



# Apple

## A Case Study

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## The Brief

### ***Design as Business Strategic Tool***

*Students are to do a case study on a selected design practice or organisation, focusing on design as an integral part of business strategy which enhances its business competitiveness.*

*Students are to demonstrate the importance of design as a catalyst in transforming business competitiveness, in particular, how these businesses manage their design resources, the role of designers and their responsibilities, design as a business strategy, and how design relates to other functions like, marketing, manufacturing, and branding.*

*The purpose of this project is to increase designers' understanding of how design is being exploited to create both tangible and intangible benefits in the commercial world.*

## Apple: A Case Study

### **Introduction**

Design. One wouldn't even hear this word being uttered in any casual conversation ten years ago in Singapore. Life was simple back then. Everyday peripherals served its masters based on their usability and not on how they looked. Cost was also a major factor when a necessary purchase had to be done. It was features in first, and looks second; though it did have to look somewhat decent, and yet not unsightly.



### ***The Rise of China as a Cost-effective Luxury Brand Manufacturer***

It is very much different now. As standards of living, globally, has gone up dramatically, with almost everything that we possess are made in China, we are drawn in to make decisions to buy ornaments which raises our status bar. As production costs are continually slashed quite substantially, by taking advantage of the cheap cost of labour and materials in China, consumers now have a greater spending power when buying goods which have been labelled a luxury in yester years. An example would be; your everyday vacuum cleaner. In Singapore; a regular family with an average household income would settle for a vacuum cleaner which costs under SGD300 ten years ago. But today, the same SGD300 could buy you a slightly better quality model and of a higher tier model as compared to the same price range then. This new model looks better and feels better with extra features to compliment its look. With a reduction in manufacturing costs, consumers are now able to choose the range of products that they desire.

The factor of a higher spending power in many developed nations, has also contributed to the rise of the design industry. With the rise of appreciation of design value in Asia, manufacturers are inclined to tap into the world's next big market;



fishing them with a larger range of products, from cost effective models to a luxury tier model that accentuates high lifestyle. Not realised before, manufacturers now understand the need to differentiate themselves from others to capture a bigger, premium target audience, the design-centric consumers.

## Who is Apple?



### *Profile*

Apple Inc., is a multinational corporation in the United States which focuses on designing and manufacturing consumer electronics, such as personal computers, portable digital music players, mobile communication devices, computer hardware, hardware accessories, related software products and networking solutions. The company is well-known for its Macintosh line of personal computers, the iPod series of portable media players and the iPhone.

Apple operates about 200 retail stores in five countries, and an online store which sells hardware and software, just to add to the user experience. Its iTunes store provides a range of entertainment solutions which can be downloaded using its proprietary iTunes

software, not only from a Mac- or Windows-based personal computer, but also on its iPod Touch and iPhone.

Formerly known as Apple Computer Inc., Apple Inc. was established in Cupertino, California in 1 April 1976 by Steve Jobs, Steve Wozniak and Ronald Wayne. The company dropped "Computer" from its original name of 30 years to reflect its expansion into consumer electronics in addition to its traditional focus of personal computers. It now employs 20,000 permanent and temporary staff worldwide and worldwide sales of over US\$24 billion in its fiscal year 2007. Apple was also the first personal computer manufacturer and distributor, even before IBM or Atari came into the market.

### *Operations*

Apple is a design-centric organisation which emphasises the user's experience level of the product. Having a philosophy of comprehensive aesthetic design applied across the board, it has garnered a strong consumer following, who extremely loyal to the company and its brand, especially in the United States.

Adopting a vertically integrated business model, where all its hardware and software comes from one company in its initial stages, Apple found it difficult to sustain, especially to its Macintosh model which was closed and proprietary. Apple generally refused to adopt industry standards for hardware and software. They, instead, created their own line of alternatives. The practice was, however, reversed in the late 1990s adopted the popular PCI bus in its Power Macs. Since then, Mac has adopted many other industry-standard hardware interfaces, such as USB and Wi-Fi, to cater to the largely computer-educated society. Apart from adopting standards, Apple was also a leader in the adoption of such standards. Apple's FireWire, or IEEE 1394, was largely popular and has seen widespread adoption.



