

## iPhone marketing plan

### Market Summary

The iPhone targets consumers who need to store information and communicate or people who want entertainment on the go. Apples target segments consist of professionals, students, corporate users, entrepreneurs, and health care workers. Currently, the market for high-end phones like the Apple iPhone is small. Few people want Internet, video, and PDA features in one device because of the high price. The smart phone market is still relatively small compared with general phone market. The market will rapidly increase in coming years due to lower prices and greater power.

### SWOT Analysis

#### Strengths

**Innovative** - The iPhone has an innovative touch screen that is patented and unmatched by any other mobile product today. It also has many functions of other mobile products all in one device.

**Compatibility** -The phone will work with iTunes and with other Mac/Apple products like the new Apple TV, allowing for wireless connectivity to the big screen. The iPhone is also compatible with many Mac OS software tools. Mac OS compatibility means that the iPhone has limitless potential for upgradeability.

**Ease-of-Use** - The all-new touch screen interface making operations extremely intuitive. It is radically different from those of other phones or PDAs that recognizes multi finger gestures, just as the human hand normally behaves. The Mac OS X application imbedded into the iPhone assures users will easily recognize what they can do

**Brand awareness** - Apple is well known for cool essential gadgets like the iPods along great technological innovations like the original Macintosh.

**Price** - At \$350, the iPhone would be sold at a reasonable price for its value. It outperforms any other PDA or smart phone on the market and the convenience of having multiple features combined into one-device increases its overall value.

**Quality** - The iPhone has one of the brightest and most scratch resistant screens in the market. It also has a fine metallic finish that is durable and light. The software suite included is also unsurpassed with their ease of use and resistance to computer viruses.

#### Weaknesses

**Image** - The Apple brand is not targeted towards business people, which most smart phones have targeted. Does not have a reputation as being compatible with the corporate world.

**Price** - Apple does not yet offer lower priced models for more cost conscious consumers.

**User Interface** - Touch screen interfaces suffer from the problem of "gorilla arm," in which long-term use of a flat, solid surface for input becomes uncomfortable.

#### Opportunities

Increasing demand and expansion to a new target segment - Apple will continue to target the business productivity market who wants an all in one computing solution. But as technology advances and smart phones get cheaper companies also have a great opportunity to target people who want entertainment. Apple will attract these consumers and get iPod users to upgrade to iPhones.

Upgradeable - Since software on the iPhone can be updated, it allows new exciting features to be brought in which take advantage of the touch screen ability. Future versions will also be hardware upgradeable.

Partnerships - Apple can collaborate with many powerful global mobile phone companies to flood the market with iPhones, which reduces costs in marketing and increases revenue through long-term agreement deals.

#### Threats

Increased competition - Smart phones are easier to make now more than ever. More companies may enter the market, given that there are few barriers to entry other than patents. Competitors or even Apple contractors can maneuver around patents to create similar devices.

Downward pricing pressure - The iPhone is marketed as a high-end phone, but phone prices are almost certainly going to fall when other companies undercut the price of iPhones.

Difficulty expanding into Asian market - There is less hype and interest in Asia since smart phones are better known and already widely used.

#### Competition SWOT:

Palm (direct threat)

#### Strengths

Experience: Palm has the longest history in PDA market and has experience-developing software for mobile devices.

Business brand: It is a well-known brand for businesspeople. Existing software is well established and compatible with many products for this market. The market is familiar with Palm products; significant switching costs are involved in going to an iPhone.

#### Weaknesses

Low profile: Not known for groundbreaking innovations or consumer marketplace products. Palm's closest iPhone competitor, the Treo, has lower build quality and its interface may be harder to use, being from an older generation of products and unfamiliar to Apple customers.

Interface: Reviews complain that the Trio's keyboard is small and difficult to use, especially for accessing the Internet. Although some users may prefer having a keyboard built into the device, potential users show a preference towards using the touch screen only.

#### Opportunities:

Similarity: Palm can add many similar capabilities to their products that match the iPhone and expand to a wider market through lower cost and higher-power products.

#### Threats:

Increasing competition: New competitors like Apple are entering the market and Palm will face difficulty maintaining its market share.  
Microsoft (indirect threat)

#### Strengths:

Financial flexibility and capital: Microsoft has lots of money and development resources.

Compatibility: There is a large amount of software already available, such as Windows CE operating system for mobile devices. Windows CE is "proven" technology, just like Palm's software.

Brand name: Microsoft is known worldwide for its software products. Businesspeople are likely to order it on the strength of its name, whereas Apple does not make "business machines."

#### Weaknesses:

Previous failures in hardware: Zune have not been successful or profitable for the company.

