

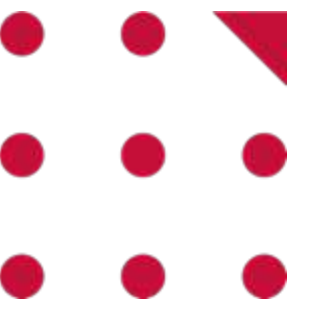
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Apple iPod - Case study

*How innovations helped
Apple Survive recession*



Executive summary



Apple, one of the most celebrated brands we know today, is known for its outstanding product portfolio that is innovative, trendy, and strong in technology.

The company has had an interesting journey that contributes to its success in a big way today. Strong leadership and the vision to revolutionize electronic gadgets is clearly reflected in their journey and in the products that we all love as consumers.

Even at their lowest, Apple stayed true to what they believe and continued to create and deliver gadgets that would transform categories and expose consumers to new experiences.

One such device is the iPod. This development is particularly an intriguing one as it came at a time when the company was suffering losses and losing market share drastically. While it isn't one of their top products in terms of volume or value, it played a key role in exposing consumers to a new way of storing music and expanding business for Apple to new global markets.

The note focuses on how innovation helped them counter crisis in the long-term and survive recession, making it one of the most valuable and stable brands we have today.



The Apple we know today...

One of the most valuable companies in the world

Innovation . Design . Performance

Known for its ability to produce one of the most successful innovations, the company began its journey only as a PC manufacturing company in 1975.

Today, they have a range of electronic gadgets, accessories and software that have become top picks for millions of consumers around the world.

Founders: Steve Jobs, Steve Wozniak, Ronald Wayne



Source: <https://www.macrotrends.net/stocks/charts/AAPL/apple/stock-price-history>

