



Feng Chia University
Outstanding Academic Paper by Students

Title :

Marketing Analysis- Apple iPhone 3GS

Authors: HSIAO-CHEN CHEN, HSIN-YA LO, KUAN-YEN CHEN, JUNG-HUA CHEN, HAO-PING CHIU

Class: 2nd year of Bachelor of International Business Administration

Student ID: D9726184 、 D9726167 、 D9725980 、 D9726255 、 D9726064

Course: Marketing management

Instructor: WU, KUANG-WEN

Department: Bachelor of International Business Administration

Academic Year: Semester 1, 2009-2010



Executive Summary

“A Work of Genius”

The iPhone is a successful product that combines interesting features: iPod, internet browser and mobile phone, which satisfy the customer's needs moreover it is also exceeding their expectations thanks to its fashionable design. 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.

Keyword : iPhone 、 smart phone 、 Marketing



Table of Contents

	Page
Executive summary.....	2
Company overview.....	4
What is iPhone 3GS.....	4
Compare iPhone 3GS v.s 3G.....	6
Current marketing situation.....	7
Market Description.....	8
The Competitors.....	9
SWOT Analysis.....	10
Marketing Objectives.....	12
Positioning.....	12
Product Strategy.....	12
Price strategy.....	14
Distribution strategy.....	14
Marketing Communication strategy.....	15
Marketing Research.....	16
Marketing Organization.....	17
Action Programs.....	17
Budget.....	18
Contingency Plan.....	19
Reference.....	20

Company Overview:

Started by Steve Jobs, Steve Wozniak, and Ronald Wayne, Apple has expanded from computer maker to include consumer electronics over the last 30 years, officially changing their name from Apple Computer, Inc. to Apple Inc. in January 2007.

Apple Inc. is an American multinational corporation that designs and manufactures consumer electronics and computer software products. The company's best-known hardware products include Macintosh computers, the iPod and the iPhone. Apple software includes the Mac OS X operating system, the iTunes media browser, the iLife suite of multimedia and creativity software,

Logo:

Apple's first logo, designed by Jobs and Wayne, depicts Sir Isaac Newton sitting under an apple tree. This was replaced by Rob Janoff's "rainbow Apple", the now-familiar rainbow-colored silhouette of an apple with a bite taken out of it. While Jobs liked the logo, he insisted it be in color, as a way to humanize the company. In 1998, with the roll-out of the new iMac, Apple discontinued the rainbow theme — supposedly at the insistence of recently returned Jobs — and began to use monochromatic themes, nearly identical in shape to its previous rainbow incarnation. However, no specific color is prescribed throughout Apple's software and hardware line. The logo's shape is one of the most recognized brand symbols in the world, identifies all Apple products and retail stores (the name "Apple" is not even present) and has been included as stickers in nearly all Macintosh and iPod packages through the years.

What is iPhone 3gs

The Fastest iPhone Ever

The first thing you'll notice about iPhone 3GS is how quickly you can launch applications. Web pages render in a fraction of the time, and you can view email attachments faster. Improved performance and updated 3D graphics deliver an incredible gaming experience, too. In fact, everything you do on iPhone 3GS is up to 2x faster and more responsive than iPhone 3G.

Video: Now you can shoot video, edit it, and share it — all on your iPhone 3GS. Shoot high-quality VGA video in portrait or landscape. Trim your footage by adjusting start and end points. Then share your video in an email, post it to your

MobileMe gallery, publish it on YouTube, or sync it back to your Mac or PC using iTunes.

3-Megapixel Camera: The new 3-megapixel camera takes great still photos, too, thanks to built-in autofocus and a handy new feature that lets you tap the display to focus on anything (or anyone) you want.

Voice Control: Voice Control recognizes the names in your Contacts and knows the music on your iPod. So if you want to place a call or play a song, all you have to do is ask. **Compass:** With a built-in digital compass, iPhone 3GS can point the way. Use the new Compass app, or watch as it automatically reorients maps to match the direction you're facing.

Cut, Copy & Paste: Cut, copy, and paste words and photos, even between applications. Copy and paste images and content from the web, too. **Landscape Keyboard:** Want more room to type on the intelligent software keyboard? Rotate iPhone to landscape to use a larger keyboard in Mail, Messages, Notes, and Safari.

