

CASE 2

Apple's Winning Marketing Strategy*

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

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,

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both in and out of the electronics industry. Such factors have allowed Apple to revolutionize the technology and retail industries.

The History of Apple, Inc.

When Apple Computer was founded in 1976, it would have been unrecognizable to its diehard fans of today. Apple's first product, the Apple I, was essentially a computer kit that lacked a graphic user interface, keyboard, or display (users had to provide their own). Co-founders Steve Jobs and Steve Wozniak released the Apple I for \$666.66. Jobs and Wozniak continued to create innovative products, and because the duo designed Apple's computers from the user's point of view, its products seemed to resonate with consumers. A few years later, Apple had more than \$1 million in sales. The company was off to a promising start.

Yet, Apple's initial success did not last. Its downturn started during the 1980s with a series of product flops and CEO changes. Steve Jobs was ousted in 1985 due to internal conflicts within the company. By the mid-1990s, the company was approaching bankruptcy. Dell Computer founder Michael Dell commented about Apple's future, saying, "I'd shut it down and give the money back to the shareholders."

The return of Steve Jobs in 1997 instituted major changes for Apple. The company successfully adopted a market orientation in which it was able to gather intelligence about customers' current and future needs for certain features—even before the customers themselves knew they needed them. Apple expanded into the electronics industry and began to release innovative products that resonated deeply with customers. For instance, the creation of the iPod and iTunes met customer needs for an efficient way to manage and listen to a variety of music on the go. This ability of Apple to recognize strategic windows of opportunity and act upon them before the competition remains with the company today.

In 2007, Jobs announced that Apple Computer, Inc. would be re-named Apple, Inc. Some perceived this renaming to be a shift away from computers toward consumer electronics. However, a more appropriate viewpoint would be to say that Apple was reinventing its stance toward computers. With the introduction of the iPad in 2010, Apple began to take market share away from top competitors in the computer industry. Sales of desktops, laptops, and netbooks began to decline after the iPad was introduced. Now almost three years since the iPad's introduction, its sales continue to skyrocket. Apple owns a commanding 70-plus percent of the worldwide tablet market.

Although the Apple products of today are high in demand, this was not always the case. Apple went through its share of product failures in its past. Several of these failures can be attributed to a failure to accurately predict consumer behavior. For instance, even though Apple products are generally premium priced, the Apple Lisa and Cube were judged as too expensive for the mass market. In addition, the Apple Newton (a precursor to the iPad) was a great product that was well ahead of its time. Thanks to its innovative products and marketing strategies, Apple has grown into one of the most admired and successful brands in the world. To millions of consumers, the Apple brand embodies quality, prestige, and innovation.

Apple's Products

While introducing new products is expensive and risky, Apple has reinvented the concept of a new product. While many Apple products provide a function that was already on the market, Apple's products are different, distinctive, and are often viewed as superior to the competition. After introducing new products such as the iPod, iPhone, and

iPad, Apple has changed the products' features, quality, and/or aesthetics on a regular basis to create a perception that consumers have to have the latest model. For example, with each new version of the iPad, Apple offered new features and benefits that effectively made the older models obsolete. Few companies have been able to exploit the concept of product modification as effectively as Apple.

Today, 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. For example, rumors continue to swirl that Apple will release a mini iPad and an Apple-branded television in the near future.

Mac Computers

Apple first made a name for itself in the personal computer industry, and even though it has since expanded into the consumer electronics industry, its Macintosh computers remain a strong asset to the company's product mix. Many computer owners identify themselves as either Mac or PC users. Major differences between Macs and PCs lie with their processors and interfaces. Mac enthusiasts often prefer the superior video and graphic software as well as the look and feel of Macs. MacBook laptops also tend to last longer than the average 2-year life span of PC-based laptops. For these reasons, Macs are priced much higher than competitors. Apple sells two types of Macs: desktop and laptop computers. Desktop Macs include the iMac, Mac Pro, and Mac Mini, while its laptops include the MacBook Pro and MacBook Air. The Air proved to be so popular with consumers that a variety of PC manufacturers created an entire line of copycat "ultrabook" laptops running the Windows operating system.

