offering. Between all four competitors, each has their own product line of smartphones and tablets: Galaxy, Galaxy Tablet, Moto X, Nexus Tablet, Nokia Windows Lumia, Surface Tablet, Fire Phone, Fire Kindle.

- **Its collaborators** are music label companies, FoxConn (a manufacturing plant in China) as well as a couple competitors, Microsoft and Samsung. To develop its iTune ecosystem, Apple partnered with music label companies and artists to launch a unique sale model of music a la carte. Apple’s competitive pricing is due to its ability to reduce production costs through outsourcing to FoxConn in China. Samsung also serves as one of Apple's suppliers for chips and technology used in the iPhone. In the past, Apple has also collaborated with Microsoft to integrate Microsoft Office Suite with Apple iOS.

- **As a company**, Apple leverages its human capital by promoting a culture of "innovation and calculative risk." This has led Apple to advance and disrupt current markets with products such as the iPod, iPhone, and iPad. Apple's dedication to perfection pushes its employees to deliver innovative, well-designed, and user-centric products.

- **Within its context**, Apple's growth is tied with its ability to cut costs and stay innovative in a competitive market. To cut production and manufacturing costs, Apple has been outsourcing production since Jobs’ return in 1997. This limitation poses ethical and social impacts that Apple has been trying to address in recent years. In order to stay competitive within its industry, Apple must continue to deliver innovative, simple, and user-centric products that customers have always associated with the Apple brand.
Apple is able to implement its overall marketing strategy fueled by the 5C's through its focus on Segmentation Targeting Positioning (refer to Q4), Unique Selling Proposition differentiation, and 4P's (Products, Promotion, Place, Price) (Lecture 5, STP and 5P's). Apple’s USP is its ability to differentiate itself from competitors through cutting edge innovation, user-centric products, and superior customer service.

Apple's overall marketing strategy is also implemented by the 4P's: Products, Promotion, Place, Price:

- **Product**: iPad, iPhone, iMac, Macbooks, Online Marketing, Accessories, AppleTV, iPod. Unlike its competitors, Apple provides its own operating system software and applications, gaining the ability to maximize hardware and software efficiency and quality. Apple products have unique feature of connecting with other apple products, encouraging Apple product consumers to buy more of the other Apple products— (some refer to as the “Apple cult”).

- **Price**: One of the benefits of being at the edge of innovation is that Apple is able to set price points across their industry. It’s important to note that because of their cult-like following and strong USP, Apple’s customers are extremely brand loyal and are not price sensitive; in fact, being an Apple user can become an integral piece of a consumer’s personal identity. It’s absolutely true that one can purchase a comparable quality product from competitors for a lower cost, but Apple users generally do not stray.

- **Promotion**: Apple primarily promotes their products through television advertisements, online ads, and on billboards. In addition, they leverage “secret” marketing tactics through creating buzz and suspense in the blogosphere, news media, and rumor websites about Apple’s next big product. To keep the buzz alive post product launch, Apple invests in media campaigns that appeal to their target markets. While Apple does not offer “sales,” they provide great customer service, which further drives a premium experience. For instance, they have user training at their aptly named Genius Bar. Apple wants new users to feel smart when they purchase their products and Apple does what it needs to keep their premium image intact.

- **Placement**: In 2001, Apple opened its first Retail Store (direct channel), and this allowed consumers to have a very specific and unique experience when purchasing Apple products. Since Apple has expanded its distribution channels to include retailers such as Wal-Mart and Costco (indirect channels), they needed to come up with a way to differentiate their products from the others in the store. Apple designed large displays to create a unique buying experience. Customers can also shop online at apple.com to have access to Apple’s full product line. Apple products are synonymous with “high quality,” so Apple marketers wanted their customers to experience a “high quality” purchasing process as well.

Overall, Apple’s marketing strategy focuses on establishing a brand of innovation, high quality, and simplicity. Apple owes its success to its tremendous relationship with its customers and suppliers. Through its robust distribution channel of Apple Retail Stores (i.e. Genius Bar), Apple continuously delivers superior customer relationship management (CRM). Apple’s relationships with its suppliers enable it to even partner with its rival, Samsung, to supply parts for its iPhone. Similarly, Apple’s close relationship with its manufacturer, FoxConn, enables it to cut costs (Exhibit 2B).

Throughout his time at Apple, Jobs created a culture within and outside of Apple that highlighted innovation. Within the company, Jobs pushed for Apple to embrace calculative risk taking where "employees know that would not be reprimanded" for risky choices or proposing creative projects. Outside of the company, Jobs marketed Apple products as stylish, bold, and "cool" as seen in the "iPod People" campaign.

In order to maintain its success, Apple has to continue fostering a culture of innovation of risk taking. Such culture within the organization will push for new products that meet the ever-challenging demand of consumers. Apple needs to continue to develop its "Cult of Apple" where consumers will need to associate Apple as a fun, energetic, and cool brand despite new competitors in the field such as Samsung, Google, and Microsoft.
Exhibit 2B. Distributors Support to MFR Framework
Stock, Sell, Supply, Service, Secrets

<table>
<thead>
<tr>
<th>Serve as advisors</th>
<th>Serve as implementers</th>
<th>Serve as problem solvers</th>
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<tbody>
<tr>
<td>✓ Provide market trends and customers’ demand</td>
<td>✓ Develop and build direct relationship with customers</td>
<td>✓ Superior service in retail stores by product experts</td>
</tr>
<tr>
<td>✓ Suggest in-store marketing program modifications</td>
<td>✓ Stock items — carry inventory (i.e. iPhone, iPad)</td>
<td>✓ Genius Bar: hardware repair and software troubleshoot with Apple geniuses</td>
</tr>
<tr>
<td>✓ Can enable Mfr (Apple) to be a “first mover” or a “fast follower” based on in-store performance</td>
<td>✓ Rapid delivery: picking up product right at the store</td>
<td>✓ Apple Care: one-year warranty and up to 90 days complimentary telephone support</td>
</tr>
<tr>
<td>✓ (Secrets of Market &amp; Segment Reach)</td>
<td>✓ (Scale, Stocking, Supplying, Selling)</td>
<td>✓ Superior Service</td>
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3. Evaluate Apple’s branding structure and strategy. Are the iPod, iPhone and iPad and Apple TV powerful sub-brands in their own right? Why or why not?

