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Strategic Review on Apple Inc Marketing in the United States of America

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Abstract

The paper reviews the marketing strategies adopted by Apple Inc. Apple Inc. is a Multinational Corporation whose headquarter are in Cupertino California America, that designs and markets consumer electronics, computer and personal computers. Its CEO is Timothy Donald Tim Cook. Apple is considered one of the Big Four tech companies along with Google, Amazon, and Facebook. Its best known hardware products include the Macintosh line of computers, the ipod, iPad and iPhone. The company's software includes the, Mac OS X operating system ,iWork suite of productivity software, Aperture, a professional photography package iTunes media browser, iLife suite of multimedia and creativity software, final cut studio a suite of professional audio and film-industry software products, logic studio a suite of professional and film industry software products. Apple lost market share as the market for personal computers expanded through the 1990s to the lower price duopoly of Microsoft Windows on Intel PC clones. As the market for personal computers expanded and evolved through the 1990s, Apple lost market share to the lower-priced Jobs pensively regained leadership status, becoming CEO in 2000. As the Think different campaign was done Apple returned to profitability, this was through rebuilding of Apple status by launching iMac in 1998. In 2001, Apple opened retail chain store and acquired numerous companies to broaden software portfolio. To reflect the shift focus towards electronics consumer Steve Jobs renamed the Company in 2007 and launched the iPhone to great critical acclaim and financial success. Steve Jobs Resigned as the CEO due to health complications in August 2011 and Tim Cook became the new CEO. Jobs died Two months later marking the end of an era for the company. Apple is now recognized as the world's largest information technology company in terms of revenue, total assets, and largest mobile phone manufacturer.

Keywords: *Apple Inc, Marketing & United States*

Introduction

Apple Inc. (Previously Apple Computer, Inc.) is multinational corporation whose headquarter are in Cupertino California America, that designs and markets consumer electronics, computer and personal computers. Its current CEO is Timothy Donald Tim Cook. Apple is considered one of the Big Four tech companies along with Google, Amazon, and Facebook.

Apple was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne in April 1976 to develop and sell Wozniak's Apple I personal computer, though Wayne sold his share back within 12 days. It was incorporated as Apple Computer, Inc., in January 1977.

Its best known hardware products include the Macintosh line of computers, the ipod, iPad and iPhone. The company's software includes the, Mac OS X operating system ,iWork suite of productivity software, Aperture, a professional photography package iTunes media browser, iLife suite of multimedia and creativity software, final cut studio a suite of professional audio and film-industry software products, logic studio a suite of professional and film industry software products etc.

Apple lost market share as the Market for personal computers expanded through the 1990s to the lower price duopoly of Microsoft Windows on Intel PC clones.

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To reflect the shift focus towards electronics consumer Steve Jobs renamed the Company in 2007 and launched the iPhone to great critical acclaim and financial success. Steve Jobs Resigned as the CEO due to health complications in August 2011 and Tim Cook became the new CEO. Jobs died Two months later marking the end of an era for the company.

Apple is now recognized as the world's largest information technology company in terms of revenue, total assets, and largest mobile phone manufacturer with 123,000 employees (last recorded in 2017)

Value Proposition

Technology

Apple offers a better integrated computer operating system that its competitors. It is an expert in the computer technology and the electronics industry becoming a global leader in the computer industry and its research and development. They have expanded computer technology into phones, laptops, tablets, music players and watches.

Manufacturing

Is has achieved both the internal and external economies of scale by becoming the number one firm in their industry which lower their cost of production.

Distribution

Apple has strong direct sales capabilities. Brick and mortar stores has provided them with strong direct sales capabilities by dealing directly with the customers themselves and this has allowed them to handle customer complaints and gauge the overall demand for their goods.

Skills and capability

Apple have design expertise this is through hiring upper level managers, computer technologists and specialists, programmers , engineers and research and development scientists who have craft unique designs that grab consumers and command their attention.

Superior Quality

Apple has product which are of high quality compared to its competitors that why the customer base is very large.

Appealing design

The Apple product design is appealing combining software and hardware design into one device.

Brand Reputation

Apple brand is known for its safety and security features. This has enabled apple retain its brand image and thus large customer base.

Swot Analysis of Apple Inc.

This is a method of analysis of the environment and the company's stand in it. It comprises internal and external environment.

