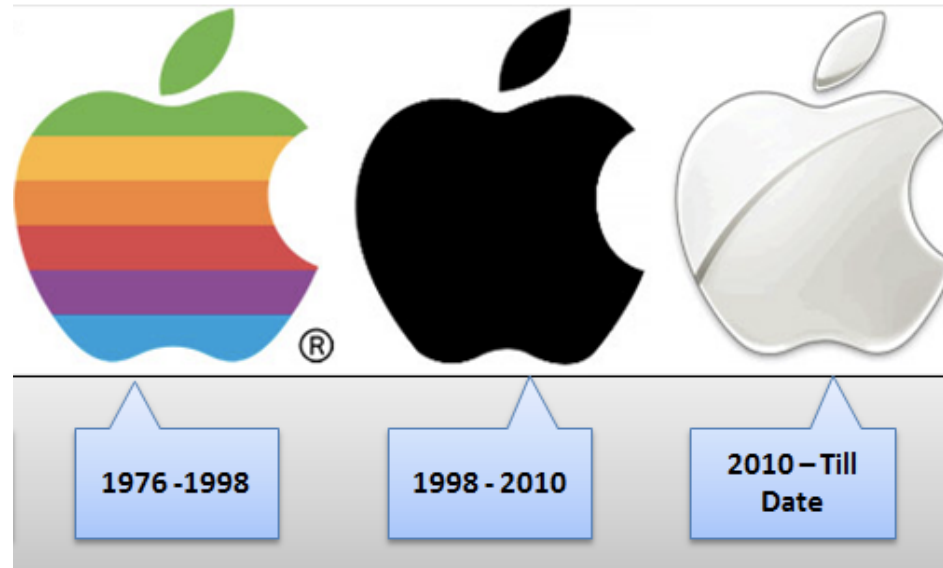


Product Strategy Lessons from Apple, Inc.



ProductCampRTP

April 12, 2014

LAFAYETTE

**Western
Carolina**
UNIVERSITY



Netpliance



**Innovation Management
Strategic Planning
Speaking & Training**

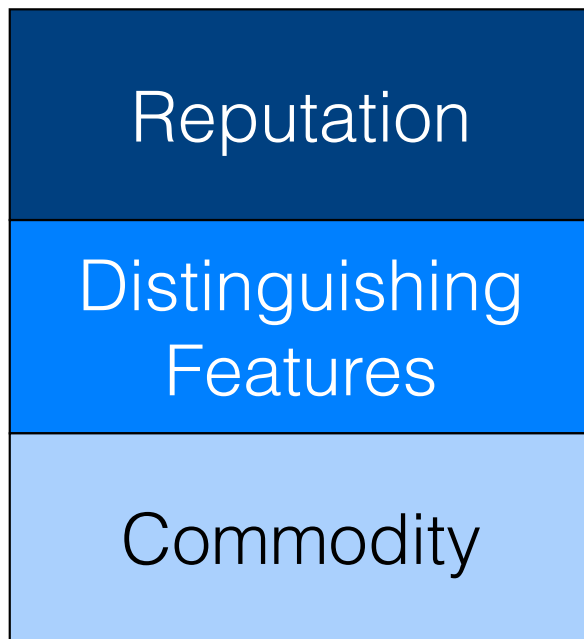


Lessons in Strategy

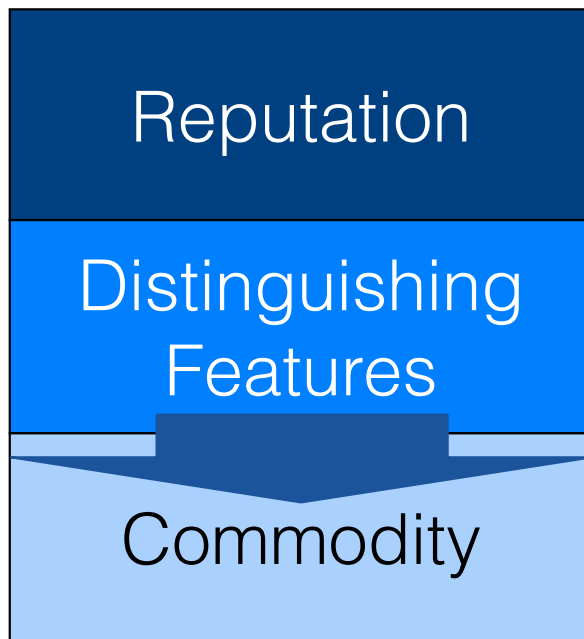


“We believe people with passion can change the world for the better...and that those people who are crazy enough to change the world, are the ones who actually do.”

