

# iPhone



## Marketing Plan

MARK 4080 – Mr. Jennings

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## **I. EXECUTIVE SUMMARY**

The iPhone is one of the leaders in the smartphone category, competing with other high-end smartphones such as the Blackberry, Nokia N97, Palm Pre and others. The smartphone category is and has been expanding for some time, as it finds itself in the beginning of the growth stage in the product life cycle. The smartphone category is experiencing significant profit margins, especially for the high-end smartphones such as the iPhone.

While it is a very profitable product, the iPhone currently holds only 2.5% of the world's cell phone market, and 13.3% of the global smartphone market. This represents a huge sector of the mobile phone market for the iPhone to expand into. The introduction of the iPhone 3GS into the smartphone market is Apple's intention to capitalize on the category's room for growth, and produce the highest quality smartphone on the market.

With advancements in technology consumers nowadays are looking for that all-in-one device that provides personal and business functionality while on the go. The iPhone 3GS is that device. The iPhone 3GS is a high-end smartphone that is not only used to make calls, but is used for Web browsing, organization, entertainment and extensive communication. Since the original iPhone debuted, the iPhone product line has become immensely popular and successful, and the iPhone 3GS will build on this success.

By the end of 2009, Apple will have sold over 20 million iPhones. We expect the iPhone 3GS to increase the sale levels of iPhones by appealing to and being made available to new consumers. Therefore, Apple's first objective is to sell at least 33 million units of the iPhone 3GS in 2010. This will help to achieve a 4% global market share and a 21% U.S. market share, which will achieve a profit objective of \$3.984 billion in 2010. We have developed three key strategies to achieve this goal.

First, the iPhone 3GS must appeal more to business users. Previous versions of the iPhone have been successfully marketed as a phone with mostly recreational uses. The iPhone 3GS will not only continue to appeal to recreational consumers, but also to consumers on the corporate (business) level. This will put the iPhone 3GS in direct competition with Blackberry as the leading smartphone for business users. In doing this, the iPhone 3GS will help Apple to increase sales and market share.

Second, Apple must end its exclusivity contract with AT&T in order to expand its customer base. By ending this contract, Apple will have the freedom to partner with a second mobile phone provider. With its large customer base, Verizon is the most logical network for Apple to collaborate with in expanding its iPhone availability. By making the iPhone (including the iPhone 3GS) available to Verizon customers, as well as AT&T customers, Apple will have a greater pool of potential customers, thus increasing sales.

Lastly, Apple will increase its sales by expanding globally, more specifically China. China offers a customer pool of over 700 million cell phone users, of which only 7.5% use smartphones. This represents a relatively untapped customer pool in which the iPhone 3GS and earlier models can capitalize on.

In order to carry out these strategies, certain marketing program tactics must be put in place. In terms of advertising, the iPhone 3GS will be positioned to consumers as an all-in-one device that provides personal use and also serves business purposes. New TV and print ad campaigns will emphasize this multipurpose aspect of the iPhone 3GS. In terms of partnerships and joint ventures, Apple will expand its potential customer base by partnering with the Verizon network in the U.S. and with one of the major mobile phone providers in China (China Mobile or China Unicom). Other marketing programs that will be stressed include a revamped website dedicated solely to the iPhone, different price points that reflect different consumer needs, and various sales promotions that will increase perceived value amongst consumers.

With these strategies and tactics, the iPhone 3GS will reinforce and increase the brand equity of Apple iPhones that has been built over time. Overall, this will help Apple to achieve its sales volume and market share objective in regards to the iPhone.

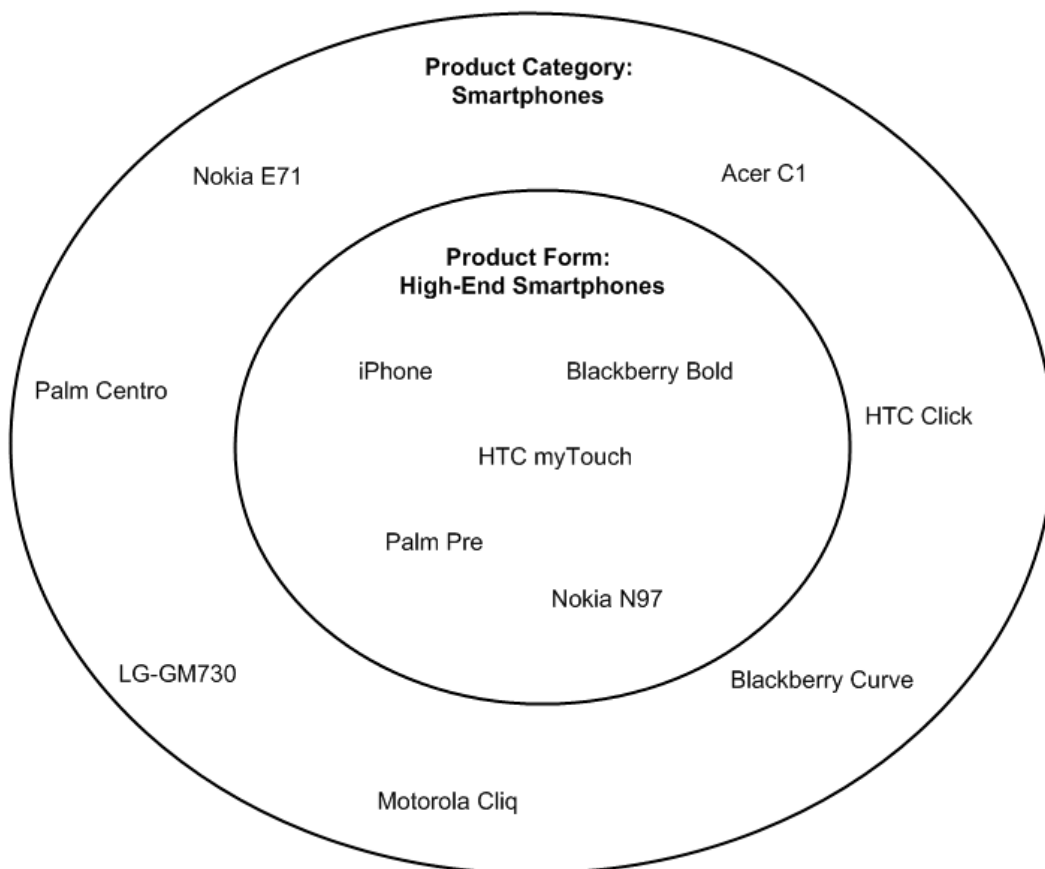
## II. SITUATION ANALYSIS

### CATEGORY/COMPETITOR DEFINITION

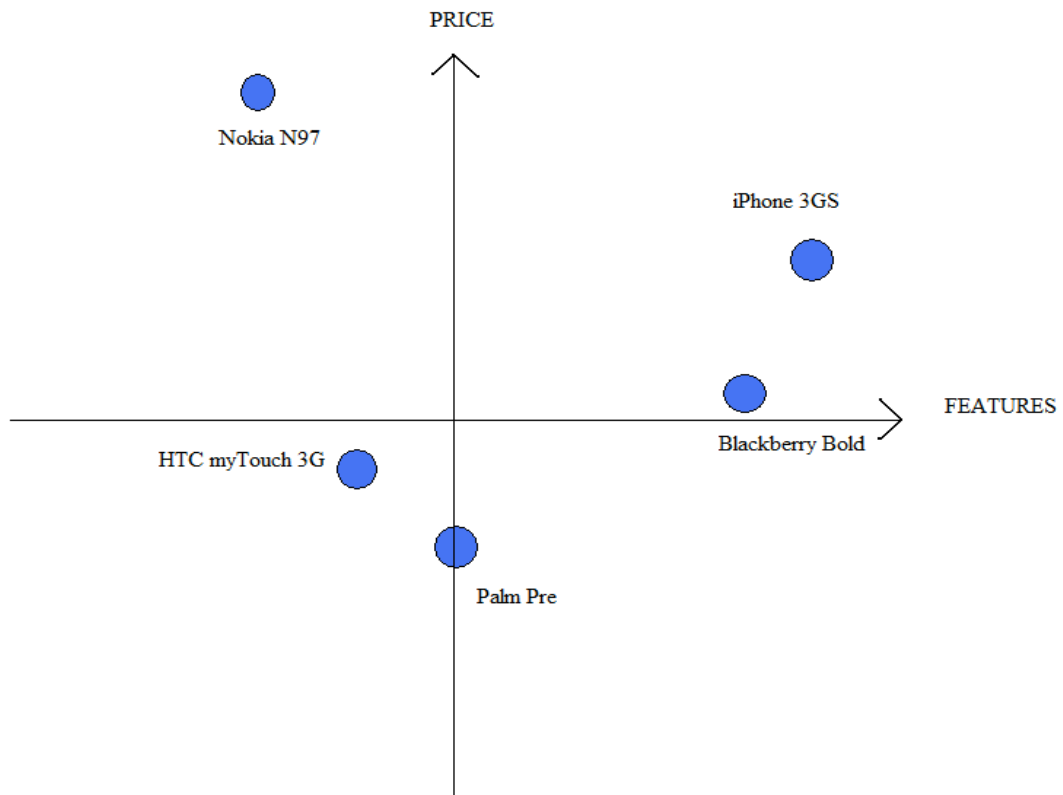
Apple Inc. is a multinational corporation with its roots in the United States. Apple designs and manufactures consumer software and consumer electronic products. One of its most well-known and best-selling products is the iPhone smartphone. A smartphone is a mobile phone device that not only provides the ability to make phone calls, but delivers built-in applications and Web connectivity, allowing the phone to be used for many more functions. These functions include e-mail, Web browsing, camera, music & video player, personal organizer, and more.

The product category that the iPhone competes in consists of all other smartphones. Smartphones essentially share the same features and functions to a degree. A few of the smartphones available in the market are listed in the concentric circle below.

The iPhone is considered a high-end smartphone because it is attracting a relatively huge percentage of the total market share and it is charged at a relatively high price. Helping the iPhone reach this level are its ease of use, its high memory capacity, its image, and its array of capabilities as mentioned above. Joining the iPhone on this stage are its current product form competitors: the Blackberry Bold (RIM), the Nokia N97 (Nokia), the Palm Pre (Palm) and the HTC myTouch (HTC). This is illustrated in the concentric circle below.