Strengths and Weaknesses

Strengths

Strong Research and Development

Apple puts dedication into its product designs. Apple's innovation is the primary sources of its competitive advantage. It focuses upon the user experience and tries to upgrade its product to fit the users need. With the research and development Apple focuses on growing its range of products and also improves on the existing ones. It has also invested heavily on the research and development.

Strong brand image

Apple has been listed by Forbes as the most valuable brand in the world. It enjoys a high level of brand equity or customer trust and this can be attributed to its exemplary customer focus. This also gives Apple a considerable bargaining power in negotiations with its distributors and vendors. While Apple still continues to rule, its continued focus upon user experience has helped it strengthen its brand equity. High brand equity has also translated into superior financial

performance for the technology brand and heavy influence in the computing and smartphone industry.

Distribution and Leadership Position

The geographical coverage of Apple is 499 store across 22 countries worldwide as of December 2017. In regards to the revenue generate Apple is the leading technology company in the world and second largest smart phone manufacturer. It was the largest publicly traded company in the world in 2014 and the first US Company to cross 700 billion dollars. It is far ahead in the leadership game.

High profit margins

The company's profit margins are high with every new iPhone, iPod, and Mac laptop upgrade. The company's gross margin for 2018, 2017 and 2016 amounted to 38,3%, 38,5% and 39,1% respectively, although the gross profit margin has declined to a certain extent to 37,99% by the Q4, 2018, nevertheless it remains one of the highest in the industry. When company makes high profit margin can allow the business to maintain its operations in times of economic uncertainties thanks to cash reserve. Apple's Net sales kept increasing between 2008 and 2012 by \$Million 119,017.

Products Portfolio

Apple has been innovative in its product line up; it has expanded from core hardware and software products to include several new services. The company's product mix has enabled it to maintain its competitive advantage in the market. This has been its major strengths. The products include iPhone, iPad, Mac, Apple Watch, AirPods, Apple TV, HomePod, a portfolio of consumer and professional software applications, iOS, macOS, watchOS and tvOS operating systems, iCloud, Apple Pay.

Weaknesses

Price too high for some consumers

Apple's products price is too high such that the product can be considered for the luxury or high income consumers only. Despite growth in the competitive market of smartphones it still has maintained its premium prices, otherwise the brand would have large customer base. Due to their premium pricing, only middle or high-class individuals can afford their products and this constitute to a hindrance to sales growth.

Incompatibility with other software

The company's product are not compatible with the other software's thus when one buys the products they enter the Apple universe. These has caused customer to exclusively purchase apps or accessories for Apple to continue using the products.

Lack of Marketing & Promotions

Even with the poor marketing the company has solidified their grounds by establishing loyal customers. It does not feel the need for additional investments towards marketing funds because of their success.

Lack of Competition

Apple doesn't really compete against its competitors. Apple does not market its product but only heard when launching a new product or updating.

Opportunities and Threats

Opportunities

Invest in Research and development

Apple should invest much in research and development this will enable the company to be able to come up with new products and also will be able to get to know what their competitors have in research. It will enable the company boost its profit margin and increase its sales.

Qualified professional

Apple have team of product specialists, researchers and developers who are highly qualified professionals and have years of experience in branding consumer products. Because of this qualified team Apple can continuously build new opportunities.

Expansive Distribution Network

Its distribution is very limited but has the opportunity to expand its distribution network. This will help the company generate high revenue and sales.

Invest in green technology:

Sustainability is not just a fad and the way its importance has grown in this century is well known and in several areas the popularity of sustainable technology has grown from power to transport. Apple can also invest in these areas to find faster growth and to grow its popularity.

Threats

Economic fluctuation

Currency fluctuation and economic changes also affect the international businesses and these are like Apple. This affects the profit of the Apple by decrease in lower demand of the product.

New competitors

The rise in increase of company's quality of smartphones has grown immensely for companies like Samsung, HTC. This is increasing pressure to Apple to come up with new product features.

Apple software and hardware are expensive

Apple software and hardware are expensive as compared to other competitors such as Dell, this will push consumers to go to their competitors since they can afford. Customers are getting bored with constantly updating their phones. This is called phone fatigue.