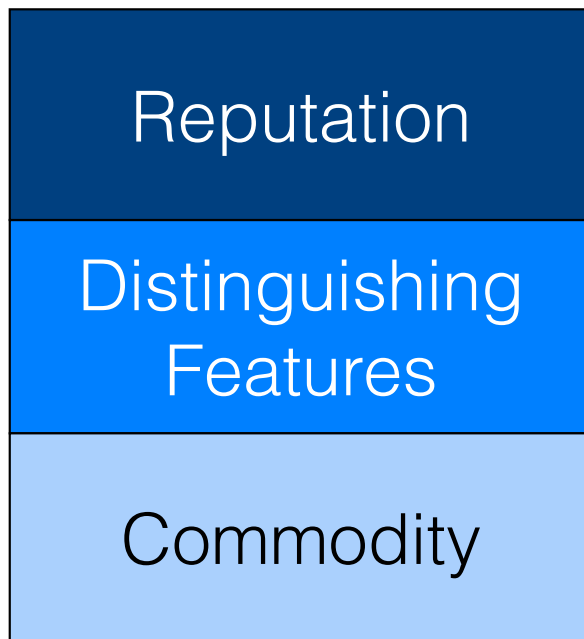
Three Layer Model



Over time

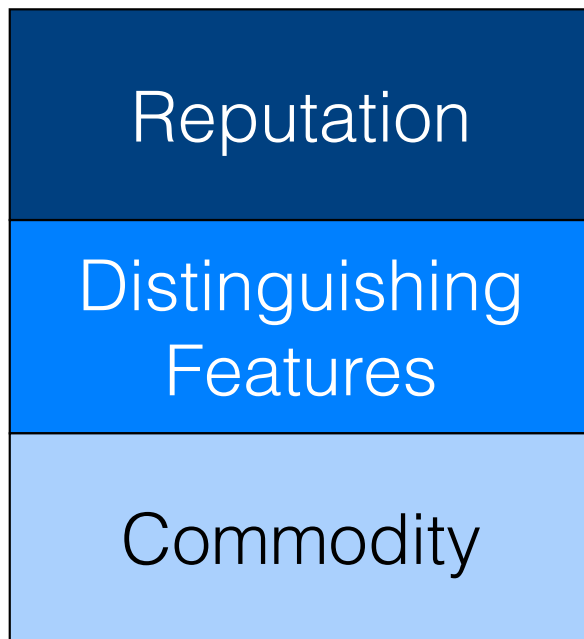


Apple: 1997



Web, documents, email

Apple: 2000



Web, documents, email

Disruptions

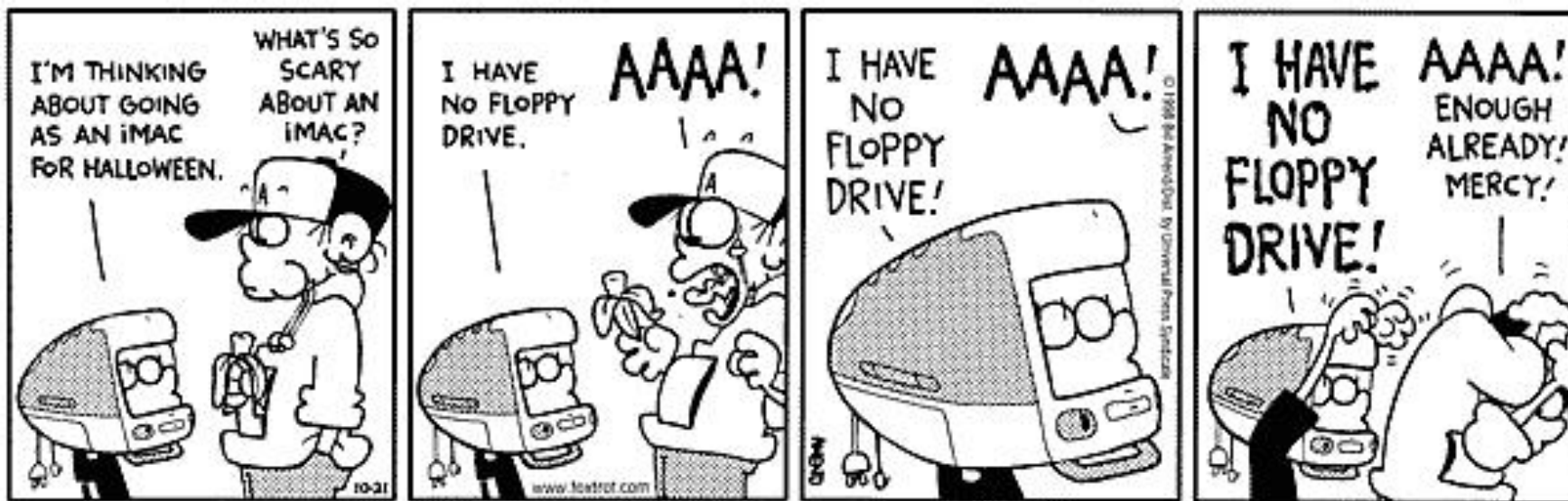


Color

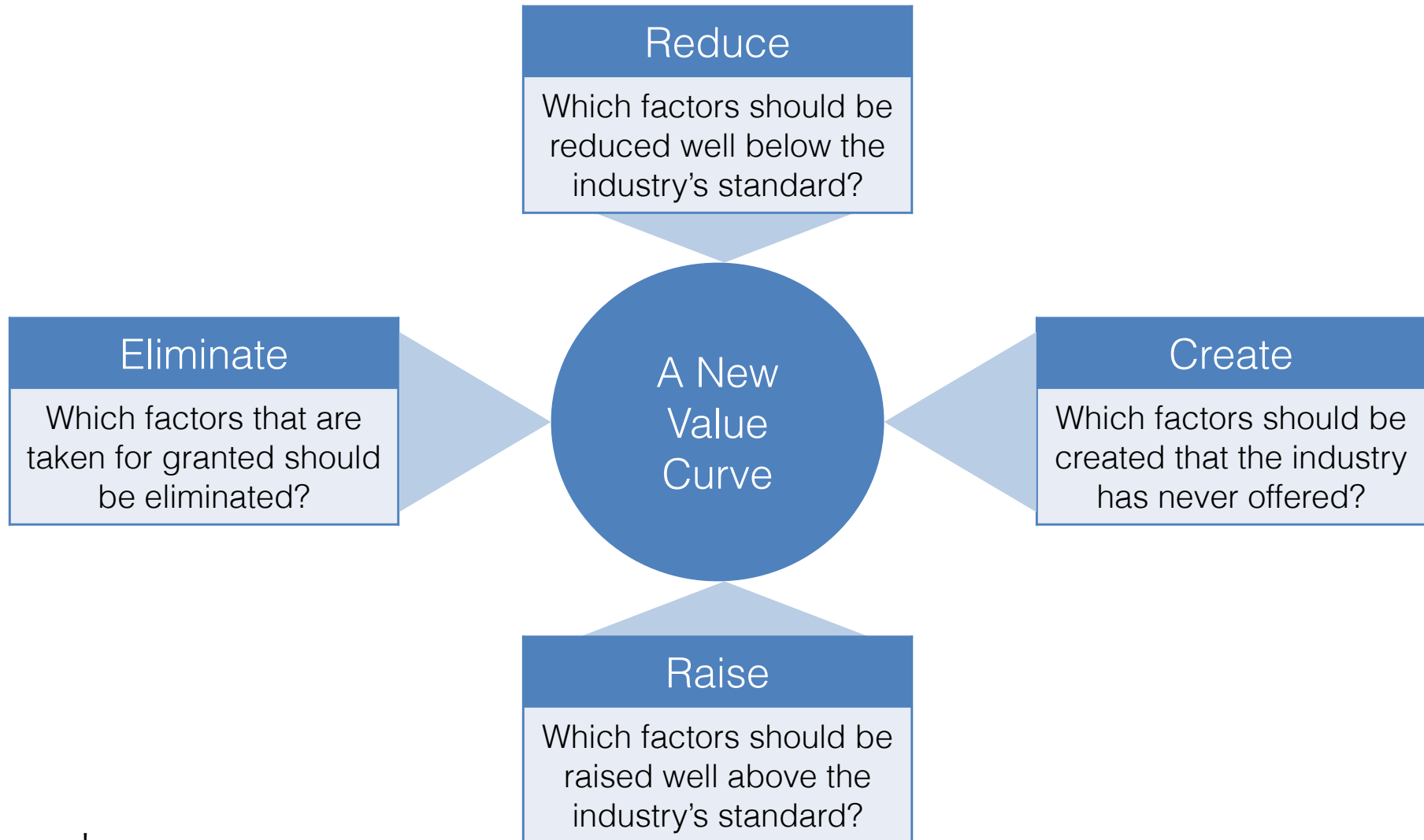
Ethernet port



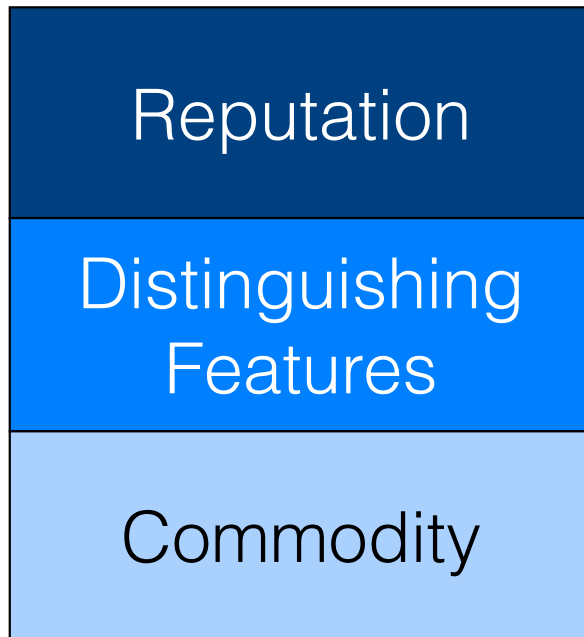
No floppy drive



“Blue Ocean” Actions

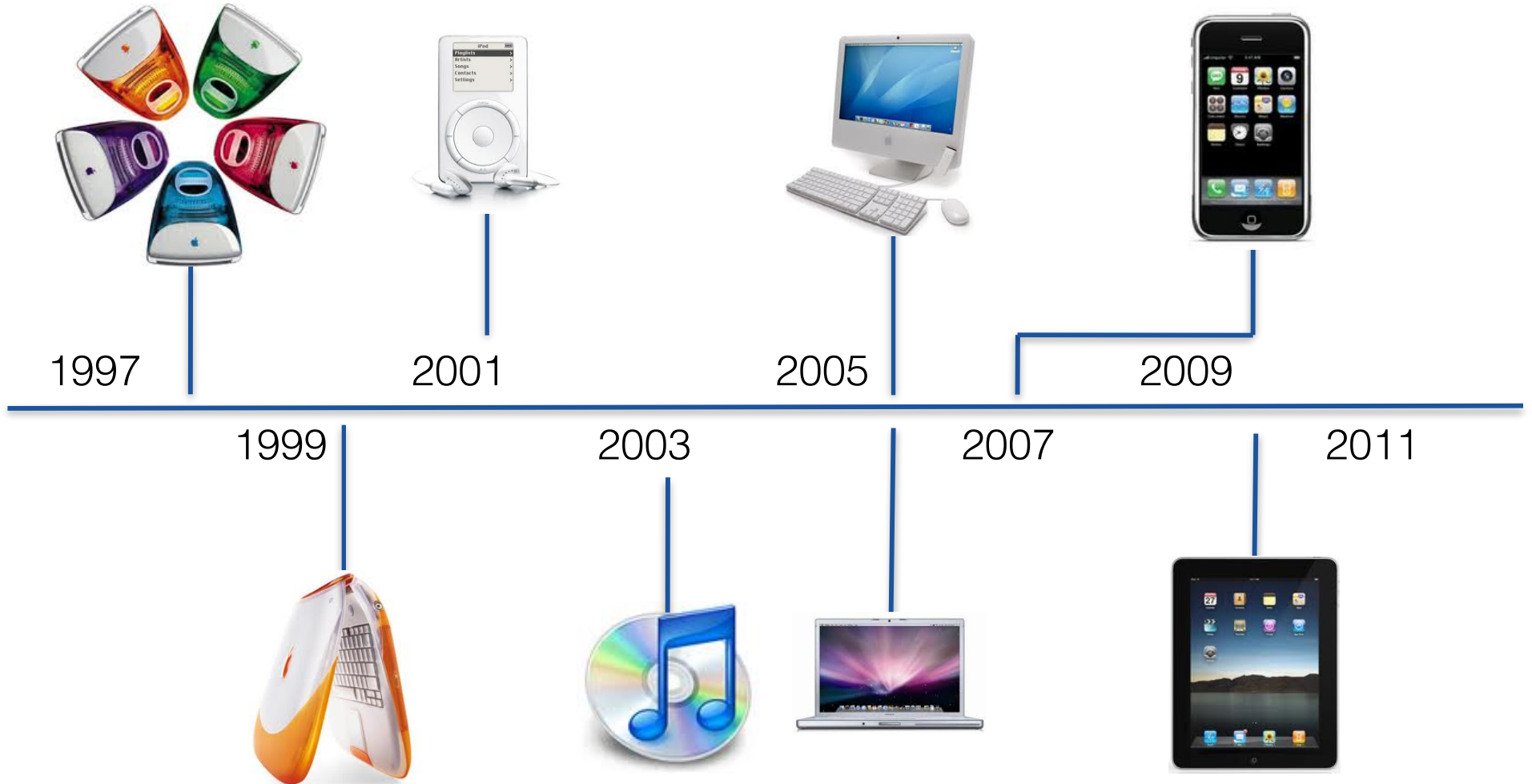


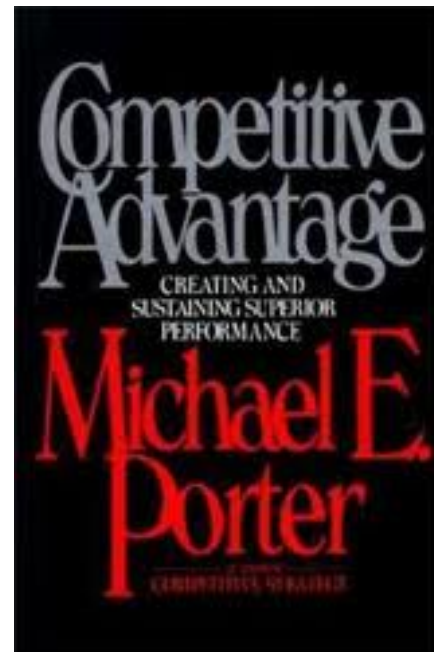
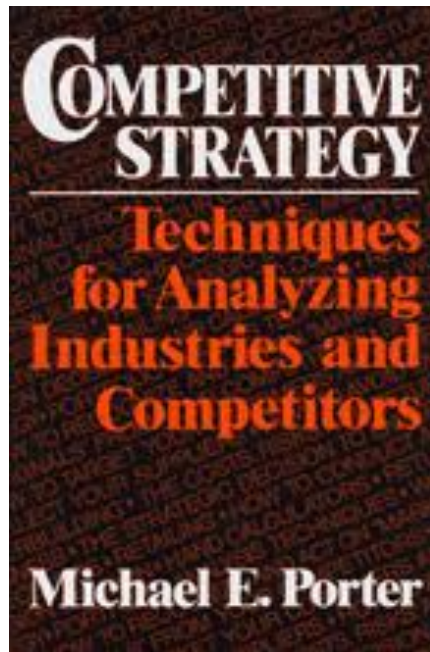
Apple: 2009



Web, documents, email

Chronology





Porter: Generic Strategies

NATURE OF COMPETITIVE ADVANTAGE

		LOWER COST	DIFFERENTIATION
<u>COMPETITIVE SCOPE</u>	BROAD	COST LEADERSHIP	DIFFERENTIATION
	NARROW	COST FOCUS	DIFFERENTIATION FOCUS

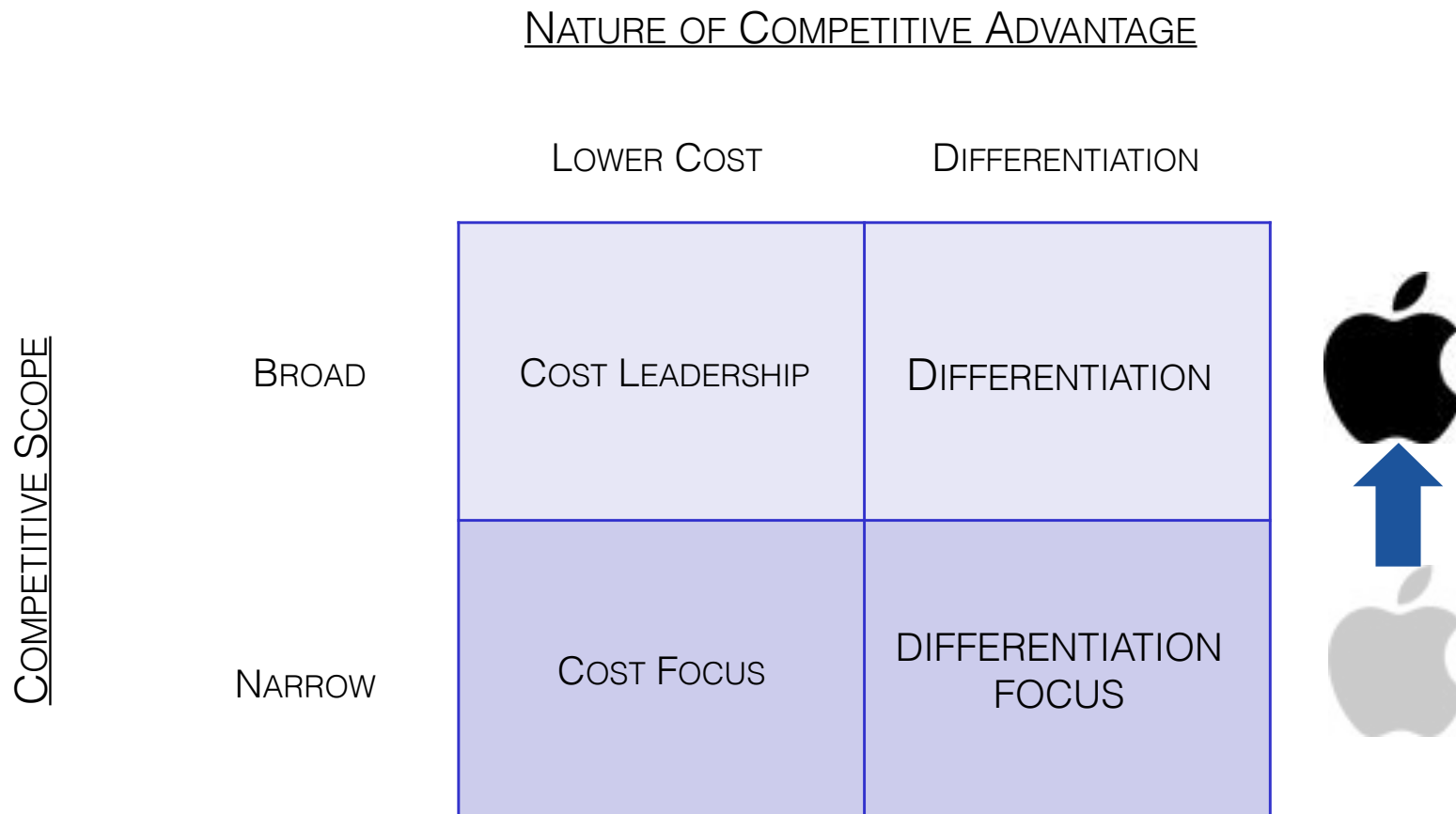
Apple: 1997

NATURE OF COMPETITIVE ADVANTAGE

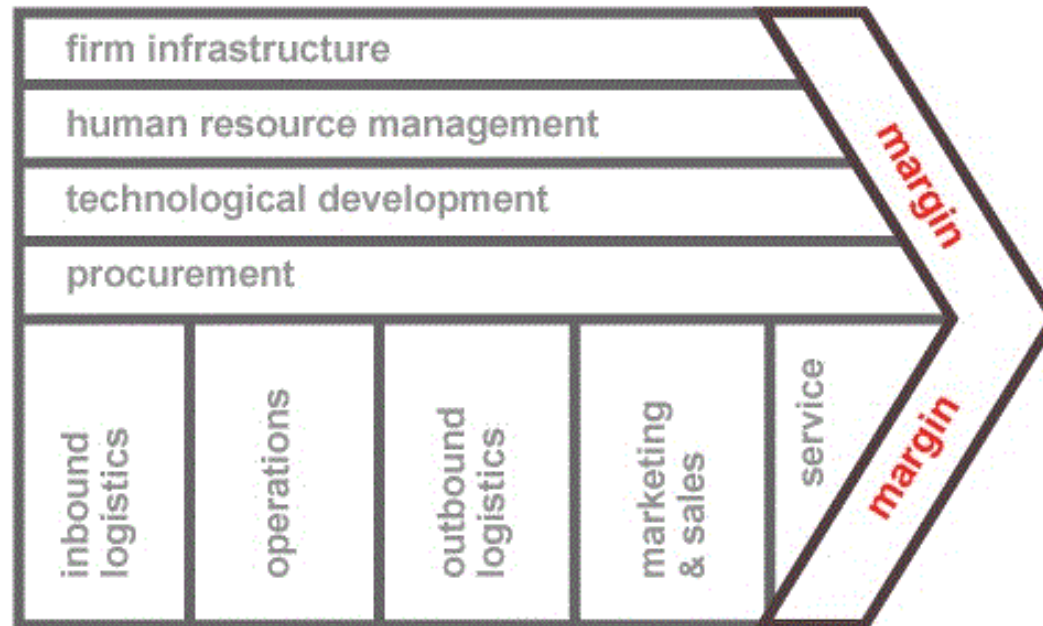
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	NARROW	COST FOCUS	DIFFERENTIATION FOCUS



Apple: 2011



Internal Value Chain





External Value Chain



Vertical Integration



**Apple Has 1,000 Engineers Working
On Chips For The Post-PC Era**



Market Forces

Technology &
Pace of Change

Threat of Entrants

Globalization

Supplier Power

Industry Rivalry

Buyer Power

Government

Threat of
Substitutions

Social and
Cultural Shifts

Technology &
Pace of Change

Threat of Entrants

Globalization

Supplier Power

Industry Rivalry

Buyer Power

Government

Threat of
Substitutions

Social and
Cultural Shifts

Supply Chain Management



iPhone 5s



iPhone 5c



iPhone Accessories



iPad mini
with Retina display



iPad Air



iPad Accessories



MacBook Air



MacBook Pro



Mac mini



iMac



Mac Pro



iPod shuffle



iPod nano



iPod touch



iPod classic



Apple TV



Accessories

Market Forces

Technology &
Pace of Change

Threat of Entrants

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Supplier Power

Industry Rivalry

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Government

Threat of
Substitutions

Social and
Cultural Shifts

Seriously?



Technology &
Pace of Change

Threat of Entrants

Globalization

Supplier Power

Industry Rivalry

Buyer Power

Government

Threat of
Substitutions

Social and
Cultural Shifts

Macbook Air Announcement



Disruptions

Solid state memory



No optical drive

Ultrabook™

Ultra Thin *Ultra Secure*
Ultra Responsive



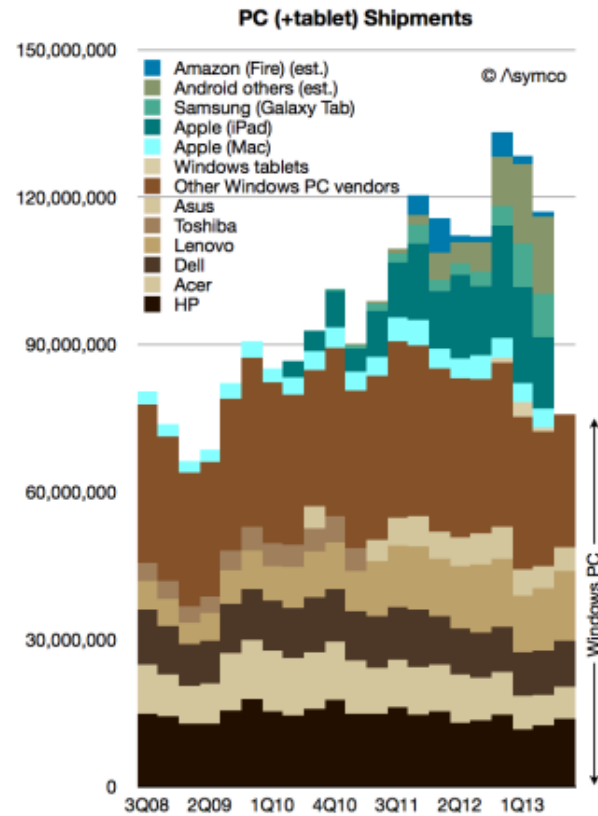
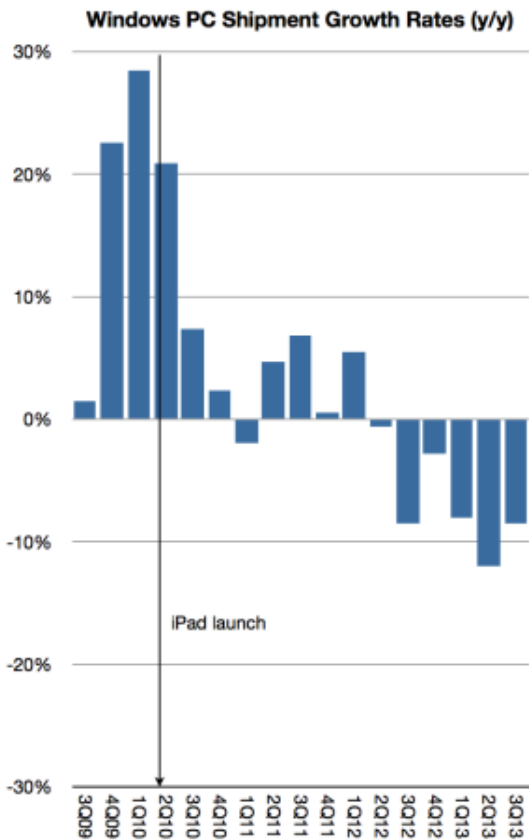
Smart Visual Experience
Long Battery Life