Apple’s Branding Structure and Strategy
Apple’s corporate objective and mission is to, “[bring] the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings” (Apple, 2014). In order to effectively meet this objective, Apple has a hybrid brand structure that allows the master brand, Apple Inc., to influence the sub-brands of each of its products and vice-versa. Overall, this structure has proven to be beneficial, since Apple has been able to revolutionize multiple industries and this reinforces the company brand of innovation.

The figure below depicts Apple’s sub-brand architecture, with Apple Inc. at the top as the “master brand” and each of the major products designated as their own “sub-brand.” Because each product addresses separate industries and has a slightly different mission from the other products, they can be considered individual sub-brands. There are similarities between the products to connect them with one another and associate them with the greater Apple brand. Not only do they have similar names and physical product design, but they are connected through shared operating systems, online marketplaces, communication platforms (i.e. FaceTime, iMessaging), and product hardware (i.e. headphones, chargers, etc). This ecosystem of Apple products has cultivated strong brand loyalty amongst thousands of consumers— it is often referred to as the Apple “cult” (Rothaermel, 6).

Exhibit 3A. Brand Architecture of Apple Framework (Lecture 10)
Establishing Apple Inc. as a Master Brand

Before 1997, Apple’s brand reputation was highly volatile and changed with the leadership team. During the company’s early years in the 1970s and 80s, Jobs differentiated Apple from the competition by offering well-designed products with a premium price tag. He was obsessed with details, so each Macintosh that was released was equipped with “multiple typefaces and proportionally spaced fonts” (Rothaermel, 2). However, these products ran on Apple’s independent operating system, which weren’t compatible with other software providers; this caused Apple to be perceived as a highly exclusive computer brand.

When Jobs was fired in 1985, his successors, Sculley, Spindler, and Amelio, focused on reducing the company’s costs and creating products affordable for the masses. These leaders moved Apple away from its initial strategic position of producing premium and innovative products, which ultimately kept the company operating in the red.

After Jobs’ return in 1997, and before products could be released, Apple needed to make a few key changes to their current product portfolio. First, Apple changed their operating systems to accommodate more mainstream software providers. Then they also began designing their computers and devices to be user-friendly and simplistic in design; not only were their new products easy to use but they were also beautiful. These changes drastically improved the company’s product portfolio and reinforced Apple’s core mission for consumers.

With the “Think Different” marketing campaign, Apple highlighted their culture of smart and out-of-the-box thinkers who worked to push out innovative products. While this campaign wasn’t connected to a single product, it helped consumers better understand Apple’s overall mission of developing industry-changing products. After 2001, most of Apple’s new product releases only strengthened the company’s brand identity of questioning the status quo.

Overall, each sub-brand was effective in reaching similar customer segments (price insensitive, tech-savvy, status seeking, younger generations, working professionals). By focusing on addressing the various needs of the same customer base, Apple is able to reinforce brand-loyalty amongst individuals and increase their share of wallet. With the similar hardware and operating systems across all Apple devices, there are strong synergies between different sub-brands which encourages consumers to continue buying Apple products.

Even Apple TV, one of Apple’s “hobbies,” has benefited from the brand synergies of the industry-disrupting products such as the iPod and iPhone. In fact, last year, Apple TV held 71% market share of digital media receivers- “in other words, roughly equal to the iPod’s share of the MP3 player market” (Philip, 2014).
The Impact of Each Sub-Brand

<table>
<thead>
<tr>
<th>USP</th>
<th>iPod</th>
<th>iPhone</th>
<th>iPad</th>
<th>Apple TV</th>
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<tbody>
<tr>
<td>-Spearheading the digital music revolution</td>
<td>-Reinventing the phone</td>
<td>-Creating and defining an entirely new category of device</td>
<td>-An easy to use and fun way to wirelessly play all of your favorite iTunes to your TV</td>
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Impact on the Business

- It was the first product that put Apple on the map
- For many years, iPods adapted to changing market conditions (smaller size, more memory, touch screen, etc.)
- iPods were highly profitable
- This was one of the breakthrough smartphones and disrupted the small smartphone industry
- It can be easily manipulated and enhanced to meet the needs of many consumers
- -Profit per unit is also high
- Positioned Apple as a mobile devices company (9)
- Addressed the tablet market, which was the remaining market that Apple had not tapped into yet
- While it was the most anticipated gadget of 2010, some saw it as a larger iPhone
- Apple was receptive of feedback and adapted the iPad to meet consumer demands
- Unlike the other mobile products released in the past 10 years
- An attempt to disrupt the TV content-streaming industry
- Difficult to integrate with broadcast cable providers

Brand Impact

- The iPod established Apple’s rebellious and innovative brand image
- Since the sales of iPhones has increased over the last few years, iPod sales have diminished; however, there were significant synergies between iPods and iPhones during the early years because it made the switch of buying an iPhone easier for current Apple customers
- Apple’s “coolness” was established by the iPod and the iPhone’s revolutionary design reinforced it (there were synergies there)
- The iPhone “gave birth to a whole new generation of smartphones” (8)
- The iPhone became the poster-child for Apple’s innovative success and industry-disruption
- Rode in on Apple’s establish “cool” brand
- Same OS as the iPhone and iPod Touch, so it seamlessly fit into Apple’s mobile devices portfolio
- Some negative synergies first created since there were many similar functionalities to the iPhone
- Integrated iTunes and mobile devices to connect to one’s TV
- Since it wasn’t as successful or grand as other releases (it was “more of a hobby”), it didn’t positively or negative impact the brand
- It’s a rough work in progress