Image: Lacks Apple's cool image and customer satisfaction rates. Many people hate Windows and will recoil at the thought of using a phone version.

#### Opportunities:

New hardware market: Microsoft has the ability to create smart phone hardware based on Windows CE and already makes an iPod competitor, the Zune. This opens up another major front in the computer wars.

Further Windows OS and Office: Microsoft can expand the reach of its dominant OS and its Office Suite, which are huge cash cows for the company.

#### Threats:

Market Saturation: The market is too competitive for a company like Microsoft; Microsoft is strong when they have single products to focus on and overcome. In the smart phone market, one size is not likely to fit all. It is a fast-paced market and subject to fads like Motorola's RAZR phones.

#### Product Offering

Multi-touch screen - many recent products have used touch screens successfully. Digital signatures are made with touch screens now; kiosks in supermarkets and retail stores use touch screens as their main interface. The Nintendo DS game console uses a touch screen to add more game play options.

Phone - Mobile phones are very common now. Other features in addition to phone functionality have enhanced the abilities of the phone. The phone is now included with 3G technologies for higher connection speeds. It also supports Wi-Fi, EDGE, and Bluetooth.

Camera - offers 2-megapixel-camera resolution, which is better than many mobile cameras out there. Consumers consider it a market standard feature on higher-end phones. It has syncing capabilities with image-management software, so that the process of transferring photos is convenient. There is a possible video recording feature.

iPod - Universally popular music device. iTunes software and store offers incomparable compatibility and ease of use.

Internet communicator - iPhone's design is tailored to Internet use; the wide screen and touch screen make Internet use easy and convenient; the multitude of wireless technologies make it easy to connect.

Style - iPhone has distinctive design extending Apple's well-known styling.

OS X - Stable, well known, elegant operating system. Style compliments iPhone's style. This makes the iPhone very unique and adds a "cool factor never present with smart phones". The iPhone software is compatible with all the software found on a regular Mac.

Built-in battery - iPhone has superior battery life and is easy to recharge. 5 hours of video playback. Talk time is 16+ hours, comparable to market standards.

Headphones with built-in microphone - Market standard accessory. Beautifully designed to fit with Apple's eye for aesthetics.

Loudspeaker (two-way) - this feature is useful for situations where microphone is inappropriate; eg. Boardroom conversations.

Synchronization with iTunes, iCal, Address Book - This is market standard features, but with Apple branding and user friendliness.

#### Distribution

- AT&T and eventually other major cellular providers like Verizon. Goal is availability with all phone providers.
- Purchasable direct from Apple online, and from major third-party online retailers like Amazon.com.
- Apple stores in U.S., Japan, U.K., Canada, and worldwide.
- All major electronics retailers: Wal-Mart, Best Buy, Circuit City, etc.

#### Marketing Strategy

OBJECTIVES - We have set an aggressive but achievable objective for the first and second years of market

- First-year Objectives - We are aiming for a 2 percent share of the U.S and U.K. PDA/Phone market through unit sales volume of 445,000.
- Second-year Objectives - Our second-year objectives are to achieve a 10 percent share based on sales.

An important objective will be to extend on the Apple brand name and link to the established meaningful positioning. Apple has invested heavily on the iPod brand and we plan to capitalize on the brand when marketing the iPhone. We will extend on Apple's image of innovation, quality, and value. In addition we will measure the awareness and response in order to make adjustments to our marketing campaigns as necessary.

Target markets: iPhone's marketing strategy is to differentiate the iPhone from other PDA's on the market. One of our primary customer targets is the middle-upper income professional that need one portable device to coordinate their busy schedules and communicate with colleagues, friends and family. Our secondary consumer targets are high school, college and graduate students who need one portable multifunction device. Mainly this market will be replacing their iPod and cell phone with the iPhone.

Our primary business target is to partner with large cell phone service providers, AT&T, Verizon, Sprint and Cellular One; As well as large enterprise software firms where information is critical to the end user. A secondary business target is mid-to mid-size corporations that want to help managers and employees stay in communication or access critical data on the go. This market segment will co

nsist of companies with \$10-\$50 million in annual sales. These are entrepreneurs and small business owner who need an all-in-one device for work and play.

Positioning: Using product differentiation, we are positioning the iPhone as the versatile, convenient, value-added device for personal and professional use. The marketing strategy will focus on the convenience of having one device for communication, but also music, pictures, and video, and full Internet access. The iPhone will be promoted as both professional and hip.