The Attributes of a Tablet, the Performance of a PC.
NO COMPROMISE



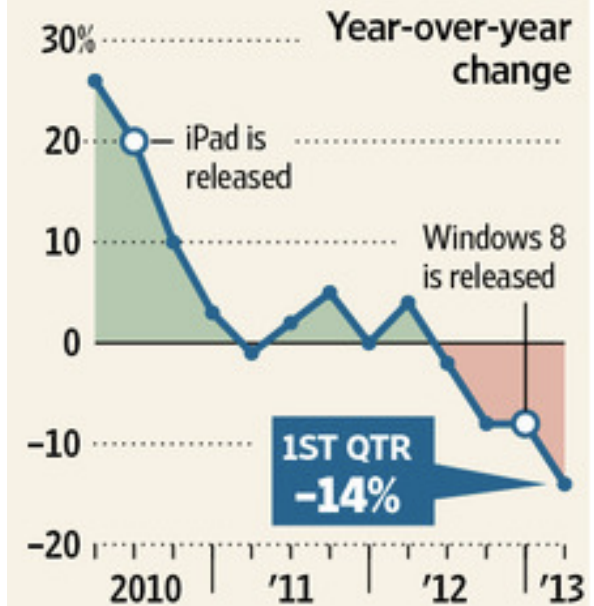
Computer Sales in Free Fall

Quarterly Shipments Drop 14% as Windows 8 Fails to Stem Advance of iPads



PC Meltdown

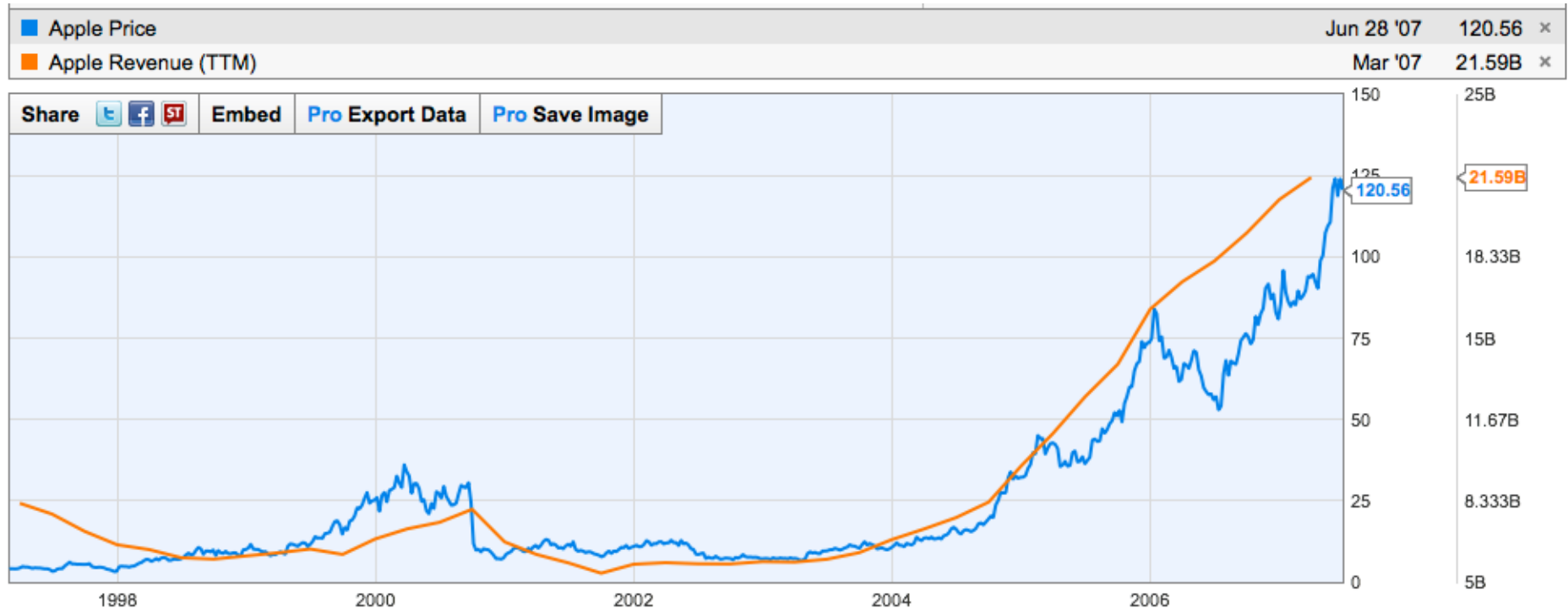
The slide in global shipments of desktops and laptops accelerated last quarter.



Source: Wall Street Journal; Asymco

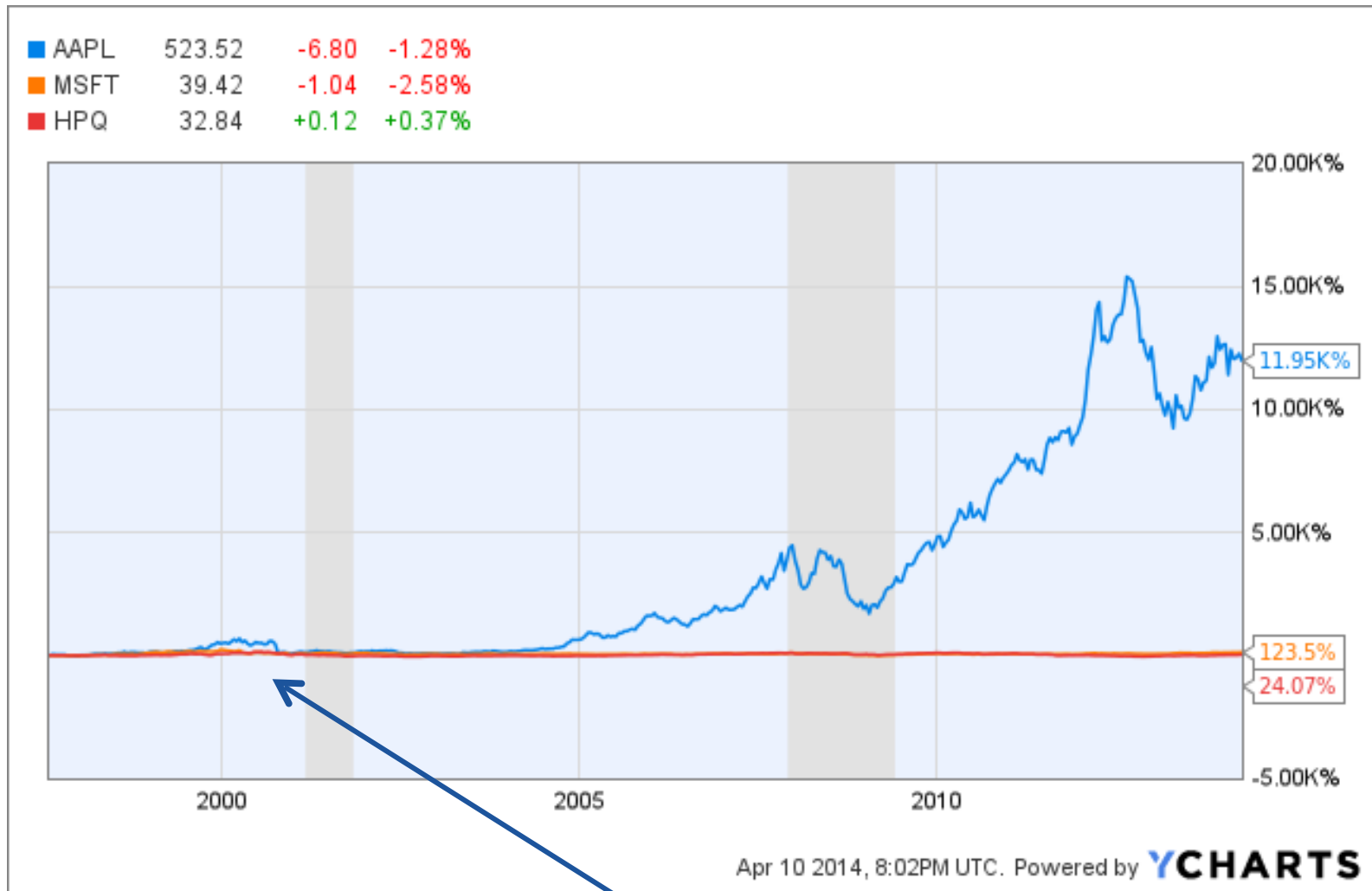
Source: IDC The Wall Street Journal

AAPL Stock Price: 1997 - iPhone



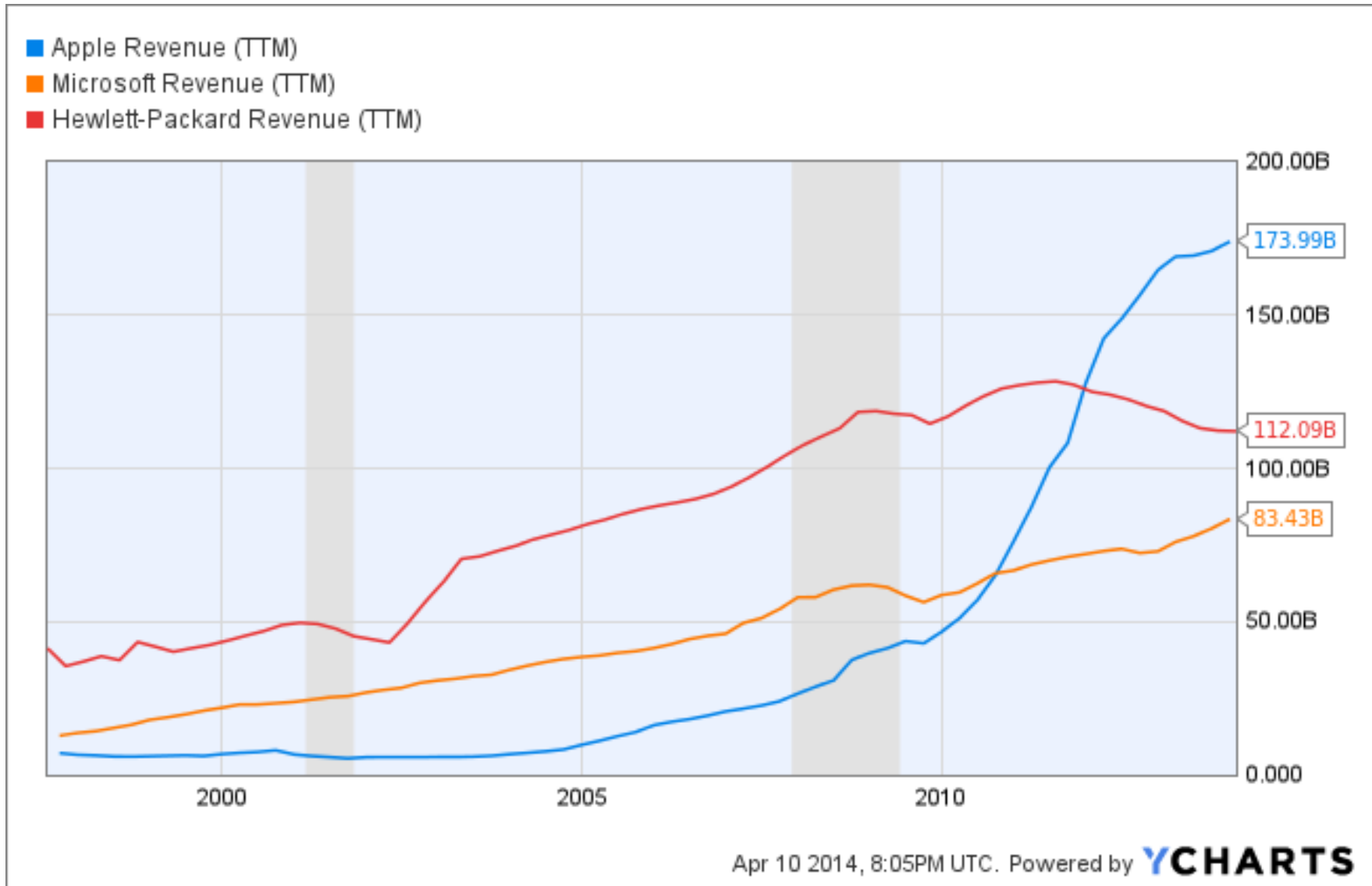
Source: Ycharts.com

AAPL Stock Price since 1997

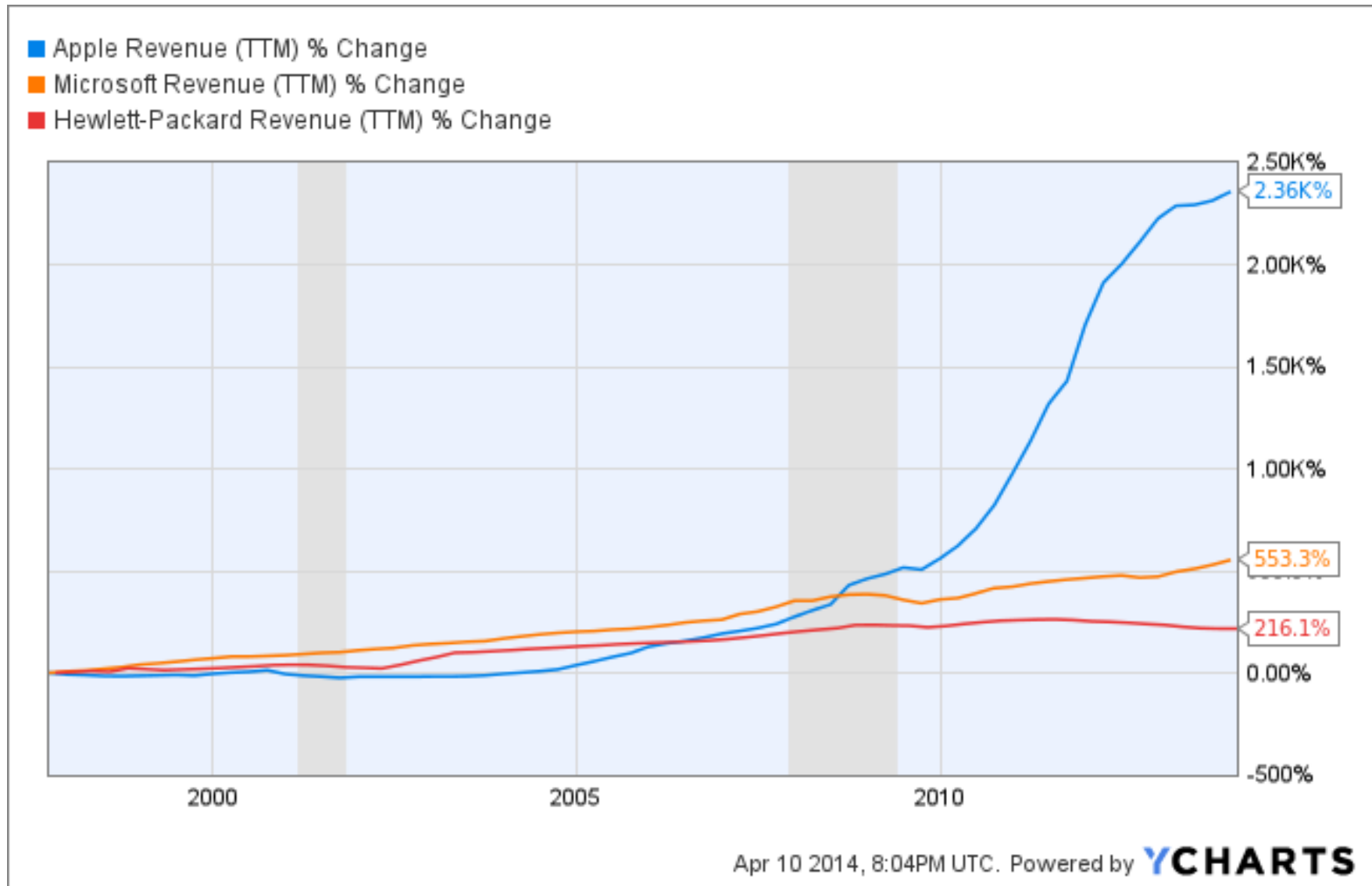


The Internet "Bubble"