Customer Base

- Price insensitive
- Tech-savvy
- Status seeking
- Younger generations
- Working professionals
- Teenagers
- Music lovers
- Price insensitive
- Tech-savvy
- Status seeking
- Younger generations
- Working professionals
- Parents
- Price insensitive
- Tech-savvy
- Status seeking
- Younger generations
- Working professionals
- iTunes customers
- Families
- Teenagers

Exhibit 3B. Impact of Sub-Brand of Apple Framework (Lecture 10)

Drawbacks with the Hybrid Branding Model

Although the sub-branding model has been proven to be very effective for achieving Apple’s strategic objectives, there are a few drawbacks with this brand architecture. One area of concern should be the short brand distance between some of the devices. Because some of the products are so similar in design and functionality, there is a chance of cannibalized sales. In fact, before the iPad was released, it was estimated that it would cannibalize about 10% of the sales from iPods and iPhones (Rothearmel, 8). While many of the “generations” of various Apple devices cannibalize the sales of the previous generations, this cross-product interference can be alarming.

However, given Apple’s core mission of constant innovation, it is nearly impossible for them to design products that aren’t somewhat related to one another. Cannibalization, while generally considered a negative occurrence for many companies, can be considered a positive sign given that the new Apple products are the ones that are outperforming the older Apple products.

4. Evaluate Apple’s STP and marketing mix for its product portfolio. What has been the role of its various products in its portfolio? Have the roles changed over time? In what way? Why? What effect have the iPod, iPhone and iPad had on the Mac? Why?

Apple’s STP (segmentation targeting positioning) is fueled by strategic planning (5C’s) and implementation (4 P’s) from its overall marketing strategy (refer to Q2). Apple’s initial market segment was skewed toward young people. This market segment was targeted due to their love for music and technology while also being price insensitive. Most importantly, these market segments were more likely to adopt new and emerging technologies, particularly the iPod in 2001. To capture the market share and attract these market segments, Apple positioned itself by being a premium brand that delivered innovative and simple design products that are accompanied with its in-house built iOS system and superior Apple Care customer support.

To support its STP, Apple has developed and implemented a robust marketing mix (refer to Q2). This marketing mix is designed with innovative products such as the iPod, iPhone, and iPad (product). These products were strategically priced to support Apple’s image of premium and quality (price). Through its unique distribution channel, initially Apple website and Retail Stores, Apple was able to capture its market segment by providing convenience of at-home shopping and superior in-person
customer support (place). Apple’s marketing was always laser-focused to promote its premium, quality, and allure through TV advertisements and highly anticipated keynotes (promotion).

Exhibit 4A. Product Portfolio of Apple Framework (Lecture 5)

Roles of various products over time:
As can be seen from the above BCG matrices, the roles of the products in Apple’s portfolio have changed significantly over time. In 2001, the iPod was a breath of fresh air for Apple and gave the company a competitive and revolutionary edge. With the introduction of the iTunes Music Store in 2003, Apple gained a larger chunk of market share for music playing devices. Those who didn’t own a Mac computer could still own an iPod with iTunes software and become familiar with the sleek, seamless experience that Apple offered with its products. Because of the iPod many consumers began to equate Apple with simplicity and beauty and began considering purchasing a Mac laptop when they needed a new computer. By generating brand loyalty through the iPod, Apple was increasing its market share of Mac products.

In 2007, Apple struck gold with their release of the iPhone, which quickly became Apple’s strong rising star. Several years after the release of the iPhone, the iPod had lost its mass appeal and was essentially displaced by the iPhone and a changing market—users wanted a single device that served all of their needs. It’s important to note that Apple did a bit of cannibalization with its own products, which may have hurt them in the short term, but essentially rocketed Apple to its highest level of success.

In 2010 Apple did it again with the release of its iPad. Despite “the idea of a keyboard-free, touch screen portable computer tablet” being around “for over two decades” (Rothearmel 8) Apple made tablets a commonplace commodity. In his Keynote unveiling the iPad Jobs justified the need for a third kind of device saying that “It [offers] the best browsing experience you’ve ever had...way better than a laptop. Way better than a smartphone,” 2.5 years later CEO Cook would credit the iPad “creating a post-PC revolution. Having sold 17 million iPads between April and June 2012, Apple claimed 68 percent market share in tablet computers...’To put this achievement in some perspective, we sold more iPads than any PC manufacturer sold of their entire PC lineup,’” (Rothearmel 1). In 2011 the iPad would become Apple’s newest rising star, outselling even its desktop and portable
cousins.

Exhibit 4B. Units Sold iPod/iPhone (Apple’s Case)
Exhibit 4C. Net Sales of Mac/iPad (Apple’s Case)

As was seen in the case of the iPhone cannibalizing the sales of the iPod, Apple may be cannibalizing its Mac sales by continuing to offer powerful, sleek iPads—however the data doesn’t suggest that is that case, yet. Since 2008, purchases of Mac computers have risen drastically, and have continued to do so even after the release of the iPad. It seems that betting on the “next big thing” has been an effective strategy for Apple. Thanks to these auxiliary devices (the iPod, iPhone, and iPad) Apple has increased their overall market share of Mac computers.

Exhibit 4D. Unit Sales of Desktops, Portables, Total Mac (Apple’s Case)
Exhibit 4E. Net Sales of Apple Products (Apple’s Case)

Why all this variability? Put simply, markets change. Consumer needs and desires change. Technology is advancing at an unprecedented pace and Apple is leading the way.
5. Evaluate Apple’s launch strategies for iPod, iPhone and iPad and their roles within its portfolio? How has Apple adjusted its launch strategy for iPad compared to its earlier strategies for iPod and iPhone launches? What is your assessment of the adjustment? Evaluate the marketing mix of the succeeding versions of the iPod, iPhone and iPad.

iPod Launch: Hint, It’s Not a Mac

The year 2001 was critical for Apple: the US economy was slowing down and Apple total net sales had fallen from $8 billion in 2000 to $5.4 billion (a 33% decrease). Apple realized that they needed a new strategy to keep the company afloat as its original profit generating Macintosh units were declining. Considering that the music industry Portable MP3 players had been around since the mid 1990s, but Apple found that everyone on the market offered a lackluster user experience. Therefore, Apple decided to move into the music industry because Jobs recognized that “we all love music and it’s always great to do something you love.”