## Strategies

Product: The iPhone will have a full year warranty along with an optional three-year Apple Care warranty. We will package the iPhone as tastefully as all Apple products are. Special editions of the iPhone will also be introduced including the iPhone Beatles Edition celebrating the 40th anniversary of Sgt Pepper. We will be shipping in 2008 a cheaper less advanced iPhone along more advanced version of the iPhone designed for professionals with these additional features:

- Larger, removable disk storage capacity - support for USB memory sticks, digital camera memory cards, external hard drives.
- Lower weight and thinness - should fit into a wallet or become the wallet (with features to act as a credit or debit card).
- Significantly longer battery life - should play movies for twice as long; battery should be easily replaceable.
- 4G wirelesses - even faster, more incredible speeds than ever offered on this sort of device. This will leapfrog the competition.
- GPS functionality - more precise information on location. Can link with software to add even more functionality.
- Peer to peer wireless exchange - Zune has this. Lets you easily share your music and pictures.
- Improved camera - For more detailed pictures and high quality video conferencing.

Pricing: We set our base model 4gb at a low \$349 dollars. Larger 8gb models will be listed at \$399 dollars. We will also sale special limited edition Beatles iPhones upon rollout. These of course are premium versions of the iPhone will deluxe packaging and the entire re-mastered Beatles iTunes catalog already preloaded. We have decided to lower our prices to ensure we establish market dominance in as short of time as possible.

Distribution: We are aiming for massive rollout worldwide at all reputable major retailers online and brick n mortar stores along with cellular phone providers. All Apple Stores the Apple website will dedicate themselves to the iPhone and also provider channel partners by providing product demonstrations. Eye catching displays will be found at all physical stores featuring the iPhone to make the product stand out from the pack. Apple Stores will have the iPhone on display a full month before its worldwide release. This is designed to lure consumers into Apple stores and see the whole range of products Apple can offer.

Marketing and Communication: We will integrate our message of revolutionary communications and audio/visual experience together in all of our media advertisements. Prominently featured to differentiate our product against others is the touch screen functionality. We will also emphasize our brand prominently and associated the iPhone with the iPod's groundbreaking lineage. Our ads need to be original but tasteful at the same time. Research about media consumption patterns of our targeted audience will help our advertising agency choose appropriate media and timing to reach prospects before and during product introduction. A massive TV campaign is planned for the month of June will feature a soon to be legendary ad that will remind people of Apple's 1984 Super Bowl ad and be the talk of the country, generating further attention. Thereafter, advertising will be appearing on a regular basis to maintain general public awareness and communicate various differentiation messages to several targeted groups. To attract, retain and mot

ivate channel partners to push the product, we will send personnel to inform them on how to market the iPhone along with other Apple products.

## Marketing Mix

June: Major market rollout at AT&T and Apple stores begins in earnest at the end of the month, after finals week for college students. Also available on Apple.com along with select academic institutions and reputable retail chains with well laid out Apple sections.

Roll out with ambitious ground breaking ads like famous 1984 Apple ad which introduced the Macintosh slowly over the month as to build anticipation, even to the Mac faithful. The TV ads will all appear on the highest rated shows. Selectively put print ads in high end and famous magazines to emphasize the product's innovations. Introduce Beatle's Edition rollouts out in select numbers. Steve must appear in numerous special appearances at Apple stores across the country to ramp up excitement.

August: Back to school special for students in high school and college. Students get a 100-dollar rebate when purchasing a new MacBook with the iPhone. Availability will expand fully to other mass vendors like Best Buy and Amazon.com. New advertising campaign also is initiated to refresh consumers on the product after the hype.

November: New ad campaign for the holidays. Price remains the same to increase profitability, no discounts. Continue to tie the iPhone with other Apple products like Apple TV and Apple Airports.

Early 2008: Build buzz for next generation iPhone at Macworld. Announce cheaper iPhones along with more Pro versions at appropriate price levels.

2008: iPhone 2nd generation released with another new ad campaign emphasizing the new features. Low cost, smaller version with more limited features released, called iPhone Nano. High-end professional version called iPhone Pro released with greater memory, battery time, video conferencing and professional applications support. The original iPhone will get an incremental upgrade. Promote heavily during the Olympics in Beijing to further international presence of Apple and the iPhone.

2009: iPhone gets major technical upgrade with advanced 3D abilities along with a host of still being developed features.

2010: The entire galaxy of the iPhone line will be the leading player in the world of wireless technology with the goal of at least 50 percent market share.