## Design and Its Benefits



### *Building a new market*

Ever since the first Apple store opened, Apple has encouraged third-party distributorship from inside their stores. This allows manufacturers like Nikon and Canon to sell their Mac-compatible digital cameras and camcorders in the store. It is a win-win strategy for both parties as they tie up to increase the individual amount of sales. The complementary partnership with the third parties has seen many other manufacturers who want to be associated with the brand, even though they are not seen

in the Apple store. iPod sleeves sold in the open market with the adoption of an iPod-like name, such as iLuv, is seen to be helping the iPod brand rather than destroying it.

Another notable strategy adopted by Apple is the by the way of reverse marketing; where the company releases free software with the intention of consumers buying the software. For example, Apple released prices of downloading of songs at under USD1 each, but users need to own an iPod line product to be able to download straight to the peripheral. In relations to the integrated business model as previously mentioned, Apple has maintained closed proprietary on its iPod line of products making this strategy adoption successful.

Online stores create another market which targets the internet savvy users, who deals with internet transactions all the time. Apple gives users customised upgrade solutions for those who demand more than the standard configuration. With these flexible add-ons, users are able to make well-informed choices by knowing the breakdown costs of each upgrade and service that they choose. Alternatively, the stores can act as a first-base or initial consideration for the buyer to purchase. It gives the potential buyer to think about the selling proposition even by not going down to the stores.

Innovation is key to Apple's brand strategy, sometimes adopting a second or even last to market strategy, against the norm of first to market advantage; the company places itself at an advantageous position where it gets a chance to improve on existing technologies and adopting to its products. For example the release it's iPod with Creative's Zen player patent. Indeed, it was wrong for Apple to commit such an act. However, even when Apple lost the lawsuit to Creative with Apple paying US\$100 million, the iPod still commands higher sales as compared to the Zen. This is, of course, with many aesthetic improvements made to the existing product.

### *Enhance Market Position*

With their unique looks, Apple products tend to stand out from its competitors. Though beauty lies in the hands of the beholder, Apple's design principles is based on simple, user friendly and innovative systems applied to all its products. The iMac (2002) was one personal computer design which was both simple yet peculiar. The design definitely stood out from the crowd. Also, with the central processing unit and CD drive all housed in a small compartment, the iMac was definitely crying out



'No beige boxes!' to all other personal computer manufacturers. Its monitor, also termed as its 'head' is able to rotate at any angle, not possible with other monitors in the market. Its customisable design is seen as an edge over its mundane competitors. The company has kept in mind the concept of simplicity and user-friendly design all the time in its pursuit for the next desirable product range.

Accessories are readily available for most of Apple's products. With Apple producing a handful of accessories for its existing products, there are many other manufacturers who are already creating a funky and cool accessory for the iPod. Thus, enhancing the iPod market position as the most accessorised Apple product surpassing many portable media players in the market.

Owning an Apple product is also seen, currently, as trendy, up-market, and prestigious. As compared to its PC-platform competitors, a Macintosh computer is highly awed product even by its competitors. The latest Macbook Air, for example, exudes a new level of design which many manufacturers had tried to market but unfortunately results were just mediocre. One of the main reasons the failure of these competitors is the lack of design sensitivity. Manufacturers tend to stuff as many features as possible without thinking of its execution. As a result, you get a million buttons on a keyboard.

Superior graphics and sound are also considered when designing the company's products. By leveraging on the needs of power-hungry creative applications and professionals, Apple is able to deliver its computers at optimal speeds. Investing in high-tier professional level machines, Apple is able to root down Macintosh computers as an industrial standard in professional creative computing.

### *Create New Wants and Renew Needs*

The Apple online store has created another avenue for those who needs more than the current version of iPods. In the pursuit of building a bigger customer base, the company creates the need for new and customers to buy new products on the online store. Being design-centric, old designs are renewed and features are enhanced. These refreshed looks would entice both old and new customers to upgrade or to buy the product. By creating other alternative communication channels, such as podcasts, the company has managed to rope in many new customers.



### *Build Loyalty/Dependency*

According to a survey done by JD Power, Apple has the highest brand and repurchases loyalty of any computer manufacturer. Design has pushed the products from a niche to mainstream markets. Apple's proven reliability in the past, has led to customers and the general public alike of having a perception that Apple products are almost invincible. Though, the new range of computers which Apple migrated from IBM processors to Intel processors has had glitches, users still hold on to the old character of a Macintosh being reliable. With 30 years under its belt, it's no wonder why users still trust an Apple!