Exhibit 5A. iPod/iTunes Wheelwright and Clark Framework (Lecture 5)

Jobs identified that the current mp3 market was fragmented without a clear market leader and thereby hired Tony Fadell to develop the widely successful iPod and iTunes in 2001 and 2003, respectively. The first generation iPod was launched in October of 2001. The product’s sleek design and easy user interface the iPod took a great deal of market share within the first few years of its release. iTunes was launched just two years later, which enabled Apple users to purchase songs in an online marketplace and easily transfer them to their iPods. The nascent of the iPod and iTunes drastically impacted the music industry-- instead of illegally downloading songs from Napster or purchasing flimsy CDs, consumers could purchase individually selected songs for 99 cents.

After months of secrecy, Steve Jobs unveiled the iPod at Apple Special Event on October 23, 2001 with the event tagline: “Hint, it’s not a Mac.” With its extensive “iPod People” campaign in 2003, Apple evoked a ‘coolness’ and ‘it’ factor that made consumers believe that owning an iPod would make them cool and accepted among their peers. Apple’s iconic advertising with dancing people silhouettes with white ear buds against brightly colored backgrounds, word of mouth publicity, and the design of the product quickly created the buzz which Apple leveraged to establish itself as the leader in the mp3 player market.

Over the years, Apple continued to develop smaller, simpler, and less expensive generations of the original iPod and a diverse set of additional products such as the iPod shuffle, iPod Nano, and iPod Touch. Apple’s iPod portfolio can be organized into two categories: generations and new products. Each “generation” is an iteration of an iPod with enhanced features (such as additional memory, smaller size, or longer battery life). The new products mostly addressed or catered towards a new consumer segment. In 2005, Apple introduced three innovative products within the iPod brand to address consumer demands and continue innovating within the mp3 market: the iPod Nano, iPod Shuffle, and iPod touch. The iPod Nano was significantly smaller than its Classic iPod predecessor, but could hold more songs. The iPod shuffle was also released and proved to be a more affordable and portable mp3 player for more price-sensitive consumers. Then they introduced the iPod touch, a product that led towards the development of the iPhone launch.
The variety of iPod products allowed Apple to reach more reach more consumers through price segmentation. By 2008, Apple was selling over 50 million units a year worldwide, with a dominant US market share of 75%. Apple’s traditional pricing strategy is to lower the prices of its older products with each new launch of the. This strategy allows Apple to establish a market for additional customer segments and to capture high margins with early adopters, while at the same time appealing to a broader and more price conscious audience with its older products.

Apple leveraged the instant success of its iPod to later set the stage for its future growth. The positive impact was so great that it provided a “halo” effect to Apple’s other products; therefore, the iPod was the key strategic driver in Apple’s product portfolio. However, by 2010, Apple’s iPod business has gone from generating over 50% of the company’s revenue to just less than 1% as its sales have been cannibalized by the launch of the iPhone and iPad. Apple continued to invest in the iPod because it was the gateway device that introduced customers to the Apple brand and eventually lead them to purchase bigger Apple products.

**iPhone Launch: The Internet in Your Pocket**

Steve Jobs’ announcement of the original iPhone on January 9, 2007 at the Macworld Convention generated similar if not more press coverage and buzz than the original iPod did. Apple positioned the iPhone as a “revolutionary mobile phone, widescreen iPod with touch controls, and a breakthrough Internet communications device” all in one. The most revolutionary feature of the iPhone was a new user interface based on a large touch screen display that allowed users to control the iPhone with just their fingers. Apple used its strong brand image and its iPod’s success to disrupt the wireless cell-phone market.

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**Classifying product – market cells by strategic dimensions**

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Exhibit 5B. iPhone Wheelwright and Clark Framework (Lecture 5)

Apple created a very strong overall marketing strategy for the iPhone and managed every aspect of the iPhone’s launch very effectively. Like the iPod, Apple’s pre-launch strategy was to fuel speculation and buzz in the blogosphere and media. This buzz provided free advertising and marketing for Apple until it’s official release. After revealing its product, Apple promoted the iPhone on Apple.com, printed media, TV ads, outdoor media (i.e. billboards), and social media. The company reportedly increased advertising spending by $129 million in 2007 to $467 million (Bergen, 2014). Post-launch, the iPhone was promoted through carrier handled ads (AT&T) and independent review websites. The objective of the campaign was to extend Apple’s sleek brand image onto the iPhone. Apple highlighted the innovation, quality, and value of the iPhone in order to differentiate it from other PDA’s and smartphones. Promoted as both professional and hip, the iPhone target segment included middle-upper income level professionals as well as high school, college, and graduate students. Highly successful, the iPhone became the rising star and cash cow of Apple’s product portfolio with 1094% growth in net sales from 2008 to 2012 (Exhibit 2B Rothaermel). Apple get 53% of its revenue and around 70% of its profits from the iPhone (BI, 2014).
Succeeding versions of the iPhone include improved and enhanced models of the original iPhone and the next generation iPhones (3, 4, and 5). The 4S and 6 can be considered as platform projects with respect to the first generation iPhone because of the addition of Siri and larger screen size, respectively. Significantly cheaper and physically different, the brightly colored 5C’s were Apple’s mid price offering and attempt to target and enter a more price-sensitive market. The iPhone 6 and specifically Apple’s phablet, iPhone 6 Plus, is Apple’s “next generation product” that it currently offers right now to price insensitive and tech-savvy consumers.

iPad Launch: The Best Browsing Experience You’ve Ever Had
The iPod and iPhone were both revolutionary in their own respective markets, but Jobs created a new market with the iPad. Therefore, although Apple maintained its free marketing tactics and paid media campaigns, Apple had to adjust its launch strategy from disrupting a current market to creating a new market: Jobs knew he had to convince customers that they needed the iPad in addition to their iPhones and Macbooks because of the 10% of cannibalization into its other products. He stressed throughout his keynote presentation and subsequent advertisements that the iPad was a better platform to browse email, play games, read ebooks, and view photos/videos. He called it “... way better than a laptop. Way better than a smartphone.”