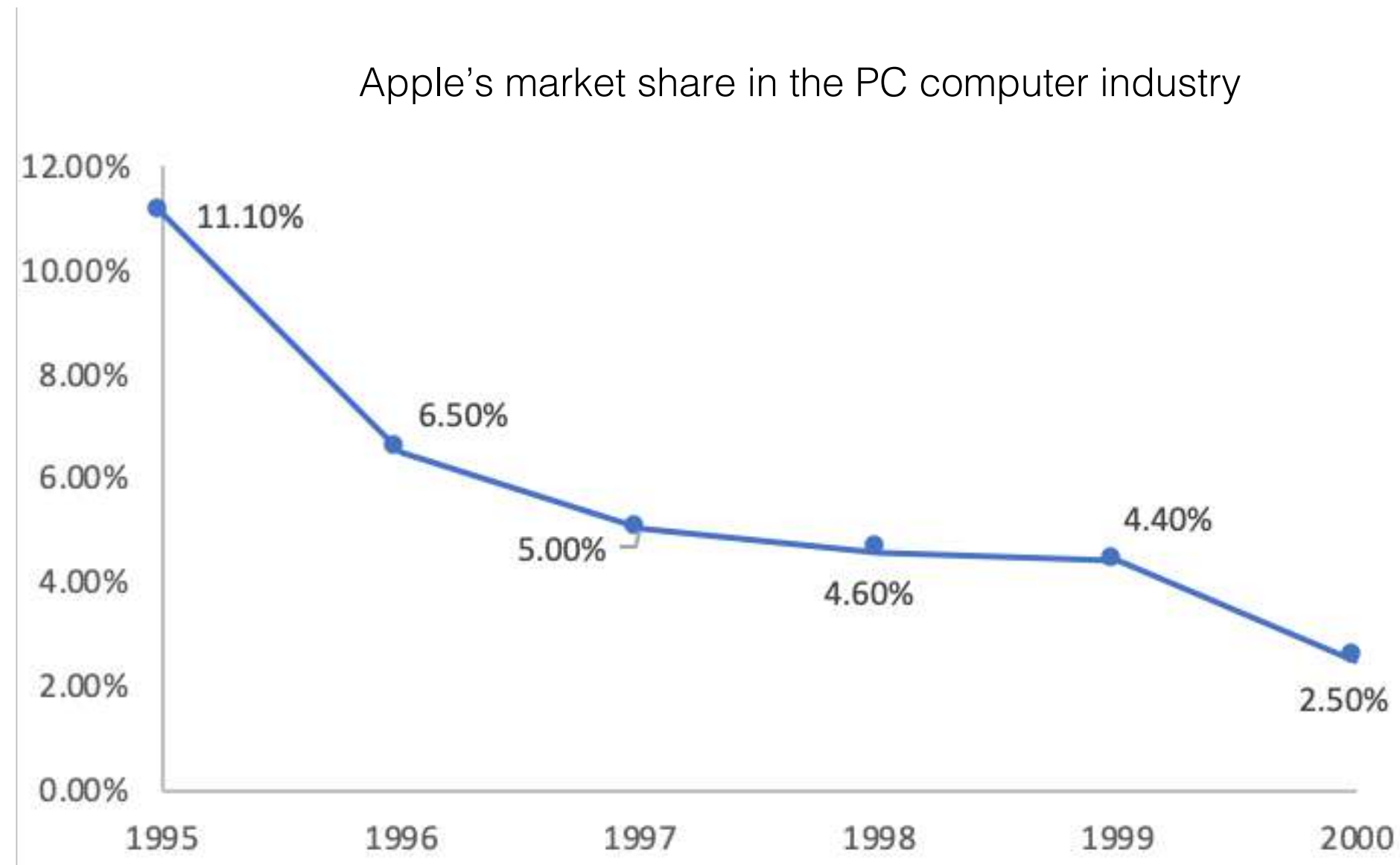


What do consumers love about Apple?

- Relationship with the brand : It makes them feel special and trendy.
- The digital ecosystem : Buying any product gives access to a range of other digital products that helps do a lot more with a device.
- Simplicity in design : Handy, lightweight, tech delivery and elegant design

But the road to success wasn't easy.

1990's was a period of struggle



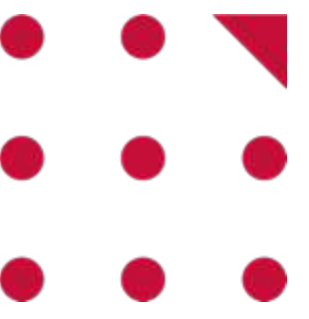
- Apple begun losing share to Windows PC ever since the launch of Windows 95.
- While it still dominated the desktop publishing segment, the category was being driven by the enterprise adoption of windows and Microsoft office suite that led to Apple steadily losing share.
- In 1997, Apple published the biggest loss in silicon valley history
- Despite multiple new launches, the 2000 dot. com bust drove down stock prices quite significantly.