Messages: Send messages with text, video, photos, audio, locations, and contact information. You can even forward one or more messages to others.

Search: Find what you're looking for across your iPhone, all from one convenient place. Spotlight searches all your contacts, email, calendars, and notes, as well as everything in your iPod.

Accessibility: iPhone 3GS offers accessibility features to assist users who are visually or hearing impaired. These features include the VoiceOver screen reader, a Zoom feature, White on Black display options, Mono Audio, and more.

Internet Tethering: Surf the web from practically anywhere. Now you can share the 3G connection on your iPhone with your Mac notebook or PC laptop. **Voice Memos:** Capture and share a thought, a memo, a meeting, or any audio recording on the go with the new Voice Memos application.

Everything you love about iPhone: Phone, iPod, and Internet device in one, iPhone 3GS offers desktop-class email, an amazing Maps application, and Safari — the world's most advanced mobile web browser. And your iPhone does even more when you add apps from the App Store.

Compare iPhone 3GS v.s 3G

	iPhone 3gs	iPhone 3g
Price	\$199 16GB \$299 32GB	\$99 8GB
Camera	3 megapixels; Autofocus; Video recording	2 megapixels
New features	Improved performance; built-in video camera with editing; voice control; cut, copy&paste; messages; spotlight search; landscape keyboard; voice memos	Cut, copy&paste; messages; spotlight search; landscape keyboard; voice memos
Battery life	Talk time: Up to 5 hours on 3g; up to 12 hours on 2g Standby time: Up to 300 hours Internet use: Up to 5 hours on 3g; up to 9 hours on wi-fi Audio playback: Up to 30 hours Video playback: Up to 10 hours	Talk time: Up to 5 hours on 3g; up to 10 hours on 2g Standby time: Up to 300 hours Internet use: Up to 5 hours on 3g; up to 6 hours on wi-fi Audio playback: Up to 24 hours Video playback: Up to 7 hours

Current marketing situation

The Apple iPhone has been all the rage on national and world-wide markets. The iPhone is the coolest, newest way to keep connected with others via not only a telephone, but the internet as well. The Apple iPhone has received rants and raves from consumers and critics alike, but the overall conception of the Apple iPhone has won the hearts of many people who have craved the latest of technology.

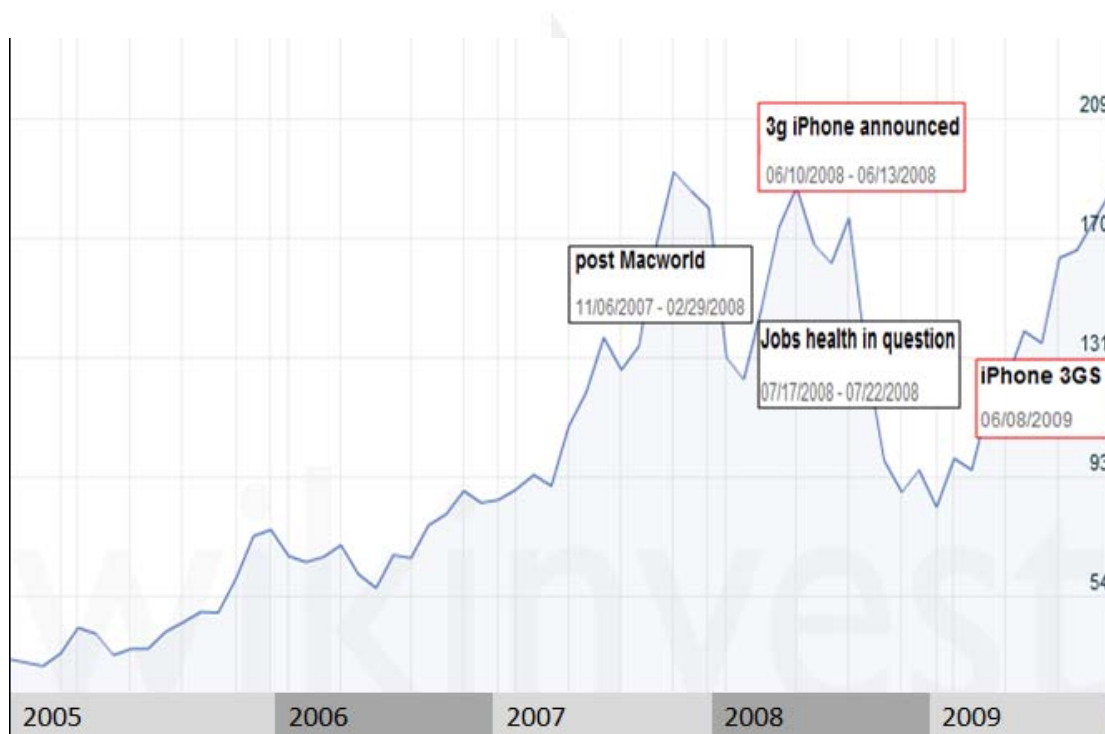
The market for the iPhone is ripe with those that are interested in purchasing the newest and top-of-the-line piece of technology and cell phone history. The prices for the iPhone are known to be out of the price range for many people, but this does not detour a lot of the patrons that have already purchased the Apple iPhone. Just as many items that are usually popular will drop in price, so will the Apple iPhone over time. There is a great call for them on the market, so there are sure to be many more phones that are created and distributed throughout the United States and beyond.