Although the iPad was not the world’s first tablet, Apple successfully created, defined, and owned its new market. The iPad’s lightweight, wireless, and touchscreen-control capabilities were widely popular among consumers; therefore, the iPad was able to achieve large-scale adoption and usage through Apple’s brand equity and ecosystem. In Apple’s 2010 fiscal year, Apple sold 7.5 million units; in 2011, sales more than quadrupled to 32.4 million. Apple’s net sales from iPads grew by 554% from 2010 to 2012 (Exhibit 5C).
Apple’s successful iPad launch highlights how adept the company is to listen and act upon customer feedback. After its initial 2010 launch, critics and consumers expressed disappointment because the iPad was less than what the iPhone already offered, just on a bigger screen.

Although the first iPad was released just seven months before, Apple launched the faster and thinner iPad 2 with a dual camera. The next year, they developed the iPad 3 with a higher resolution screen, faster processing chips, and the option to connect to the latest high-speed 4G networks.

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5E. Marketing Mix of iPod/iPhone/iPad (Lecture 1)
The iPad (1st generation) was a breakthrough project because Steve Jobs considered the iPad a third category device. The iPad created a new market segment that consumes media as shown by its initial sale of 15 million units within the first 80 days in 2011. The iPad (2nd generation) was the second iteration of the iPad and was released in 2011. It introduced a new design, new A5 chip, lighter model, and built in-camera. The 3rd and 4th generation iPads were introduced as further Exhibit iterations of the standard iPad product line in early 2012 and late 2012, respectively. The iPad Mini was introduced in late 2012, featuring a smaller screen. The iPad Mini was a defensive move against Apple’s competitors who sold small-medium size tablets: Amazon’s Kindle, Samsung’s Galaxy Tab, and Google’s Nexus. The iPad Mini 2 was released in late 2013 and its successor, the iPad Mini 3, is slated to be released in late 2014. The iPad Air was introduced in late 2013 as a spin-off to the standard iPad product line. The iPad Air highlighted lightweight without compromising quality in image quality and processing power. The iPad Air 2 is slated to be released in late 2014.

Overall, Apple’s strength is their marketing strategy and ability to create excitement and suspense among consumers before their product releases, and their ability to maintain that buzz through aesthetically pleasing media campaigns that highlight target consumer’s lifestyles, needs, and wants. Their marketing and launch strategies enable Apple and give the company its competitive edge to stay as a leader of the technology industry.

6. Apple's advantage in the iPhone and iPad categories sustainable in the near future? Why or why not? What are the major competitive threats? Why?

One all-prevailing concerns about owning Apple (NASDAQ: AAPL) stocks is whether Apple can continue to innovate and maintain a sustainable, growing market share for its revolutionary products. From the continuing two-year iPhone refresh cycle to the introduction of a bigger iPhone screen, Apple has always found a way to appeal to the followers who thirst for Apple’s endless innovations. However, going forward, skeptical consumers have began doubting Apple’s ability to foster continuing improvements that stir up the demand of their premium products. Granted, the dynamic growth of Google’s Android market, which has surpassed Apple in market share, continues to appeal to the interest of innovation hungry consumers. Nevertheless, Apple’s advantage lies in its tendency to always find room for improvement. Furthermore, significant opportunities still exist for Apple to design an even more superior phone and tablet.

Exhibit 6A. Operating System Market Share

When Apple brings something new to the table, the whole world is watching. From the revolutionary iPhone to the successful iPad, Apple has proved the impact it can have with its engineering and innovative capabilities. Because the smartphone and tablet markets are highly volatile and constantly advancing, Apple has also proved its nimbleness, by being able to improve its products to strongly compete with the other players in these fields. Some examples of Apple’s continuous innovations are its pursuit in bettering batteries, internal phone components, and using 5K-display technology. These upgrades and enhanced features are often sufficient enough to incentivise consumers to continually replace their devices, or line up at their local Apple store to try the newest Apple product.

Apple is more than capable of delivering on new breakthrough technologies. Innovation across general purpose computing platforms, next generation display technologies, sensors, and supreme battery technologies has helped drive subsequent iPhone and iPad upgrades for Apple. Moreover, Apple’s brand signifies premium quality and unique innovation; consumers are loyal to Apple and this will continue generating sales towards newer technology drives from Apple. These significant achievements represent Apple’s high-class engineering capabilities as well as its innovative potentials. Looking at Apple’s achievements and
success in its iPhones, iPads, and its other product lines mitigates concerns over whether Apple can continue to innovate. Speculators and Apple enthusiasts can expect the iPhone and iPad to continue to maintain and grow its market share and competitive advantage for years to come.

Some of Apple's major competitive threats within the smartphone and tablet markets are Google and Samsung. Both Google and Samsung boast strong capital expenditures with 2013 year-end net income of $12B and $30B, respectively (Google, 2014) (Samsung, 2014). Google's expertise in software for Android OS and numerous acquisitions, such as Motorola in 2011, make Google a competitive threat in the OS and smartphone market (Goldman, 2012). At the same time, Samsung's in-house manufacturing and assembling process has enabled it to cut costs significantly, thus increasing its overall profits (Samsung, 2014).