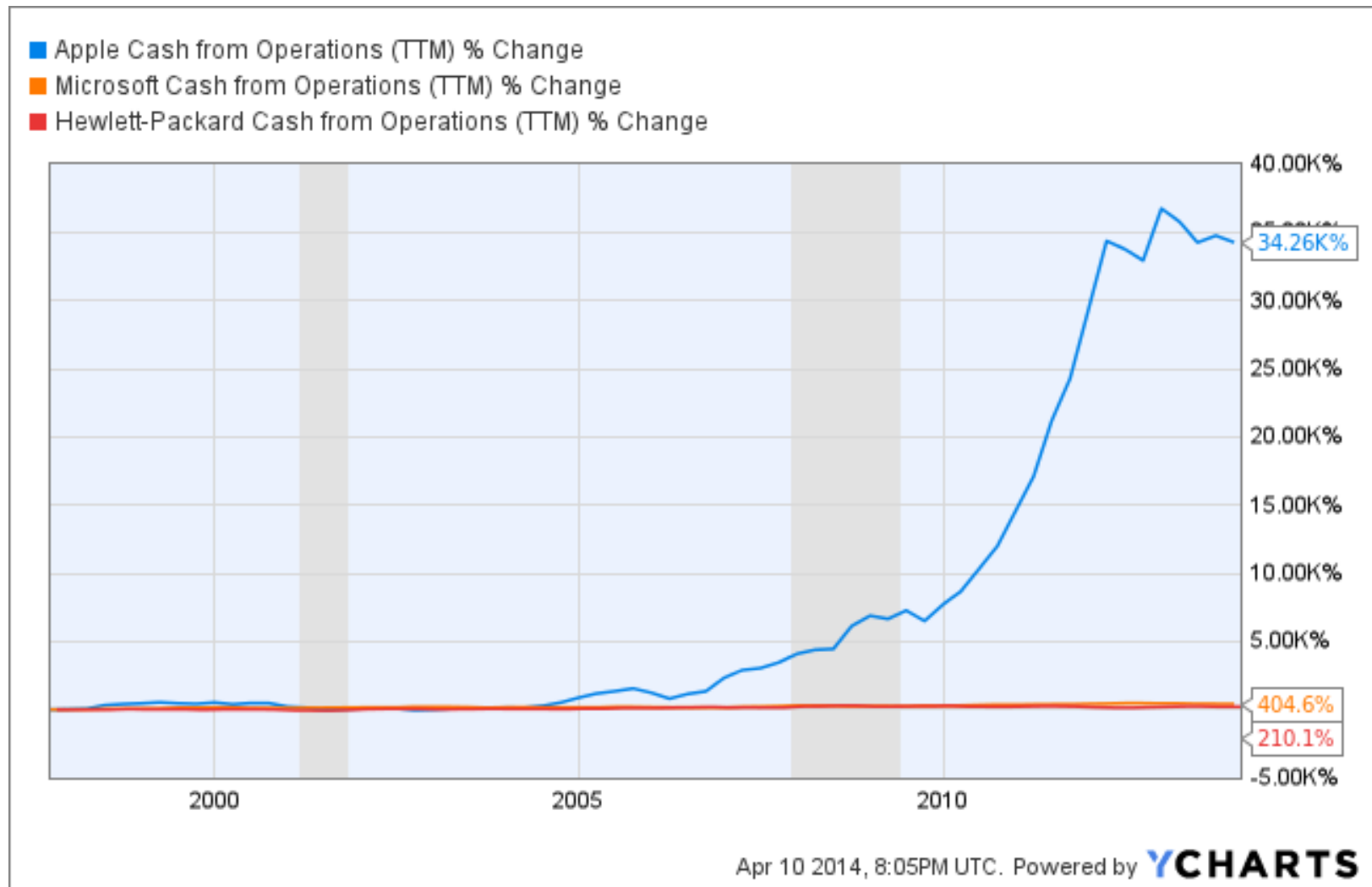
Comparative Revenues: 1997 - today

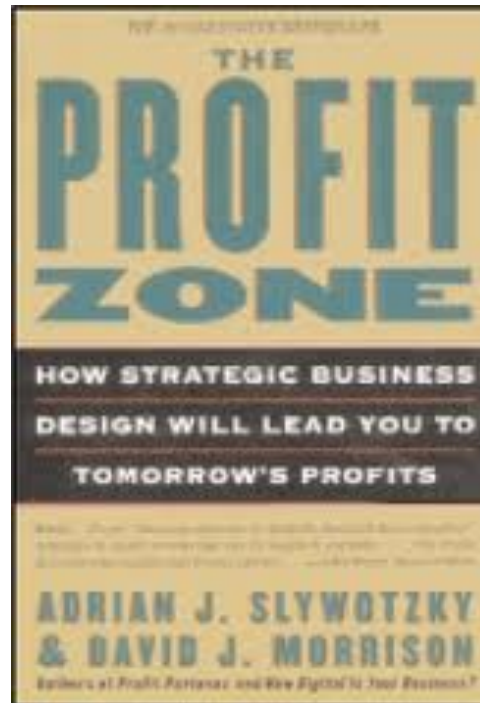


Comparative Revenues: 1997 - today



Cash from Operations





Strategic Control Point Index

Profit Protecting Power	Index	Strategic Control Point
High	10	Own the standard
	9	Manage the value chain
	8	String of superdominant positions
	7	Own the customer relationship
Medium	6	Brand; copyright; trademark
	5	Two year product development lead
Low	4	One year product development lead
	3	Commodity with 10-20% cost advantage
	2	Commodity with cost parity
	1	Commodity with cost disadvantage

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1997

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1997

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1997

Extending the Brand



Profit Protecting Power	Index	Strategic Control Point
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1997

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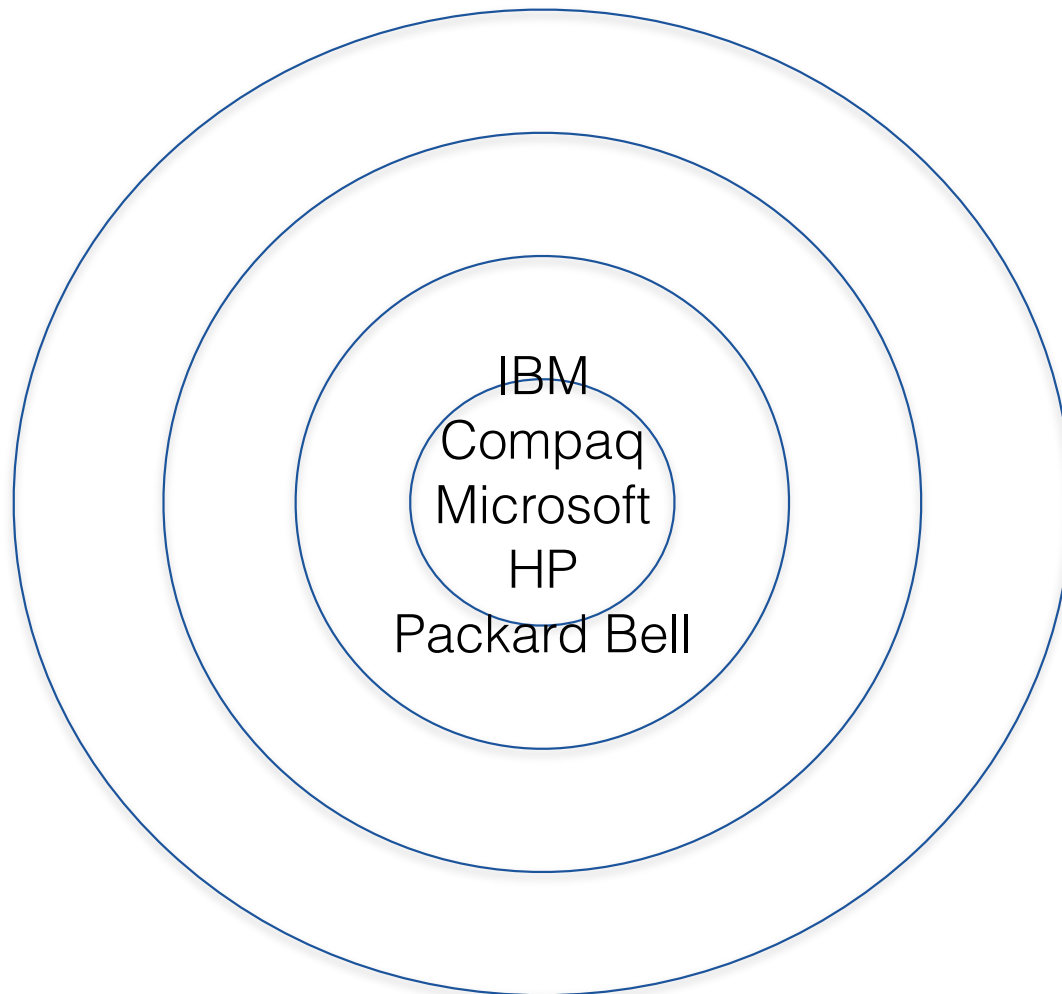
1997

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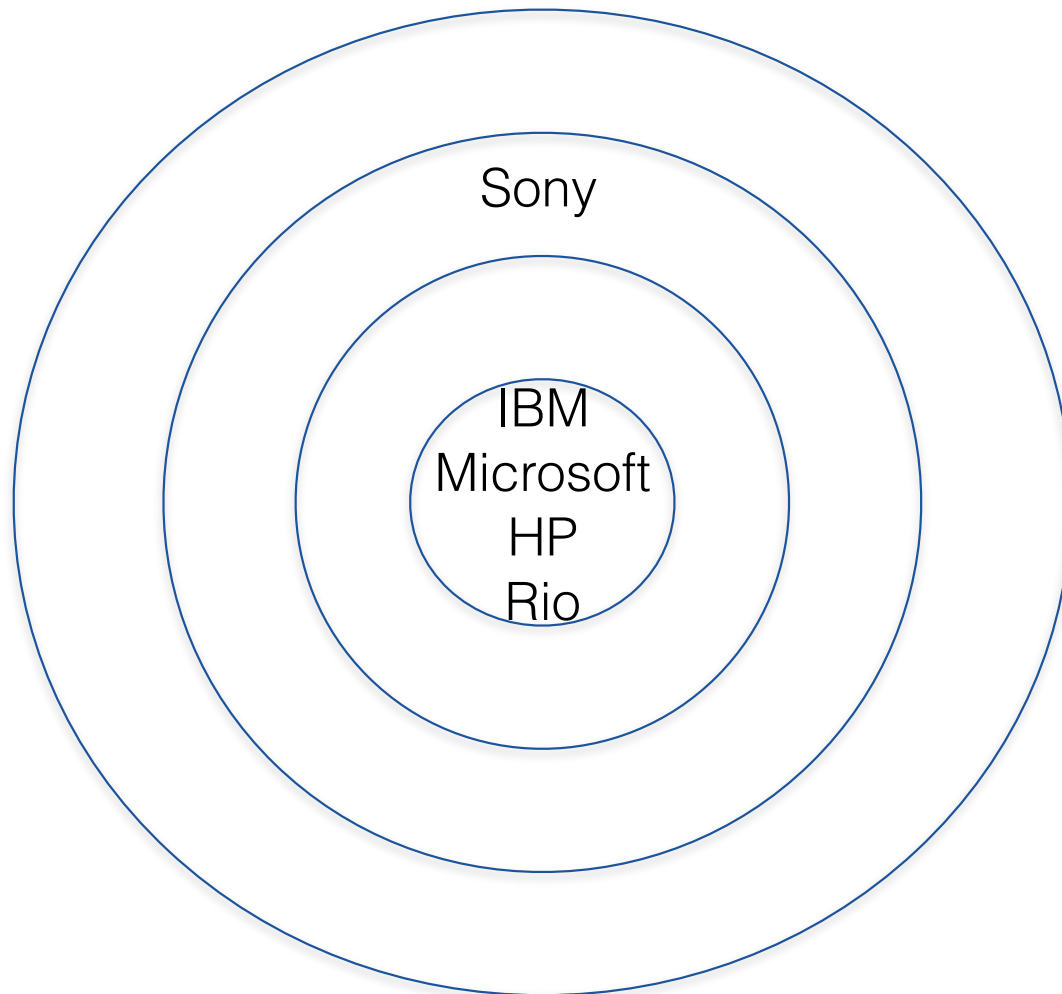