Heavy Competition in laptops

Competition in the laptop industry has kept intensifying and Apple has retained its popularity despite the rising competition. Apple is not at the top in terms of PC sales even though the market is still enlarging to brands like Lenovo and Dell which has the best laptop models like XPS which is giving competition to MacBook. HP is another name produces affordable computer product for consumer around the globe.

Apple Five Forces Analysis

This Five Forces analysis gives insights about the external factors influencing the company's success. A Five Forces analysis of Apple Inc. sheds light on what the company does to ensure industry leadership despite the negative effects of external factors in the competitive landscape of the computer software and hardware, consumer electronics, and online digital content distribution markets, which involve firms like Samsung, Sony, Google, Microsoft, Amazon, Lenovo and Wal-Mart.

Threats of new entrance

The threat of new entrants has remained relatively weak for Apple, this is because of:

High cost of establishing a new technology company

Brands cannot generate Apple's kind of brand image and recognition

For companies to enter into the market they must have lots of capital and good brand recognition can to diversify into this area to challenge Apple's market share.

Threat of substitute

It is not the same product offered by the company but rather a different product that satisfy the same need. The substitutes for Apple are available in the market, for example people can use digital cameras to take photos and landline to make calls. The substitutes have limited features which result to low performance. Many customers would rather use Apple products based on convenience and advanced functions. This condition makes substitution a weak force in impacting the company's business. Also, buyers have a low propensity to substitute. For instance, customers would rather use smartphones than go through the hassle of buying and maintaining a digital camera, a cellular phone, and other devices. Apple does not need to put priority for threat of substitute.

Buyer bargaining

This is affecting Apple's business, because it determines how buyer's purchase decisions and perception impact businesses.

Apple's strong buyer power is based low switching cost (strong force), small size of individual buyers (weak force) and high buyer information (strong force). Customers can change brands very easy making them powerful in compelling companies like Apple.

This forces shows that Apple must include the bargaining power of buyers or customers as one of the most significant strategic variables in the business.

Supplier bargaining power

Apple's bargaining power of suppliers is relatively weak force, this is because of high number of suppliers and thus Apple is free to choose from among the large number. Apple is a major customer for the majority of its suppliers and supplier switching costs for the company is not substantial.

Apple's does not depend on one supplier to supply part of its products because the different parts may be supplied by different suppliers. This has enabled Apple to maintain excellent control over its supplier.

Rivalry against existing players

There are several competitors of Apple in the industry including Google, Amazon, Microsoft, Lenovo, HP, Samsung and others. These brands engage in completion where the loss of one can benefit the other.

Whereas these companies focus on price Apple does not, thus this is the differentiator of Apple from its competitors. Apples products never go on sale. Apple generates superior product to android phones which makes it compete based on the quality, service and unique ecosystem.

Pestel Analysis of Apple

PESTEL analysis of identifies the most significant external factors that the company must strategically address in its industry environment in order to maximize profits. It evaluates the political, economic, sociocultural, technological, ecological, and legal factors relevant to the business.

Political Factors

Because of low labour cost and dependency of Apple to china, this could lead to high cost of production and product price if Apple was to look for an alternative manufacture and markets makes it vulnerable to political unrest in that China.

The close association of Apple to China could become a political issue to other countries if it were to be perceived China is a threat to them, for example, Japan.

The unsettled political environment in China disrupts manufacturing for Apple products now and then and this has increased cost of manufacturing.

Also the restriction of imports from China to America in order to enhance the manufacturing in America has also immensely affected the US-based companies in China this will lead to increased price of Apple products.

Ban on Tim Cook in Russia -A lawmaker in Russia, who is noted for his harsh approach towards gay propaganda due to his public acknowledgment of his homosexuality in October has made a suggestion to ban Apple CEO Tim Cook from visiting Russia.

Economic Factors

Increase in labour cost in China- This could mean good news for China as the poverty line level for the Chinese people will rise. However, it may mean rise of wage inflation which would affect Apple and this may cause the product price to rise in order to curb the gap.

Increased competition has also affected Apple and also lost in the market share to companies like Lenovo in laptop and PC sales.

Rising value of dollar – its rising value and exchange rate are increasing which is directly affecting the cost of Apple products. This is mainly because the difference between the dollar and other currencies like Euro and Yuan makes it more expensive for the company to do business in countries like China.

