

## Apple Inc.: A Marketing Analysis Case Study

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### Abstract

Apple has been at the leading edge in the electronics industry ever since the launch of its first product. In addition to showing good market and financial performance the company has also demonstrated socially responsible behavior towards its employees and the environment. This case study exemplifies how the principles of environmental scanning and market segmentation can be systematically applied to Apple's various product lines. Specifically, the influence of economic and competitive factors on Apple's marketing has been discussed. Furthermore, income levels (demographic) and life stage (socio-cultural) factors, in order to study consumer behavior, have been applied to arrive at key market segments for the company's products such as iPods, iPads, iPhones, and MacBook/iMac.

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### Introduction

"We're going to make history today," announced Steve Jobs – the founder of Apple – at the annual Macworld Expo in 2007 (Block, 2007). History certainly was made the day Apple Inc. introduced the Macintosh in 1984 (Apple, 2014). During that time, the launch of Macintosh did not simply bring fortune for Apple as a company, but it changed the face of the entire computer industry. The launch of every Apple product creates a new level of sophistication in the electronics industry. Apple is a big company that markets several different products such as iPods, iPads, iPhones, MacBooks and TVs; however, each Apple product has its own market. Apple has, therefore, been at the leading edge in several industries such as computers, phones, and as well as the music industry. Hence, I will focus my marketing analysis on the company as a whole rather than reflecting on a specific product.



Ever since the launch of its first product in 1984, Apple has been succeeding immensely in the financial market. In 2011, it was also reported that Apple had reserves of \$76.4 billion, which was higher than the operating cash balance of the government of United States, which was \$73.7 billion during that time (BBC News, 2011). Moreover, in 2012, Apple's share price peaked at \$705, beating Microsoft's all time record (The Economist, 2012; NASDAQ, 2014). Nevertheless, in addition to maintaining the financial status of the company, Apple has also demonstrated socially responsible behavior towards its stakeholders and the environment.

Over the years, Apple has demonstrated immense social responsibility towards its stakeholders, mainly the employees. In order to improve the lives of the workers, the company manages a Supplier Employee Education and Development (SEED) program throughout its supply chain, through which they provide free training to workers in technical skills, engineering skills, language skills, management skills, and social and environmental responsibility (Apple, 2014). In 2013, 28,000 employees were reported to have received free educational training, and most of the employees of Apple Inc. are also fortunate to receive free college education, associate or bachelor's degree (Apple, 2014). Moreover, the company has also made attempts to end excessive work hours and prohibit underage hiring to protect the rights and safety of the workers. However, although Apple ensures that they are implementing worker safety, it was reported that in 2012, 4 workers lost their lives and 18 were injured due to an explosion at an iPad building factory in China (Duhigg & Barboza, 2012). Moreover, poor working and living conditions, for employees, in China have also been reported time and again (Duhigg & Barboza, 2012).

Apart from the steps Apple takes to benefit its employees, the company also puts extensive efforts to preserve the environment. In order to reduce greenhouse gas emission, that is generated from the product's lifecycle, Apple conducts regular surveys and assessments to keep a track on the total carbon footprint generated by the company and attempts to use less material, the product is free of toxic substances, ships in smaller packaging, and is recyclable (Apple, 2014). The total greenhouse gas emission per dollar of revenue generated by the company was reported to have decreased by 21.5% since 2008 (Apple, 2014). In the Fiscal 2012 Environmental Footprint Report, the company also announced its use of 100% renewable energy to power data centers all around the globe (Apple, 2013). Moreover, Apple has also demonstrated responsibility towards recycling and water use by initiating The Apple Recycling Program and Clean Water Program (Apple, 2014). Lastly, the company also proudly advocates social causes such as the Product RED campaign and it has donated \$2.5 million to the American Red Cross society for Hurricane Sandy relief (Cook, 2012).

### **Environment Scan**

Although environment forces such as social (through culture and value consciousness), technology, and regulatory have affected Apple's marketing activities, this case study specifically focusses on key market related factors such as economic and competitive influences. Each of these is discussed briefly in the subsequent sections.