The positioning of the iPhone and its main product form competitors in terms of price and features can be seen in the following perceptual map:



## CATEGORY ANALYSIS

### AGGREGATE MARKET FACTORS

#### Category Size

In 2008, approximately 1.22 billion mobile phones were sold across the globe.<sup>[1]</sup> Roughly 139.3 million of the mobile phones purchased were smartphones.<sup>[2]</sup> Thus, 11.4% of all the mobile phones purchased in 2008 were smartphones.

In 2008, the smartphone category generated \$52.5 billion.<sup>[3]</sup> It is clear to see that the category size for 2008, in both units sold and monetary value, illustrates the high attractiveness of the smartphone category.

#### Category Growth

Worldwide, mobile phone sales continue to decline. For the second quarter of 2009, 286.1 million phones were sold around the globe, which is 6.1% decrease from the second quarter of 2008.<sup>[4]</sup>

On the other hand, the smartphone category has been experiencing tremendous growth. During the second quarter of 2009, 40,962,800 smartphones were sold, which is a 26.9% increase from the second quarter of 2008.<sup>[5]</sup> The following table shows the growth of several smartphone vendors over this time period and illustrates the 26.9% increase for the whole category.<sup>[6]</sup>

<b>Worldwide Smartphone Sales Growth from Q2 2008 to Q2 2009 (Thousands of Units)</b>					
Company	Q2 2009 Sales	Q2 2009 Market Share (%)	Q2 2008 Sales	Q2 2008 Market Share (%)	Sales Growth (%)
Nokia	18,441.00	45	15,297.90	47.4	20.5
RIM	7,678.90	18.7	5,594.20	17.3	37.3
Apple	5,434.70	13.3	892.50	2.8	508.9
HTC	2,471.00	6	1,330.80	4.1	85.7
Fujitsu	1,249.00	3	1,071.50	3.3	16.6
Others	5,688.20	13.9	8,085.80	25.1	-29.7
<b>Total</b>	<b>40,962.80</b>	<b>100</b>	<b>32,272.70</b>	<b>100</b>	<b>26.9</b>

During the second quarter of 2009, global smartphone sales accounted for 14.3% of all global mobile phone sales.<sup>[7]</sup> This is a 3.7% increase from the second quarter of 2008.

<sup>1</sup> <http://www.gartner.com/it/page.jsp?id=904729>

<sup>2</sup> <http://www.webpronews.com/topnews/2009/03/11/global-smartphone-sales-up-in-2008>

<sup>3</sup> <http://www.electronics.ca/presscenter/articles/1190/1/Global-Market-For-Smartphones-And-PDAs-Worth-1533-Billion-In-2014-/Page1.html>

<sup>4</sup> [http://news.cnet.com/8301-13579\\_3-10308173-37.html](http://news.cnet.com/8301-13579_3-10308173-37.html)

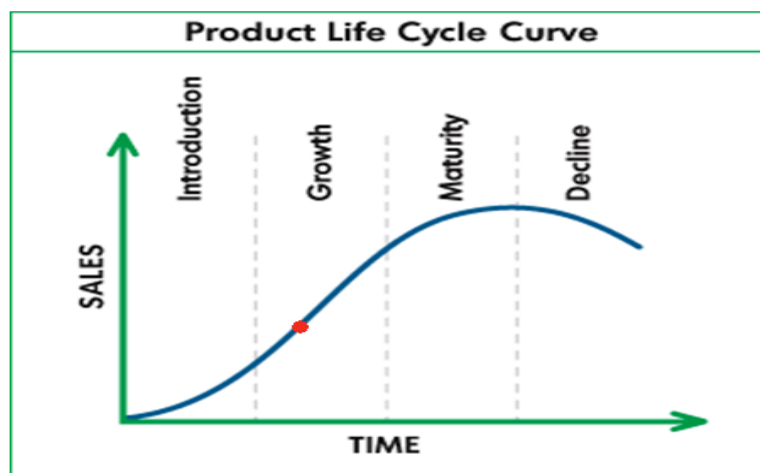
<sup>5</sup> [http://news.cnet.com/8301-13579\\_3-10308173-37.html](http://news.cnet.com/8301-13579_3-10308173-37.html)

<sup>6</sup> <http://www.gartner.com/it/page.jsp?id=1126812>

<sup>7</sup> [http://news.cnet.com/8301-13579\\_3-10308173-37.html](http://news.cnet.com/8301-13579_3-10308173-37.html)

According to the IDC, in 2013, smartphones will account for 20% of the 1.4 billion phone sales.<sup>[8]</sup> Thus, the smartphone category will continue to experience growth for years to come.

### Stage in the Product Life Cycle



Smartphones are currently in the Growth stage of the product life cycle. The smartphone category consists of several high-end smartphones and many other types of smartphone models. As mentioned earlier, the smartphone category is experiencing tremendous growth. Sales have increased by 26.9% over the past year.<sup>[9]</sup> By 2014, smartphones will account for 29% of the global mobile phone market.<sup>[10]</sup> There is plenty room for more growth in the smartphone category, making it a very attractive market.

### Sales Cyclicity

Smartphones, just like most mobile phones, don't experience much interyear variation in demand. Mobile phones are becoming a necessity for consumers in today's digital world. Thus, consumers are willing to spend the money necessary to obtain a smartphone if it will satisfy their needs.

However, smartphones do depend on the chip and information technology markets. If these markets were to experience changes in demand as a result of variations in GDP, then the smartphone category could potentially experience sales cyclicity to some degree.<sup>[11]</sup>

### Seasonality

The smartphone category does not experience intrayear cycles in sales. Smartphones experience year-round sales and the seasons have no real impact on these sales.

However, smartphones may experience a sales increase around the holidays, as consumers might purchase smartphones as gifts for others.

<sup>8</sup> "How Blackberry Does It" article from Fortune

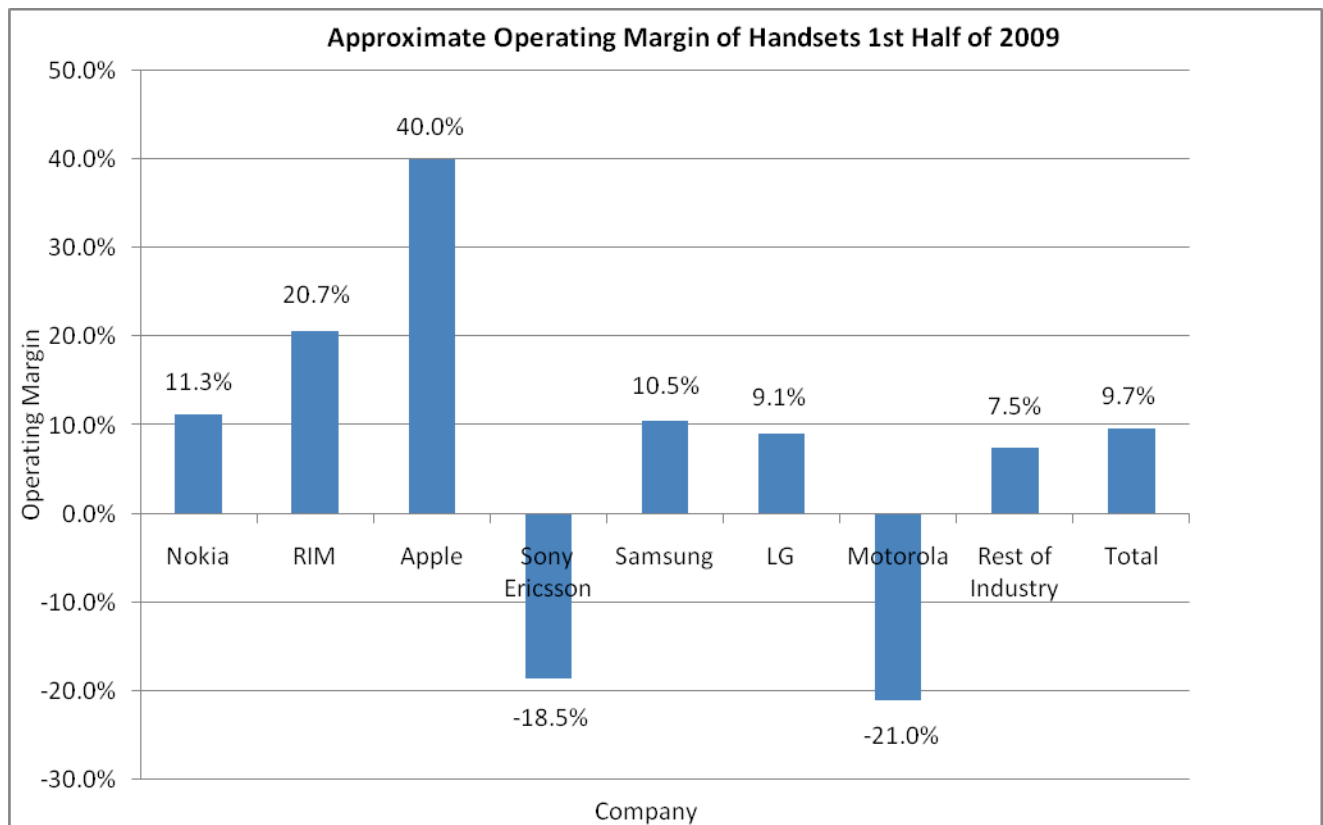
<sup>9</sup> [http://news.cnet.com/8301-13579\\_3-10308173-37.html](http://news.cnet.com/8301-13579_3-10308173-37.html)

<sup>10</sup> <http://mobithinking.com/blog/latest-mobile-stats>

<sup>11</sup> <http://blog.designs-for-automotion.de/zeug/iPhone%20in%20the%20Smart%20Phone%20Category.pdf>

## Profits

Most of the major competitors in the smartphone category are only a part of the product portfolio of larger companies, and so it is not easy to pinpoint how profitable certain smartphones were. Nevertheless, on the next page is a chart containing the operating profit margins during the first half of 2009 for some of the big companies in the smartphone market<sup>[12]</sup>:



As it can be seen, most of the smartphone vendors experienced positive operating profit margins in the first half of 2009. The big name vendors, such as Apple, Nokia, RIM and Samsung, experience the highest profit margins. On the other hand, the lower-end vendors, such as Motorola and Sony Ericsson, experience negative profit margins. Overall, the average profit margin is 9.7% for the smartphone category, signaling that the category as a whole is experiencing good profitability.<sup>[13]</sup> With the category continuing to attract more and more consumers, the profits are likely to increase.

