**Case 2 Apple’s Winning Marketing Strategy[[1]](#footnote-1)\***

**Synopsis:** Few companies have been able to master the arts of product innovation, a “cool”

brand image, and customer evangelism like Apple. After nearly collapsing under a cloud of bankruptcy in the mid-1990s, late Apple CEO Steve Jobs was able to save the company he created through product innovation, a masterful marketing program, and an entrepreneurial corporate culture. This case reviews Apple’s history and remarkable comeback with an eye toward the marketing strategies that created the company’s success. The case also examines many of the challenges faced by a company that continually pushes the boundaries of marketing practice to stay on top of the consumer electronics and computer industries.

**Themes:** Product innovation, marketing program, prestige pricing, competition, changing

technology, differentiation, customer loyalty, foreign sourcing, intellectual property, privacy issues, corporate culture, sustainability

# Case Summary

Few companies can boast that they have fans that sleep outside its doors to be the first to snag its latest products, but such is the case with Apple, Inc. In 2011, Apple surpassed Google to become the most valuable global brand, with an estimated value of $153 billion. Headquartered in Cupertino, California, Apple has transformed itself from a company near bankruptcy in 1997 (with a stock price of $3.30) to the world’s most valuable company in 2012 (with a stock price of more than $600).

Many companies have tried to copy Apple’s strategies, but none have reached the iconic status of Apple and its products. Some believe that Apple’s success stems from a combination of several factors, including the leadership qualities of late CEO Steve Jobs, a corporate culture of enthusiasm and innovation, and the revolutionary products for which Apple has become known. While every organization must acquire resources and develop a business strategy to pursue its objectives, Apple has excelled in both leadership and operations. One of the company’s most important resources is its employees, and the company has effectively recruited, trained, and compensated employees to create loyalty. Another resource is suppliers, and Apple has created a highly efficient and effective supply chain with most of its production in China. Apple has also mastered core research and development skills that have allowed the company to translate its technological capabilities into products that consumers want and are willing to pay a premium price to obtain. The capstone of Apple’s strategy is its retail stores that have become a role model for its competitors, both in and out of the electronics industry. Such factors have allowed Apple to revolutionize the technology and retail industries.

# Teaching Overview

This case provides a brief history of Apple and a review of its product line and marketing program. Apple has honed its ability to produce iconic products that consumers desire. The company’s product strategy is based on innovative designs, ease-of-use, and seamless integration. Apple has not only created highly successful products, but also whet consumers’ appetites for yet-to-be-released and rumored products.

Since the main theme of this case is product innovation, students should be asked to explain how Apple has managed to reach the pinnacle of innovation and iconic brand status. Most students will suggest that Steve Jobs, and the culture that he created, is the main reason for Apple’s success. If true, students should be pushed to explain how Apple’s track record could continue without Steve Jobs at the helm.

The case can also be approached from a competitive point of view. Though Apple is currently on top, the quality of competing products (most notably those from Amazon and Google) continues to increase. And, competitive products are released at a much faster rate than Apple releases new products. At the time of this writing, articles are beginning to appear in the popular press that consumers have become fatigued with Apple’s products. Likewise, when the iPad Mini was finally released in late 2012, many experts panned it for its poor camera and lack of retina display. These issues have caused Apple’s stock price to drop well below $600 as concerns mount that Apple may not be able to continue its pace of innovation. Internal executive changes have also heightened this concern. Given the rapid pace of change in the technology sector, instructors should thoroughly update themselves on Apple’s current products and strategies before discussing this case.