Bringing back strong leadership to help with the crisis

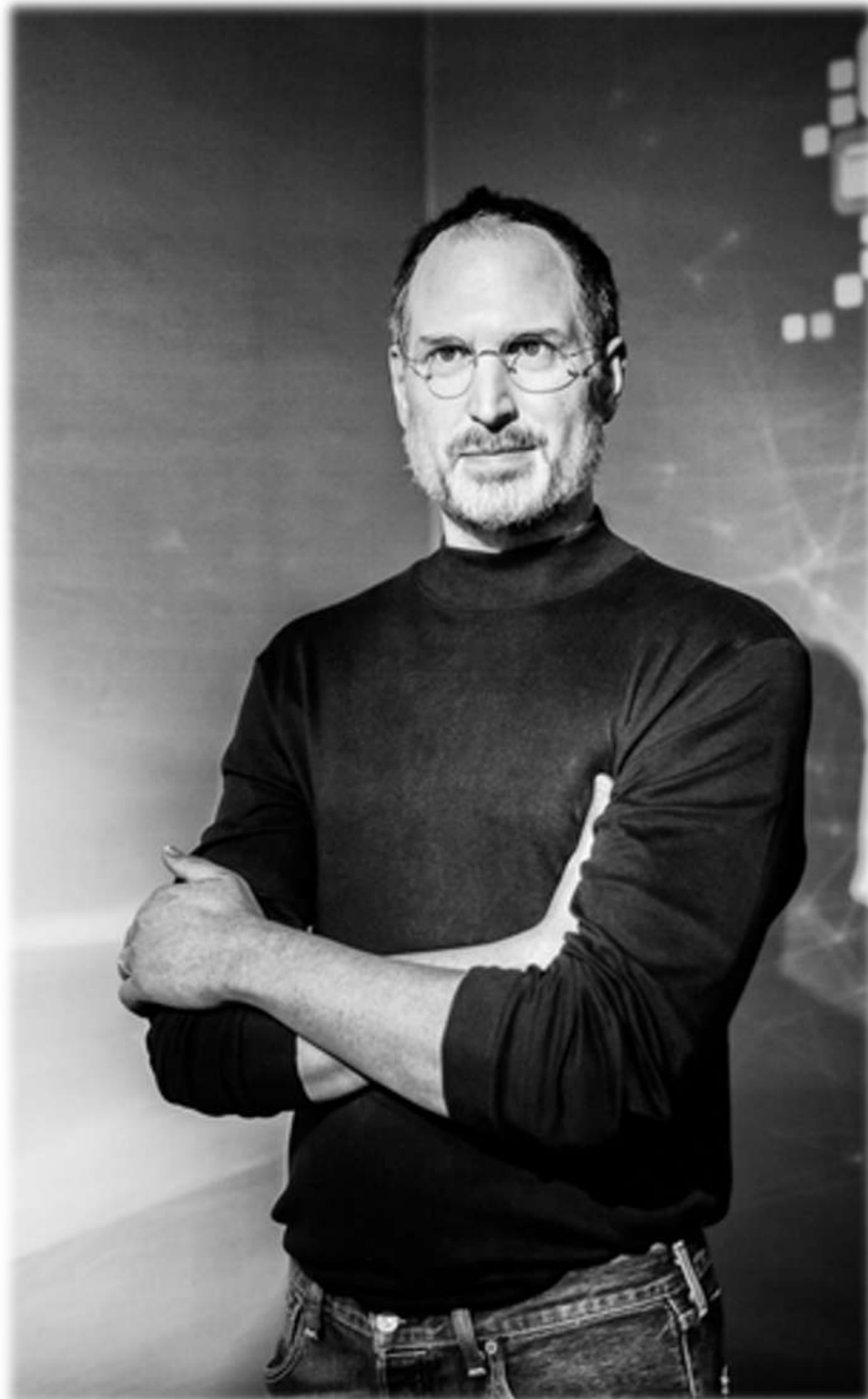
Steve jobs was brought back as Interim CEO

The Turnaround

Vision to become a “digital hub”



Despite a crisis in the company and a recession in the technology sector, Steve Jobs launched the vision of making Apple a ‘digital hub’.



- Bootstrapped for new projects and joined hands with external partners to bring the vision to life
- In 2001, the launch of iTunes and iPod changed their game



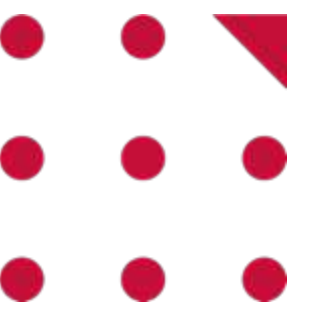
- Launched in 2001, conceived as a simple music player system for the Macintosh systems.
- The vision of this app was to revolutionize the music industry and provide a new way of storing music.



- After 8 months of the iTunes launch, came through one of the most innovative products, the iPod.
- With no real market leader in this industry, the iPod aimed to capture majority of the market share globally.

The innovative iPod

1000 songs in your pocket



Noting the success of Mp3 song downloads online, Steve jobs quickly slated the project in Spring 2001 for a target launch in the Christmas season, "just within 8 months" from the launch of iTunes.

The launch of the iPod went against many business trends:

- **Innovation during testing times:** A struggling PC manufacturer expanding into a new category
- **Not the first:** iPod was not the first portable Mp3 player. There were many brands available in the market including Sony, Creative etc.
- **Cluttered category:** It entered a crowded category that itself wasn't established; it was a new consumer behavior they were trying to inculcate.
- **Premium product:** launched at a significant premium to other products.

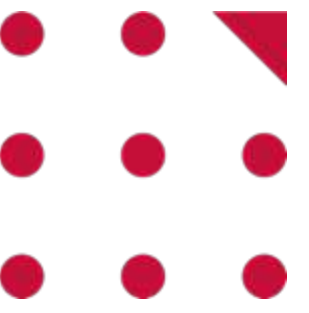
Why was it different?