<sup>12</sup> <http://digitaldaily.allthingsd.com/20090804/iphone-claims-32-percent-of-handset-industry-operating-profits/>

<sup>13</sup> <http://www.atelier-us.com/internet-usage/article/analysts-agree-smartphone-market-to-grow-in-2009>



## **CATEGORY FACTORS**

### **Threat of New Entrants**

The threat of new entrants is quite high in the smartphone category because smartphones are becoming very easy to make. This might entice companies to design a smartphone and join in on the market because the category is very profitable and very attractive. The next smartphone to join could possibly become the new hot product that every consumer will look to purchase. Therefore, the increasing threat of entrants reduces the attractiveness of the category.

To combat this threat, there are a few barriers to entry that will make it difficult and unattractive for competitors to enter the smartphone market:

- Economies of scale
  - High economies of scale
  - Large Research and Development departments are necessary
- Product differentiation
  - Huge brand name smartphone vendors such as Nokia, Apple, RIM and Palm
  - Makes it hard for new competitors to successfully establish their brand
- Capital requirements
  - High amount of capital is invested into the R&D department
  - High amount of capital is invested into marketing and advertising
- Distribution
  - Reliance on wireless service providers – wireless service providers have already taken up the big-market smartphones (iPhone, Blackberry, Palm Pre, etc.)
  - Makes it hard for a new competitor to convince a wireless service provider to distribute its smartphone to end-users

### **Bargaining Power of Buyers**

Within the smartphone category, there are two types of buyers: wireless service providers and end-users.

Wireless service providers have high bargaining power because they have a lot of control over the smartphone companies. Smartphone makers want to make their phones available to as many consumers as possible. To do so, they need to set up contracts with the wireless service providers that they want to have sell their phones. Thus, the wireless service providers hold a significant amount of power because they choose which smartphone companies they will work with.

End-users also hold high bargaining power. If they feel that a particular smartphone is too expensive, unattractive, or too difficult to understand, they can choose from the wide array of other smartphone options available.

As the amount of competition in the category increases, this may lead to reduced prices throughout which will lead to even more buying power from the two groups of buyers mentioned above.

With both of the buyer segments holding high bargaining power, the category's attractiveness goes down.

### **Bargaining Power of Suppliers**

To make a smartphone consists of purchasing small components and technology resources from suppliers. Within the smartphone category, there are numerous amounts of companies that provide such components and technology. Since the number of suppliers is high, the bargaining power the suppliers have is low, resulting in an attractive factor for the category.

Most of the suppliers are small companies that are not real well-known. This further reduces the amount of bargaining power they have with the enormous companies such as Apple, RIM, Nokia, and more. Most of the time, suppliers will obtain contracts with these firms by “giving in” and submitting the lowest bid.

### **Pressure from Substitutes**

For smartphones, there exists a high pressure from substitutes. Similar products in the market include:

- Smartphones
- Traditional cell phones
- Laptops
- Personal Digital Assistants (PDAs)
- iPod Touches
- Address books & paper calendars

With technology continuously improving, more and more substitutes will potentially enter the market. The presence of these similar products makes the smartphone category less attractive.

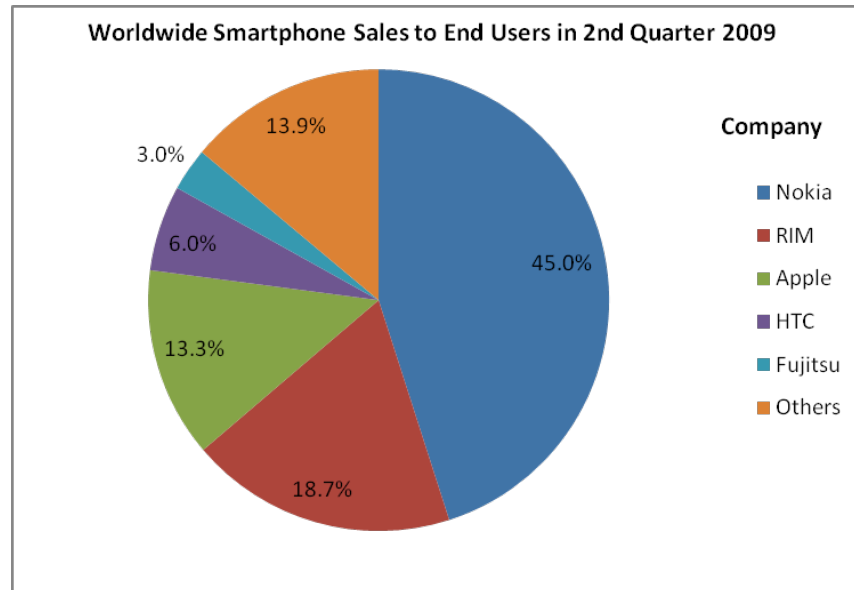
### **Category Capacity**

Around the globe, there is a movement being established toward a more digital lifestyle. With that, the number of smartphone purchases will continue to increase. To meet this increasing demand from consumers, the capacity of smartphones is expected to increase. This increase in capacity might make it unattractive for new companies to enter the market because they could potentially be left with unused capacity.

As seen in the chart below, the three big brands of the category (Nokia, RIM, and Apple) are experiencing a high level of demand for their smartphones.<sup>[14]</sup> Thus, they are operating at a relatively high level of capacity in order to meet the high levels of demand they face from consumers.

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<sup>14</sup> <http://www.gartner.com/it/page.jsp?id=1126812>



### **Current Category Rivalry**

The rivalry that exists between smartphone vendors is extremely high. Two of the biggest names in the category, Apple (iPhone) and RIM (Blackberry), exhibit one of the biggest rivalries between smartphone companies. Not only do they engage in an intense rivalry with each other, but they also look to make strides in eliminating the entire competition.

The high degree of rivalry that exists has led, in part, to huge amounts of money spent on marketing and advertising. In fiscal 2009, Apple spent \$501 million on advertising and RIM spent \$337 million.<sup>[15]</sup> Both companies believe their massive advertising expenditures will bring in more sales, leading to more profits and greater market share.

The high degree of rivalry amongst the big brands makes the smartphone category less attractive for potential newcomers.

<sup>15</sup> <http://brainstormtech.blogs.fortune.cnn.com/2009/10/28/apples-2009-ad-budget-half-a-billion/>

## ENVIRONMENTAL FACTORS

### Technological

Technology plays a powerful role in the smartphone category. Smartphones are one of the biggest technological items in today's society. They allow their users to perform numerous functions besides just calling, such as Web browsing, using e-mail, uploading files, using applications, and more. However, advances in technology are constantly being made. Thus, the product life cycle of smartphones is much shorter than other consumer products. To combat this, smartphone companies are always in the process of innovating. They are always looking for the next big idea because altering an existing smartphone or creating an entirely new smartphone that meets the advances in technology and the needs of consumers can easily put a smartphone company ahead of the competition.

### Economic

Even amidst the recession, the smartphone category has been a significant bright spot. More and more consumers are making the switch to smartphones, which has helped the category experience an increase in sales, as mentioned earlier. However, if the recession happens to get considerably worse, consumers might be tempted to look for less expensive substitutes that still meet their needs. Also, the recession can make it hard for a company to forecast and budget for the future, leading to many uncertainties.

### Regulatory

There are very few regulatory factors that have a significant impact on the smartphone category. One notable factor is the deregulation of the telecommunications industry from the Telecommunications Act of 1996. The Act reduced the amount of regulation the government could provide over the telecommunications industry.<sup>[16]</sup> As a result, this will greatly assist the high-end smartphones over lower-end smartphones because of their numerous communications capabilities.

### Social

Consumers in today's world are experiencing social trends unlike any that have been seen before. With the idea of social networking on the continuous rise, people can connect with friends, family and co-workers. Over two-thirds of the Internet population visit social networking sites each month, which accounts for 10% of all time spent on the Internet.<sup>[17]</sup> Now, social networking has been introduced into the digital media world, and smartphones give their users the power to access social networking sites such as Facebook, Myspace, Twitter, LinkedIn, and more straight from their phones.

There is also the trend of the busy consumer who is always on the go. He or she is looking for a device that satisfies all of his or her needs: making calls, taking notes, keeping records, keeping schedules, uploading files, checking e-mail, and more. The smartphone is quickly becoming the best productivity tool to meet all of these needs.

The smartphone is the device that is meeting these trends head on and gives consumers the capability of doing more than just make calls with their phones.