- ◎ Headquarters: Infinite Loop, Cupertino, California, USA
- ◎ Area served: Worldwide; United States, United Kingdom, Canada, Japan, Australia, India, Switzerland, Italy, Germany, and China.
- ◎ Industry: Computer hardware. Computer software. Consumer electronics. Digital distribution.
- ◎ Services: Stores (retail, online, iTunes, Apple), MobileMe
- ◎ Products: Mac (Pro, Mini · iMac · MacBook, Air, Pro · Xserve) iPhone, iPod (Shuffle, Nano, Classic, Touch) Apple TV, Cinema Display, AirPort, Time Capsule Mac OS X (Server · iPhone OS), iLife, iWork
- ◎ Revenue: ▲ US\$32.48 billion
- ◎ Operating income: ▲ \$ 6.28 billion (FY 2008, 19.32% operating margin)
- ◎ Total assets: ▲ \$39.57 billion (FY 2008, 12.21% ROA)
- ◎ Total equity: ▲ \$21.03 billion (FY 2008, 22.97% ROE)

Market Description

The iPod has been the turning point of Apple and it has dramatically changed the fortunes of Apple. In the last 5 years the Apple share value increased 2500%, from \$7 to \$180 per share. At July 2008 prices Apple stock market capitalization is \$160 billion.

A total of 17.4 million iPhones had been sold worldwide until December 27, 2008. Of these, 11.3 million 3G iPhones have been sold between July 11 and December 27, 2008. 4.4 million 3G iPhones were sold in the quarter ended December 27, 2008. Previously a total of 6.1 million first generation iPhones had been sold in US, UK, Germany and France.



The Competitors

Apple iPhone versus Nokia N97

	<u>iPhone 3Gs</u>	<u>Nokia N97</u>
	Physical Features	
Operating System	Apple OS X	<u>Symbian OS</u>
Input Method	<u>Touchscreen</u>	Keyboard/ <u>Touchscreen</u>
Display	3.5in/LCD	3.5in/LCD
Dimensions H/W/D	4.5in/2.4in/0.48in	4.16in/2.18in/0.63in
Weight	4.8oz	5.29oz
	Memory	
RAM	256MB	128MB
Internal Storage Memory	32GB/without memory slot	32GB/ <u>microSD</u> card slot
	Multimedia Features	
Data Capabilities	EDGE GPRS HSDPA UMTS	EDGE GPRS HSDPA UMTS
<u>MegaPixels</u>	3	5
Smart Features	GPS/Video Capture/Voice Recorder/Web Browser	Camera /GPS/Video Capture/Web Browser

	<u>iPhone 3Gs</u>	<u>Nokia N97</u>
	Wireless Communication	
Network Architecture Supported	Wireless Ethernet - IEEE802.11b Wireless Ethernet - IEEE802.11g	Wireless Ethernet - IEEE802.11b Wireless Ethernet - IEEE802.11g
Cellular Frequency Technology	GSM 1800MHz GSM 1900MHz GSM 850MHz GSM 900MHz	GSM 1800MHz GSM 1900MHz GSM 850MHz GSM 900MHz
	Battery Features	
Talk Time (Battery)	5hour(s)	9.5hour(s)
Standby Time (Battery)	300hour(s)	430hour(s)
	Warranty	
Warranty Information	1 Year Limited Warranty	1 Year Limited Warranty
	Price	
Price without any contract	\$599.00 AT&T	\$549.99 Dell Home

SWOT Analysis

Strengths

Innovative – The iPhone3Gs 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.