iPod and iTunes

In 2001, Apple launched the iPod—a portable music player that forever changed the music industry. The company also introduced iTunes, a type of "jukebox" software that allows users to upload songs from CDs onto their Macs and then organize and manage their personalized music libraries. Two years later, Apple introduced the iTunes Store, in which users could download millions of their favorite songs for \$0.99 each. The average price later increased to \$1.29 per song. Both the iPod and iTunes became market leaders in their respective industries. Apple has sold more than 300 million iPods since its introduction, and users have downloaded approximately 16 billion songs from iTunes. However, iPod sales have declined in recent years as consumers have begun to favor the iPhone instead. Still, the iPod remains a popular music device and has largely supplanted traditional CDs. The current Apple iPod product line includes the iPod touch, iPod nano, iPod shuffle, and iPod classic. Apple also sells the Apple TV, a device that essentially allows any television to connect to the iTunes store. Users can rent or purchase movies, or stream their own content wirelessly to any connected television.

iPhone

The Apple iPhone debuted in 2007 and quickly became a favorite among mobile phone users. The iPhone combined smartphone technology with a straightforward operating system, an easy-to-use touch screen, iPod features, and a simple design. Each new generation is highly anticipated by Apple fans eager to use the iPhone's newest features. For example, the iPhone 4s includes a built-in "personal assistant" called Siri. Siri recognizes voice commands and can answer with the appropriate response. The iPhone has been a resounding success: Apple has sold almost 200 million of the devices since its launch.

iPad

In April 2010, Apple introduced the iPad, a tablet computer designed for simple interaction with electronic media and the Internet. Sometimes described as a large iPod touch, the iPad targets the product gap between smartphones and netbooks. It has a 9.7-inch touch screen, accelerometers, ambient light sensors, speakers, a microphone, and GPS capabilities. Newer generations included technology upgrades and 2-way cameras for video calling. The iPad has been incredibly popular, with almost 60 million sold to date. In fact, Best Buy has reported that their laptop sales plunged by 50 percent after the iPad was introduced.

The App Store

The App Store was launched in 2008 to provide applications for Apple's mobile devices. In its first year, the App Store had 1.5 million downloads and then continued to grow rapidly. By early 2012, the App Store reached 25 billion downloads largely fueled by the growth of the iPhone, iPod touch, and iPad. The App Store makes downloading applications easier, which encourages more purchases. The average iPhone user has 48 apps compared to 35 apps for Android users and 15 apps for BlackBerry users. Almost 70 percent of all apps on the App Store cost less than \$2.00. Independent developers can distribute their original apps through the App Store, and Apple shares profits with them. The App Store generated over \$15 billion in revenue in 2011.

Apple's Marketing Program

In addition to its revolutionary products, Apple's success in pricing, promotion, and distribution have also contributed to its popularity. Marketing is such an important part of Apple that former CEO John Sculley once commented that Apple was, first and foremost, a marketing company. Apple has a clear sense of who its customers are and what the brand represents, which helps it to align its pricing, promotion, and distribution with its overall goals.

Pricing

Apple products are traditionally priced high compared to competitors. For example, Apple's iPad retails for approximately \$500 while Google's Nexus 7 and Amazon's Kindle Fire retail for \$200. Apple's MacBook laptops cost well over \$1,000, while most PC laptops are hundreds of dollars less. Most of Apple's profit comes from the high margins on its hardware devices. Yet, rather than dissuading consumers from adopting the products, the high price point provides Apple with a prestige image. Apple also stresses the convenience of its products as well as the revolutionary new capabilities they have to offer. Thus, it attempts to create value for customers, prompting them to pay more for Apple than for its competitors.

Promotion

Apple encourages demand for its products through several types of promotion, including word-of-mouth marketing. The company relies on hit products and high-impact rollouts (often after months of rumors) to stimulate emotional buying.