<sup>16</sup> [http://www.utexas.edu/lbj/rhodesprp/01\\_02/divide/dereg.htm#act](http://www.utexas.edu/lbj/rhodesprp/01_02/divide/dereg.htm#act)

<sup>17</sup> <http://www.hypebot.com/hypebot/2009/03/rapid-growth-in-social-networking-worldwide.html>

## COMPANY AND COMPETITOR ANALYSIS

### Product Features Matrix

The high-end smartphones in the smartphone market compare quite well with each other on a list of features. The following is a product features matrix for the iPhone and a few of its main competitors on several of their most important features<sup>[18]</sup>:

<b>Product Features Matrix</b>				
	<b>Apple</b>	<b>RIM</b>	<b>Nokia</b>	<b>Palm</b>
<b>Model</b>	iPhone 3GS	Blackberry Bold	N97	Pre
<b>Weight</b>	135g	133g	150g	133g
<b>Screen Size</b>	3.5 inches	2.6 inches	3.5 inches	3.1 inches
<b>Resolution</b>	320x480 pixels	480x320 pixels	360x640 pixels	320x480 pixels
<b>Color Capability</b>	16M	65K	16M	16M
<b>Keyboard</b>	no	yes	yes	yes
<b>Internal Memory</b>	16 or 32 GB	1 GB	32 GB	8 GB
<b>External Memory Card Support</b>	No	Yes, up to 8 GB	Yes, up to 16 GB	No
<b>RAM memory</b>	256 MB	128 MB	128 MB	not listed
<b>Application Availability</b>	yes	yes	yes	yes
<b>Wi-Fi</b>	yes	yes	yes	yes
<b>HSDPA Connectivity Speed</b>	7.2 MBps	3.6 MBps	3.6 MBps	3.6 MBps
<b>Speed</b>	600 MHz	624 MHz	600 MHz	434 MHz
<b>Camera</b>	3.15 MP	2 MP	5 MP	3.15 MP
<b>Video Camera</b>	yes	no	yes	no
<b>Autofocus</b>	yes	no	yes	yes
<b>Touch Screen</b>	yes	no	yes	yes

<sup>18</sup> <http://gadgetophilia.com/iphone-3gs-vs-blackberry-bold-vs-palm-pre-vs-nokia-n97-a-detailed-comparative-study/>

## Objectives / Strategies / Future Strategies

	iPhone	Palm Pre	Nokia N97	Blackberry	HTC myTouch
<b>Objectives</b>	Increase Market Share	Challenge iPhone for market share	Increase U.S. Growth	Increase Growth	Increase Market Share
<b>Current Strategies</b>	-Dominate the mobile Apps category  -Spur growth in the smartphone market	-Pushing benefits of the phone to corporate users  -Make the smart phone more affordable	-Join more U.S. carriers  -Push higher-end models	-Offer more models quicker  -Increase sales on a consumer (non-business) level	-Partnership with Google and its - Android Operating System  -Making a more personal phone
<b>Future Strategies</b>	-Expand the market globally  -Expand customer base by adding a new carrier (Verizon)	-Gain more wireless carriers	-Provide more Applications  -Increase U.S. advertising	-Invest in R&D to increase phone capabilities  -International Growth	-Establish brand equity and awareness

The objectives for all the companies seems to be focused on growth. This is due to the relative newness of the product category that is smartphones and the market share that is still up for grabs.

### iPhone

- *Current Strategies*
  - **Dominate Mobile Apps** - Apple easily offers the most apps when it comes to Smart Phones, with 85,000 apps for users to choose from.<sup>[19]</sup>
  - **Spur growth in the smartphone market** - Smart phones only make up about 15% of the overall mobile phone market, leaving more room for the overall market to grow. Second, within the smart phone market, Apple's smart phone market share increased from 7.3% to 13.3%, according to data from Gartner from the second calendar quarter 2008 to 2009. The impact on Apple of both an increasing market size and increasing market share is significant. Apple sold 78% more iPhones in their FY09 over FY08.<sup>[20]</sup>
- *Future Strategies*

<sup>19</sup> "The Apple Momentum" article (Forbes.com)

<sup>20</sup> "The Apple Momentum" article (Forbes.com)

- **Expand the marketplace globally** - China has an estimated 710 million mobile-phone subscribers, according to government figures, and only 7.5% of the handsets sold in the country last year were smart phones like the iPhone. This means there is substantial room in the market for the iPhone to succeed.<sup>[21]</sup>
- **Expand the customer base by adding new carriers** – Verizon CEO Ivan Seidenberg announced in October of 2009 that if the iPhone wants to join their network, the offer is on the table.

### Palm Pre

- *Current Strategies*
  - **Pushing corporate benefits** - During Sprint's Productivity Now conference, Sprint Vice President of Marketing Tim Donahue said the Pre's support for Microsoft Exchange ActiveSync made it more enterprise-ready than the iPhone's first iteration, which had no enterprise features. The ability for the Palm Pre to be used as a corporate tool would allow the company to succeed in an area the iPhone has yet to be a huge player.
  - **Make the smart phone more affordable** - Palm cut the price of its Pre device from \$200 to \$150, and on Sept. 9, 2009, announced it will release a new scaled-down smart phone, called the Pixi, in time for the holiday selling season.<sup>[22]</sup>
- *Future Strategies*
  - **Gain more wireless carriers** - The modest sales performance for the Pre is raising questions about Palm's ability to land other wireless carriers to offer the phone, and how large the carriers' subsidy payments and marketing support for the Pre might be. "Some carriers will be looking through less rose-tinted spectacles than before, [and] expectations will be pushed back", says Neil Mawston, a director with tech consulting company Strategy Analytics. "If Sprint can't prove that the Pre is an iPhone killer, it'll really affect the level of subsidies" carriers pay to make the Pre cheaper in stores.<sup>[23]</sup>

### Nokia

- *Current Strategies*
  - **Introducing new touch-screen models** - to compete with other company's touch-screen smart phones, such as the iPhone.
  - **Nokia is trying to gain access to popular U.S. carriers** - such as Verizon and AT&T, to increase its popularity in the United States.<sup>[24]</sup>

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<sup>21</sup> Loretta Chao. The Wall Street Journal Asia. Hong Kong: Oct 30, 2009. pg. 1

<sup>22</sup> <http://0-proquest.umi.com.libus.csd.mu.edu/pqdweb?index=27&did=1855595831&SrchMode=1&sid=2&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1257201204&clientId=55898>

<sup>23</sup> "Palm's Pre Is Trying to Live Up to the Hype" (from Businessweek.com)

<sup>24</sup> <http://www.forbes.com/2009/09/02/nokia-ceo-us-markets-equities-business.html>

- **Nokia is using phone designs that appeal to Americans** - by hiring people to design the phone that are from the U.S. and understand the country's current smartphone situation.
- **Introducing models that are aimed at high-end users** – to widen its range of available smart phones to different consumers.
- *Future Strategies*
  - **Offer More Apps** - applications available through its Ovi Store.
  - **Increase U.S. Advertising** - Nokia can become more widely known to Americans as an option for smart phones by increasing U.S. advertising.

### Blackberry

- *Strategies*
  - **Offer more models quicker** - Blackberry is trying to increase the production of its phones by manufacturing more in a smaller window of time and introducing more models.<sup>[25]</sup>
  - **Increase consumer level sales** - Blackberry is also trying to increase its sales to non-business consumers, as it already dominates the business market.
- *Future Strategies*
  - **Increase phone capabilities** - Blackberry is trying to make technological advances to allow for more capabilities of future phones and models.
  - **Grow Internationally** - Blackberry is trying to achieve growth in international markets and appeal to countries outside the United States, as it already has a large share in the U.S.

### HTC myTouch

- *Current Strategies*
  - **Partnership with Google** - In Sept. 2008, HTC became the first mobile phone maker to release a phone that ran on Google's Android mobile operating system. The effectiveness of the operating system, along with the brand equity associated with Google, has been a boon to HTC as a mobile phone player.
  - **Making a more personal phone** – the myTouch is a completely customizable smart phone, giving the user the ability to create a greater sense of ownership over their phone.
- *Future Strategies*
  - **Increase brand equity and awareness** – HTC has only been in the smartphone category for roughly three years, thus it needs to establish itself as a major player and competitor to the iPhone. HTC is attempting to achieve this through an intensive marketing campaign featuring numerous celebrity endorsers.<sup>[26]</sup>

<sup>25</sup> <http://www.forbes.com/2009/10/14/blackberry-rim-motorola-technology-wireless-lazaridis.html>

<sup>26</sup> "HTC's Design Future" article (Forbes.com)



## Marketing Mix

Providing insight into the iPhone's and its competitors' product strategies can be seen in the following marketing mix:

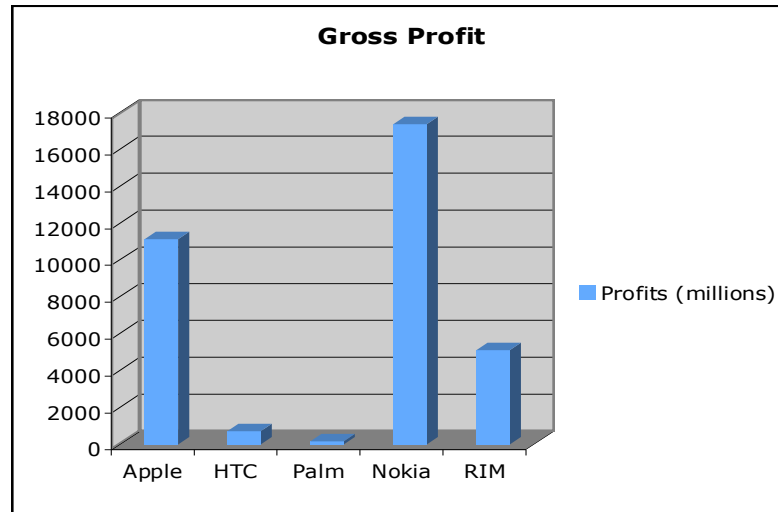
	<b>Product</b>	<b>Price</b>	<b>Place</b>	<b>Promotion</b>
<b>Apple</b>	iPhone 3GS	\$199 or \$299	-Apple Store (can purchase online) -AT&T (can purchase online) -Best Buy -Walmart	-TV ads -Online ads -Print ads -Direct Mail campaign
<b>RIM</b>	Blackberry Bold	\$200	-AT&T -Verizon -T-Mobile -Available to purchase online	-TV ads -Online ads -Print ads -Direct Mail campaign -Reduced prices
<b>Nokia</b>	Nokia N97	\$550 - \$700	-Nokia Flagship stores -Available to purchase online	-TV ads -Online ads -Print ads Direct Mail campaign
<b>Palm</b>	Palm Pre	\$100 - \$150	-Palm Store (online) -Sprint -Available to purchase online -Verizon (starting in 2010)	-TV ads -Online ads -Print ads -Direct Mail campaign -Reducing prices
<b>HTC</b>	HTC myTouch 3G	\$150 - \$200	-HTC Store (online) -T-Mobile -Available to purchase online	-TV ads -Online ads -Print ads -Direct Mail campaign -Reducing prices

## Profits

The significance of profits to a company extend far beyond simply satisfying the shareholders. The more profit a firm has, the more they are able to invest back into their own growth and development. Having access to in-house capital is a huge advantage, especially in the smart phone market. Being able to consistently produce and support the most cutting edge smart phone technology requires an enormous amount of research and development which can be extremely pricey. Nokia is the clear leader in this category due to their large size and the wide variety of services and products they provide. HTC's profits while solid, have seen an 18%

drop since this time last year.<sup>[27]</sup> This will without a doubt affect the firm's ability to invest in R&D and keep up with the other smart phone makers. On the other hand, Apple has seen a 47% increase in profits up from this time last year.<sup>[28]</sup> Combine these resources with their already elite research and development programs and Apple should continue to see a rise in profits.