### **Economic Forces**

The trends in macroeconomic conditions affect a firm's performance in the marketplace. A specific example is the 2008 recession which has caused huge negative impacts on the marketing activities of many big companies. However, surprisingly, Apple was one of the only major corporations that were able to sustain the recession. Since the introduction of its first product (1984) and until 2012, Apple has had a good standing in terms of its financial status. During the 2008 recession, as sales decreased considerably, most of the companies used cost cutting strategies to survive and maintain their financial position. However, in order to adapt to the recessionary influence, Apple used a cost optimization strategy rather than a cost cutting strategy (Razeghi, 2008). Instead of reducing the costs of its current products, the company came up with less expensive innovations. For example, the innovation of their Apple iPads, which were less expensive than the MacBooks, but could still accomplish almost the same tasks. Hence, although the sales of the company's several products fell during recession, Apple's focus on such cost effective innovations increased the overall revenue and thereby helped the company sustain through the recession.

### **Competitive Forces**

Apple, being one of the leaders in the electronics industry, has to compete with other big companies for survival in the market place. For example the company has to compete with Samsung and Blackberry, in regards to phones, and with Microsoft, for its computers. The factors that drive competition such as threat of new entrants, existing competitors and substitutes, and bargaining power of buyers and suppliers create a huge impact on the marketing activities of the company. Since the launch of the iPhone, Samsung has constantly tried to alter and match its own products to those of Apple and sell them at lower prices, thereby giving fierce competition for Apple. Similarly, BlackBerry has also been strong competitor for Apple, especially in the market segment of phones for working professionals. Specifically, BlackBerry has always been tough competition for Apple due to its stylish and yet cheaper smartphones and the availability of social networking apps, especially the BlackBerry Messenger (BBM). Hence, in order to respond to such stiff competition, Apple bought the BBM application from BlackBerry in 2013. Similarly, Microsoft has also been a tough competition to Apple by selling their PCs at prices much lower price than those of Apple. However, Apple responds to such stiff competition through its

strong brand image, which was built through its exceptional quality, service, and product performance.

Apart from the threat of new entrants and existing competitors, competitive forces such as the bargaining power of buyers and suppliers have also made an impact on the marketing activities of the firm. Apple is highly dependent on suppliers from around the world for the supply of input materials and manufacturing and assembly of its products. The company, which has around 200 suppliers for 18 final assembly facilities, in order to reduce its transaction costs has to maintain good supplier relationships (Apple, 2014). The bargaining power of customers is also another factor that impacts Apple's marketing activities. Apple products are sold at relatively high prices than those of competition; hence, customers always have an option to buy cheaper good quality products from Apple's competitors. Thus, unless and until someone is a die-hard Apple fan, Apple faces a threat from its competitors. Therefore, as consequence of the bargaining power of its buyers on the company's marketing activities, Apple was compelled to reduce its product prices over the years.

### **Consumer Behaviour**

In addressing decision making processes of consumers, the following factors may affect the way consumers make decisions.

### **Psychological Influences**

Psychological factors such as personality, learning (i.e. brand loyalty), and lifestyle highly influence the behavior of Apple's consumer. Personality plays a huge role in consumer buying behavior. Apple products mainly appeal to professional, high-end, sophisticated consumers who could not care less about spending extra dollars; however, a person does not need to be "tech-savvy" in order to use the product because of the product's simplicity. Moreover, the products also appeal to "high-maintenance" people who can take good care of their belongings due to the delicacy and expense of the products.

Apple has done an excellent job in creating a brand loyalty of its products. The company has faced several problems with its products in terms of its operating system and hardware issues. However, due to the emotional connection and reliability that Apple created with its customers throughout the years, because of the product's highest quality and cutting-edge design, customers now tend to disregard all the minor issues they have with Apple's products and still continue to use their products. Hence, the brand loyalty of Apple has contributed immensely to its worldwide success.

Lifestyle also plays a huge role in influencing consumer behavior. Apple has its retail stores in almost all the major cities of the world such as New York, London, Tokyo, Russia, Toronto, and many others where people are acquainted to high lifestyle. Thus, due to the expense of the products, Apple products

mainly appeal to consumers that live a high sophisticated lifestyle that stands out from the rest.