Social factors

Increased use of mobile devices and social media is an opportunity for Apple to continue providing easy to use mobile devices. Apple has an opportunity because there is an increase demand for digital products like Apple.

Possessing an Apple product is considered as status symbol in many countries (societies) and this has increased purchase of Apple products.

Technological Factors

The increased cyber-criminal has raised level of security and safety of internet. This makes Apple's systems less secure and takes away its strongest competitive advantage.

Increases competition of smartphones such as Samsung and Huawei has also demonstrated strong ability to copy Apple's services. This makes Apple not relax and keep on researching more to remain at the top.

Competitions as Apple competitors offer the same products and services which were once the signature of Apple. For example Google took less than a year to build payment application like Apple so it's no longer unique to Apple.

Environmental Factors

Apple like any other company is experiencing expense in disposing nonworking or used electronic devices.

Due to climate change in global warming Apple could face disrupt in supply chain and this could lead to decrease in sales.

Legal Factor

These are the factor that can be imposed in countries that can cause Apple face challenges in its operations, for example imposition of tax, levies and entry restriction into the market.

Value Chain Analysis

Primary Activities

Inbound Logistics

Apple has a very large supply chain for raw materials. Most of its suppliers are located in Asia in China and Japan.

Operations

The manufacturing of Apple products takes place in several countries. China being the largest of its suppliers this where most of the products are assembled. Apple is also focused on reducing the use of toxic substances in the manufacturing and assembly of its product and instead recycles more; this has managed to reduce its production cost.

Outbound Logistics

It has a very large distribution channel which consist both the direct and indirect channels. It is also focusing on to remain green in packaging and eliminating wastage.

Marketing and Sales

Apple being famous brand known for its design, quality and technological innovation, this has made its marketing very easy. Apple has acquired remarkable brand loyalty by use of creativity and innovation in its advertising strategy.

Products and Services

Apple provides a comprehensive after sales support to its customers, this is because most of its product have a one year warranty and 90 days complementary support.

Support Activities

Technology/ Research and Development

Apple has invested heavily on research and development. Apple is known for its innovation and for greater quality and unique design of its products.

For Apple to remain on top and retain its competitive advantage it has to invest more on research and development.

Human Resource Management

Apple focuses on hiring highly skilled personnel and paying them well in order to retain them. Tim Cook however, tried to change the style of HRM and brought about several changes.

Procurement

This is a key focus for Apple and because of this Apple has managed the relationship with its suppliers well. The suppliers are supposed to look at the social welfare on the staff that is safe working conditions and provide products and services as per the standards.

Firm Infrastructure

The better the management of a firm's infrastructure the higher the ability of creating profits for any firm. Firm infrastructure is the key role to the success of an organization.

Table 1: Apple Inc. Annual Financial Report for October –September, All Values Given In USD

	2013	2014	2015	2016	2017
Sales Revenue	170.87 B	183.24 B	231,28 B	214.23 B	228.57 B
Cost of goods sold (COGS) incl. D&A	107.24 B	112.55 B	142.26 B	131.51 B	141.7 B
Gross Income	63.63 B	70.69 B	89.03 B	82.72 B	86.87 B
Net Income	37.04 B	39.51 B	53.39 B	45.68 B	48.45 B

Table 2: Financial Analysis

Ratio	Descriptions	The Company	Profitability Ratio
Net Profit Margin	An indicator of profitability, calculated as net income divided by revenue.	Apple Inc.'s net profit margin ratio improved from 2017 to 2018 but then slightly deteriorated from 2018 to 2019	2019- 21.24 % 2018- 22.41% 2017- 21.09%
ROE	A profitability ratio calculated as net income divided by shareholders' equity.	Apple Inc.'s ROE improved from 2017 to 2018 and from 2018 to 2019.	2019- 61.06% 2018- 55.56% 2017- 36.07%
ROA	A profitability ratio calculated as net income divided by total assets.	Apple Inc.'s ROA improved from 2017 to 2018 and from 2018 to 2019.	2019-16.32% 2018-16.28% 2017-12.88%
Gross Profit Margin	Gross profit margin indicates the percentage of revenue available to cover operating and other expenditures	Apple Inc.'s gross profit margin ratio deteriorated from 2017 to 2018 and from 2018 to 2019.	2019- 37.82% 2018- 38.34% 2017- 38.47%

Strategic Plan

This is a process which organizations use to define strategy or direction and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy.

