

## Hats Off to Apple: The Taste for Innovation and Marketing

Many of my friends and colleagues swear by their Apple laptop and laugh at me for my stubborn old-fashioned clinging to my unreliable, frustratingly slow PC.

What is it about the Apple that infects these otherwise sane folks? Or perhaps I am the crazy one.

The 21<sup>st</sup> Century started as much with a bang as a whimper, all the fears about the Y2K bug were quickly forgotten as people discovered that their electronic gadgets had survived the big leap into a new century, only then to be confronted with the bursting of the dot.com bubble, followed by the first recession in 2001 and 2002. No sooner had we recovered our euphoria through the growth years of 2003 – 2007 when the second, much bigger and much more cataclysmic bubble burst, as the bloated global financial sector went into meltdown, taking pretty much everything else along with it and causing all non-essential consumer demand to come to a grinding halt. We have effectively lost one year of consumer demand for discretionary spending.

So what is it that makes Apple so different from everyone else? A sick technology company at the beginning of the century, Apple has been revived by Steve Jobs, whilst all around them have boomed and busted. In that revival Apple has radically re-invented the music business, turned the movie world upside-down and transformed the telecommunications industry as well as winning more and more of my friends and colleagues over to their increasingly ubiquitous MacBooks.

Apple keeps changing the way we all behave! Apple influences GLOBAL culture. Their multitude of gadgets are much more than just gadgets, they are behaviour-changing technologies, which have challenged their competitors around the world and have changed the behaviour of people around the world in the way they access information, buy and listen to music and communicate with one another. Apples products are not only brilliant designs they are inventive and creative going beyond today's way of doing things and they impact the designs of other products and services with which they interact, interface and compete.

That's quite an achievement, which cannot be claimed by many other companies!

In the final analysis, it is not just about the company, it is also about the man – Steve Jobs. Without him Apple became a sick company, since his return Apple has been revived. Jobs is variously described as stubborn, arrogant, infuriating and also incredibly smart, inspired, inspiring, perfectionist; whatever you think about him and his products, you have to admire the track record, especially in the last decade, the achievements, the financial and operational strength of the company and most of all you have to admire the impact he and his company have had on culture and behaviour of people all over the world in their private and professional lives. This is second to none.

The third incarnation of Steve Jobs in his company, Apple, has probably been the most spectacular of all. In the past 10 years, Steve Jobs has had a lasting impact in transforming the markets for music, movies and mobile telecommunications in addition to maintaining a leading influence on personal computing.

This probably even surpasses the impact of previous transformers such as Thomas Edison or Henry Ford. They managed to transform one market; Steve Jobs has done four in one decade!

THINK DIFFERENTLY is written large in Steve Jobs world and he is surely a visionary, nevertheless his direction is not so far away from what people need and value, because we BUY what he produces and we pay significant premiums to get our hands on his great ideas.

Just consider this list of achievements in the past decade, since re-assuming the reins of Apple as permanent CEO in January 2000:

January 2001	Introduce iTunes application for organising and listening to music on computers
March 2001	Apple releases Mac OS X operating system
May 2001	First Apple retail store opens in Virginia and California, USA
November 2001	Apple begins selling first iPod, which claim a 1,000 song capacity
April 2002	New Titanium Powerbook G4 retails from today
January 2005	Apple introduces the iPod Shuffle mini music player for the smallest pocket
September 2005	Apple and Motorola announce ROKR the first mobile phone with iTunes
May 2006	Pixar is sold to Disney, making Jobs Disney's largest shareholder
January 2007	Jobs introduces the iPhone and shows an Apple TV device for iTunes (flops)
January 2008	Apple unveils the world's thinnest notebook, MacBook Air
February 2008	Apple opens up iPhone to application developers

And have a look at these statistics:

Item	Year/Sales	Year/Sales
Apple Computers sold	2000: 4 million per year	2009: 11 million per year
iPod Units Sold	2003: <1 million per year	2009: 50 million per year
iPhones sold	2007: 3 million per year	2009: 24 million per year
Apple Stores Total	2001: 20	2009: 275
Apple Company Valuation	2000: \$5 billion	2009: \$170 billion

Through both the 2001/2002 and the 2008/2009 recessions Apple has launched new products and succeeded in seeing continued growth in their established product-markets, against all the odds and against all the trends.

Apple trends to dominate high-end, high-value segments of their product markets, leading to higher prices and higher margins for their products with less competition. For example, in computers, Apple has a 9% market share in the US, and dominates the high-end segment, accounting for 90% of the dollars spent on computers with >\$1,000 price tags. Apple's cheapest notebook starts at \$999.

By 2009, the just two-year old iPhone accounted for 18.5% of Apple's revenue; 60% came from Macs and iPods. Apple has sold around 220million iPods globally since the launch in 2001.

Rapid Innovation and Marketing: First 5GB iPod 2001: \$399; Today's 160GB iPod: \$249

There are now more than 100,000 apps for the iPhone on the AppStore.

So what is the basis for Apple's and Steve Jobs' success in the market?

In 2008, GEMS Europe conducted a benchmarking study of Strategic Marketing. One key discovery and output of that study was to identify the importance of MINDSET to Strategic Marketing success and what makes up a Strategic Marketer's MINDSET:

### **Inquisitive; Challenging; Open-Minded; Decisive; Creative; Disruptive.**

These are clearly key elements in the mindset of Jobs and his Apple cohorts.

In addition, they apply very sound marketing principles to their business: their differentiation is not just based on product innovation; it is based on amazing and attractive DESIGN, an intangible item that competitors cannot even define, never mind come close to matching. They do not stand in awe of their competitors; they make sure they are ahead of them and/or inside them (e.g. iTunes compatibility with the pc).

Jobs personally manages and oversees external communications about Apple, its customer value propositions, products and ideas, ensuring always that the right message is delivered to the right target audiences in the right way.

Apple is a continuous and rapid innovator unabashed by the rigours of the external economic environment.

GEMS Europe has linked with ISiB to create Value<sup>3</sup> – Dynamic Customer Value Management, integrating Innovation, Customer Value Management and High Performance Teams. The Value<sup>3</sup> model and approach exemplifies what a company can and should do to rapidly exploit any market opportunity by developing the pioneering and entrepreneurial spirit and taking a simple and structured approach to innovation and customer value management through the deployment of high performance teams.

How can you improve your business performance to emulate that of Apple? Our two-day event at the Innovation Centre in Baden-Baden on 26<sup>th</sup> and 27<sup>th</sup> January 2010 will give you insights to help you.

To discover how you can apply Dynamic Customer Value Management to your business, please call Phil on +41 7 9423 1390 or email him at [phil.allen@gems-europe.com](mailto:phil.allen@gems-europe.com).