The following is a graph illustrating the profit levels of Apple and its main competitors<sup>[29]</sup>:



*The gross profits of the five firms. The large discrepancies can be attributed to Nokia and Apple profits including profits from their other divisions.*

Apple, Nokia and RIM's significant profit levels give rise to their capability to continuously innovate and produce new smartphone ideas and alterations of existing smartphones, giving them a leg up on the competition.

## Value Chain

**Marketing and Sales** - To say that Apple has a competitive advantage in marketing and sales is a gross understatement. In marketing, Apple has set the bar with their world renowned advertising campaigns. In sales, Apple sold 7.4 million iPhones their previous quarter, up 7% from a year ago and 41% more than the previous quarter, destroying concerns of a supply constraints.<sup>[30]</sup> Demand was kept alive by the recent iPhone price drop and the news of a faster iPhone 3GS released in June.

Blackberry producer RIM is a distant second place in the marketing and sales realm. While they have not seen a significant drop in market share, they are fighting to stay afloat as Apple continues to increase its share. While RIM's somewhat clever and recognizable marketing campaigns pale in comparison to Apple's, they have done enough to keep them alive in the fight for smart phone market share.

<sup>27</sup> <http://gizmodo.com/5376655/how-the-hell-is-htc-hurting-right-now>

<sup>28</sup> <http://news.bbc.co.uk/2/hi/business/8315534.stm>

<sup>29</sup> "Income Statement-Annual-Standardized in Millions of USD." *Business & Company Resource Center*.

<sup>30</sup> <http://www.boygeniusreport.com/2009/10/28/rim-and-apple-top-u-s-smartphone-market-share/>

As recently as two years ago, Palm had a formidable chunk of the smart phone market share. However, due to a number of factors, most notably, poor marketing strategies, they have seen their share snatched away by the new bully on the block, Apple's iPhone.

Service - The advantage in this category goes to RIM because of their ability to offer their products across a variety of phone service providers. A Blackberry phone is accessible on nearly every major cell phone provider, a goal seemingly far out of reach for many of its smartphone competitors.

### **Differential Advantage / Resource Analysis**

Ability to Conceive/Design New Products: The advantage in this category goes to Apple. Few firms over the last decade have been able to innovate and design like Apple has. The most notable of these designs is the revolutionary iPod.

Ability to Produce/Manufacture/Deliver the Service: Nokia, by far the largest of these companies, receives the advantage in this category for a variety of reasons. Firstly, Nokia sheer size and wide variety of products in various industries gives them the production/manufacturing advantage. Also, Nokia's international domination in the cell phone markets have given them an advantage in their various supply chains. Previously, Nokia outsourced 17% of its cell phone drivers to contract producers.<sup>[31]</sup> In response to recent sales decreases, Nokia moved that outsourced percentages back to being produced in house. This is a solid example of Nokia's supply chain flexibility.

Ability to Market: As influential and revolutionary as their designs are, the same can be said for Apple's marketing and advertisement. Apple is a marketing titan, second to none in creative, attractive, and effective marketing and advertisement. To own an Apple product is to be a part of something special, a sentiment created by their excellent marketing. Apple is so dominant in their marketing approaches that their ad campaigns and techniques have inspired fan clubs and websites like [www.marketingapple.com/](http://www.marketingapple.com/), that are devoted to analyzing and admiring Apple successes.

Ability to Finance: Because Nokia is so much larger than the other companies in this category, they have access to more investment capital. Their cell phone division could benefit from the financial successes of one of their many other divisions. In other words, Nokia can pull money from not just their cell phone division, but from other divisions like their Internet support division.

Will to succeed in this category: While each of the above mentioned firms can make a case for this category, Apple edges out its competitors for a number of reasons.

- How crucial is the product to the firm?
  - The iPhone is not the only device that Apple has invested a great deal of effort and capital into, but like all Apple products, it is viewed as a vital part of the Apple product line. This firm views even it's least expensive products as crucial

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<sup>31</sup> [http://www.businessweek.com/globalbiz/blog/europeinsight/archives/2009/03/nokia\\_moves\\_pro.html](http://www.businessweek.com/globalbiz/blog/europeinsight/archives/2009/03/nokia_moves_pro.html)

and valuable pieces of the Apple image, an approach that has been largely successful.

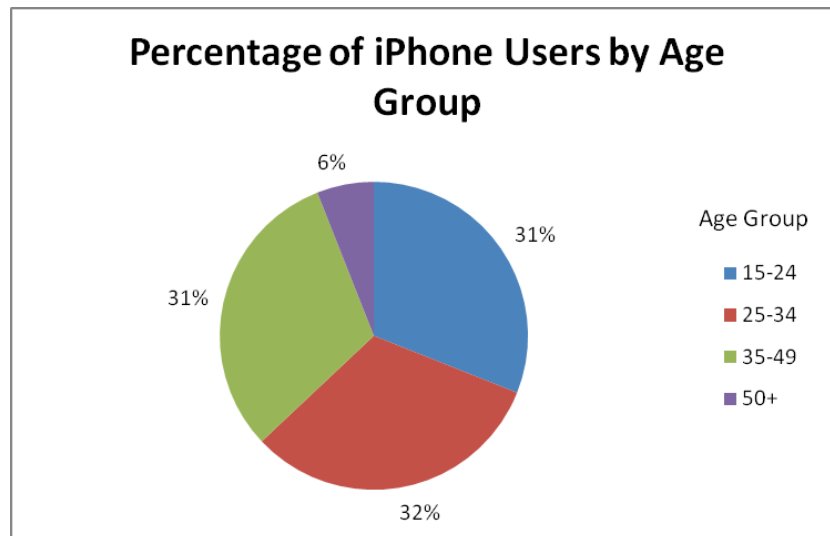
- How visible is the firm's commitment to the market?
  - There is no question that there is no turning back for Apple in the smart phone market. As the industry leader in many categories, Apple has shown no signs of slowing down or rethinking their commitment to dominating this market. Continuous innovation of the iPhone and possible future smartphones will be sure to follow.
- How aggressive are the managers?
  - Apple CEO Steven Jobs and his associates have been credited with being a major reason for Apple's successes. Their aggressive marketing and commitment to innovation set them apart from the others in this category.

## **CUSTOMER ANALYSIS**

## The Customers

Customers of the iPhone vary from simple recreational users, who purchase it because of its uniqueness and various tools, to business people, who purchase it for personal organization and extensive communication.

In regards to the profile of an iPhone customer who is using the iPhone, there are various statistics to look at. One of the key variables to look at is the age of iPhone users.



As the table shows, the number of iPhone subscribers is evenly spread out for the 15-24, 25-34 and 35-49 age groups.<sup>[32]</sup> The average iPhone customer is roughly 31 years of age.<sup>[33]</sup>

There are several other statistics about iPhone users that help to illustrate the typical iPhone customer:

- 72% of the total iPhone users are male<sup>[34]</sup>
- 58% of users have graduated from college (the national average of graduating college is 43%)<sup>[34]</sup>
- The average household income for a user is \$75,600 (26% above the national average)<sup>[34]</sup>
- 43% of users live in California or New York<sup>[34]</sup>

From these statistics, it's clear to see that iPhone users predominantly are male, possess a high education, and are quite well-off in terms of money, with most of them living in California and New York.

## What They Buy and How They Use It

<sup>32</sup> <http://www.researchcast.com/alpha/?p=51>

<sup>33</sup> <http://www.researchcast.com/alpha/?p=51>

<sup>34</sup> <http://www.researchcast.com/alpha/?p=51>

The iPhone gives its users the ability to do so much with such a small device. Consumers purchase the iPhone because it provides great benefits and characteristics. Some of the features of the iPhone that illustrate how customers use it are:

- Phone with all their contacts
- Web connectivity
- E-mail capability
- Apps for just about anything (over 93,000)<sup>[35]</sup>
- Social Networking (Facebook, Myspace, Twitter, and more)
- Download and play digital Media (music/video)
- Scheduling/appointment capability
- GPS capability
- Touch-screen keyboard
- Small and convenient “all-in-one” device

With all of these features, functions and characteristics, the iPhone is used for more than just making calls. It is used for organization, entertainment, and extensive communication.

### **Where They Buy**

When purchasing an iPhone, there quite a few options:

- Apple Store
- AT&T store
- Best Buy
- Walmart

These are the only four retailers where iPhones are sold. You can purchase an iPhone online from the AT&T store, but you cannot purchase online from the Apple store, Best Buy or Walmart.

### **When They Buy**

In terms of the time of year, iPhones are purchased year-round with no considerable shift in demand throughout the year.

However, there are certain times when customers will decide to purchase an iPhone. These include:

- When a new model is introduced – over 1 million iPhone 3GSs were sold during its 1<sup>st</sup> weekend in the market<sup>[36]</sup>
- When the price goes down after the product has been in the market for quite a while
- When the customer’s mobile phone contract is up, or when it allows for an upgrade at a reduced price
- When a birthday or Christmas comes around – give the iPhone as a gift

<sup>35</sup> <http://mashable.com/2009/10/27/iphone-100000-apps/>

<sup>36</sup> <http://www.apple.com/pr/library/2008/07/14iphone.html>

## **How They Choose**

The decision to purchase an iPhone is mainly a rational process. First, the customers determine the features and attributes they would most desire in their phones. Nowadays, the functions of Web connectivity, e-mail, and applications are a few of the biggest attributes customers are looking for. Next, customers analyze the smartphones and often talk with sales representatives to learn more about each and if they contain the desirable attributes. Then, the customers will decide which one best meets the attributes they are looking for. Thus, customers of the iPhone do a lot of information-gathering and product comparisons in arriving at their purchase decision.

However, customers don't always take it upon themselves to obtain the information in order to make the decision. There are several other ways in which customers are influenced to purchase the iPhone:

- Through word-of-mouth and recommendations from other iPhone users
- Through advertising and marketing
- Through problem-solving – customers are looking for an “all-in-one” device that meets most or all of their needs instead of relying on multiple devices
- Through social trends – customers see the iPhone as a cool, must-have product

It's clear to see that how customers choose the iPhone breaks down into several different ways.