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 iPhone3Gs 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.

Quality – The iPhone3Gs 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.

Gorilla arm was a side-effect that destroyed vertically-oriented touch-screens as a mainstream input technology despite a promising start in the early 1980s. Designers of touch-menu systems failed to notice that humans are not built to hold their arms at waist- or head-height, making small and precise motions. After a short period of time, cramping may begin to set in, and arm movement becomes painful and clumsy. This is now considered a classic cautionary tale to human-factors designers; "Remember the gorilla arm!" is an industry term for "How is this going to fly in real use?" Gorilla arm is not a problem for specialist short-term-use devices such as ATMs, since they only involve brief interactions which are not long enough to cause gorilla arm. Gorilla arm also can be mitigated by the use of horizontally-mounted screens such as those used in Tablet PCs, but these need to account for the user's need to rest their hands on the device. This can increase the amount of dirt deposited on the device, and obstructs

the user's view of the screen. In addition, using a screen on a surface can present cervical RSI issues

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 iPhone3Gs.

Upgradeable – Since software on the iPhone3Gs 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 iPhone3Gs, 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 iPhone3Gs is marketed as a high-end phone, but phone prices are almost certainly going to fall when other companies undercut the price of iPhone3Gs.

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

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.

Marketing Objectives

Set an aggressive but achievable objective for the first and second years of market:

- First-year Objectives - We are aiming for a 5 percent of the market share of the FCU

student use iPhone and connect with school system.

- Second-year Objectives - are to achieve a 15 percent share of student's mobile phone market.

- Extend on the Apple brand name and link to the established meaningful positioning.
- Extend on Apples image of innovation, quality, and value.
- Differentiate the iPhone from other PDA's on the market.
- Primary customer targets are the student and let them can coordinate their school schedules and communicate with schools, professors and friends.
- Primary business target is to partner with:
 - FCU school system.

Geographic: Feng Chia University, Taiwan

Demographic:

Age: 18-23

Family Life Cycle: Single man and woman

Gender: Female and male.

Occupation: Students

Education: College and university

Positioning

Using product differentiation, we are positioning the iPhone 3gs as the versatile, convenient, value-added device for our new generation which means the age from twelve to twenty. We will focus on the student group and provide the services that are related with schools. 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 3gs will be promoted as both professional and hip.

Product Strategy

The iPhone 3gs 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 School Edition celebrating the top 10 university in United State. We will make 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.
- Safety features: with the iPhone 3G-S, you can make sure that only authorized viewers can access your data. One of the features will delete everything in the device using a remote command! With this command, you can avoid that a thief accessing your personal data.

Brand Image

Apple has a branding strategy that focuses on the emotions. The Apple brand personality is about lifestyle; imagination; liberty regained; innovation; passion; hopes, dreams and aspirations; and power-to-the-people through technology. The Apple brand personality is also about simplicity and the removal of complexity from people's lives; people-driven product design; and about being a really humanistic company with a heartfelt connection with its customers.

FCU System

- **check student attendance**
 - Our new product will have the function that students can use their iPhone as their attendance-checking-device. It means if your GPS position reveals that you are in the classroom, at the right time and the right place, you don't have to do the beep card procedure as usual.

Hand in homework

- You can use wireless connection through iPhone 3Gs as your little computer. No matter doing the homework, searching the information, or even handing in the homework. This way, you don't have to worry about the deadline of the assignments even if you are still doing at the very time. It's all because of you have iPhone 3Gs.
- **Pay bills**
 - iPhone 3Gs also provides the bill-paid system, including the fee that announces by the school. For example, the tuition fee, fee of textbooks, and

others.