Google's Android OS continues to dominate the smartphone space in the U.S. with a market share of 61.9% versus Apple's iOS market share of 32.5% in 2014 (Warren, 2014). At the same time, Samsung has been able to leverage Google's Android OS in its flagship smartphone and tablet, Galaxy S and Galaxy Tab, to compete with Apple's iPhone and iPad. In the smartphone space, Samsung follows Apple lead of 41.1% market share with 28.6% market share, gaining 1.6% percentage over 2014-Q1 (Bora, 2014). Similarly, in the tablet space, Samsung also follows Apple's 36% market share with 19.1% market share in the 2014-Q1 (TabTimes, 2014).

It is important to mention that while Apple continues to pursue a premium product focus, many of its competitors including Google and Samsung goes for a broader range in product lines, enabling for lower price points. For both smartphones and tablets, Google’s Android software paired up with Samsung’s smartphone products makes it possible for the two companies to produce and sell a high volume of their technology as specialization in this process allows them to lower costs while producing more efficiently in greater numbers.

7. What is your assessment of the strategy of introducing the iPad mini and iPad Air versions? Why? Which competitive products did they target?

Between its inception in 2010 and 2012, “a whopping 94 percent of Fortune 100 companies had begun deploying Apple iPads in the workplace.” “To put this achievement in some perspective, [Apple] sold more iPads than any PC manufacturer sold of their entire PC lineup,” Cook said. “By June 2012, Apple had sold a total of 84 million iPads” (Rothaermal).

In 2012, Apple had a competitive edge owning over “91 percent of web traffic by all tablets, which Cook attributed to the then over 700,000 iOS applications available to iPad users” (Rothaermal). However, Apple found itself competing with so many other tablet makers that they introduced the iPad Mini as a way to attract consumers who would otherwise be turned off by the higher price point of the iPad and subsequently the iPad Air. In 2013, the iPad Air replaced the fourth generation iPad as Apple’s flagship tablet.

With its larger display and more powerful processor, the fourth generation iPad and the iPad Air helped its owners be more productive than was possible with the Mini. Strategically, releasing the iPad Mini was a genius defensive move on Apple’s part--if a consumer buys a Mini it is unlikely that they will buy a tablet from a competitor and it’s more likely that the user will develop brand loyalty and stay with innovative Apple products.

<table>
<thead>
<tr>
<th>iPad (Air, Mini)</th>
<th>Amazon's Kindle Fire 7&quot;, 8.9&quot;</th>
<th>Microsoft Surface</th>
<th>Samsung Nexus 7 (2012 edition)</th>
<th>Barnes and Noble Nook</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Generation Prices (USD)</strong></td>
<td>Mini: $329-$699 Air: $499-$929 (a,b)</td>
<td>7&quot;: $199 8.9&quot;: $299 (d)</td>
<td>Surface: Unknown Surface Pro: Unknown</td>
<td>$199 (i) $299, 3G+Wi-Fi $149, Wi-Fi only (k)</td>
</tr>
<tr>
<td><strong>Display Sizes</strong></td>
<td>Mini: 7.9&quot; Air: 9.7&quot; (a,b)</td>
<td>7&quot;, 8.9&quot; (c)</td>
<td>Surface: 10.6&quot; Surface Pro:10.6&quot; (g)</td>
<td>7&quot; (i) Unknown</td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
<td>91% in 2012 (insert source. P1 of reading)</td>
<td>4% in 2012 (e)</td>
<td>Unknown 44.4% in Japan in 2012 (j)</td>
<td>Unknown</td>
</tr>
<tr>
<td><strong>Number of Apps Available</strong></td>
<td>~700,000 iOS apps in 2012 (P1 of reading)</td>
<td>~430,000 Android apps in 2012 (f)</td>
<td>~175.190 on October 19, 2014 (Windows app store launched in February 2012) (h)</td>
<td>~430,000 Android apps in 2012. (f) Unknown</td>
</tr>
</tbody>
</table>
By releasing the Mini, Apple was directly competing with Amazon’s release of their 7” Kindle Fire, Microsoft’s first generation Surface tablet, the Samsung Nexus 7, and other lesser known tablets and readers such as the Barnes and Noble Nook that were all chomping at the bits to conquer market share. The exhibit compares the various tablets, their release dates, original prices (in USD), display sizes, approximate percentage of market share, and the number of apps available for various tablets.

8. Has Apple TV been as successful as Apple’s other products? Why or why not?

Apple TV was introduced to the public in March of 2007, but its launch was not as successful as Apple’s other products. Not necessarily a television set, Apple TV is a $99 unit that allows consumers to directly stream content from providers such as Netflix and Hulu Plus from their high definition TVs. Users can view purchased content from the iTunes store, play music, and view videos on their Apple TVs. Users can also mirror their compatible Mac and iOS device screens as well as play games. Apple TV is well designed and easy to use, but offers less content than its competitors such as the Roku 3 (which offers Amazon Instant, Pandora, Spotify, and more).

Although Apple TV should not necessarily be classified as a “failure,” it is the underperformer of Apple’s product portfolio. No longer considered a “hobby,” Apple TV global sales topped $1 billion in revenue in Apple’s fiscal year 2013. However, despite its growth, Apple TV net sales have contributed less than 1% of Apple’s total sales that year. Therefore, the product was not as successful in generating revenue in comparison to the other products.

However, Apple TV has not received the same level of promotional support as Apple’s other products: this reflects in that though Apple has had an “intense interest” in television, the company was not sure how to disrupt the streaming media device market space. Apple may need to move fast, however, as the media streaming device market grows with top tech competitors such as Amazon and Google selling products designed for the consumer’s living room. A 2014 report published by market research firm Parks Associates says that media-streaming device will be in more than 25 percent of U.S. homes by 2015. According to CNBC’s All-America Economic Survey, although half of US Households own at least one iPhone, iPad, iPod, or Mac Computer (Gralnick, 2012), Apple has not been able to leverage its same level of penetration into consumers’ homes with their Apple TV.

9. What are the strengths and weaknesses of Apple going forward? What have been the secrets of its success so far? Who are its key competitors now? Where do you think the battles between them and Apple are headed? What marketing strategies are they following? What marketing strategy would you recommend Apple for the future?