## **Why They Prefer the iPhone**

When a customer is in the process of purchasing a smartphone, the biggest thing they look for is value. They are looking for the smartphone that gives them the most value for the money they are willing to pay. The iPhone accomplishes this by giving its customers superior functional value and psychological value.

The functional value customers receive from an iPhone lies in its powerful product and performance features. The features that add to the value a customer receives from an iPhone include:

- Ease of use
- Fast Web connectivity
- Touch-screen
- Long battery life
- Ability to sync to iTunes – listening to music and watching videos
- Over 93,000 Apps to choose from
- E-mail capability
- GPS

There are plenty of more features that help the iPhone give its customers the most value for their money.

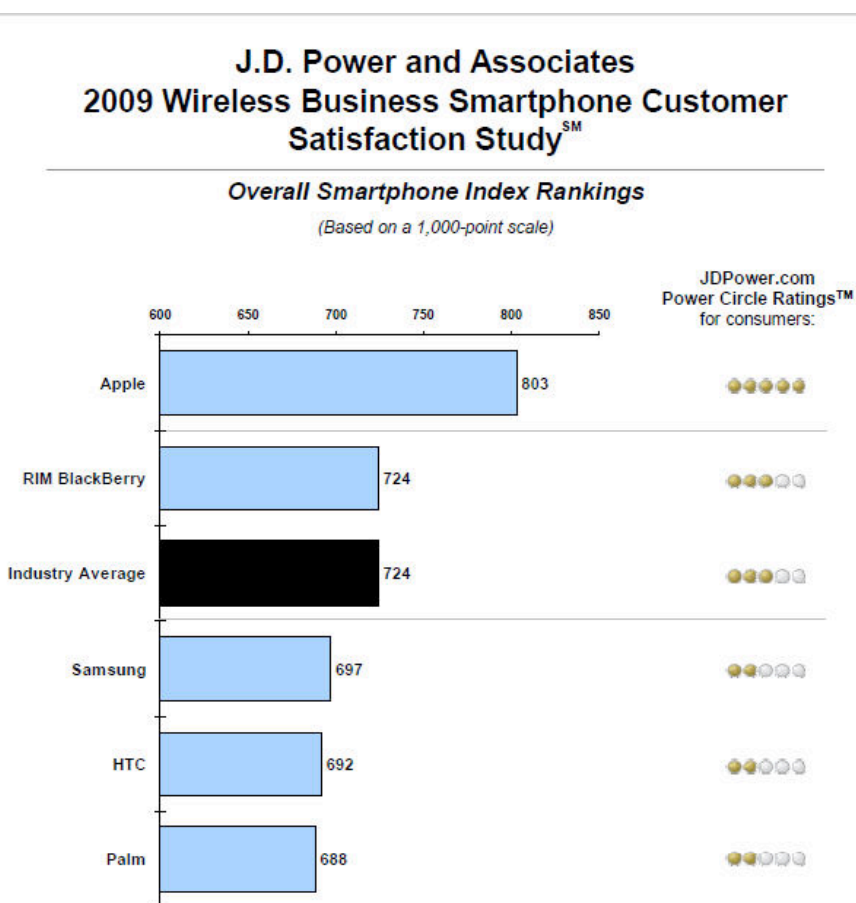
The psychological value customers receive from an iPhone lies in the image it projects. In recent years, the iPhone has become a mobile phone that everyone sees as the “hot product” because of all of the features it provides its users with. The iPhone is seen as a luxurious, high-tech device with numerous capabilities, and most consumers put it high on their lists of desirable

phones. A person who owns an iPhone is seen as someone of high quality, someone who is reliable, and someone who is on the right track. This image of an iPhone user is a reason why many customers end up purchasing the iPhone over other smartphones, because they aspire to be that type of person.

### Will They Buy Again?

When it comes to determining if iPhone customers will buy again, the most important factor to look at is satisfaction: are current customers satisfied with their current iPhone?

On the following page is a chart representing the highest satisfaction levels in the smartphone category<sup>[37]</sup>:



Apple (iPhones) has achieved the highest index rating amongst its competitors and lies well ahead of the industry average. This puts the iPhone in a better position to achieve customer loyalty and retention. It also could lead to customers from other competitors making the switch to the iPhone. In fact, 4 out of 10 users of competing smartphones said they would make the

<sup>37</sup> <http://blogs.zdnet.com/BTL/?p=25625>



switch to the iPhone for their next smartphone purchase.<sup>[38]</sup> Thus, with the iPhone's current satisfaction level, customers will likely be motivated to buy an iPhone model again in the future.

### Long-Term Value of Customers

The iPhone is quickly becoming Apple's most well-known product, and is becoming a huge revenue generator for the company. This past quarter, the end of Apple's fiscal year 2009, the company recorded a 15% increase in profit from the previous quarter, seeing it increase from \$1.07 billion to \$1.23 billion.<sup>[39]</sup> The bulk of this 15% increase from quarter to quarter came from the increasing sales of iPhones. During this time, the unit sales for iPhones increased by an astonishing 626% percent.<sup>[40]</sup>

With iPhone sales expected to continue increasing, the iPhone will continue to generate a huge portion of Apple's revenue. Thus, the long-term value of iPhone customers is very high. It is important to be able to attract and retain customers in order to contribute to increasing profits.

### Segmentation

The iPhone has found its success in reaching out to two distinct customer segments, which are listed below. Each segment has specific needs to which the iPhone offers a solution.

1.) *Students & Recreational Users* – they are looking to perform many functions without having to use and carry multiple gadgets, and they are also looking for a device that offers style and individuality

- The iPhone provides the capability to play music (iPod), videos, and shows & movies
- The iPhone provides Internet connectivity to access the Web
- The iPhone can serve as a personal organizer
- Customers can tailor their iPhone however they choose – personalize with Apps and background images, etc.

2.) *Professionals & Corporate Users* – they are looking to perform many functions without having to use and carry multiple gadgets, and they are looking to communicate and record information while on the go

- The iPhone provides e-mail, text messaging, and phone capability to communicate
- The iPhone uses Mac OS X operating software that provides applications for notes and record-keeping
- The iPhone can serve as a personal organizer for everything on the go

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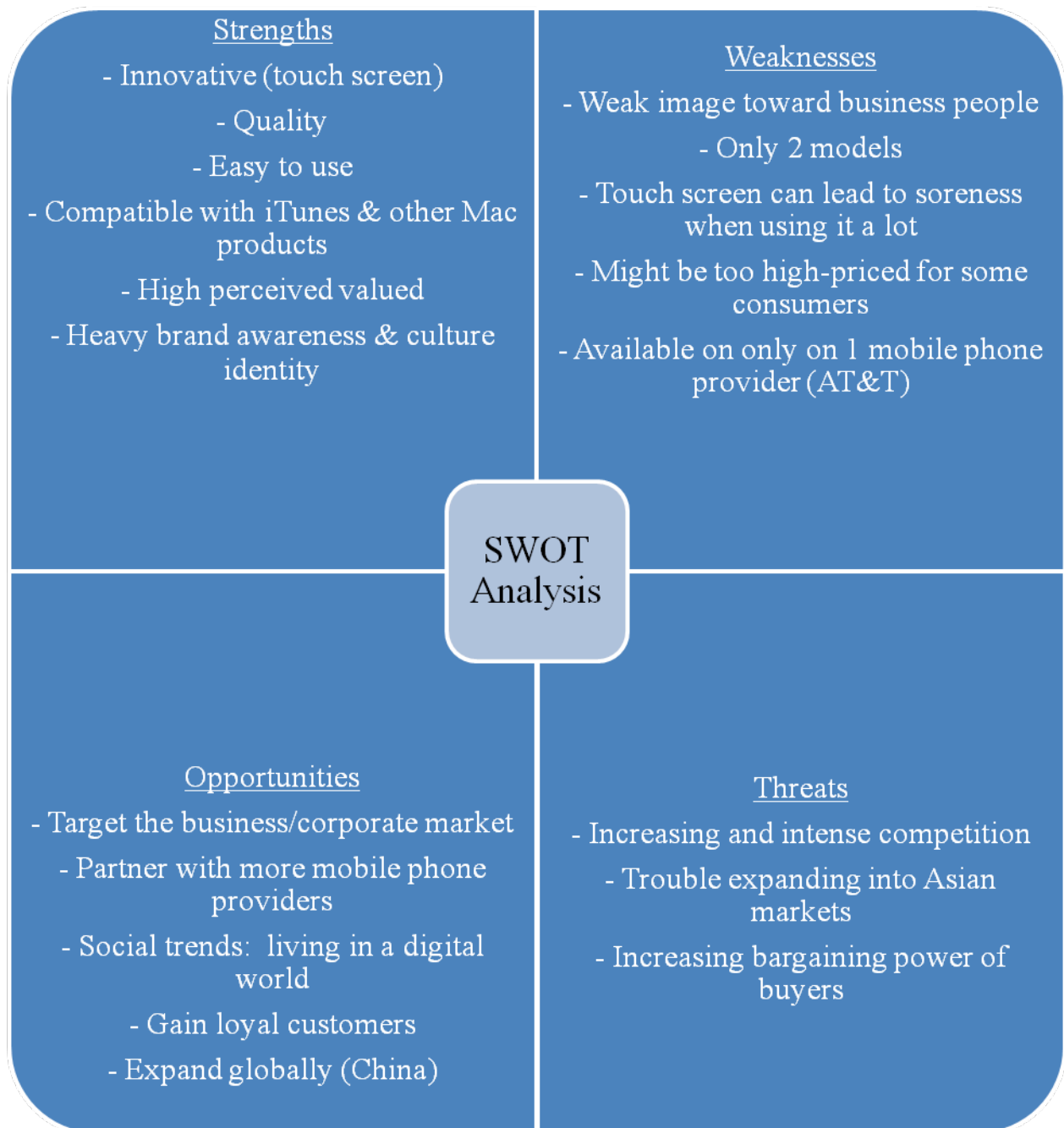
<sup>38</sup> <http://www.cellular-news.com/story/38232.php>

<sup>39</sup> <http://www.ibtimes.com/articles/20090721/apple-15-percent-quarterly-revenue-led-626-percent-iphone-unit-growth.htm>

<sup>40</sup> <http://www.ibtimes.com/articles/20090721/apple-15-percent-quarterly-revenue-led-626-percent-iphone-unit-growth.htm>

## SWOT Analysis

Important highlights of the iPhone's current situation in the marketplace for smartphones can be summed up through the following SWOT analysis:



### III. OBJECTIVES

#### MARKETING OBJECTIVES

##### **VOLUME & PROFIT**

Recently introduced to the market, the iPhone 3GS is Apple's latest version of the iPhone, following the iPhone 3G and the original iPhone.