### **Sociocultural Influences**

Apart from psychological factors, sociocultural factors such as reference groups, family influence, and social class highly impact consumer behavior.

Family and reference groups play a huge role in influencing consumer purchase decision, mainly cell phones. Due to the hype and branding created by family and peer groups, the majority of consumers usually get iPhones because "everyone else has it." A study done by Matos, Ferreira, and Krackhardt (2012) also confirmed the influence of peers in regards to the buying behavior of iPhones; moreover, children and teenagers also watch adults use the Internet and sometimes play games on iPhones, thereby getting influenced by them. Most of the young adults and adults also discuss about their purchase decision before buying expensive products, hence influencing other members of the family. In addition to family and reference groups, social class also impacts consumer behavior in today's cutting-edge world. Apple products are affordable to high or medium income people who have enough disposable income.

### **Market Segmentation**

#### **Target Markets**

Apple targets almost everyone, everywhere, as long as they can afford its expensive products. Ever since the launch of its first product, Apple has expanded globally across all geographic regions. Initially, the company targeted major cities across North America; however, in 2012, Apple was reported to have launched its iTunes stores in more than 52 countries across the globe including Russia, Turkey, India, and South Africa (Howorth & Neumayr, 2012). Nevertheless, the company still targets urban and suburban density rather than rural. In terms of demographic segmentation, Apple does not target a specific age group or people belonging to a specific lifestyle; instead, the company targets "people." Unlike other phone companies, such as BlackBerry that targets professionals and Samsung whose target market is mainly confined to young adults or adults, Apple targets people of all age groups and occupations, both males and females. Children mainly use Apple products such as iPhones or iPads to play games. Teenagers use iPods or iPhones to listen to music or socialize with friends through Facebook, Twitter, and other social networking applications. Adults use iPhones for everyday use such as making calls, getting directions, internet, and camera use. Apple products are also equipped with apps for professional users and students, be it for recording notes or media and design. Although the company targets people of all ages, gender, or race, people with only high or medium income can afford Apple products because of the expense that is associated with its products. Hence, Apple products mainly appeal to

people in urban cities living a high and classy lifestyle who can easily afford to pay \$300-\$500 extra for a phone or a computer in order to receive high quality, exceptional service, and emphasize on brand loyalty.

**Market-Product Grid**

Market Segments		Apple Products			
		iPods	iPads	iPhones	MacBook/iMac
Income	Low income	M	L	L	L
	Medium income	H	M	M	L
	High income	H	H	H	M
Life-stage	Children	L	M	L	L
	Youth	H	M	L	L
	Collegiate	M	H	H	H
	Adults/Seniors	L	M	H	H

**H=high demand; M=medium demand; L=low demand**

Life-stage and income are the two variables that mainly affect the distribution of Apple products. As shown, in the market-product grid above, iPods and iPads are the two products that have the highest demand and it mainly appeals to people with high income and college students that require extensive use of technology; hence, I believe that Apple should focus more on targeting customers that belong to those two segments.

### Conclusion

Apple has been one of the leading companies in the electronics industry. In addition to maintaining its financial stability, the company also has to demonstrate a socially responsible behavior. Thus, Apple has achieved this by regularly conducting and assessing its total carbon footprint in order to reduce the greenhouse gas emissions generated from its products. The company has also demonstrated socially responsible behavior through recycling and water consumption reduction programs, and advocating social campaigns such as the Product RED campaign.

Economic forces as macroeconomic conditions and competitive forces, such as factors that drive competition, create a huge impact on the marketing activities of the firm. The 2008 recession played an important role in impacting the marketing activities of Apple. However, unlike majority of the other companies, Apple did not get negatively affected by the recession. The

innovation of the iPad during the time of recession increased the revenues of Apple and increasing the financial stability of the firm. Moreover, components of competition such as threat of new entrants, existing competitors and substitutes, and bargaining power of buyers and suppliers also creates an impact on the marketing activities of the firm. Factors such as psychological influences (personality, learning, and lifestyle) and sociocultural influences (family and peer influence, and social class) impact consumer purchase behavior for Apple products. Lastly, it could be concluded that Apple does not target its consumer based on gender or ethnicity, but based on income, life-stage, personality, and lifestyle.

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