## Marketing Research

We use a large variety of consumer research in order to further improve the iPhone as the market changes. Staying close to the end user and listening to the customer will be paramount to our success. Through the use of focus groups, feedback from consumer surveys and brand awareness studies to insure we know of the iPhone is viewed by the world. Targeting segments will be important in order to extend the iPhone reach to business and a broader professional base. Four age groups will be targeted: 15-20 years, 20-25 years, 25-45 years, and 45 years and up. These groups will give an expansive view of the study groups to include middle and upper income individuals. High School and College aged people will demonstrate social uses. The 25-45 years group will be used to determine business application and social/personal use, and finally the 45 years and above will give us a plan to market to more senior well-refined group. This research will be done through surveys (via email campaign through portals such as, iTunes and other on-line application developed for the iPhone) and interviews (in Apple stores) with the

same age groups listed above. The surveys will target to not only to current Apple customers but also consumers not currently using Apple products. It is important to weed out members who have a bias view to insure non-prejudice data. In order to bring the iPhone to the front of the business world it is important to research different ways to grow the 15-25 year old group into business uses of the product. Brand awareness will be an important tool in taking the Apple brand from "social cool" to "business cool".

We will also ask for feedback on iPhone features, and implement those changes most important to the end user in the next generation iPhone. To add incentive, and encourage users to participate we'll offer opportunities to win gift certificates. In addition, we will use customer satisfaction studies provided by various private third party firms to get a larger non-biased sampling. We will also allow users themselves to design their own ideal iPhone on-line and use any useful ideas to further refine future iPhone models. Finally, we will continuously scour the Apple fan websites to understand what the Mac faithful are saying, as they are our best customers.

## Financials

First year sales revenue: \$2.5 billion avg.  
Wholesale price \$500 per unit, variable cost of \$250.  
Total volume: 10 million.  
\$50 million fixed cost. Break-even is at 200,000 units.

Our break-even analysis assumes wholesale revenue of \$500 per unit variable cost of \$250 per unit and est. fixed cost of \$50 million. Based on these assumptions the break-even calculation is \$50 million divided by \$500 minus \$250 equals 200,000 units sold.

Break-even calculations indicate that Apple will become profitable after the sales volume exceeds 200k. After the first year Apple will make a profit of 1.25 billion minus 50 million in fixed costs.

Our recommended price is \$350. The markup is 40 percent. We predict that sales volume will increase at least 60 percent from this change; this will decrease the impact of our fixed costs and improve opportunities to increase our production scale, which will further improve profits in the long run. In the short term profits are higher with the original strategy, but greater sales will introduce net work effects that help consolidate our market share. Later on, we can release updates to take advantage of a larger market share.

## Controls

### Implementation

We are going to give workers \$5 incentive pay for every non reject phone they produce (20% of worker total compensation will be incentive pay), \$10 per phone six sigma quality program, and compensate each worker \$5000 each year for best practice training. In addition, we are planning to use control measures to closely monitor quality and customer service satisfaction. The iPhone will include an Apple Customer Service Bar and a customer service phone number stored in the phone book so that consumers can contact the main headquarters about any possible technical problems. This will enable us to react swiftly in correcting any problems that may occur. Other early warning signals that will be monitored for signs of deviation from the plan include monthly sales (by segment and channel) and monthly expenses.

In case of slow sales, we will immediately offer rebates of iPhone to customers who have purchased other Apple products. This will promote synergy and lure buyers

rs to buy other Apple products as well. Apple can demonstrate their understanding of the upper-level consumer for whom style is a key purchasing determinate, and can simultaneously develop deep relationships with two very different segments : those who have it and those who aspire. The combination of updating the product and our low price will allow us to build market share and attract repeat buyers.

#### Marketing Organization

Our consulting group of four holds the overall responsibility for the iPhone's marketing strategy and direction. To better adjust our strategy to both domestic and international markets, we will need additional Apple Marketing Managers to execute localization strategy. This is best implemented from the top down. In order for our strategy to work, we will need CEO Steve Jobs to dedicate the iPhone team of Marketing Managers, Operations Managers, Design Engineers, Hardware Engineers, Software Engineers, Product Managers and Business Development Managers. These people will be essential in building not only the product, but also the relationships necessary for sustained growth.

Apple's Marketing Managers will need to seek ad agencies to implement our promotion. However, Steve Jobs will be the ultimate media spokesperson. As Marketing Managers come up with new feature and attributes, Operations and Engineering will need to implement them quickly to ensure customer satisfaction and loyalty.

#### Our Process:

To plan our strategy we will meet monthly with the board of Apple, present our information, and make a proposal for continued marketing efforts. Before each meeting our team will meet in private, with each person presenting their own proposal based on the information they have learned. After the initial proposals, we will vote on the best one or come to a compromise. The final proposal sent before Apple is the result of that meeting.