The company positions itself as the technology provider for creative people. Like Apple's products, its advertisements are often simple, artistic, and instantly recognizable. For example, several brightly colored iPod commercials featured the silhouettes of dancers wearing the company's iconic white ear buds. Apple's ads sometimes directly attack its competitors, as in the "I'm a Mac" television campaign. The ads pitted a cool, young

Mac character against a PC portrayed as a goofy businessman. Apple also supports “evangelism” of its products, even employing a chief evangelist to spread awareness about Apple and spur demand. Corporate evangelists refer to people who extensively promote a corporation’s products, acting as both employees and loyal customers. Successful evangelists spread enthusiasm about a company among consumers. These consumers in turn convince other people about the value of the product. Through product evangelism, Apple has created a “Mac cult”—loyal customers eager to share their enthusiasm about the company with others.

Apple’s promotion strategy has led to a perception that Apple products are part of a consumer’s identity. When asked why they would want to buy an iPad, over 42 percent of consumers responded that it has a cool factor. However, Apple products still remain a niche product; 95 percent of consumers do not consider Macs when buying new computers.

Distribution

Apple distributes its products to consumers via retailers, the company’s online store, and Apple Stores. Apple Stores have enhanced the brand and changed Apple’s distribution strategies. Originally created to give Apple more control over product displays and customer experiences, the Apple Store model was a huge success and grew faster than any other retailer in history. It currently has over 360 locations worldwide.

Apple Stores differentiate themselves significantly from other retailers; in fact, Apple took the concept of retail in an entirely new direction. Apple Stores are a place where customers can both shop and play. Everything in the store is carefully planned to align with the company’s image, from the glass-and-steel design reminiscent of the company’s technology to the stations where customers can try out Apple products. Customer service is also important to the Apple Store image. Employees are expected to speak with customers within two minutes of them entering the store. Each employee has received extensive training and often receives greater compensation than those at other retail stores to encourage better customer service.

Apple executives constantly look for ways to improve stores, enhance customer service, and increase the time that customers spend in-store. In 2011, the company installed iPad stations within its stores. The iPads feature a customer service app designed to answer customer questions. If the customer requires additional assistance, he or she can press a help button on the app. The app changes the customer service experience because rather than the customer seeking out the sales representative, the representative comes straight to the customer.

Apple’s Corporate Culture

In addition to its highly effective marketing program, Apple’s corporate culture is an important part of its marketing success. Many people attribute Apple’s success to Steve Jobs’ remarkable leadership abilities, Apple’s highly skilled employees, and its strong corporate culture. Apple markets itself as a fast-paced, innovative, and collaborative environment committed toward doing things “the right way.” The organization has a flat structure, lacking the layers of bureaucracy of other corporations. Apple also emphasizes that it does not adhere to normal work environments in which employees are at their stations from 9:00 A.M. to 5:00 P.M. By offering both challenges and benefits to applicants, Apple hopes to attract those who fit best with its corporate culture.

Successful evangelism can only occur with dedicated, enthusiastic employees who are willing to spread the word about Apple. When Jobs returned to Apple in 1997, he

instituted two cultural changes: he encouraged debate on ideas, and he created a vision that employees could believe in. By implementing these two changes, employees felt that their input was important and that they were a part of something bigger than themselves.

Additionally, in order to maintain its competitive advantage, Apple also fosters a culture of secrecy. Secrecy is also necessary to prevent damage to sales of existing products because if consumers learn about a future upgrade, they may delay their purchases. Certain places at Apple are off-limits to most employees, and employees are not allowed to discuss their work unless everyone in the room knows about the project. This lack of transparency challenges traditional conceptions of what makes a company successful. However, employees say that they remain passionate about their work and are part of a unique experience.

Apple's Marketing Challenges

Although Apple has consistently won first place as the World's Most Admired Company, it has experienced several ethical issues within recent years. These issues could have a profound effect on the company's future success. Apple's sterling reputation could easily be damaged by serious misconduct or a failure to address risks appropriately.

