**Apple and Ansoff Case Study**

**A2 Business Studies: Marketing Strategies**

For most of the 1990s, Apple was stuck in the personal computing world. Rather than adding customers and products, it shrank in market share and abandoned some markets (handhelds, printers). It was plainly stuck way down in the lower left quadrant, with little in the way of great growth prospects until the new iMacs, released in 1998, spurred interest among existing customers. The message of the market was clear. Making Macs better was not the problem. The market needed something more compelling than a computer that was slightly better than a Windows PC to convince new customers to give the company money.

Apple’s core audience is multimedia orientated, so a Mac music player was a step in the right direction. It also helps that Apple is well known for charismatic product design; the public is a little more willing to give an Apple innovation a try. When early models of the iPod got rave reviews, even Windows users who were deep into downloading wanted one. Once the iTunes software was released on Windows the iPod zoomed. In Ansoffs’ terms a successful product development strategy that succeeded immediately had positioned Apple for a market development strategy. Suddenly Apple was not just developing new revenues, it was also growing a new customer base.

The iTunes online music service was a diversification strategy which took Apple out of its traditional business model – cool, elegant, user friendly hardware – into a retail services entertainment business. Everything about the business, from frequency to customer contact, to how profits are taken, is different.

This diversification benefits Apple in two ways. First, it provides an opening in media distribution that may be a future path for the firm. It is clear to many observers that personal computers will not be the only centre piece of tomorrows digital entertainment universe. Providing an assortment of electronics gear and content, gateways may be preferable. Second, it sets up a virtuous cycle. The more people who use iTunes, the more these new customers are likely to try an iPod or even a Macintosh product.

As Apple put iPods into millions of new hands each quarter, it is creating iTunes users and developing potential customers for the Macintosh and new products yet to come, such as future video iPods and newer iPod phones.

Think of Apple’s groups of users as interpenetrating communities - Mac users, iPod users, iTunes users etc. Each improvement to hardware, to the iTunes software and the music store, is leading to enhancements in the user experience for all those groups. Apple has unique strengths that have enabled it to succeed with this multi-level strategy which all started with a great product (the iPod) and an awareness of how it could quickly integrate with market development and diversification strategies.