- Super thin hard drive unlike other portable players
- Download all music from a CD in 5-10 seconds
- 1000 songs that can fit into your pocket
- 30x faster than any other Mp3 player
- 10 hours of battery life
- Positioned as a lifestyle product to make your life simpler



iPod innovation was instrumental in Apple's success

Going against all odds



Launched just after a month of the 9/11 event, it wasn't the wisest decision to introduce a premium product from a company that had no expertise in that field. But the company went against the odds that led them to success.

1. Without music, Apple would not have become so profitable.

The iPod was the first big addition to the Apple product portfolio after Steve Jobs returned to the company. Within a decade, they sold over 350 million iPods globally. Without this, the company wouldn't have managed to gain profits and expand to new global markets so quickly.

2. Exploration of other Mac products

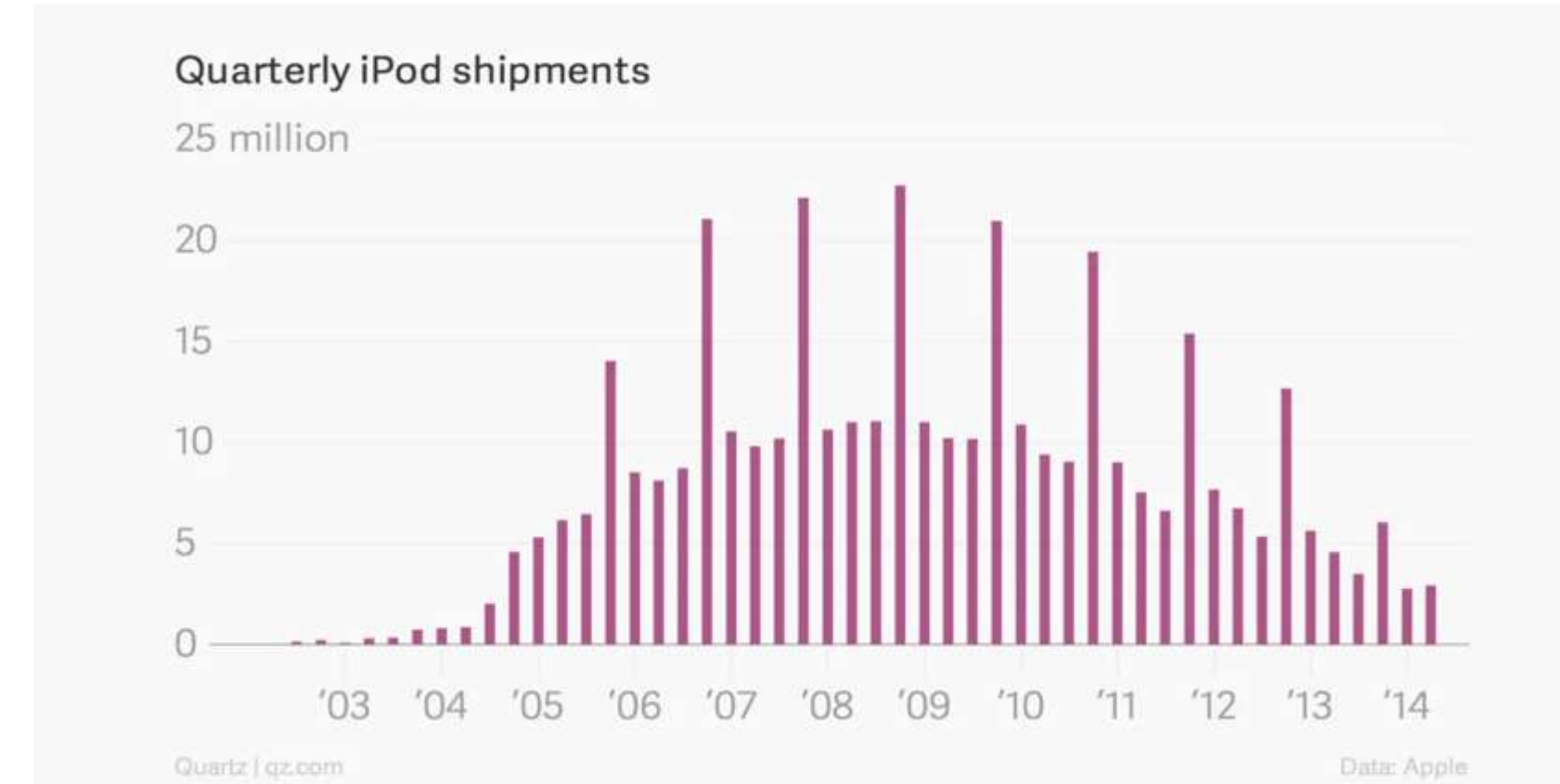
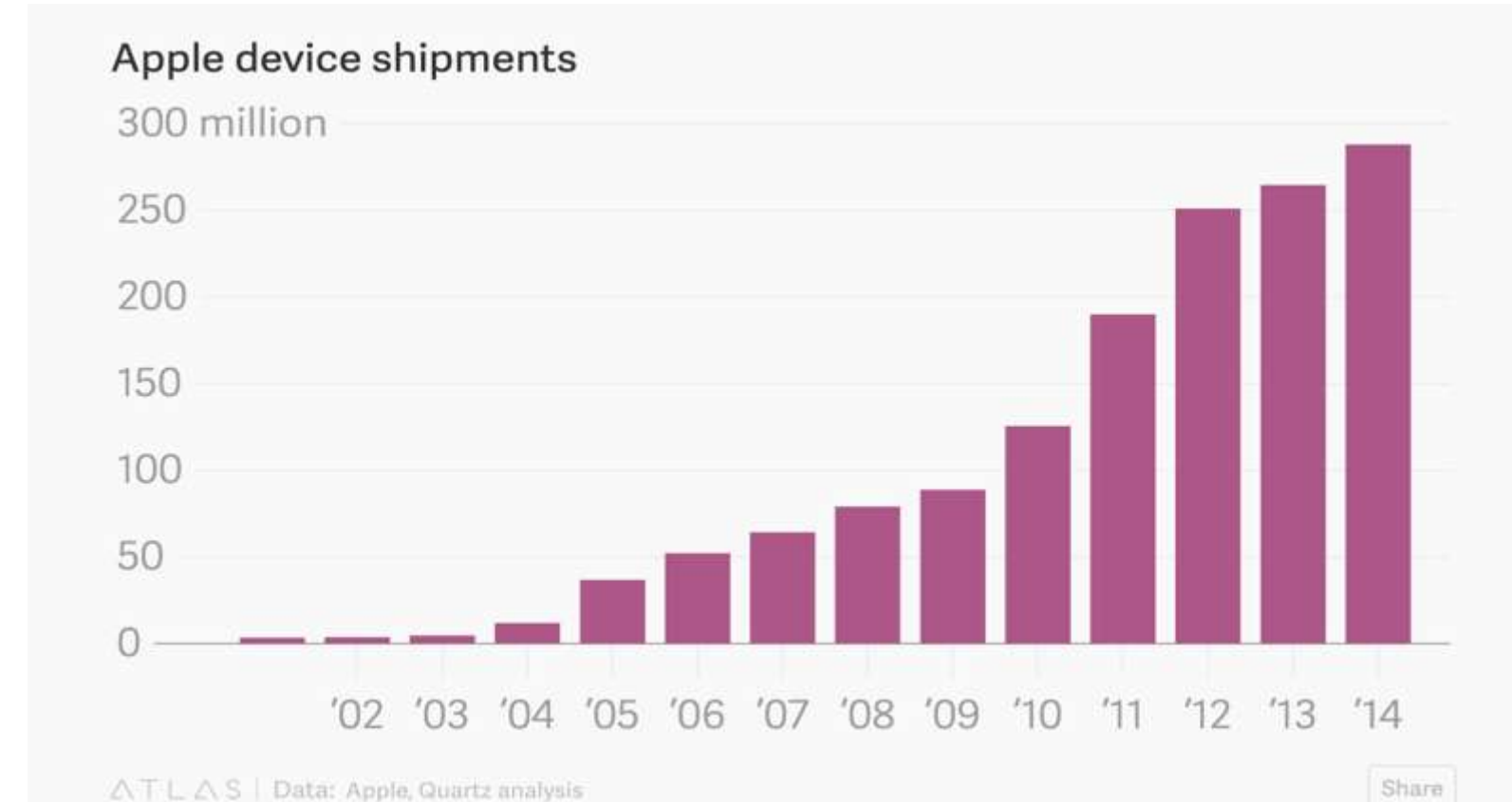
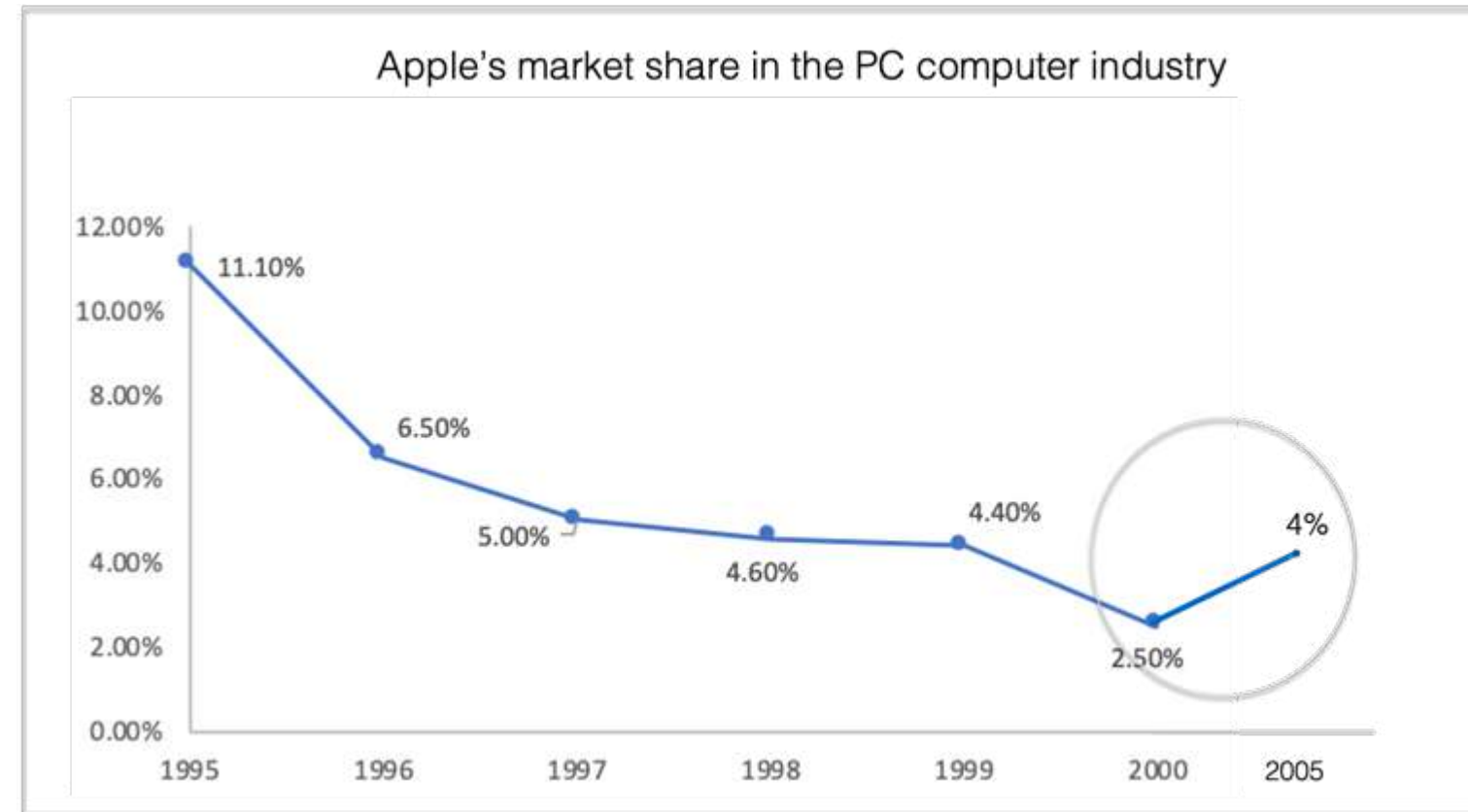
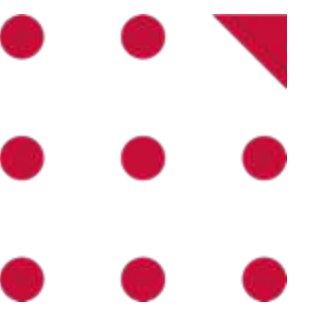
The iPod became the first product from Apple that many consumers used. While it was a premium product, it also fit into a relatively affordable leisure spend for one's pocket. The introduction of this gadget definitely opened up exploration for other products.