<table>
<thead>
<tr>
<th>Strengths:</th>
<th>Weaknesses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>-rock solid finances (great market capitalization)</td>
<td>-higher price point/luxury positioning</td>
</tr>
<tr>
<td>-strong company culture</td>
<td></td>
</tr>
<tr>
<td>-strong Apple brand/following</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Opportunities:</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>-releasing products into emerging markets</td>
<td>-premium pricing can limit market share eventually</td>
</tr>
<tr>
<td>-wearable technology</td>
<td>-internal cannibalization of products</td>
</tr>
<tr>
<td>-Apple TV</td>
<td></td>
</tr>
<tr>
<td>-other Apple services (to complement their personal electronics)</td>
<td></td>
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</tbody>
</table>

Exhibit 7A. iPad Air and iPad Mini Competitors

Exhibit 9A. SWOT Analysis Framework (Lecture 2)
**Strengths**

Apple is known for being able to stay ahead of the fast paced technology curve. Apple continues to drive consumer interest by fostering a culture of innovation and continuous improvements. Apple also has an undeniable strength in their rock-solid finances. After the reveal of the iPhone in 2007, Apple market capitalization has increased to the highest in the world. In fact, it has amassed about $38 billion in cash assets and $127 billion in long-term marketable securities (Hellman). Not only does this give tremendous capabilities of investing in profitable long-term securities, it gives room for Apple to spend on ambitious capital return programs and strategic acquisitions, such as the recent $3 billion deal for Beats Electronics. Apple, under pressure to be a bit more shareholder friendly, has upped the quarterly payout of cash dividends in addition to begin paying a cash dividend since early 2012, incentivizing shareholder investments (Hellman).

**Weaknesses**

A majority of Apple products are priced at premium rates, which makes it difficult for price sensitive people to buy into Apple’s “coolness.” This luxury positioning also makes it difficult to increase sales overseas, especially with countries, which have price competition. The higher price points renders the company to be vulnerable to price competition with Samsung and other rising equipment manufacturers, such as China’s Xiami, which has shown tremendous growth the recently (Hellman).

**Opportunities**

Apple has shown record-breaking historic growth spurts time after time, and there is still plenty of room for Apple to extend its share in its current markets, and make moves into other product markets. As markets in various countries begin to emerge, Apple has the opportunity to extend its influence and make moves to establish Apple as a standard in those societies. The wearable technology space has great potential, and many tech companies are headed in that direction quickly to try to achieve first movers advantage. Apple has already announced it’s Apple Watch (to be released next year), and this area has the potential to be a substantial component of Apple’s product portfolio.

**Threats**

The main threat to Apple will be its premium pricing structure. Apple is working within highly competitive markets throughout the world, and other companies, such as Samsung and Google, have increasingly captured more market share by focusing on price-sensitive consumers. It is worth noting that Apple aims to high profit margins with its premium products, and hence, the gross margin concerns lead to pressures as competition grows. The growth in competition leads to a loss of product pricing power, as consumers may try cheaper and similar quality products from competitors. Moreover, the industry has been experiencing product shortages in addition to rising in component prices. This unfavorable mix shifts away from Apple’s advantage in maintaining high price margins. However, Apple is broadening its suite of high-margined software and service oriented offerings, mitigating loss in margins for its main product lines.

**Secret to Success**

Apple does a phenomenal job of bringing its vision internally as well as externally to its consumers. Their innovative nature and track record of success brings the best talent from all over the world in embracing Apple’s mission of providing the best innovations and technology in the world. Apple has consistently introduced revolutionary products over the past 12 years, and not only does this provide excitement for the talent of Apple’s teams, but it also creates a “cult-like” following of consumers all around the world. The integrative nature of Apple’s products and their ability to collaborate with one another encourages consumers to continue buying into the Apple brand.
Exhibit 9B. Annual Advertising Budget

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apple Inc.</strong></td>
<td>$691 mil</td>
<td>$933 mil</td>
<td>$1 bil</td>
<td>$1.1 bil</td>
</tr>
<tr>
<td><strong>Samsung Electronics Co., Ltd.</strong></td>
<td>$2.75 bil</td>
<td>$2.63 bil</td>
<td>$4.3 bil</td>
<td>-</td>
</tr>
<tr>
<td><strong>Microsoft</strong></td>
<td>$1.6 bil</td>
<td>$1.9 bil</td>
<td>$1.6 bil</td>
<td>$2.5 bil</td>
</tr>
<tr>
<td><strong>HTC Corporation</strong></td>
<td>-</td>
<td>-</td>
<td>$500 mil</td>
<td>-</td>
</tr>
</tbody>
</table>

**Recommendation**

Apple’s positioning has shifted to focus on its top two product lines: the iPhone and iPad. Samsung, Microsoft, Google, and Amazon are rival tech giants competing for the bigger share of the Apple pie (the personal computing devices market). The collaboration between Google and Samsung is arguably Apple’s biggest competition as the two parties race to be the dominant smartphone provider. Microsoft is the longtime rival of Apple; from desktops and laptops now to smartphones and tablets, the two technology giants continue to introduce new innovations year after year. Amazon has been developing a robust ecosystem for media consumption, directly competing with Apple’s iTunes and App Store.

In order to maximize consumer interest and bring more publicity to Apple’s product, Apple should continue investing more in value-focused advertising methods. Apple’s marketing and advertising capabilities are a strength. In 2013, Apple’s annual advertising budget reached $1.1 billion, increasing twice from $501 million in 2009. It is important to note that Apple’s advertising budget is not large compared to rivals such as Samsung and Microsoft (Jurevicius, 2013).