1997

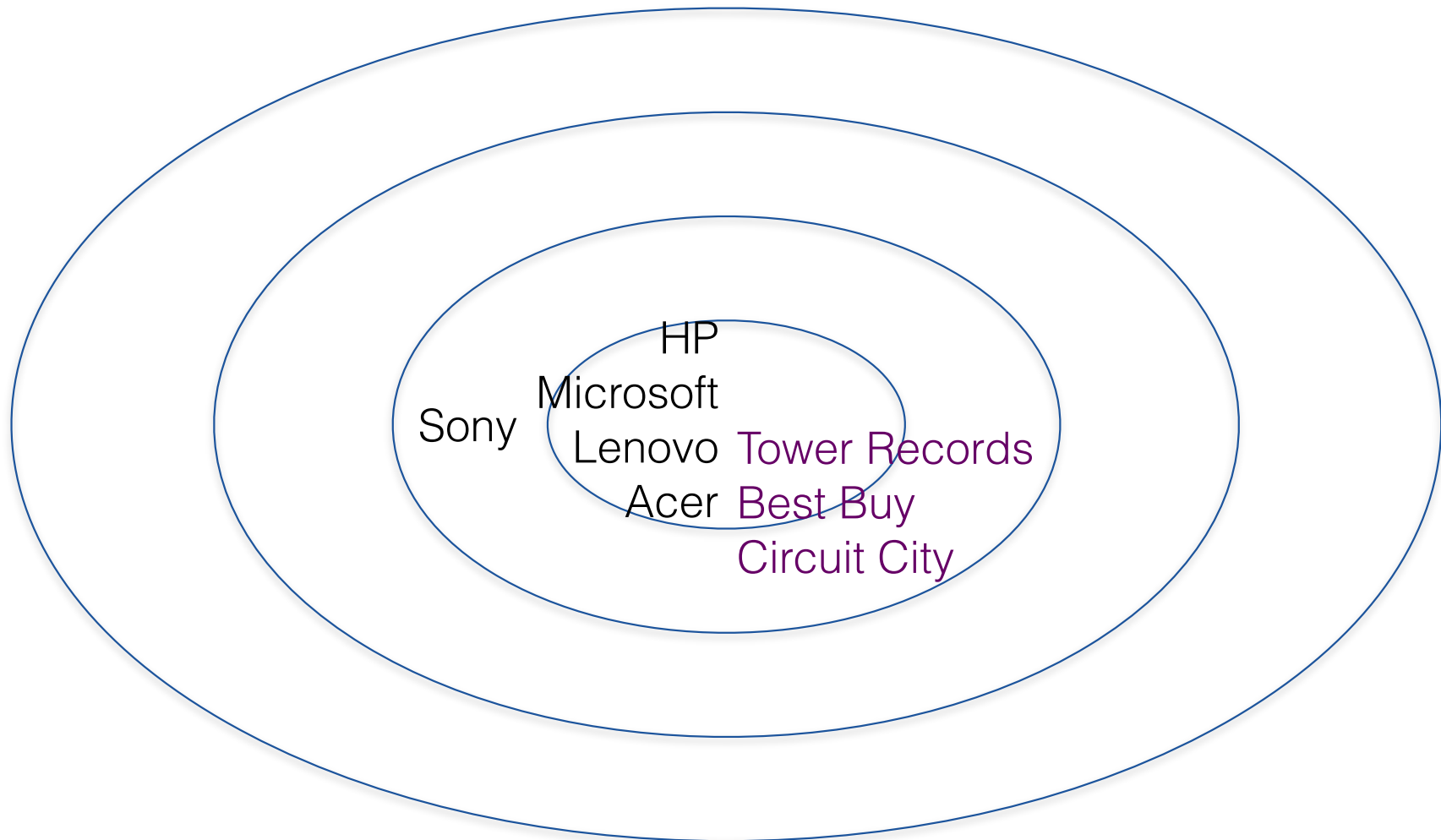
Competitive Radar: 1997



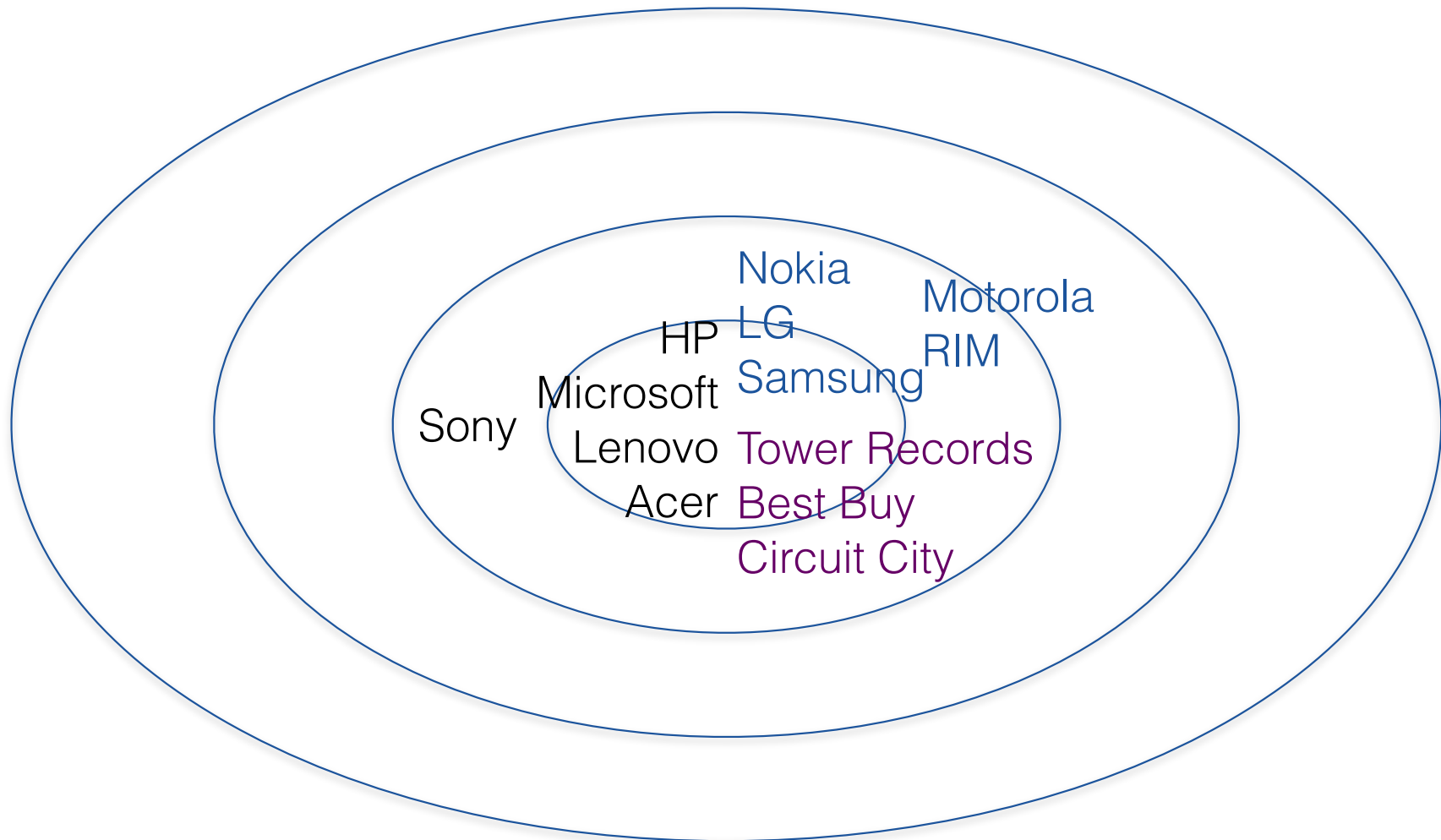
Competitive Radar: 2002



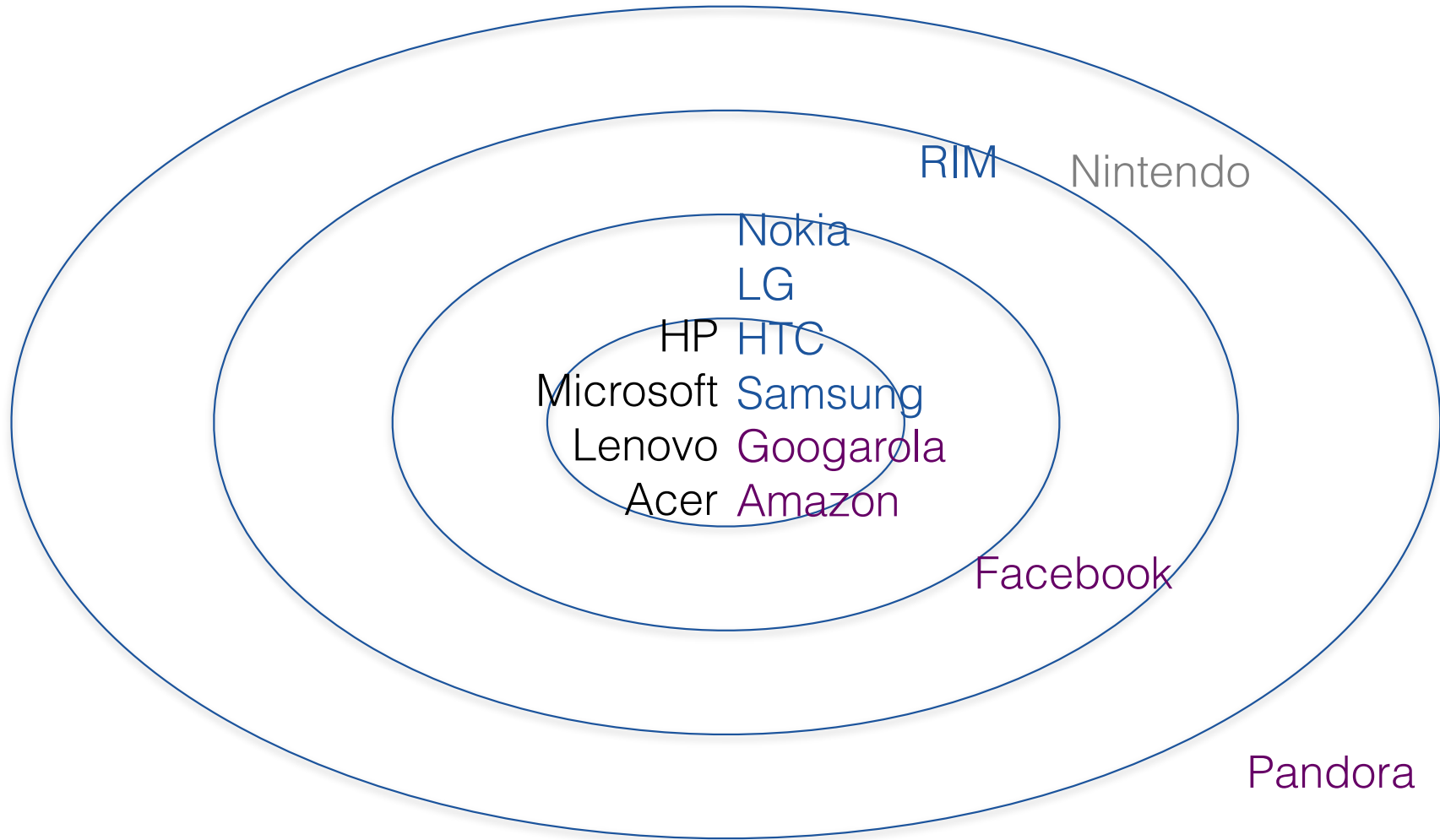
Competitive Radar: 2004



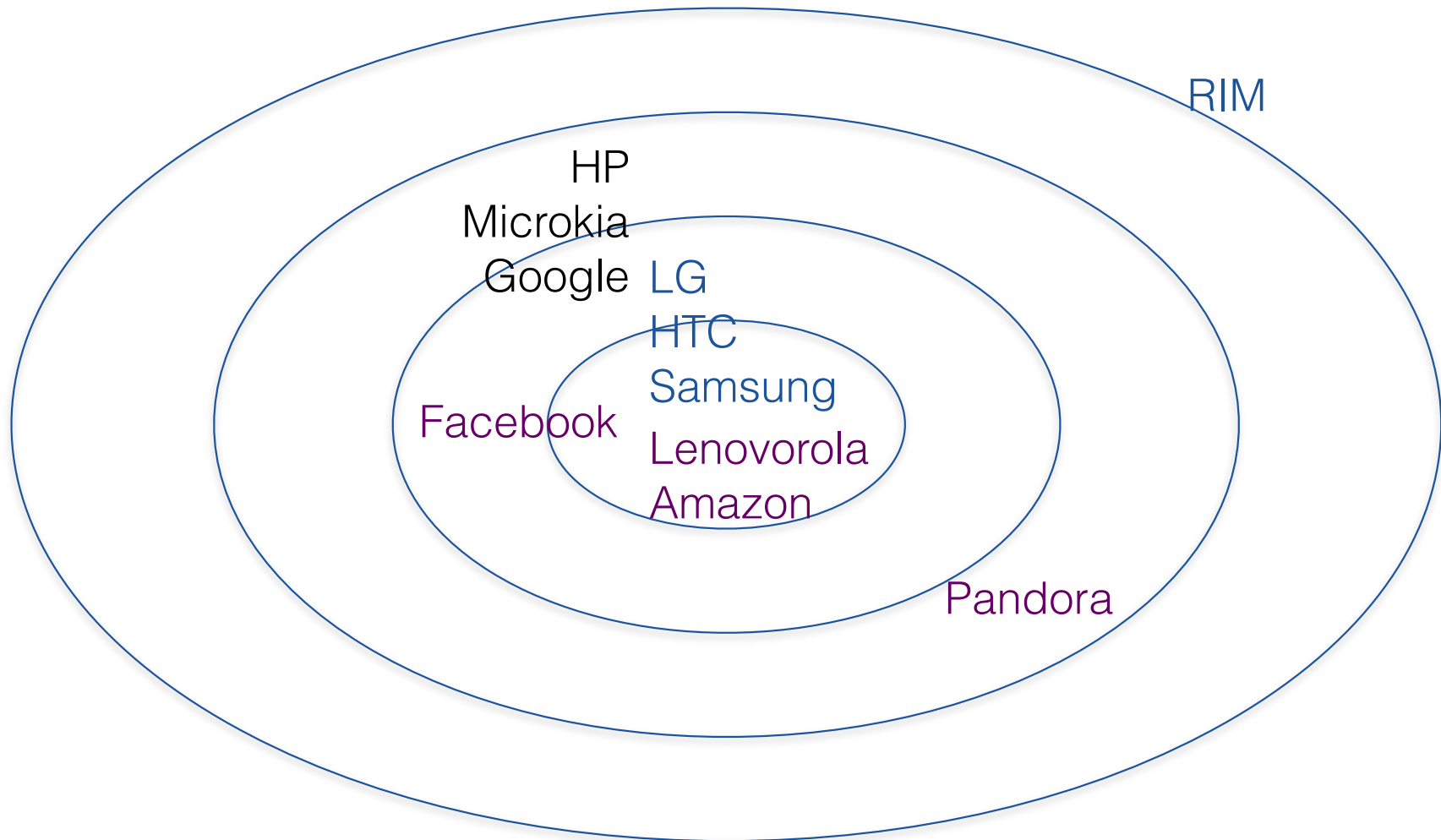
Competitive Radar: 2007

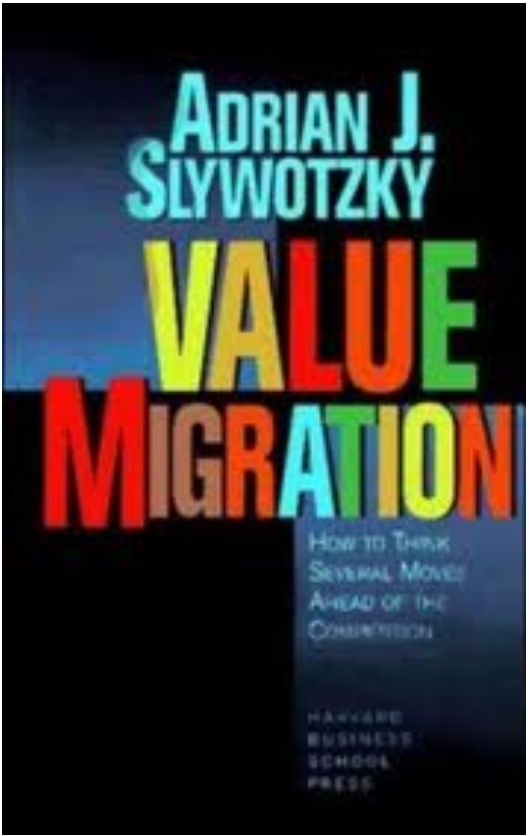


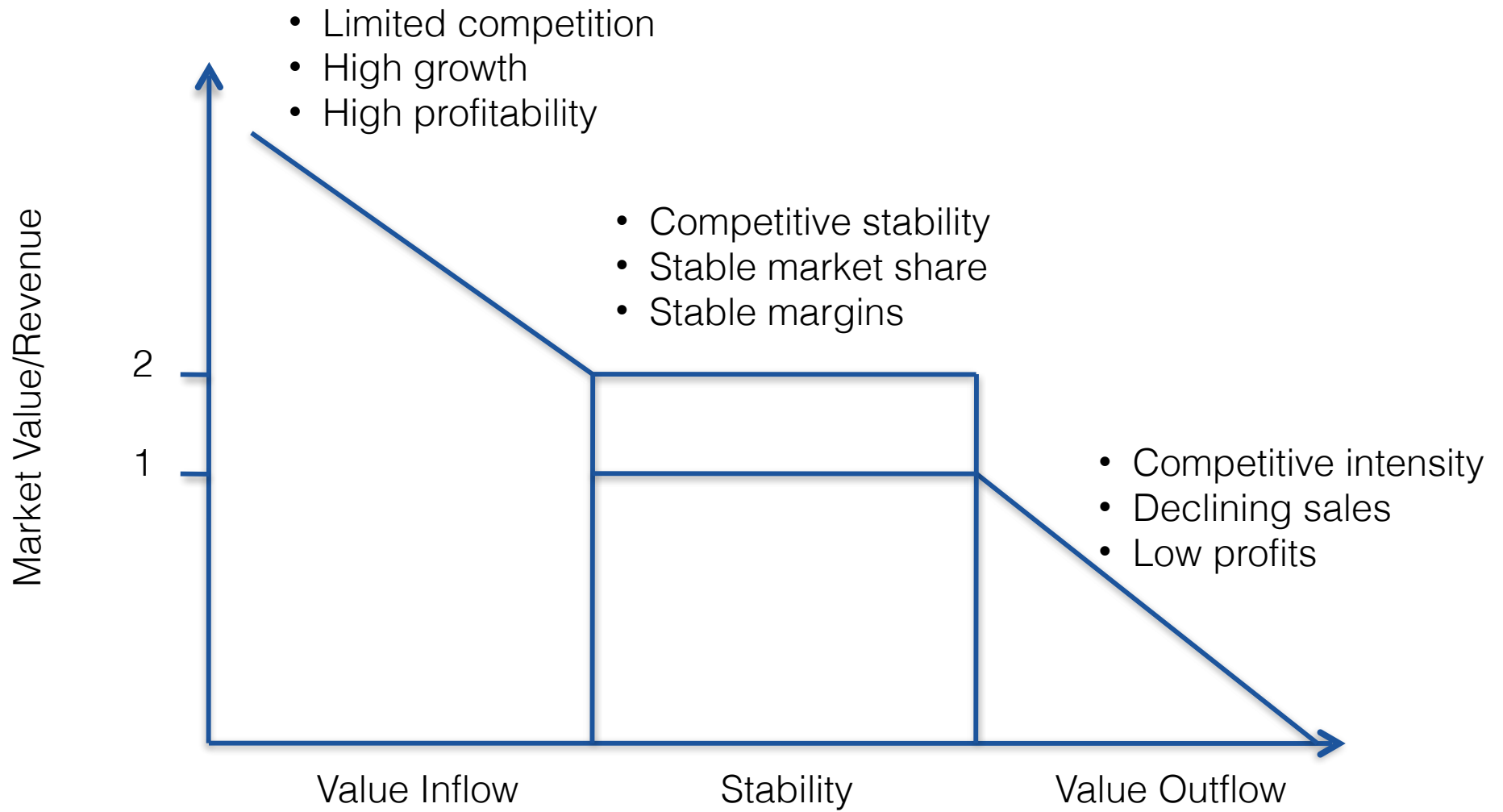
Competitive Radar: 2011

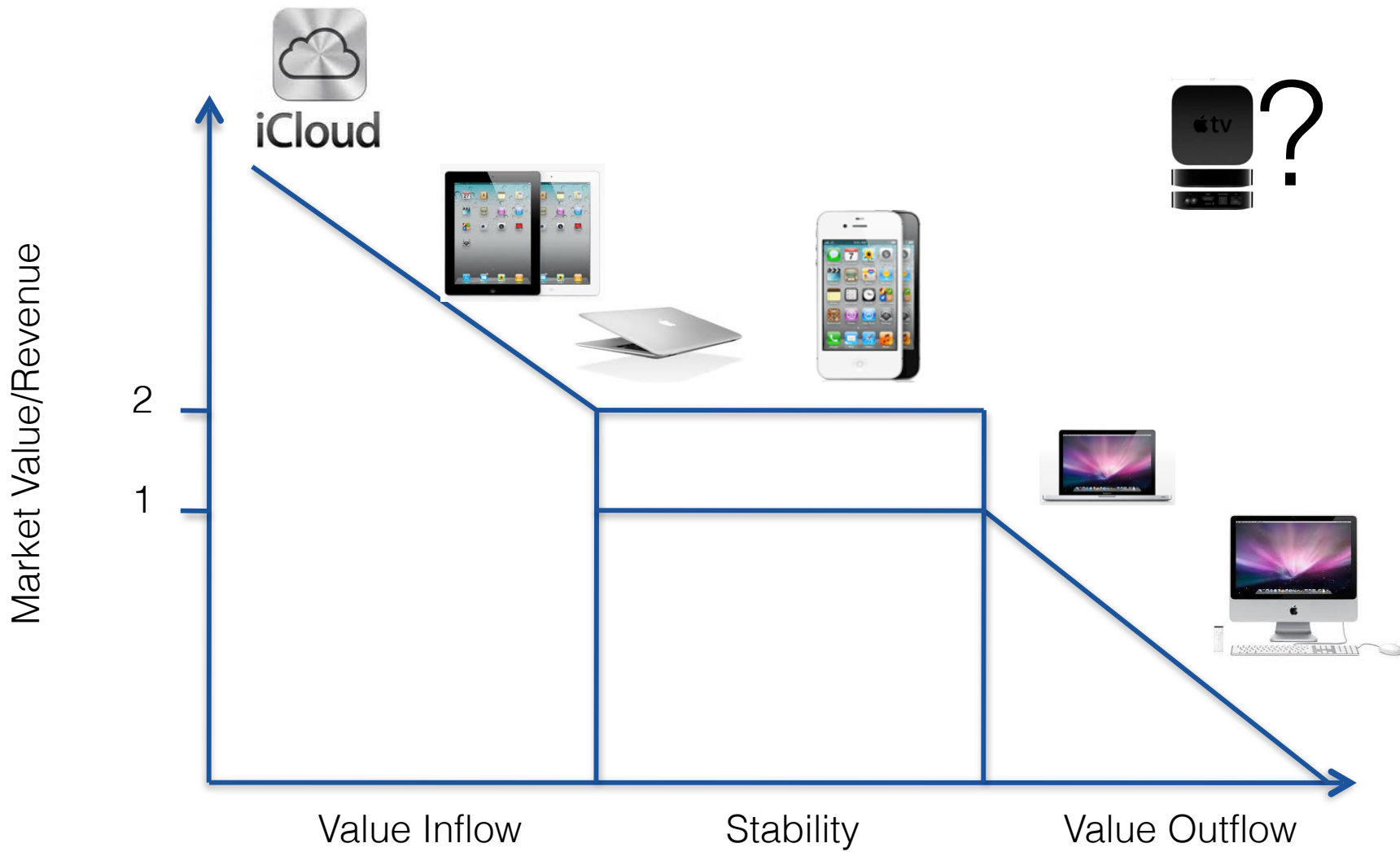


Competitive Radar: 2014