- **Review the lectures**

- The students can use the iPhone 3Gs accessing the lectures that provided by the professor on the internet. In this way, you can learn in your own place even if you are so weak that you can't go to school. And also if you finished the lecture honestly, you don't even have to ask for leave, school would cross your absence off automatically.

- **Student ID card**

- With your school-certificated-iPhone 3Gs, you don't have to bring your student ID card anymore. The iPhone 3Gs can totally replace your traditional student ID card, all the functions that the student ID cards have, all install in your iPhone 3Gs.

Price strategy

We set the price TWD \$21000, US \$599

And the price outside campus is 26500\$ TWD, and since our target customers are students, we have to use some attractive way to attract them.

And in the first year, if you buy in FCU campus, you will get a free keychain and free screen protector.

And in the second year, we will give the customers chances to draw lots,

And the first price is one-IMAC, and the second price is the Mac Book, and it will have five people allowed to get it, and the third price is IPOD shuffle, and there are twenty people will get it.

And if the students buy in FCU, it will have built-in FCU system; you can use it in the library, or get what you want to know as soon as possible.

And we have to ensure that lowering the price can help our market dominance as soon as possible.

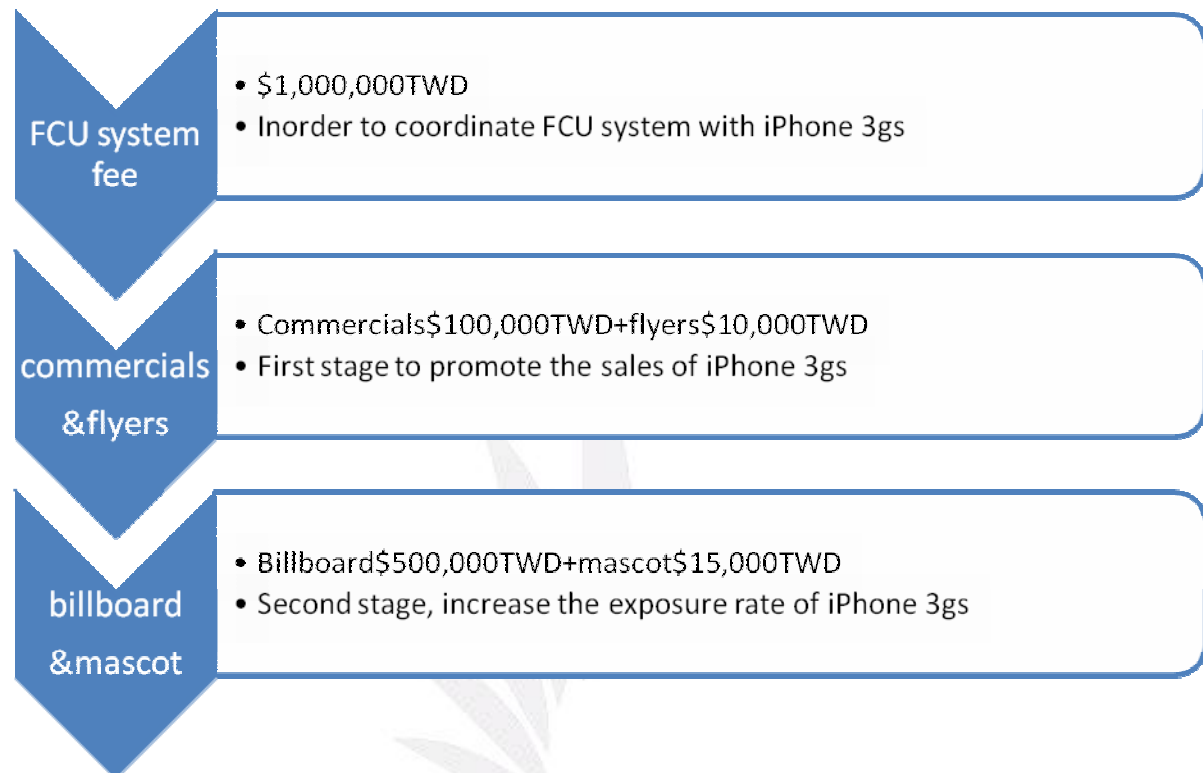
Distribution strategy

Since our target are students and we wanted to sell it in FCU. So we will put a vendor in front of each department. In this way, students can notice that and we will have the mobiles for students to try to impress them. And there will be a massive roll-out in the vendors.