Apple’s advertising expenses began increasing in 2010 with the introduction of the new iPhone in addition to the release of the iPad products. For Apple, advertising expenses never went above 1% of the company’s total sales. For comparison, Apple spent only 0.6% of total sales on advertising in 2012 compared to Samsung’s 2.3% of total sales. However, Apple’s earnings in 2012 grew by $48.2 billion or 44.5% while Samsung Electronics earnings growth was less than half, at 21.9% in growth. Even though Apple spends a significantly less amount of expenses in advertising, the returns on each dollar spent have shown an outstanding return than its competitors. To add on, Forbes and Interbrand listed the Apple brand as the most valuable brand in the world in 2013, valued at $104.3 billion and $98.3, respectively (Jurevicius, 2013). Many sources identify Apple as a top-growing brand, even despite Apple’s investments in advertising.

Apple’s return on investments in relation to its advertising expenses is significantly more effective than its competitors. In addition to providing a greater return in terms of revenue, its beneficial for improving brand value and recognition. The effect of Apple’s advertising investments displays capabilities and strengths that no other rival companies can match. As other companies rise and current rivals continue to improve, consumers may begin to forget Apple’s vision and mission of providing the most “cool”, quality, and innovative products of our time. Apple seems to understand this and has started investing more into their marketing expenses. Apple has brought so much value and advancements to technology, and each dollar spent on marketing and reinforcing that idea will continue to grow Apple as a brand and company.

10. Analysis of recent new product additions and launches of new versions of its product line

2014 has proven to be a busy year for Apple; not only did they unveil the highly anticipated iPhone 6 and 6 Plus, but they also released key updates for numerous products such as the iMac, MacBook Air, and iPad Air. Many of these updates included advanced camera quality, increased memory, and better internal machinery; these upgrades are standard for Apple and depending on the gadget, they happen about every 1-4 years. This is standard practice because technology is constantly evolving, especially in the markets Apple is involved with; therefore, they need to constantly innovate and create better iterations of their staple products.
While many have interpreted Apple’s recent product launches as “reactionary” to the competition from Samsung, Google, and Microsoft, Apple has shown critics that it still has a few tricks up its sleeve:

- They surpassed records for iPhone 6 & iPhone 6 Plus pre-sales, topping 4 million in the first 24 hours (“iPhone 6 and 6 Plus” Press Release). (Apple, 2014)
- In the first weekend, Apple sold 10 million iPhones (“iPhone Sales Top 10 Million”) (Apple, 2014)
- Apple Pay has been integrated into the new iPhones and iPads, and is currently being accepted by 262 retailers across the US (Apple, 2014)

Considering Apple’s performance in 2014, CFO Luca Maestri reported EPS growth of 20% this year, Apple enthusiasts have a few reasons to remain excited about Apple’s future (Apple, 2014). Cook’s strategy for 2014 seemed to focus on updating and enhancing the existing product portfolio, while also adding services for their existing products. One prime example is Apple’s entry into the mobile payment market. Because Apple produces so many personal electronic devices that serve one’s everyday needs (such as capturing photos, making bank deposits, answering emails), it was only a matter of time before one’s device became a “wallet” as well. With the introduction of Apple Pay, an “easy, secure, and private way to pay,” Apple is now directly competing in an entirely new industry with companies such as Google and PayPal. It has only been a month since the announcement; however, Apple Pay has already differentiated itself from Google Wallet and PayPal’s mobile app. It is the simplest and quickest to use, one doesn’t need to login to an app and enter passwords, Apple Pay only requires that you’re near the machine and use your fingerprint to approve the transaction. Although Apple has 262 retailers accepting Apple Pay, it is still not as prevalent or widely available enough for people to completely abandon their physical wallets at home (Fowler, 2014).

Overall, Apple’s recent product releases have been well received by Apple enthusiasts and consumers alike, as indicated by the increase in EPS and record-breaking sales this year. There is great room for growth in the wearable technology industry, and Apple is already making advances with the Apple Watch. While some are skeptical of its usefulness, it seems as though it will put up a strong fight against Samsung, Motorola, FitBit, and other wearable technology companies.

**Conclusion**

Over the past few decades, Apple has proven itself to be a resilient company. Not only has it survived poor leadership, tech-bubble bursts, slow economies, and stiff competition, but it has also gracefully remained afloat in a highly volatile and evolving market. This success, as mentioned several times throughout this case, can be attributed to Apple’s strong focus on its core mission of producing innovative and industry-disrupting technology for everyone. This has enabled Apple to attract employee talent and consumers who also share this value and will remain loyal to Apple for years to come.

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<table>
<thead>
<tr>
<th>2001-2006</th>
<th>2007-2009</th>
<th>2010-2013</th>
<th>2014 and Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Markets</strong></td>
<td>- music lovers - tech savvy - younger generations - price insensitive</td>
<td>- multi-taskers - business people - Apple enthusiasts - tech savvy - price insensitive - younger generations - status seeking</td>
<td>- Apple enthusiasts - tech savvy - status seeking - price sensitive/insensitive - all ages (young and old) - multi-media content consumers - families - students</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>iMac, iPod (multiple generations), iTunes, PowerBook G4, MacBook Pro</td>
<td>iMac, iPod (multiple generations), iTunes, MacBook Pro/Air, iPhone (multiple generations), App Store</td>
<td>iMac, iPod (multiple generations), iTunes, MacBook Pro/Air, iPhone (multiple generations), App Store, iPad (multiple generations)</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>Apple Retail Stores, Apple Website</td>
<td>Apple Retail Stores, Apple Website, A&amp;T &amp; T (for iPhone services), Best Buy (first third-party retailer to carry Apple) + College bookstores</td>
<td>Apple Retail Stores, Apple Website, + Verizon, T-Mobile, Sprint + other third-party retailers (Wal-Mart, Target, etc)</td>
</tr>
<tr>
<td><strong>Key Objective</strong></td>
<td>- iPod serves as Apple’s first flagship product - increase share of mind (brand awareness)</td>
<td>- increase share of wallet - increase share of market (multiplication effect)</td>
<td>- create and enter a new product market (with the iPad) - continue increasing share of wallet - capture new target markets</td>
</tr>
</tbody>
</table>

*Exhibit 10A. Apple Brand Evolution Framework (Discussion Section 8, Cisco)*