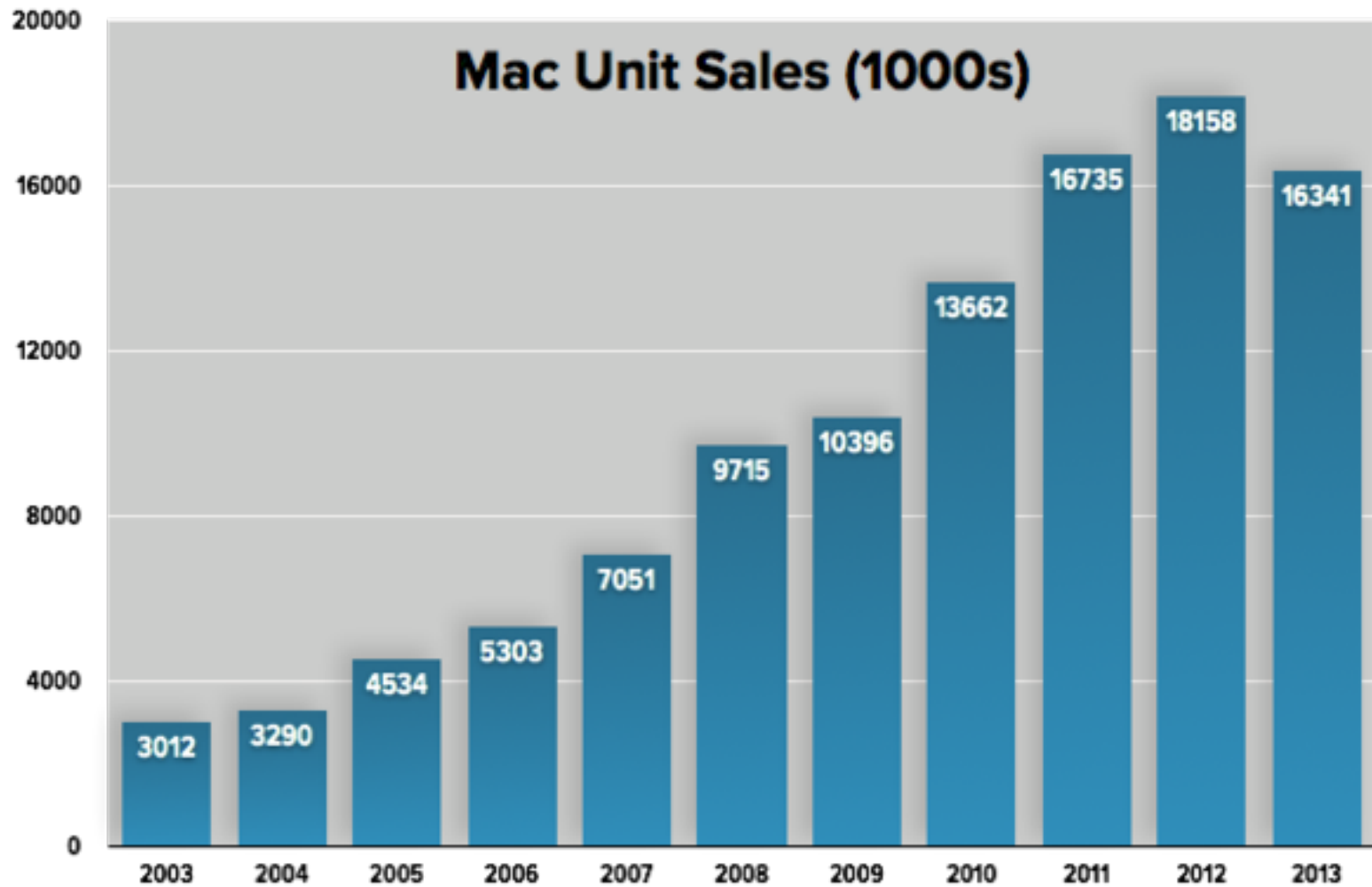






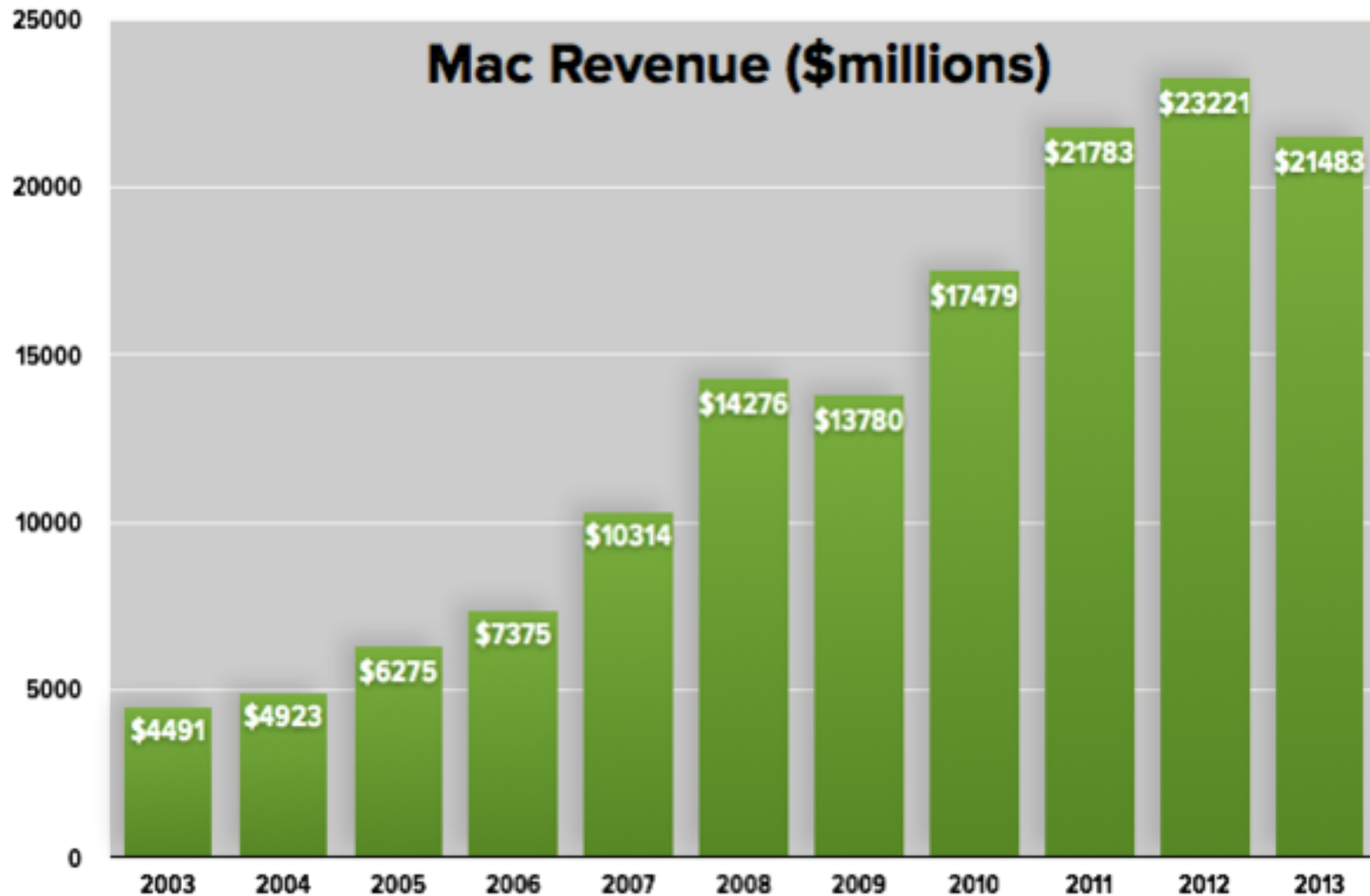


Mac not dead yet (units)



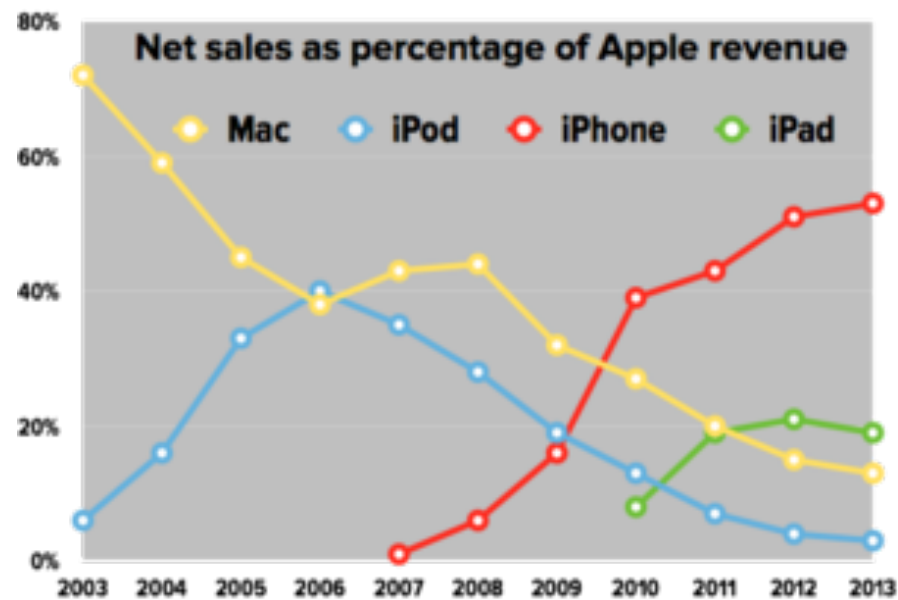
<http://www.macworld.com/article/2062821/apple-by-the-numbers-mac-not-dead-yet.html>

Mac not dead yet (sales)







<http://www.macworld.com/article/2062821/apple-by-the-numbers-mac-not-dead-yet.html>

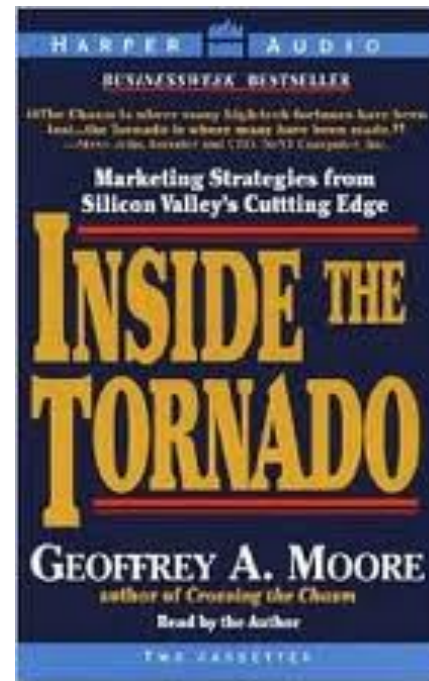
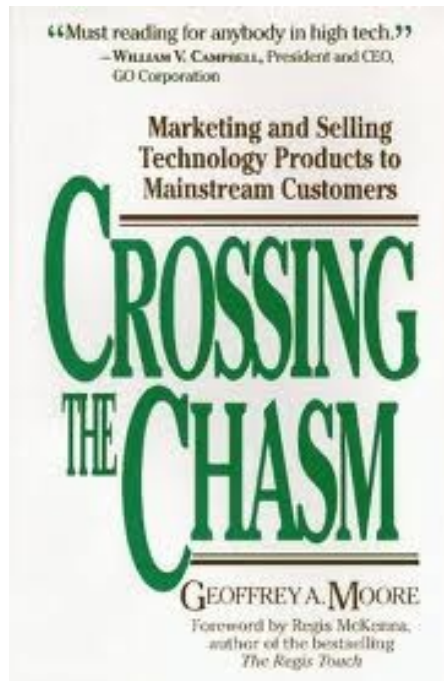
Reinvent, and reinvent again.



