

Apple

Apple Computers was founded, in 1976, by college dropouts Steve Jobs and Steve Wozniak, who wanted to make computers more user-friendly so people could use them at home and at work. The company's first major success—Apple II launched in 1977—revolutionized the computer industry with the introduction of the first-ever color graphics. On the heels of explosive growth, Apple went public in 1980. Several years later, in 1983, Jobs hired John Sculley, CEO of PepsiCo at the time, as Apple's CEO—a decision that backfired when, in 1985, Sculley ended up firing Jobs.

Apple's focus on short-term profits rather than innovation led to a gradual deterioration of its market position, and by 1996, experts were raising questions about the company's viability. To make up for lack of innovation, Apple bought out NeXT Software—the company founded by Jobs after he left Apple—and brought back Jobs as an interim CEO (he officially became CEO in 2000). Once back at the helm of Apple, Jobs forged an alliance with Microsoft to develop a Mac version of its popular Office software, introduced iBook—an entry-level laptop for consumer and education markets, and launched iMac—a suite of all-in-one computers featuring distinctly colored, translucent egg-shaped cases.

Over the past two decades, Apple has continued to invest heavily in research and development to become a world leader in innovative new-product launches. The company transformed the way people listen to music, play video games, talk on the phone, and even read books. Apple's revolutionary product innovations include the iPod, iMac, iPhone, and iPad and are the reason why the company topped *Fortune* magazine's World's Most Admired Companies list for many years.



Source: Sean Xu/Alamy Stock Photo

One of Apple's early and most important innovations was the iPod MP3 player. Not only did the iPod become a cultural phenomenon; it introduced many consumers to Apple and initiated a series of monumental product innovations. The iPod exemplified Apple's leading-edge design skills and looked, felt, and operated like no other device. To the delight of Apple (and the chagrin of competitor Sony), the iPod became "the Walkman of the 21st century." The dynamic duo of the iPod and the newly launched iTunes Music store helped drive iPod sales through the roof.

The iPod was also central in changing the way people listened to and used music. According to musician John Mayer, "People feel they're walking through musicology" when they use their iPods, leading them to listen to more music, and with more passion. The iPod has gone through a series of generations, and along the way Apple has added features like photo, video, and radio capabilities. Realizing the success of its foray into the music industry in general and the iPod in particular, Apple launched iTunes—a software-based digital marketplace for music. Introduced in 2003, the iTunes store became the largest music vendor in the United States by 2008 and the largest music vendor in the world by 2010.

Apple achieved its impressive market domination through a combination of shrewd product innovation and clever marketing. The marketing effort appealed both to Apple fans and to people who had not used Apple products in the past. To reach such a broad consumer base, the company had to shift its channel strategies. Apple added “mass electronic” retailers such as Best Buy and (the now obsolete) Circuit City to its existing channels, which quadrupled its number of outlets.

Besides this enhanced “push” effort, Apple also developed memorable, creative “pull” advertising that helped drive the popularity of the iPod. The Silhouettes, which featured silhouettes of people listening to and dancing with their iPods, appeared all over the world. This simple message worked across cultures, portraying the iPod as cool but not beyond the reach of anyone who enjoyed music.

As the iPod’s popularity grew, a halo effect helped increase the market share of Apple’s other products. As a result, in 2007 Apple officially changed its name from Apple Computer Inc. to Apple Inc. to help communicate the company’s expanded focus on non-computer products. Apple’s next-largest product launch after the iPod was the iPhone, its 2007 entry into the cell phone industry. The iPhone, with its touch-screen pad, virtual keyboard, and internet and e-mail capabilities, launched to huge consumer excitement: People lined up for hours to be among the first to buy one.

Investment analysts initially feared that Apple’s two-year contract with AT&T and high initial price would hinder the iPhone’s success. Seventy-four days after the product’s debut, however, Apple had sold its one-millionth iPhone. It had taken the iPod two years to reach the cumulative sales (\$1.1 million) that the iPhone had reached in its first quarter. In fact, half the iPod buyers switched to AT&T from a different wireless carrier, some incurring fees to break their contracts, just to have a chance to own an iPhone.

The launch of the iPad also created a media frenzy in 2013. The multitouch device combined the look and feel of the iPhone with the power of a MacBook and gave consumers access to music, books, movies, pictures, video games,

documents, and hundreds of thousands of applications at the touch of a finger, without mouse or keyboard. Apple followed up with the launch of the iPad mini, a smaller version of the original, and the iPad Air, which corresponded with a powerful marketing campaign that inspired consumers to feel they could do anything with their iPad, including creating movies, building wind turbines, studying coral reefs, and making mountain climbing safer.

On the heels of the success of the iPad, in 2015 Apple introduced its first wearable device, Apple Watch, offering fitness tracking and health-oriented capabilities. After a sluggish start, Apple Watch ultimately became one of Apple’s fastest-growing product categories, selling over 30 million units in 2019. True to its mission of staying at the forefront of user-friendly consumer technologies, Apple now invests heavily in artificial intelligence and machine learning. Indeed, in the past several years, the use of artificial intelligence in consumer products has exploded through the rise of digital assistants such as Amazon’s Alexa, Google’s Assistant, and Apple’s own Siri.

Apple’s investment in research and development is one way the company remains a leader in this cutthroat industry. Apple spent over \$18 billion on research and development in 2020 and continues to increase its R&D budget in order to stay ahead of the competition. Creating, producing, and launching new products is a top priority for Apple. Supported by creative marketing, the company’s pioneering is the reason why consumers and analysts stay on their toes awaiting news of Apple’s latest products.⁴⁷

Questions

1. What are the key factors contributing to Apple’s phenomenal success?
2. Apple’s product launches over the past decade have been monumental. What makes the company so good at innovation?
3. How important was the iPhone to Apple’s current success? Discuss the significance of the iPad and Apple Watch launches to Apple’s new-product development strategy.

4. Critical thinking question: What are the key weaknesses in Apple's current product lineup, and how should the company improve its product strategy to maintain its competitive edge?

Source: Kotler, P., Keller, K. and Chernev, A. (2021) *Marketing management*. 16th ed.