# SWOT Analysis

**Internal Strengths**

* High quality, innovative products
* Strong brand cache, customer satisfaction and brand loyalty
* Unparalleled supply chain partners/processes
* Strong corporate culture
* Highly profitable store-based retail operations
* Tight control over the Apple ecosystem
* Massive cash reserve

**Internal Weaknesses**

* Loss of Steve Jobs
* Products are seen as expensive
* Tight control over the Apple ecosystem (not open)
* Pace of innovation is slowing
* Recent leadership changes
* Massive cash reserve (perception that Apple is greedy)

**External Opportunities**

* Emerging markets are more profitable than the U.S. market
* Continuing expansion of mobile technology
* Consumers insatiable desire for the latest, greatest products
* Slowly strengthening U.S. economy

**External Threats**

* Competition is vastly improved (especially Amazon and Google)
* Consumers in emerging markets do not replace technology as often as U.S. consumers
* Large consumer base for low-priced electronics
* Many Chinese suppliers have questionable labor practices
* Consumers are fed up with high profile patent lawsuits

# Problem/Decision Statement

How can Apple stay on top by continuing its marketing program based on product innovation, premium pricing, tightly integrated supply chains, and catchy advertising?

# Strategy Alternatives

1. Apple could continue to vertically integrate its supply chain by purchasing a major components supplier, such as Sharp (Sharp makes LCD panels for Apple). This would allow Apple to achieve further cost reductions and insulate itself against potential problems with Samsung (also an Apple supplier and a frequent litigant). Apple has already achieved success using this strategy in processor chips.
2. Apple could move horizontally by purchasing a major content provider (a music label, movie studio, Netflix, etc.) or a major network provider (such as a telecom company). Many have speculated that Apple would like to offer its own mobile phone service to compete against AT&T and Verizon.
3. Apple could invest its cash reserve in emerging technologies, such as flexible displays or wearable technology. The last version of the iPad Nano created a cottage industry around wristbands that turned the Nano into a watch-like device. Google has already demonstrated wearable technology with its Project Glass.

Strategy Recommendations

All three alternatives are viable options for Apple. Students should be cautioned that innovation does not necessarily translate into “wow” technology for consumers. Apple can innovate on the backend and continue to provide quality products to customers. Apple’s massive cash reserve (sitting at $120 billion as of this writing) has prompted a lot of speculation that the company plans to purchase one or more companies that allow them to expand either horizontally or vertically.

Implementation Issues

Apple’s key implementation issue is executive leadership and how the team can perpetuate Apple’s culture of innovation. Despite the loss of Steve Jobs, current CEO Tim Cook has demonstrated that he can effectively lead the company. Recent leadership changes have consolidated a great deal of authority under 3-4 senior executives, most notable Jony Ive, who is responsible for the design of all Apple products. Apple would be at great risk if any of these senior executives left the company.

**Teaching Questions**

1. How has Apple developed extreme loyalty among consumers that has resulted in an almost cult-like following?

Most students will suggest that product design and brand cache are the reasons. Some experts argue that Apple’s cult following began with the white ear buds introduced along with the original iPod. The company’s advertising at the time made those ear buds, and the iPod, a status symbol among younger customers. Those design aesthetics later translated to the MacBook, iPhone, and iPad. Other students will suggest that Apple’s mantra of “It Just Works” has a lot to do with consumer loyalty. Apple’s products are generally easier to use than competing products, especially Windows-based computers.

1. Describe the role of Apple stores as an important part of its marketing strategy.

Apple’s retail stores are all about branding and creating touch points with consumers. Apple has always believed that consumers only need to pick up and play with an Apple product to “get it.” From this perspective, the Apple Stores are absolutely vital to the company’s marketing strategy. They are also a highly effective distribution mechanism.

1. What will Apple need to do to maintain product innovation and customer loyalty?

This is a difficult question and student answers will vary. The main thing Apple needs to do is to prevent consumer boredom and fatigue. Apple customers are used to being blown away by the latest product introductions. Of late, however, Apple has not hit the homeruns of the past (the iPhone 5 was a disappointment for many, as was the iPad Mini). Another issue is that Apple’s innovation is no longer head-and-shoulders above the competition. Google and Microsoft have both created and delivered innovative products of late. Apple’s innovation used to shine because it was better than the competition. Today, Apple’s products are beginning to blend in with the crowd.

1. \* Michael D. Hartline, Florida State University, prepared this teaching note for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. [↑](#footnote-ref-1)