Competition

Apple faces competition on a variety of fronts. Although a diverse product mix mitigates the risk of any one product failing, it also increases Apple's number of competitors. Rivals include Hewlett-Packard, Dell, Acer, and Toshiba for computers; Samsung, HTC, and Google for smartphones; Microsoft, Amazon, and Samsung for tablets; and Microsoft, Google, and Amazon for cloud storage services. Despite Apple's lead in many of these areas, rivals are striving to catch up. Amazon, for example, represents a formidable competitor in the mobile device arena. Its Kindle Fire, a 7-inch Android-based tablet, offers a full array of apps, e-books, music, movies, cloud services, and more at a budget-friendly \$199 price—a full \$300 less than the cheapest iPad. Amazon is expected to launch its own smartphone in the near future as well. A slate of other competitors, such as Asus, Acer, and Samsung, also offer Android-based tablets at prices lower than the iPad. Microsoft has also launched Surface, a Windows 8-based tablet, which looks to be very competitive with the iPad.

Google is also a strong competitor to Apple's offerings in terms of operating systems, music, books, and cloud services. The company's Android operating system enjoys a much larger installed base of users thanks to the multitude of smartphone and tablet manufacturers that use the system. For example, the Samsung Galaxy S line of smartphones, which uses the Android operating system, is considered to be on par with the iPhone in many ways. One of the major benefits of the Android system over Apple's iOS is its more open approach. This allows manufacturers like Samsung and HTC to release new devices at a much faster pace than Apple's yearly refreshes. In the future, Apple may need to re-examine whether its closed system is the best way to compete.

Customer Privacy

Privacy is another major concern for Apple. In 2011, Apple and Google disclosed that certain features of their smartphones collect data about the phone's location. Many consumers and government officials saw this as an infringement of user privacy. The companies announced that users have the option to disable these features on their phones.

However, this was not entirely true for Apple as some of its phones continued to collect location information even after users had disabled the feature. Apple attributed this to a glitch that it remedied with a software update. Both Google and Apple defend their data-collection practices, but many government officials disagree. The government is considering passing legislation on mobile privacy, actions which could have profound effects on Apple and other mobile device manufacturers.

Product Quality

Apple's image hinges upon product quality, so mistakes can create serious marketing problems. Because several new products are introduced every year, mistakes can become hard to detect before product introduction. After Apple introduced the iPhone 4, consumers complained of reception problems caused by antenna interference that occurred when users held the phone a certain way. Public relations experts criticized Apple for appearing to minimize the problem rather than reacting quickly to remedy it. After *Consumer Reports* would not endorse the iPhone 4, Apple provided free bumpers and cases for a certain period of time that resolved the reception problems. Although the issue did not stop millions of consumers from purchasing the iPhone 4, it did create lingering doubts about Apple's ability to consistently raise the bar on product quality.

Intellectual Property

With the many products Apple releases each year, it makes sense for it to protect its technology from theft. Apple is serious about keeping its proprietary information a secret to prevent other companies from stealing its ideas. This confidentiality has led to many patent and copyright lawsuits from Apple to other technology firms, including Franklin Computer Corporation, Microsoft, Cisco Systems, Samsung, and HTC. Apple is also the target of lawsuits. Kodak filed a lawsuit against Apple and Research in Motion alleging that the companies infringed on its patent on digital-imaging technology. In response, Apple countersued Kodak by claiming it violated Apple's patents. Unfortunately for Apple, a U.S. International Trade Commission judge ruled in Kodak's favor in Apple's lawsuit. However, the issue still stands regarding whether Apple infringed on Kodak's patents. Kodak is seeking \$1 billion in licensing revenue. Additionally, Proview Electronics filed a lawsuit alleging that Apple fraudulently acquired the iPad trademark by creating a fake company to purchase the trademark and not disclosing their intent. Apple eventually settled the suit for \$60 million.

Apple's aggressiveness regarding patent protection has led it to file lawsuits against some powerful companies. For example, the company filed a patent infringement lawsuit against Samsung, claiming that Samsung had copied the designs of its iPhone and iPad for its own products. In 2012, Apple won a landmark verdict against Samsung. The jury awarded Apple just over \$1 billion in damages after it found Samsung guilty of copying some of the iPhone's features in its own line of smartphones. Apple also filed a lawsuit against HTC Corporation, a Taiwanese smartphone manufacturer that makes phones for Google's Android products. Apple accused HTC of replicating a range of cellphone features protected under Apple's patents. Apple won the lawsuit, and HTC was banned from selling products that infringed on Apple's patents within the United States.