Formulation

This involves selecting the most appropriate course of action that Apple will use to achieve the organization core goals in order to achieve the anticipated results. This includes vision, mission core values of the organization.

Vision statement

To be the most loveable, admired computing brand in the world that people ever use

Mission

To produce best quality product to satisfy our client

Objectives

For any organization to success in the business it must have goals which it would like to achieve.

Apples objectives include the following:

To continue breaking ground by producing free products that provides service and joy for the customer

To ensure that they expand their sales to all customers who do not have or own any Apple product

To continue success of having the best products this enables them to be the leading mobile market

Problems Apple Is Facing

Global competition increases

There is increased competition around the world for smartphone and PC manufacturers. Cheap labour and the accessories part manufacture in other countries costing less making the competitors increases. This makes the companies to be more innovative.

Software piracy

It has been a problem for software and operating systems producing companies. The more technology advances the more susceptible the companies become to additional piracy. Piracy has grown over time to global proportions and stopping unlawful copying and distribution of copyrighted software does not seem to have a remedy for prevention in the future.

Aggressive pricing practices

Highly competitive market faces overcoming aggressive pricing practices, continuous product improvement and rapid technological changes. This makes it difficult for the companies to stay

at the top. This make those companies with considerable market share to continue battle to prevent relinquishing any while those with little market share push with the items above to take any amount of the market share they can get.

Apple's Strategic Issues

Legal issues – Apple has been facing legal issues which have led to negative perception of the security of the company. For example the recent event of a customer who sued Apple over an application which turned him gay.

Cloud service – even after launching the icloud Apple customers still in doubt whether it has big server after an attempt to buy dropbox.

Social- Apple has to be social, this not through acquiring their social network but they should ensure that the customer fell special when using their product and are friendly.

Cheaper substitutes for Apple products- This poses a big threat to Apple as many companies are coming up with products which are cheaper than Apple this has caused Apple to be at per by ensuring that they maintain their quality.

Risk Apple Is Facing

Market Risk

These are risks due to increased competitors which may lead to decrease in sales due to cheap affordable products. Apple has maintained its unique characteristics of their products and this has helped them still remain leading in market.

Financial Risk

Apple has been facing financial risks this is evident when the sales drop but has still maintained to mitigate them by ensuring their sales are increased quarterly.

Environmental risk

It's concerned with the environment generally that is soil, air but Apple has tried to mitigate this risk by introducing recyclable materials so they may not end up dumping and polluting the environment.

Operational risk

These are risks which Apple faces while in this industry.

Political and legal risks

This are risks which multinationals face in their host countries because of decisions made by the government in those countries.

Apple have some of its offices' in different countries may face a lot of this risk which may deter them from achieving its objectives and making it difficult for them to operate.

Evaluation

This is the process of determine the effectiveness of a given strategy in achieving the organization goals and taking corrective action.

It is the final step in strategy management process. These are internal and external factors are analyzed.

For strategic plan evaluation to be effective it must exhibit that the activities are economical, meaningful and provide timely information.

Conclusion

Apple is in a position to enjoy because of its current leadership. The uniqueness in its design gives the company competitive advantage which in return reflects in their sales and revenues.

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Appendix 1: Implementation

Action Step	Person/s responsible	Date to be Completed	Resource	Collaborators	Barriers
Franchise Stores	Board of Directors-Top Management	2020-2025	Capital Budget	Marketing	High capital for franchisee Brand Loyalty
Growth Strategy that is market development strategy and product development strategy	Board of Directors-Top Management	2020-2025	Budget allocation	Marketing Public Relations and IT department	Hesitant to introduce new products Strict legislations from other countries for them to venture into their market.
Penetrating untapped Potential Markets	Boards of Directors-Top Management	2020-2025	Capital Budget	Marketing IT department	Government policies from different countries
Continuing training and development for employees	Human Resource Management	2020-2025	Budget Allocation	Finance Department	High cost of training Retention of the employees
Research and development that is consider infiltration of the business sector with enterprise resource planning system merger.	Board of Directors-Top Management	2020-2025	Budget Allocation	Finance Department Legal Department	Resistance form the management High cost of infiltration