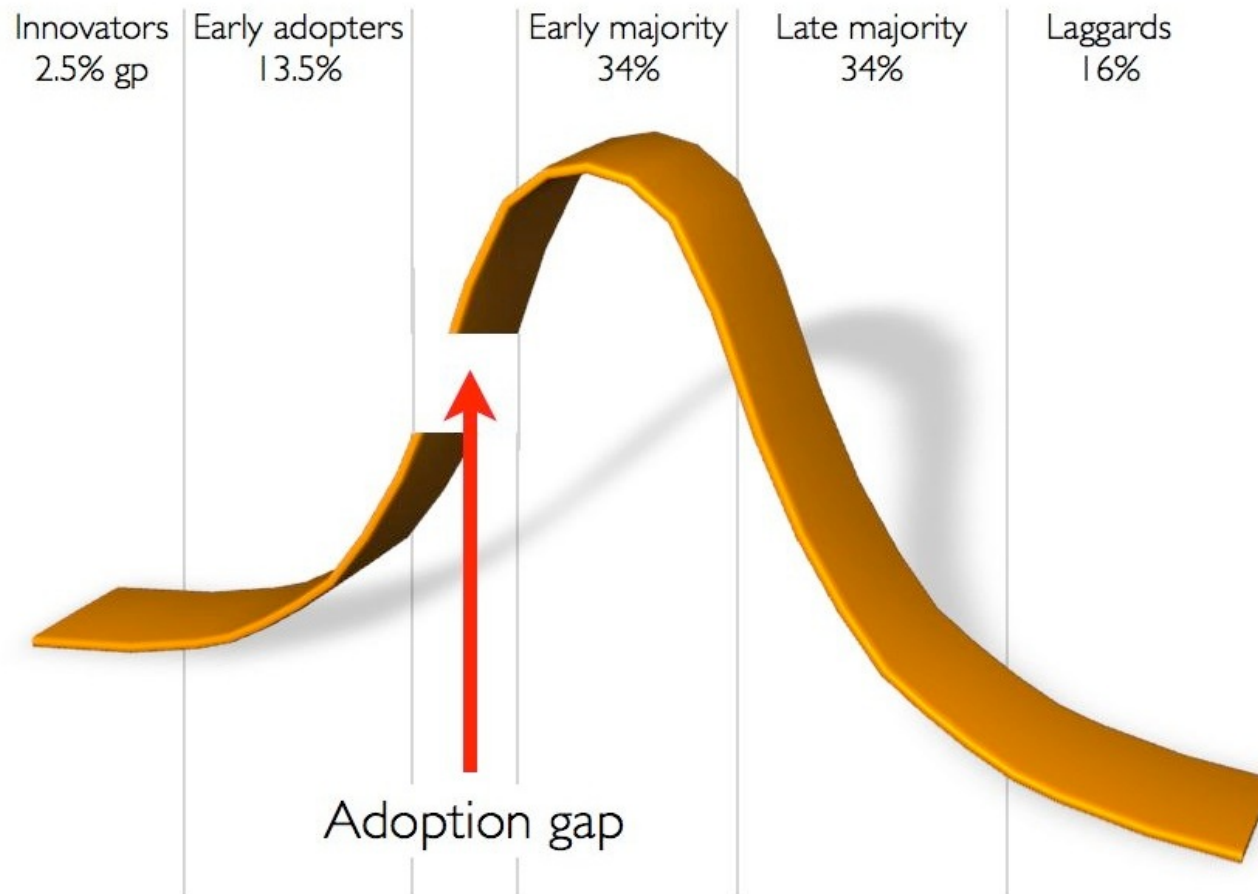
The BCG Matrix

Relative Market Share Position in the Industry

		High	Medium	Low
		1.0	.50	0.0
Industry Sales Growth Rate (Percent)	High +20	Stars (II) 	Question Marks (I) 	
	Medium 0	Cash Cows (III) 	Dogs (IV) 	
	Low -20			



Crossing the Chasm (Geoffrey Moore)



Graph from <http://www.kzero.co.uk/blog/?p=216>

“The Whole Product”

- The **minimum set** of products and services necessary to ensure that the target customer will **achieve his or her compelling reason to buy**.
- Many tech companies were unwilling or unable to admit that their offering was not a “whole product”
- “Something for everybody” vs. “**everything for somebody**”
- This leads to the way to “Cross the Chasm” – find a target market for which you can provide “everything”.

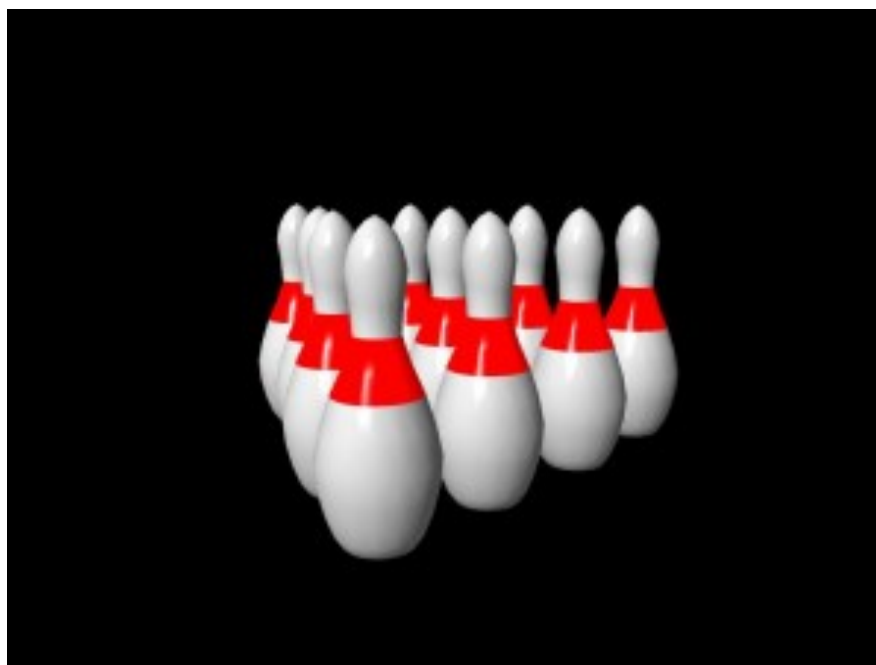
Whole Products?

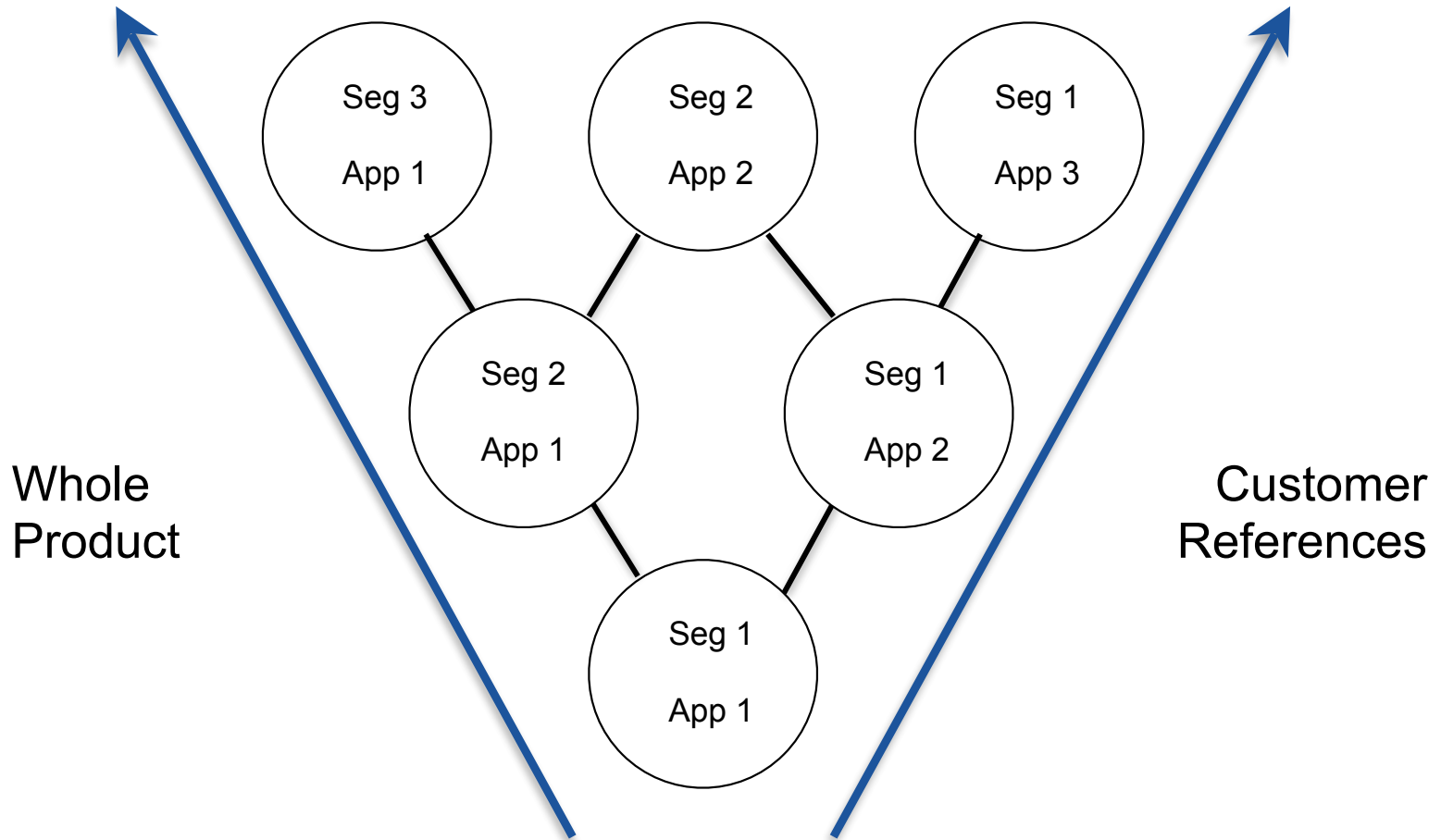


Post-Chasm Adoption



The Bowling Alley Success Model







iPod/iTunes
Mac only

What was the “whole product” for the original iPod/iTunes?



What was the niche?

Firewire
(1394)

iPod 2G
Mac+PC



iPod mini
Mac+PC

iPod/iTunes
Mac only



USB

iPod 3G
iTunes MS

iPod Photo
iTunes MS

iPod nano
iTunes MS

Firewire
(1394)

iPod 2G
Mac+PC

iPod mini
Mac+PC

iPod/iTunes
Mac only



iPod 4G

iPod mini 2G

iPod nano 2G

iPod Shuffle

USB

iPod 3G
iTunes MS

iPod Photo
iTunes MS

iPod nano
iTunes MS

Firewire
(1394)

iPod 2G
Mac+PC

iPod mini
Mac+PC

iPod/iTunes
Mac only



iPod Touch

iPod 5G

iPod nano 3G



iPod Shuffle 2G

iPhone
App Store

iPod 4G

iPod mini 2G

iPod nano 2G

iPod Shuffle

USB

iPod 3G
iTunes MS

iPod Photo
iTunes MS

iPod nano
iTunes MS

Firewire
(1394)

iPod 2G
Mac+PC

iPod mini
Mac+PC

iPod/iTunes
Mac only

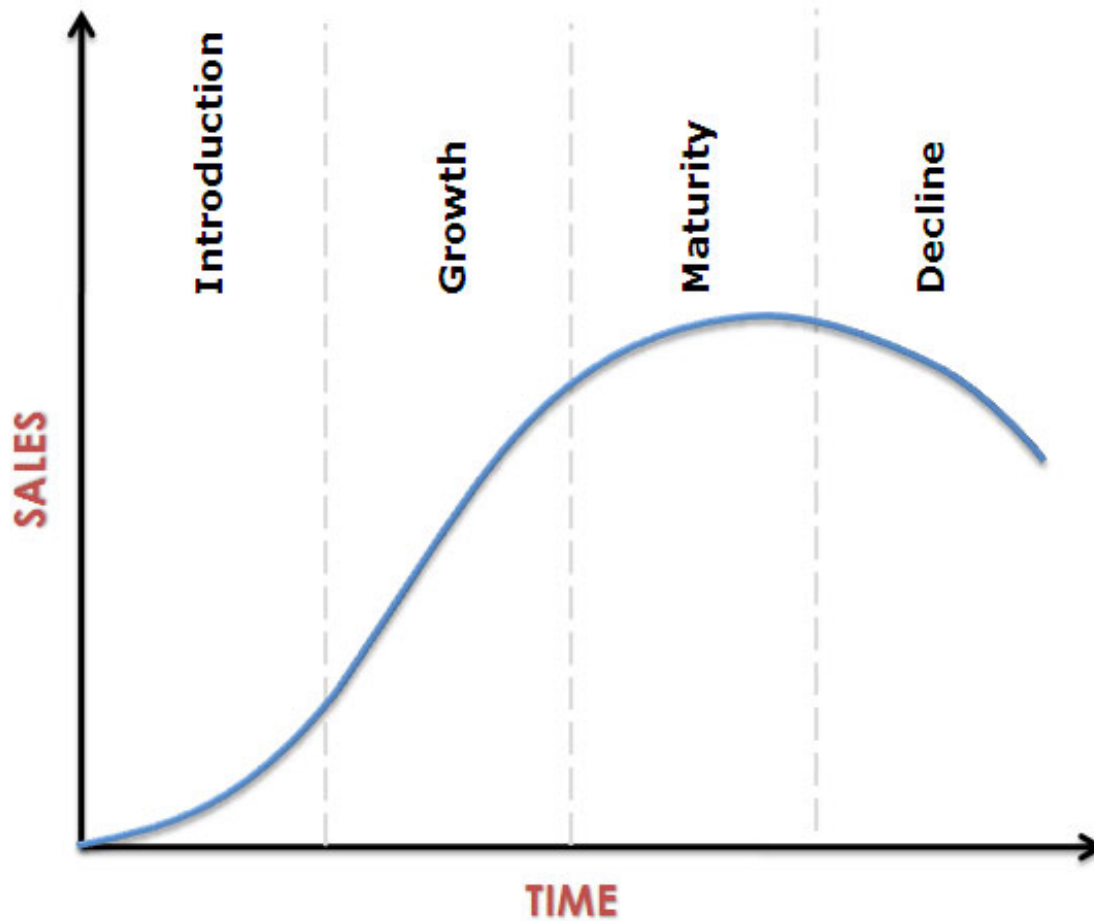
Bowling Alley Success

- Own a niche with a whole product –THEN...
 - Find other niches for the same whole product AND
 - Find other (incremental) whole products for the same niche
- You cannot be opportunistic – you can't do random niches
 - No leverage and huge costs