Many Apple enthusiasts attempt to get their hands on the latest new models whenever they are being released. With their attractive designs, Apple products are seen as magnets pulling every existing customer to get a second set. With its ease of use, Apple users are addicted to its usability and functions.



## **Roles & Responsibilities of Designers in the Organisation**

### *Attributes of an Apple Designer*

Apple's designers are aware of the company's vision; think different. Having this mindset they can then look far ahead, even to the end result, envisioning the outcome of their hard work. The designers would be concerned about the direction of the successful endpoint. Thinking one step ahead could prevent a grave mistake. Thinking one step ahead also gives you an advantage of being ahead of the pack and being different. Designers need to have a mindset of being excited to be wrong. In a positive thought, for those who reach this point, it allows them to rediscover new ways and alternatives of improving the product they would be developing. Like Apple's Chief Designer Jonathan Ive has mentioned in his interviews, he explains that a designer should fail early, and fail often. His rationale was that should he fail early, the lesson could be learnt earlier and it could prevent bigger disasters. Failing often could lead to perfection. A designer should be focussed on executing his actions perfectly. An inquisitive mind is essential to achieve the level of simplicity within a complicated shell, in every Apple design. An Apple designer needs to have an engineering mind for functional application. Like Tom Watson, CEO, IBM was quoted as saying, "Good design must serve people."

## **A selection criteria for employing a Designer**

### *Designers must ...*

When selecting a designer, Apple's requires their future designers to be able to recognise product marketability. Like Jonathan Ive, after he designed the iMac (2002); he said he "loves the obviousness of everything". The future designer needs to be passionate and determined. It is only with these two qualities you can achieve perfection. He also needs to be able to apply practical applications to every apparent design gimmick. For Ive, every apparent gimmick has a practical foundation. He needs to also to think differently. It is only by thinking differently, can you achieve the unconventional.



## ***How design affects the other departments within the organisation***

Apple is a design-centric organisation, where design is not solely implemented in its products, but in everything the company does and through all departments within the organisation.

The following sections define the characteristics of a design-centric organisation and explain how Apple exhibits these characteristics.

### **Visionary Leadership**

There is no question that Apple has visionary leadership, personified by CEO Steve Jobs. A visionary leader must be a design dictator of the direction the company will take. He has a single vision for the company that is absolute. There is no democracy in his leadership. He simply must be followed. Steve Jobs leads Apple in this manner. It is unquestioningly his single vision that has given Apple its direction. Since Steve Jobs returned to Apple, he has been responsible for turning the company around and giving it the persona Apple is famous for today.

### **Innovative Design Concepts**

Apple is renowned for its innovative product designs. This gives consumers the impression that Apple is a leader in launching new products, when in fact Apple generally takes its products to market second or even last. However, it takes what has gone before and improves upon it in only the way Apple can. These are a few of Apple's iconic designs:

#### ***iMac 360 degree stand***

The iMac 360 degree stand was revolutionary for its shape. It broke the mould as far as computer design went. Yet everything about the unusual design had a purpose. The dome stand was the only design that would allow the 360 degree turn of the monitor and also allowed the fans to be positioned low for effective cooling. Owning such an iconic design became a status symbol.

#### ***Integrated CPU in monitor***

Apple also addressed the needs of its customers by designing a computer that took up less space and required fewer wires. This was achieved by incorporating the CPU into the monitor itself. The result was a sleek attractive desk top computer that didn't require much room on the desk!

#### ***Nike+iPod***

The collaboration of Nike and iPod allowed iPod users to utilize their pods to track their sports achievements and keep a record of progress on their computers. In this way, Apple took existing products and extended their use to suit the lifestyle of the user.



### *Multi-touch trackpad*

This oversized trackpad with multi-touch technology allows users to pinch, swipe, or rotate to zoom in on text, advance through a photo album, or adjust an image. This gesture-based input so successful on iPhone and iPod touch now comes to MacBook.



### *Use of colour*

Apple was the first company to add character to the design of the personal computer. It did this by challenging the idea that computers had to be grey or black in colour. Apple recognised that people wanted to express their personalities through their choice of computer, and the use of colour was an innovative concept that has now been adopted by other brands such as Sony.