The iPhone 3GS presents itself to consumers as a very "cool" product with all of its features and applications. This allows it to be set at a premium price in the marketplace. This premium price, along with a high demand and tight cost controls, has helped the iPhone 3GS reap high profits in its introduction.

As shown in a chart earlier, the iPhone has developed an operating profit margin of 40%. This is almost double that of the closest competitor, Blackberry (RIM), which is at 20.7%. With this high operating profit margin, the iPhone has become the leading smartphone in terms of mobile profits. In the third quarter of 2009, the iPhone generated \$1.6 billion in operating profits, while Nokia, the closest competitor, generated \$1.1 billion in profits.<sup>[41]</sup>

With such a high operating profit margin and being the leader in smartphone profits, the iPhone will continue to generate a significant amount of profits as time goes on.

But in order to generate these profits, Apple understands that the iPhone must increase its volume of sales. Currently, the iPhone only holds 2.5% of the world's cell phone market and 13.3% of the world's smartphone market.<sup>[42]</sup> Therefore, the objective is to increase the sales and market share of the iPhone. By following a growth objective, the iPhone would be putting itself in a great position. Not only will this growth objective mean increased market share for the iPhone, it will result in an increase of profits, due to its high operating profit margin.

In analyzing the smartphone market and taking a look at the iPhone's position relative to its competition, we have come up with the following objectives in terms of volume and market share for the new iPhone 3GS next year:

- The iPhone 3GS will sell 33 million units in 2010
- By selling 33 million units of the iPhone 3GS in 2010, Apple iPhones will represent 4% of the global cell phone market and 21% of the smartphone market by the end of 2010

In employing a growth objective, we must take into consideration its impact on profits. By analyzing the iPhone's revenue from past years and current trends of the market, we are projecting a revenue of \$9.96 billion for the iPhone 3GS in 2010. The iPhone 3GS is a very profitable product, so selling more of them (our objective of 33 million in 2010) will help increase profits. With the 40% operating profit margin that the iPhone currently holds, we

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<sup>41</sup> <http://www.tuaw.com/2009/11/11/apple-passes-nokia-in-mobile-phone-profit/>

<sup>42</sup> <http://www.tuaw.com/2009/11/11/apple-passes-nokia-in-mobile-phone-profit/>

expect a profit of \$3.984 billion in 2010.<sup>[43]</sup> By setting and achieving the growth objective (stated above), we will be able to achieve the profitability objective, which is stated below:

- Profits for the iPhone 3GS in 2010 will reach \$3.984 billion

## SECONDARY OBJECTIVES

Our secondary objective deals with brand equity. In regards to brand equity, we are after brand loyalty and perceived value.

Brand loyalty is the highest form of brand equity. In the smartphone industry, customers are looking for the smartphone that will give them the most for their money all the time. They don't want to have to consistently switch smartphones because they believe another is better than their current one. Therefore, our goal is for our customers to see that the new iPhone 3GS is the smartphone that will continually meet their needs, thus improving brand loyalty.

Perceived value is a highly important piece of information that must be considered when positioning the product. The iPhone 3GS has entered into a heated competition with Blackberry, Palm, Nokia and HTC. To illustrate to customers that the iPhone 3GS gives the customer the most for their money, it's pivotal that our goal be to increase perceived value for the iPhone 3GS amongst other smartphones.

## PROGRAM (MARKETING MIX)

Below is a look at our marketing mix for the iPhone 3GS:

Product	Price	Place	Promotion
iPhone 3GS	\$199 or \$299	-Apple Store -AT&T -Best Buy -Walmart -Verizon Store	-TV, print, and online ads -Free Upgrade Program -App Store Coupons -Direct Mail campaign

Product – The iPhone 3GS has improved upon the popular iPhone 3G model. It provides all of the same features and more, including<sup>[44]</sup>:

- Touch screen interface with a landscape keyboard
- Ability to sync with iPod
- Video recording
- 3-megapixel autofocus camera
- Voice control

<sup>43</sup> <http://brainstormtech.blogs.fortune.cnn.com/2009/10/02/broader-distribution-could-double-iphone-sales-in-2010-morgan-stanley/>

<sup>44</sup> <http://www.apple.com/iphone/iphone-3gs/maps-compass.html>

- Digital compass
- Over 93,000 apps to choose from
- Ability to download music and video (also comes with YouTube)
- Mobile E-Mail
- Web browsing
- GPS capability
- And plenty more

Pricing – Two variations of the iPhone 3GS will be made available. The first is a 16 GB model which is priced at \$199. The second is a 32 GB model which is priced at \$299. These prices are for new customers or existing customers who are eligible for an upgrade, or those who agree to a new two year contract.

For existing customers who are not eligible for the upgrade, the iPhone 3GS will cost around \$399 (16 GB) or \$499 (32 GB).

Place – The iPhone 3GS can be purchased at any one of five retailers:

- Apple Store – available for purchase in-store and online
- AT&T Store – available for purchase in-store and online
- Best Buy – available for purchase in-store ONLY
- Walmart – available for purchase in-store ONLY
- Verizon Store – available for purchase in-store and online

While the first four retailers continue to be locations to purchase the iPhone, Verizon is a newcomer. The iPhone's exclusive contract with AT&T is up at the end of this year (2009). By setting up a contract with Verizon, we would be making the iPhone available on both the AT&T and Verizon networks, opening it up to many more consumers.

Promotions – From TV ads to online ads to print ads, the iPhone 3GS will be promoted through all major media outlets. It will be promoted most heavily through TV advertisements both in the traditional commercial advertisements and in product placements on network programming.

The advertisements for the iPhone 3GS will emphasize the features that differentiate it from the heavy competition, such as Blackberry. Certain features that are being promoted include:

- The wide range of apps that are available (over 93,000)
- The extent of the 3G network coverage the iPhone possesses
- Its unique touch screen interface
- The new features it offers, such as video recording, the digital compass, and more

The advertisements for the iPhone 3GS will also emphasize the features that make it a very appropriate smartphone for business professionals and corporate users.

#### IV. PRODUCT / BRAND STRATEGY

##### CUSTOMER TARGETS

In pursuing the growth objective that we have set, it's important to identify the customer targets that we will be pursuing.

As we discussed in the customer analysis earlier, there are two distinct customer segments that the iPhone 3GS will reach out to:

1.) *Students & Recreational Users (personal use)* – they are looking to perform many functions without having to use and carry multiple gadgets, and they are also looking for a device that offers style and individuality

- The iPhone 3GS provides the capability to play music (iPod), videos, and shows & movies
- The iPhone 3GS provides Internet connectivity to access the Web
- The iPhone 3GS can serve as a personal organizer
- Customers can tailor their iPhone 3GS however they choose – personalize with Apps and background images, etc.

2.) *Professionals & Corporate Users (business use)* – they are looking to perform many functions without having to use and carry multiple gadgets, and they are looking to communicate and record information while on the go

- The iPhone 3GS provides e-mail, text messaging, and phone capability to communicate
- The iPhone 3GS uses Mac OS X operating software that provides applications for notes and record-keeping
- The iPhone 3GS can serve as a personal organizer for everything on the go
- The iPhone 3GS has over 93,000 apps to choose from which can help serve many purpose for a businessperson

##### COMPETITOR TARGETS

The iPhone 3GS has a number of product-form competitors who comprise its main competition in the high-end smartphone market. The biggest competitor to the iPhone 3GS is the Blackberry (from Research in Motion). Other competitors include the Palm Pre, the HTC MyTouch, and the Nokia N97.

In the U.S., the iPhone and the Blackberry have dominated the market share. Many consumers feel the iPhone is more of a recreational smartphone while the Blackberry is more for business use. In working to achieve our growth objective, we will position the iPhone 3GS as not only a recreational smartphone, but also as a smartphone that meets the needs of business professionals and corporate users, making it all-inclusive. As a result, we feel this will attract Blackberry customers to switch to the iPhone because it provides more value than the Blackberry. This will help to increase our market share and sales in 2010.

Throughout the rest of the globe, the iPhone is steadily gaining in market share. Nokia remains the leading competitor in terms of sales and market share because of its dominance in Asia. But Nokia has been showing signs of weakness recently with slumping sales and market share. In working to achieve our growth objective, at the end of 2009 we will globally expand the iPhone 3GS into China, where most of Nokia's market share and sales occur. By providing the iPhone 3GS as an option to the 700 million cell phone users in China, many will see the high perceived value the iPhone 3GS offers compared to the Nokia N97 (and other Nokia smartphones) and make the switch from Nokia smartphones to the iPhone.

## **PRODUCT FEATURES**

In regards to its physical features, the iPhone 3GS provides the consumer with a unique touch-screen interface unmatched by its competitors. It is also a small, sleek device which consumers find very attractive and easy to carry around.

In regards to the iPhone 3GS's capabilities, there is a wide array of features that will attract consumers. These features and capabilities include:

- Phone with all their contacts
- Web connectivity on 3G network
- Mobile E-mail – check on the go, and can open attachments through applications such as Microsoft Word and Powerpoint
- Apps for just about anything (over 93,000)<sup>[45]</sup>
- Social Networking (Facebook, Myspace, Twitter, and more)
- Download and play digital Media (music/video)
- 3-megapixel camera
- Calendar application – for scheduling
- GPS Powered maps

All of these capabilities, and so much more, go to show that the iPhone is not only used for making calls, but it is used for organization, entertainment, to retrieve information, and for extensive communication.

## **CORE STRATEGY**

### **VALUE PROPOSITION**

If our target customer is looking for a high-end smartphone that can be used for personal purposes, business purposes, or both, and is looking for a smartphone with a high amount of perceived value in an all-in-one device, then the iPhone 3GS is the smartphone for him or her.