And will attach the full-color picture in each vendor to improve the image in customers' mind.

Marketing Communication strategy

We will integrate our message of revolutionary communications and audio/visual experience together in all of our media advertisements. Our ads need to be original but tasteful at the same time.



FCU system: We have the services that cooperate with Feng Chia University; it means that the new iPhone 3gs has the functions that can connect the mobile to the school system. In this condition, Feng Chia University will be in charge of the development and research works, like setting up the system and dealing with the wireless construction, so our company has to pay the fee for the Feng Chia University for all the setting-up-system. After our deeply estimated, we think it will be about a million dollar.

Commercials: About the commercial video, the budget is around a hundred thousand dollar, including the director, actors and video design. So the reason why we can use only this amount of budget shooting the commercial is that the actors and actresses we are going to hire are the students from Feng Chia University. This way, we can lower the much of the payment cost, and make product be closer to our customers.

Flyers: We're going to hire some part-time students to give away the flyers in the campus to promote our sales of iPhone 3gs.

Bill board: In the second stage of our promotion, we will rent the big billboard in some important and proper locations, like the place around Feng Chia business circle. But we will also have to charge the higher rental fee than the other area. The advantage of the billboard is, because Feng Chia night market is not only the famous night market in Taichung but also the famous landmark in Taiwan. And the most important one factor, our target customer is focusing on the student group, and then we can easily catch the student's sight.

Mascot: In the second stage of our promotion, we'll design a mascot and let the mascot walk around to give away the flyers as well, this way the exposure rate of iPhone 3gs will raise.

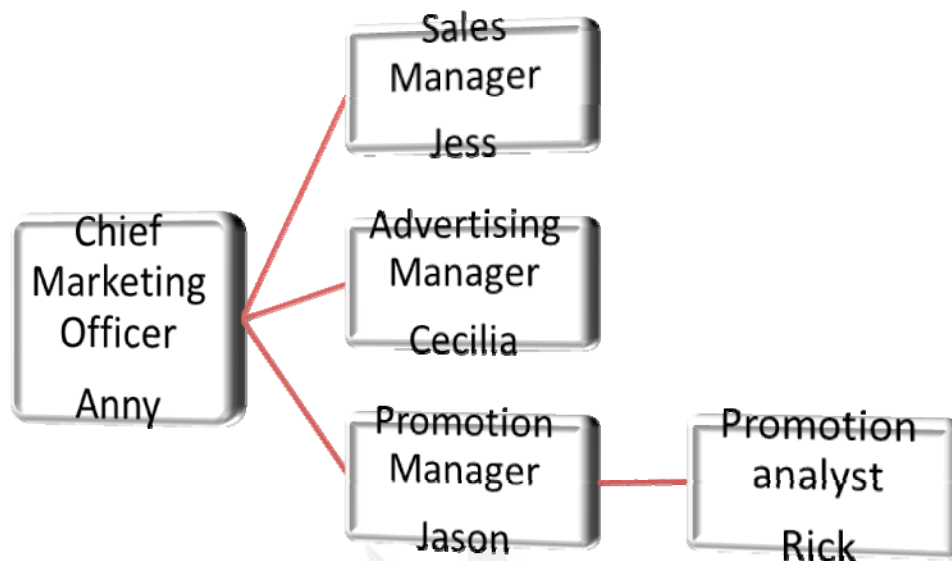
Marketing Research

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 view 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: 18-20 years and 20-25 years. These groups will give an expansive view of the study groups to middle income individuals. High School and College aged people will demonstrate social uses. 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 18-25 year old group into business uses of the product.

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 ad 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.

Marketing Organization



Action Programs

The iPhone that can connect with FCU system will be introduced in September, there are several steps of preparation during the first five months to achieve our stated objectives.

April - The first action of our programs is to talk to Feng Chia University and let them know our proposal of cooperation and sign a contract. After this, we will start build and operate the system.

May - We will start shooting our video commercial, and the commercial is mainly about how iPhone can be used in FCU campus, it's not only a cell phone but also a walking tutor. The next thing we are going to do is to find a big and conspicuous billboard in FCU campus or Feng Chia business area. The content in the billboard would be iLife in campus.