Although the outcomes of some of these lawsuits have provided technology companies with more extensive intellectual property protections, they also bring attention to the legitimacy of Apple's claims. Is Apple pursuing companies that it honestly believes

infringed on its patents, or is it simply trying to cast its competitors in a bad light so it can become the major player in the market? Although it might seem that Apple is being too aggressive, companies that do not set boundaries and protect their property can easily have it copied by their competitors, who can then use it to gain market share.

Supply Chain Management

Many of Apple's product components are manufactured in countries with low labor costs. This means that the potential for issues to arise is high due to varying labor standards and less direct oversight. As a result, Apple makes each of its suppliers sign a supplier code of conduct and performs factory audits to ensure compliance. To emphasize its commitment toward responsible supplier conduct, Apple releases an annual Supplier Responsibility Progress Report that explains expectations for suppliers, the results of its audits, and corrective actions the company will take against factories where violations have occurred. In addition, Apple says that it has trained over one million workers about their rights, increased the number of suppliers they audit by 80 percent, and allowed outside organizations to evaluate its labor practices.

Despite these measures, Apple has faced scrutiny for its manufacturing processes. Over 50 percent of the suppliers audited by Apple have violated at least one part of its supplier code of conduct every year since 2007. Suppliers claim that Apple's manufacturing standards are hard to achieve because suppliers are allowed slim profit margins. In contrast, competitors like Hewlett-Packard allow suppliers to keep more profits if they improve worker conditions. Apple's focus on the bottom line can cause suppliers to find other ways to cut costs, usually by requiring employees to work longer hours and using less expensive but more dangerous chemicals.

In this environment, mistakes and safety issues become more common. According to the company's own audits, 62 percent of Apple's suppliers did not comply with working-hours limits, 35 percent failed to meet Apple's standards to prevent worker injuries, and 32 percent do not follow hazardous-substance management practices. Other problems with Apple's supply chain have included underage workers, falsified records, overcrowded worker dormitories, and other labor violations. Apple claims that suppliers who violate company policies have 90 days to address the problem, but fewer than 15 suppliers have been dropped for violations since 2007.

Several high-profile events at Apple factories generated even more criticism of its supply chain. In January 2010, over 135 workers fell ill after using a poisonous chemical to clean iPhone screens. In 2011, aluminum dust and improper ventilation caused two explosions that killed 4 people and injured 77. Additionally, over a dozen workers have committed suicide at Apple supplier factories. Much of the media attention has focused on the conditions at Foxconn, Apple's largest supplier with a consistent background of labor violations and the site of one of the explosions and several of the suicides. Foxconn continues to assert that it is in compliance with all regulations, despite the reports.

Apple claims that it is significantly improving supplier conditions and becoming more transparent about its labor processes. However, the continuing issues with its supply chain may indicate that it values profit more than employee welfare. Some blame Apple's culture of innovation and the need to release new or improved products each year, which requires suppliers to work quickly at the expense of safety standards. However, the Foxconn factory is one of only a few facilities in the world with the capacity to build iPods and iPads, which makes it difficult for Apple to switch suppliers. Additionally, inconsistent international labor standards and high competition mean that virtually every major electronic producer faces similar manufacturing issues. As media and consumer scrutiny increase, Apple must continue to address its supply chain management issues. However,

as one current Apple executive told the *New York Times*, “Customers care more about a new iPhone than working conditions in China.”

Sustainability

Apple has taken steps to become a greener company, such as reducing its environmental impact at its facilities. However, the company admits that the majority of its emissions (97 percent) come from the life cycle of its products. Apple's success hinges on constantly developing and launching new products, which leads to planned obsolescence—pushing people to replace or upgrade their technology whenever Apple comes out with an updated version. Since Apple annually releases upgraded products, this could result in older technology being tossed aside.