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<sup>45</sup> <http://mashable.com/2009/10/27/iphone-100000-apps/>

## PRODUCT POSITIONING

The iPhone 3GS will be positioned as a convenient, high-valued smartphone that can be used for personal and business purposes.

The focus of the iPhone 3GS's convenience and high value that we will emphasize is that it is an all-in-one device for phone calls, extensive communication, entertainment (music and video), pictures, organization, Internet, and more.

## MAIN STRATEGIES & TACTICS

We feel there are three main strategies that will help us achieve the growth objective we have set. Once again, the growth objective we have set is to sell 35 million iPhone 3GS units in 2010 and for the iPhone to hold 4% of the global smartphone market share and 21% of the U.S. smartphone market share.

The three strategies (and corresponding tactics) we will be following are as follows:

1. Global Expansion – bringing the iPhone 3GS to China where there are over 700 million cell phone users
2. Network Expansion – making the iPhone 3GS available on the Verizon network, along with keeping it available on the AT&T network
3. Customer acquisition – by positioning the iPhone 3GS as not only a smartphone for personal purposes, but also for business purpose, we can appeal to and attract more business professionals to purchase the iPhone 3GS

Overall, these three strategies will result in more sales for the iPhone 3GS and an increased market share for all iPhones.



## V. SUPPORTING MARKETING PROGRAMS

### INTEGRATED MARKETING COMMUNICATIONS PLAN

The iPhone 3GS is in a heated competition with other high-end smartphones, especially the Blackberry. It is important that Apple continues to advertise the value and advantages of an iPhone. The general themes of the ads will stress the iPhone's quality and breadth of features, thus enhancing its brand equity. A high level of brand equity is essential to the iPhone's premium pricing model and will further enhance the customer's perceived value of the product.

#### ADVERTISING

Despite the success of the current ad campaigns utilized by Apple to market the iPhone 3GS, changes and revisions will be necessary to effectively support the proposed growth objectives.

- Television

Apple is constantly adding new iPhone television advertisements to its rotation. Although not as popular as their "Mac and PC" ads, these iPhone ads address a variety of topics by highlighting new applications that perform a seemingly endless amount of functions.

***Appeal iPhone to Business Users:** Positioning the iPhone 3GS as a smart phone with the easy to navigate business features that have made Blackberry successful will require a television advertising campaign that can both highlight the iPhone's immense business capabilities, while at the same time making the Blackberry, iPhone's primary competitor, appear inferior.*

- ***Commercial:** Set on a commuter train during rush hour, the frame is shot from the perspective of a businessman. His thoughts heard by the viewer, discuss his need for a wide range of business information and support programs. As he is talking, his hand is shown quickly and easily navigating the iPhone 3GS for each and every one of the mentioned needs. When he is done, the man glances over at the businessmen next to him, frustratingly fumbling through his Blackberry. It is clear who made the right choice as the noisy train opens its doors.*



- **Print**

Increasing Apple's use of print media to advertise the iPhone 3GS, could lead to growth in existing market segments as well as capture a larger market share amongst business smart phone users.

**Expand to Verizon:** *Print advertisement is an excellent way to alert the general public of iPhone product line's entrance into the Verizon product line. Such news may not necessarily be worth spending heavily on television to get the message across. Print ads offer a low cost alternative that will still provide a significant amount of exposure and awareness, if executed effectively.*

**Appeal iPhone to Business Users:** *Print ads offer an effective method of reaching the business consumer. Ad placement in major magazines and newspapers such as the Wall Street Journal, Business Week, and Forbes, would increase the exposure of the iPhone 3GS to a segment that may be accustomed to print ads from competitors such as Blackberry.*

**Helping you run your small business, one app at a time.**

**Credit Card Terminal**  
\$49.99 • Turn your iPhone into a mobile credit card terminal and accept customer payments when you're on the go. It's the simple, secure way to ensure you never miss a sale.

**Print & Share**  
\$6.99 • Wirelessly access email attachments, photos and other documents that are on your computer – and print them directly from your iPhone to a local printer.

**FedEx Mobile**  
Free • FedEx Mobile not only tracks all your FedEx shipments right from your iPhone – it can also create shipping labels, get rate quotes and find the nearest FedEx office.

**Jott**  
Free • Just speak into your iPhone's built-in mic, and Jott amazingly converts the recordings into SMS, email, or online notes. Makes managing your memos and lists easier than ever.

**SimpleMind Xpress**  
Free • Let your iPhone be your brainstorming partner. SimpleMind Xpress is an intuitive, mind-mapping application that helps you visually express and organize your thoughts and ideas.

**Nomina**  
\$14.99 • Starting a new business? Nomina can help you pick a name, find available web domains, and run trademark searches – right on your iPhone.

**Quicksheet®**  
\$12.99 • Create, edit and save spreadsheet files on your iPhone. And with support for over 125 spreadsheet functions, it works just like it does on your computer.

**Mint.com**  
Free • Keep a close eye on your company's overall financial health. Information from all your online financial accounts can be synced together and viewed securely, in one convenient place.

**Jobs - Time Tracking**  
\$3.99 • Track your billable hours across multiple projects, everywhere your work takes you. Also create timesheets that can be exported and edited in almost any spreadsheet program.

**Analytics App**  
\$5.99 • Want to see how your web site's performing? Analytics App shows you your site's unique visitors, page views and other statistics using a series of customizable reports.

**LogMeIn**  
\$29.99 • With your iPhone, you can remotely view your computer desktop over the 3G network or Wi-Fi connection – and access files when you're away from the office.

**YellowPages.com**  
Free • By using your iPhone's GPS, YellowPages.com can find specific stores and businesses near you. Save searches and get directions or business hours with just a few taps.

The best phone on the nation's fastest 3G network gets even better, with over 25,000 apps on the App Store. iPhone users have already downloaded over 800 million, in every category from games to business.

at&t | iPhone 3G

- **Online**

Currently, Apple manages a fairly effective online advertising strategy. The success of their online advertisement can be at least partially attributed to the general avoidance of pop-ups, which are largely regarded as bothersome.

- To increase effectiveness, Apple should revamp their current iPhone website to include the creativity in design that has made the company a success. A more interactive site will without a doubt attract more attention to this already popular product.

## **PROMOTION**

### **Sales Promotions**

The iPhone has built a reputation of being a premium product over its existence, but customers are not always willing to subject themselves to the premium price. One way Apple overcomes this and attracts these customers is through its free upgrade program available through AT&T:

- New and existing AT&T customers can purchase the iPhone 3GS at a discounted price if they agree to a new 2-year contract
- Coupons available to new and existing customers for the Apps store on the iPhone 3GS

## **PRICE**

The iPhone 3GS is positioned as a premium product for all that it has to offer in terms of features and perceived value. In order to meet different consumer needs, Apple offers different pricing points:

- Prices with Upgrade ( 2-year contract extension)
  - 16 GB at \$199
  - 32 GB at \$299
- Prices without Upgrade (no 2-year contract extension)
  - 16 GB at \$399
  - 32 GB at \$499

## **CHANNELS**

In the U.S., the four retailers that currently distribute the iPhone 3GS to consumers are the Apple Store, AT&T stores, Best Buy, and Walmart. In 2010, Apple plans to enter into an agreement with the Verizon network, making the Verizon store another channel of distribution. This will increase the consumer base that the iPhone 3GS will be available to, and we feel this will result in an increase in sales and market share.

Globally, the iPhone has become increasingly available. However, the one market that is untapped, yet may possess the most opportunity for the iPhone 3GS is China. There are over 700 million cell phone users in China, and only 7.5% of the handsets sold were smartphones.<sup>[46]</sup> A partnership with either of the two leading cell phone carriers in China (China Mobile and China Unicom) will open the iPhone 3GS up to a vast consumer base that has been relatively untouched by the smartphone industry.



### WEBSITE

In an effort to make the iPhone 3GS more exclusive to customers, we will be creating a website that is exclusively made for the iPhone 3GS.

The website offers many features, including:

- Store locator – shows the nearest stores that carry the iPhone 3GS
- Features – shows and explains all the unique features the iPhone 3GS has to offer
- Apps – lists all of the Apps that are available to be put on the iPhone
- Tutorials – how to use the various features of the iPhone
- Gallery – images of the iPhone, different views
- Digital Representation – allows visitors to click on the different Apps with their mouse clicker, illustrating the ease of using the touch screen
- Problems – gives instructions on how to fix certain problems with the iPhone 3GS and gives contact information to receive further help
- Purchasing – allows the visitor to begin his or her purchase the iPhone 3GS online

A website that is tailored to just the iPhone 3GS will greatly enhance the value for the iPhone 3GS users because it gives them a direct place to go to find out information regarding their phone. This can increase the appeal of the iPhone 3GS to consumers and will lead to increased sales.

<sup>46</sup> <http://online.wsj.com/article/SB10001424052748703363704574503302512451942.html>

## PARTNERSHIP / JOINT VENTURES

At the end of 2009, the AT&T's exclusive contract to distribute all iPhone products in the U.S. will come to an end. In looking to increase our customer base and increase growth, we feel that providing the iPhone through an additional phone carrier will greatly help.

Therefore, in 2010, the iPhone 3GS will be made available in the U.S. through both the AT&T network and the Verizon network. Both of these networks are expansive 3G networks, which will increase the appeal of the iPhone 3GS.



Verizon's customer base consists of many smartphone users, especially Blackberry users. By making the iPhone 3GS available to these current Blackberry customers and promoting the perceived value of the iPhone 3GS, we can appeal to them and attract them to switching to the iPhone 3GS. This will help increase our sales, market share, and profits all at the same time, while also hurting the Blackberry's position in the market.

Furthermore, as stated above, we look to make the iPhone 3GS available in China through a partnership with either China Mobile or China Unicom. This will help to increase our customer base and gives us a chance for potentially high sales and growth in market share.

**VI. BUDGET**

Below is the budget that we have developed for our iPhone 3GS Marketing Plan:

<b>Marketing Budget</b>	
Advertising	\$110,100,000
Promotion	\$55,000,000
Distribution (Channels)	\$30,000,000
Website	\$250,000
Partnership / Joint Ventures	\$55,000,000
<b>TOTAL</b>	<b>\$250,350,000</b>