3. The start of an ecosystem

Without iTunes, there would be no iPod. Without the iPod, there would be no iPhone and thereafter an iPad. This paved the way for more innovations and encouraged interlinkages, transferability, and a safe ecosystem to store music, data, movies etc.

The innovations helped Apple survive recession

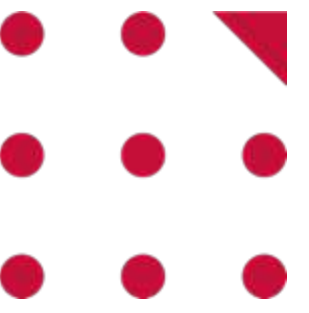
The media also termed the company “recession resistant”



- After a slow start, Apple took off in 2005 and captured 70% of the market share in the portable music player industry. While the 2008-09 recession dampened the sales, it also recovered from there quickly. The holiday season post recession saw a spike in sale of iPods - a gift that was special and fit the slot of affordable premium.
- Apple as a company continued to grow despite the recession and was one of the few that did not face troubled waters. All innovations, that included the iPhone and new versions of macbook continued to contribute to their growth.

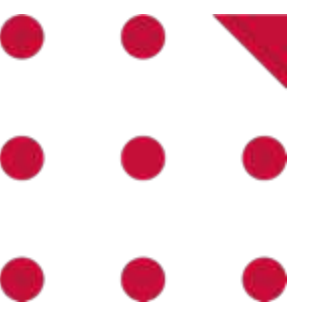
Apple went from a being struggling PC manufacturer to becoming the first company in the history of business to be valued at US\$ 1 trillion.

Key takeaways



- **Do not de-prioritize innovations:** A time of crisis brings new opportunities. Continue to experiment and innovate!
- **Be brave:** In a time of crisis, being tactical is an easy route. A genuine revolutionary idea can help transform companies beyond imagination
- **Strong leadership helps define success:** Steve jobs transformed the way Apple interacted with consumers. A strong vision can drive you to success.

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Atishi Pradhan

25 years+ experience in Advertising as Global Planning Director, JWT. Worked across multiple industries. Faculty at IIM Ahmedabad. MBA from IIM Ahmedabad



Devapriya Khanna

20 years+ experience Senior leadership experience in CPG as Director Marketing, Carlsberg and Head of Marketing at Oriflame. MBA from IIM with specialisation in MarCom



Raja Balasubramanian

20 years+ experience in Marketing. Last role as VP Marketing, MasterCard, South Asia. Experience in Media, Banking, Tech, consumer industries MBA from IIM Ahmedabad



Niloy Mukherjee

25 years+ experience in Sales & Marketing. Previously, VP Sales & Marketing, Dell. Led Pricing Line for McKinsey Asia. MBA from IIM Ahmedabad



Shubhajit Sen

25 years+ experience. Previously, MD Grohe India, CMO, Micromax; VP & Global Leader at GSK Consumer. MBA from IIM Ahmedabad



Srinivas Murthy

20 years+ experience. Previously, VP Marketing Snapdeal and Marketing Director, Coca Cola, India. MBA from IIM Calcutta



Samrat Das Gupta

19 years+ experience in Marketing services. Former head of Experiential Marketing, Cheil India



Aditi Gupta

16 years+ experience in Product Marketing in CPG. International experience. Graphic Design experience & education.



Apoorva Mathur

7 years+ experience in FMCG and dev sector. Previous role at TGB. MBA from Hong Kong University.



Sahil Aggarwal

3 years+ experience in major e-commerce player. Engineer from TIE



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