Find an attractive niche

- Be first in your niche, not 2nd in somebody else's niche
- Two criteria:
 - The segment has a compelling reason to buy (you solve a problem)
 - The segment isn't well served by anyone else

Maturing Markets



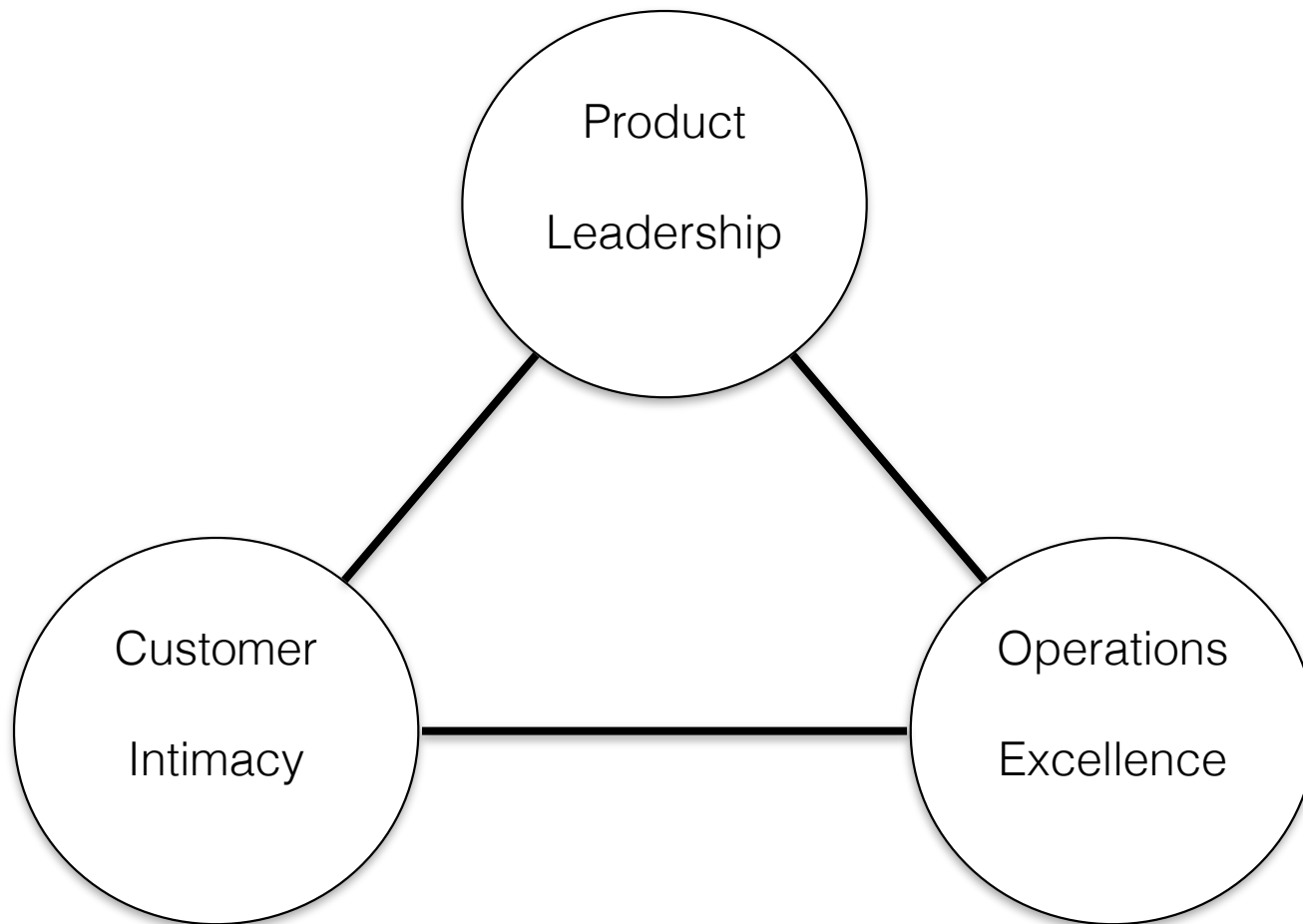
Mass Customization

- You are tailoring a commodity product with extra features or attributes that appeal to a unique niche – over and over again
- Not about technology breakthroughs
- It is about **perceptive design enhancements**
- You can make new tornadolettes – niches are small, so you can't spend a lot on R&D
 - Drives focus on incremental innovation

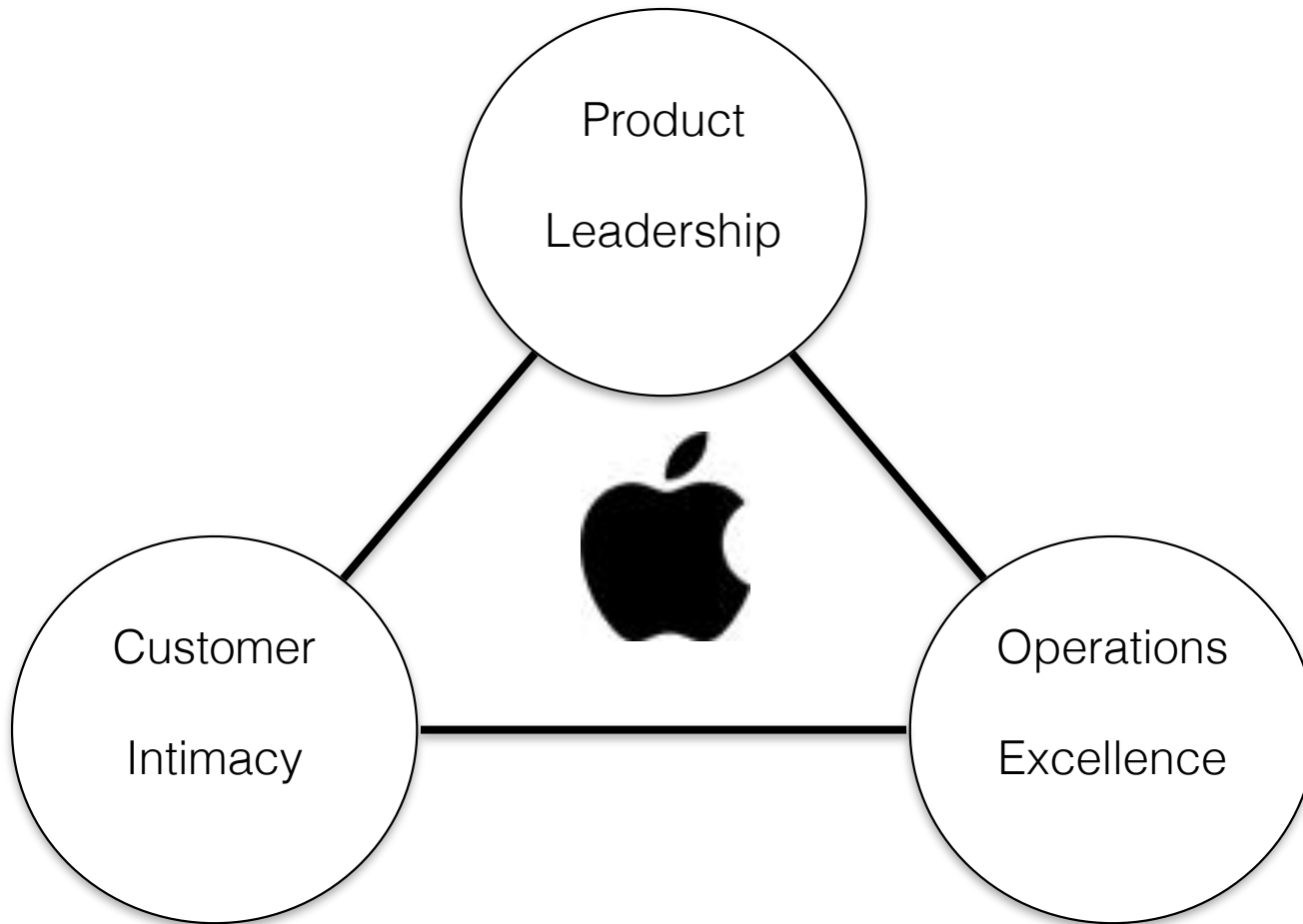
Marketing, Not Technology

- Too many companies fail to realize the end of the tornado
 - Cram more technology at the market
 - Market doesn't want it and won't pay for it
- Doesn't want more **ADVANCED** technology, it wants more **ACCOMODATING** technology
- There are no new customers on Main Street.
 - Develop niche-specific extensions to the base product/platform for existing customers
 - The “Whole Product + 1”

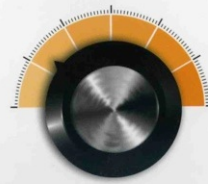
Inside the Tornado: Organizational Imperatives



Apple Picks All Three



TUNED IN



Uncover the Extraordinary
Opportunities That Lead to
Business Breakthroughs

Craig Stull, Phil Myers & David Meerman Scott

“Tuned In”: Resonator

A breakthrough product or service that buyers immediately understand has value to them, ***even if they've never heard of you or your product.***

Common Mistakes

- Three of the most common mistakes companies make that cause products or services to fail:
 - Guessing
 - Assuming
 - Telling
- Stop making these mistakes by unlearning Six Business Myths

Six Myths

1. Customers know best.
2. This is a commodity business.
3. Innovation is everything.
4. We're smarter.
5. Field of Dreams development.
6. Revenue cures all.

Apple's Answers

1. Customers know best.
2. This is a commodity business.
3. Innovation is everything.
4. We're smarter.
5. Field of Dreams development.
6. Revenue cures all.

1. Seriously?
2. Nope.
3. If it helps the customer.
4. OK, we are.
5. Get real.
6. Revenue follows.

The New York Times

The Opinion Pages

OP-ED CONTRIBUTOR

The Man Who Inspired Jobs

By CHRISTOPHER BONANOS

Published: October 7, 2011

The worldview he was describing perfectly echoed Land's: "Market research is what you do when your product isn't any good." And his sense of innovation: "**Every significant invention,**" Land once said, "**must be startling, unexpected, and must come into a world that is not prepared for it. If the world were prepared for it, it would not be much of an invention.**" Thirty years later, when a reporter asked Jobs how much market research Apple had done before introducing the iPad, he responded, "None. **It isn't the consumers' job to know what they want.**"

Definition

Innovation is the creation of new products, services or offerings that create value for customers and contribute to growth.

Innovation Questions



Create a “Resonator”

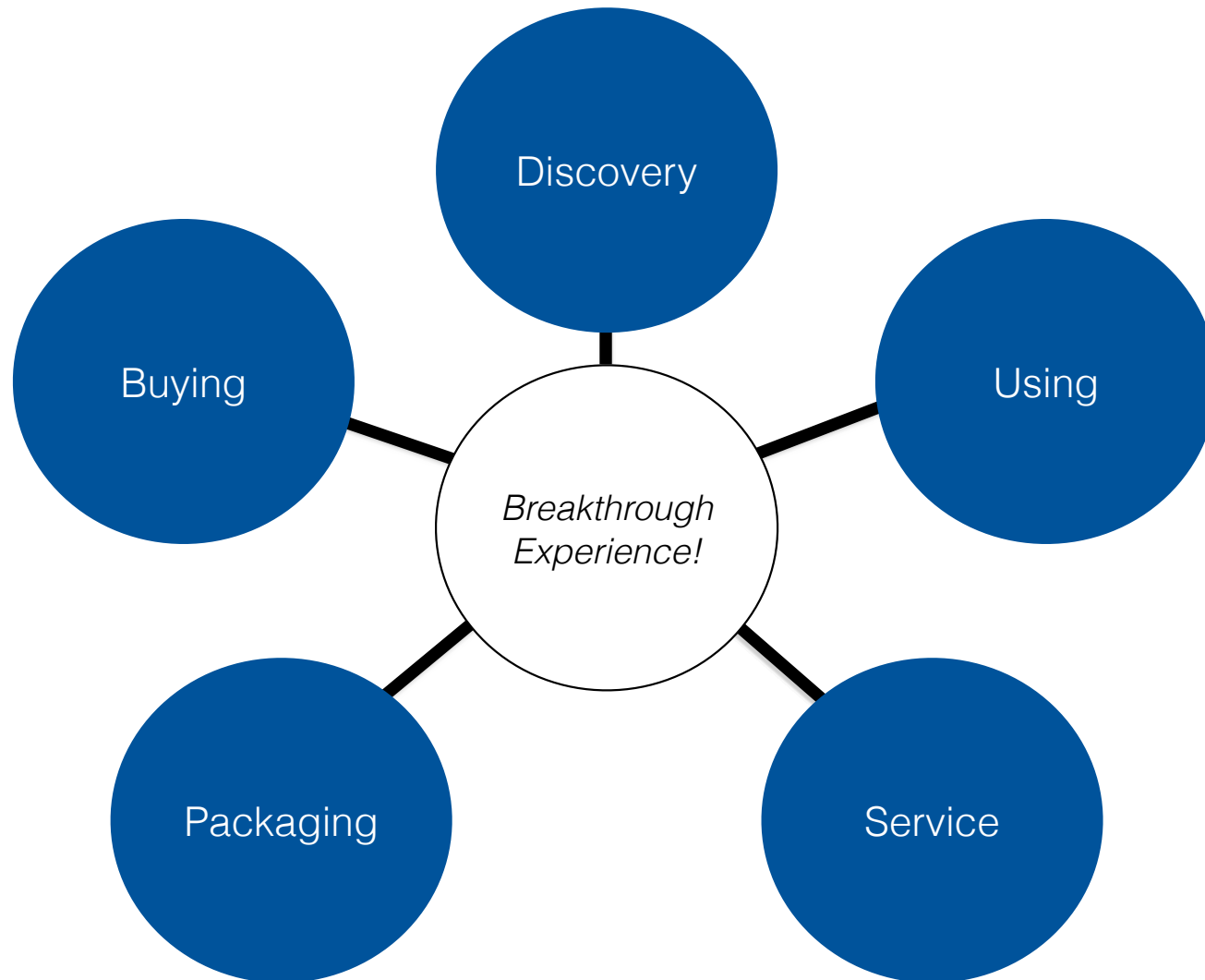




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Design an *experience*



Summary

- Vision and values
- Timing
- Targeting and “whole product”
- Near-flawless execution and systematic growth
- Attention to detail

Thank you!

Q&A

greg@gregoryhopper.com