## **Quality**

Apple products are known for their quality. So much so that once a user is converted to mac, they are unlikely to go back to using other computers. Quality applies to:

### *Design standards*

Every aspect of design has a functional as well as aesthetic benefit. Products are designed to fit the brand image. Apple products look different from all other products, so much so that there is no need to see the logo to know that the product is Apple. Apple hires designers that believe in Apple's vision and can design accordingly. It is for designers who dare to think differently.

### *Engineering and manufacturing standards*

Products by Apple are engineered with quality to beat other products on the market in terms of performance and functionality. Consumers are confident that owning a Mac means reliability. They don't worry about crashes or viruses because Apple products are engineered in a way that protects the products from faults of this kind.



### *All departments must work as a cohesive team*

Quality is achieved through the close partnership between teams. Designers work closely with engineers to make sure what is designed can work as intended. It is this collaboration that ensures the quality of design through every design process.

## **Product Packaging**

Apple products are packaged to reflect the brand. This goes for the outer casing of the products themselves. The design ensures that the product is instantly identifiable as an Apple product. The branding is so strong that Apple can be marketed by association. For example, other products are marketed alongside an unlabelled Apple brand. Although the Apple logo is not displayed, the product is undeniably an Apple. Another example is a Disney teen programme that had its main characters using laptops with the shape of a pear on the cover rather than an apple. The beauty is that viewers will automatically associate the computers with Apple, so strong is the brand.

## **Brand Position**

### *Prestige*

The superior design of Apple products gives them prestige. Consumers carry Macs proudly in public as status symbols. Mac users are associated with intelligence and creativity.

### *Ease of use*

Apple products are designed to be simple to use. Users don't need to wade through instructional manual. Icons are simple to identify and clicking on an icon leads users through self explanatory screens.

### *Well-educated consumers*

Apple users have the reputation of being well educated – a brand position that drives sales as users want to be seen to be well educated and in with the right crowd.

### *Creative*

Users of Apple products are known to be creative. Macs are branded as the tool to use in the creative and graphics industry.

### *Reliable*

Apple products are branded as being fully reliable. Those who switch to mac after using other PCs are unlikely to go back. Consumers love the reliability factor. No more hanging screens and crashes to worry about.



## Expansive Distributorship Network

Apple ensures its products are available worldwide through a variety of trusted networks:

### *Online stores shipped worldwide*

Mac stores are available online for users to buy online and have shipped to anywhere in the world.

### *Apple authorised resellers worldwide*

For ease of purchase in high street stores, Apple authorises resellers worldwide to stock and sell its products. This ensures that Apple products remain visible and are available easily to consumers.

### *Apple stores*



A relatively new concept, the Apple Store offers a total branded consumer experience. Its iconic Apple store in New York redefines what a store entrance should look like. Apple even thinks outside the box on how an entrance should appear. The entrance to the Apple Store is not visible at street level. Consumers are drawn into the iconic glass cube and taken down below street level to the store below. Shoppers' experience in the store makes purchasing simply irresistible.

## Advertising and Marketing Campaign

### *Apple spends markedly less on advertising than other competitors*

Design of Apple's advertising and marketing is highly strategised to create the maximum impact with a limited advertising budget. Compare Microsoft's annual expenditure on advertising of \$995 m and HP at \$1.1b to Apple's mediocre \$297m over the same year.

### *Advertising is strategically timed and provocative – brand retention*

Apple strategise its advertising campaigns carefully, seeking to gain the maximum number of eyeballs for its dollar and teaming with events and brands that enhance its reputation. For example it launched a new product at the Superbowl in the US, guaranteeing Apple a nationwide audience.

### *Secrecy before launch creates demand*

Unlike other brands, Apple maintains an air of secrecy before a launch. There is no promotional build up. This secrecy works to their advantage as the curiosity factor creates demand for the product even before it is seen!



## After-sales Network

Apple designs its after sales service to complement its brand image of reliability. Its after care programme build trust with the consumer.

### *AppleCare*

This is a dedicated after sales service that all Apple consumers enjoy when buying an Apple product. It gives the consumer certain assurances so that he knows the product will be in use for some time to come.



### *Extensive warranty*

Apple extends its warranty further than competitors, even guaranteeing the life of the battery in laptops – a measure Apple users will be appreciative of.