June - Because we are going to give our customer gifts, so we will start making our key chain in this month and we also will make a deal with screen protector's retailer. After that, we will start printing our flyers and distribute it in the campus.

July - we will make our apple mascot, the reason we make mascot is we believe it can bring more people, and it also is a good way to promote our product. And we will also try to find a good place to set our distribution stall in the campus.

August - the last step of our preparation is to find an optimistic and hard-working

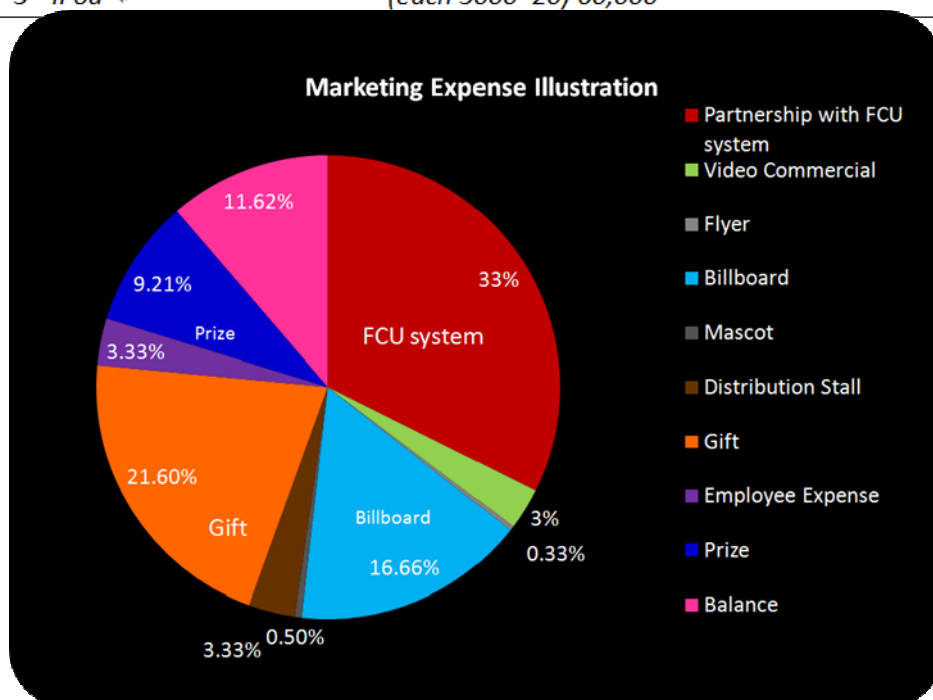
sales man, without these sales men, our marketing plan can not complete.

Budget

Our total expense on this project is 2,751,400. The ultimate goal of our project is to achieve a 15 percent share of FCU student’s mobile phone market. The price of iPhone 3Gs is \$21,000 per unit, and the cost of the cell phone is \$19767 per unit. Break-even calculation indicates that iPhone will become profitable after the sales

volume exceeds 2,150. $\frac{\$ 2,751,400}{\$21,000 - \$19,767} = 2,231 \text{ units.}$

Items	Expense	Percentage %
FCU system	1,000,000	33 %
Video Commercial	100,000	3 %
Flyer	10,000	0.33 %
Billboard	500,000	16.66 %
Mascot	15,000	0.50 %
Distribution Stall	100,000	3 %
Gift	650,000	21.60 %
Key Chain	(each 150*1000) 150,000	
Screen Protector	(each 1000*500) 500,000	
General & Administration expense	100,000	3.33 %
Prize		9.21 %
1 st iMac	41,900	
2 nd Mac book	(each 34900*5) 174,500	
3 rd iPod	(each 3000*20) 60,000	



Contingency Plan

Because iPhone still kind of expensive for students, so we have a plan that if revenue doesn't reach expectation.

- lowering the price 10 percent
- increasing advertising spending to attract to target customer
- cutting the expense on the general and administration expense



Reference:

www.wikipedia.com

www.marketingminds.com.au

www.apple.com

www.newsnet.com

www.eprice.com.tw/mobile/phone/?prod_id=2562

www.discussions.apple.com/category.jspa?categoryID=201

www.google.com