Apple takes different approaches to this environmental problem. The company builds its products with materials that are suitable for recycling, it builds its products to last, and it recycles responsibly. To encourage its customers to recycle, Apple created an in-store recycling program where customers can trade in old products and receive various discounts. However, despite this recycling program, many consumers feel that tossing out their old products is more convenient, particularly if they have no value. E-waste will remain a significant issue as long as consumers continue to throw away their old electronics.

Apple has also publicly stated its achievements in reducing toxic chemicals within its products. The company eliminated cathode-ray tubes—which contain lead—from its products and constructs iPods with light-emitting diodes (LEDs) rather than fluorescent lamps (which contain mercury). The company also eliminated the use of two toxic chemicals, polyvinyl chloride and brominated flame retardants, from its products.

Apple's Impact on the Practice of Marketing

No company has mastered the concept of product differentiation better than Apple. While products such as the iPod and iPhone provided functions and benefits similar to competing products, Apple's technology and user-friendly interface provided a consumer perception of a completely new product. Apple retail stores and service help create a total product that was unlike any available in the marketplace. The Apple brand name became a cultural icon with loyal followers that were devoted to Apple's products. Cultural branding results in consumers exhibiting almost cult-like loyalty to products. Companies such as Coca-Cola, Harley Davidson, and Nike are examples of companies with strong cultural branding. The product becomes a part of their self-concept and image when interacting with others. Once a product becomes so important to an individual, they are less sensitive to price and quickly adopt new products that are brought to the market. Few companies have been able to develop cultural branding and a cult-like following like Apple.

Apple's corporate culture of innovation and creative marketing has had a profound impact on the practice of marketing among consumer electronics firms and other industries. For example, the iPhone popularized the concept of mobile marketing. The iPhone's easy-to-use features and applications allowed consumers to shop from home or in-store. This innovation provided new opportunities for retailers to introduce their own iPhone apps and create customized marketing messages delivered over mobile devices. Brands are utilizing Apple's platform to create product awareness and/or generate repeat business. Apple's advances in mobile marketing have not only changed the way that customers interact with mobile devices but also enhanced customer relationships between businesses and consumers.

Additionally, many companies are seizing upon the opportunity to learn from Apple. Due to the immense success of Apple stores, other companies are attempting to imitate its retail model. Microsoft and Sony opened some of their own stores. Other companies now use Apple products to enhance their businesses. For instance, some pharmaceutical and car salespeople have adopted the iPad to aid in business transactions, and some restaurants even use the iPad to show menu items.

The Future of Apple

Over the last decade, Apple has excelled at keeping pace with the quickly evolving computer and electronics industries. Its diversification, collaborative corporate culture, and product evangelism propelled it to heights that could not have been envisioned when Jobs and Wozniak sold their first computer kit in 1976. The death of Steve Jobs in 2011, however, concerned some people about the future of Apple. To customers, employees, and investors, Jobs appeared to be a savior who brought the company back from near bankruptcy and who was the driving force behind its innovative products. However, his entrepreneurial spirit remains embedded in Apple's culture, and the company remains focused on innovation under the leadership of CEO Tim Cook. The company shows no signs of stopping its momentum, while consumers have shown no signs of reducing their admiration for Apple.

On the other hand, Apple will face many challenges in the future. Not only has it been criticized for violations in its supply chain, but it has also been questioned about why it offshores most of its production. Since Apple makes such high profits and reportedly received tax breaks earlier in its history, some politicians have suggested that Apple bring production jobs back to the United States. As concerns over high unemployment continue, Apple may experience increasing pressure from stakeholders to create more manufacturing opportunities in the United States. The question, however, is whether consumers will continue to pay more to quench their thirst for the latest iPods, iPhones, and iPads.

Questions for Discussion

1. How has Apple developed extreme loyalty among consumers that has resulted in an almost cult-like following?
2. Describe the role of Apple stores as an important part of its marketing strategy.
3. What will Apple need to do to maintain product innovation and customer loyalty?

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