## ***The Market Receptiveness of Design***

The way Apple as a company promotes its design effectiveness increases consumers' receptiveness to the designs.

### *Consumers willing to pay more for good design*

Apple's good design means reliability, additional functions and aesthetic good looks. Consumers are willing to pay more for iconic design and the added value Apple products bring practically and emotionally. For example, a Macbook is more expensive than most PCs on the market yet consumers are willing to invest the difference for the quality derived. Similarly, other music players are cheaper than the iPod, yet consumers are willing to pay double the price to own an Apple.

### *Queues for opening of Apple Store – branded customer experience*

Another sign of consumers' receptiveness to the design of Apple is the frenzy leading up to the opening of an Apple store. The New York store opened to a queue that ran for blocks. Similarly, when the Tokyo store opened, fans slept overnight on the pavement to ensure a position of vantage in the queue.

## ***Apple Design as a Differentiator, Co-ordinator and Transformer***

### **Differentiator**

Apple is a leading player when it comes to using design as a differentiator.

### *Apple products always look different – brand identity*

As previously mentioned, Apple products are distinctive by design. Consumers can identify an Apple design without having to see a logo. Apple ensures that its designs continually break the mould as its designers think differently.



### *Customer perceives products as greater value*

Customers are willing to pay a premium for Apple products because they perceive, through the iconic design, a greater value.

### *New features feed demand*

Apple continually strives to add new features each time it launches a product. This feeds demand as consumers invariably must have the new features.

### *Apple is known for its quality design standards*

Consumers identify Apple as being different because they recognize the quality design that had gone into each stage of the design and manufacturing process. Apple consumers don't feel short changed by their purchases because they know they are buying quality.

## **Co-ordinator**

One of the main reasons why Apple products are so much in demand is that their design is seen as a co-ordinator for the consumer.

### *User friendly*

Apple computers have a user friendly interface which gives users an advantage. Windows, in its bid to compete with the rebirth of Apple, launched Vista with a user interface similar at last to Apple. This was done with the knowledge that Apple was becoming more competitive in pricing and consumers were turning to Macs because the price difference simply wasn't there any more.

### *Graphic icons reduce conflict*

As Windows came to realise, the graphic icons used by Apple made operating Macs extremely easy. The design reduced conflict for the user because of its ease of use.

### *Retail therapy*

The design of the concept of Apple stores makes shopping at Apple a pleasure for consumers. A type of retail therapy, Apple stores were laid out with other brands sharing the floor space. Apple recognized that promoting other brands along with its own actually increased sales as consumers realized that complementary products made owning an Apple product worthwhile.

### *Integrated entertainment at home and work*

Another aspect of design as co-ordinator is the way Apple products are designed to be integrated. Consumers of Apple now have integrated entertainment at home and at work with computer, entertainment platform, computer games, editing, music, film and design functions integrated into one simple machine. The ability of iPod users to buy their songs via iTunes was another piece of ingenious co-ordination.

## **Transformer**

Design as a transformer is nowhere more apparent than in the design of Apple products.

### *Encourages brand switching*

The rebirth of Apple, the design of products that speak directly to consumer needs, and the uniqueness of the designs all combine to encourage consumers that were traditionally PC



users to switch over to Mac. Designs such as integrating the CPU into the iMac monitor transformed many a PC user to a Mac user overnight. With its iconic design and its competitive pricing, consumers could see the benefit of finally owning a Mac.

### *Used as a status symbol*

Owning a computer no longer fulfilled only a functional need. Owning an Apple product brought with it recognition of the owner as a certain standard of consumer. The product became a status symbol. Owning an Apple spoke to being an intelligent, creative person. Apple transformed people's opinions of what it meant to own and display a laptop in public.

### *Desire to associate own products with Apple*

Apple design has also transformed the way other products associated with Apple. There are many ads to be seen today where an Apple product is used as a background in silent association with the lead product. By association, this lead brand positions itself in the same league as Apple. Apple's brand is so strong that even though the logo is obscured, consumers know that the background product is Apple.

### *Transforms lifestyles*

Finally Apple by design transforms lifestyles. It enhances people's status, makes people feel good and look good by association, and facilitates an ease of use be it for business, leisure or pleasure through its integration of functions to bring a holistic lifestyle experience to the Apple consumer.

