

Apple's Pricing Strategy

Apple Inc. was established in 1977 in California and is now recognised as a global designer, manufacturer and marketer of mobile communication and media devices, personal computers, and portable digital music players. Since this time Apple has continued to grow and in 2017, Apple achieved the number one ranking in, The Largest Companies in the World, by market value (<https://www.statista.com/statistics/263264/top-companies-in-the-world-by-market-value/> accessed 14 December 2017). It was also recognised as the most profitable company in 2016 with a net income of 53.39 billion US dollars.

Apart from Apple devices, the company also sells a variety of related software, services, accessories, networking solutions, and third-party digital content and applications. "Apple's ability to design and develop its own operating systems, hardware, application software and services to provide its customer's products and solutions with innovative design is placed at the core of its business strategy". (Apple Inc Company Report 2017)

To achieve such a high ranking, Apple has had to develop some impressive pricing strategies to make the products relevant and affordable worldwide. Initially they needed to consider their position in such a competitive market and how to price their products accordingly. They are now positioned as a premium brand, demanding a high price but providing customers with an easy-to-use, high-quality, and attractively designed products. The company has chosen to target a less price-sensitive customer who are more concerned with owning the best product than the price they pay.

Apple uses a premium pricing strategy. A premium pricing strategy involves setting the price of a product higher than similar products. This strategy is sometimes also called skim pricing because it is an attempt to "skim the cream" off the top of the market. It is used to maximise profit in areas where customers are happy to pay more, where there are no substitutes for the product, where there are barriers to entering the market or when the seller cannot save on costs by producing at a high volume.

Premium pricing can also be used to improve brand identity in a particular market. This is called price-quality signalling, because the high price signals to consumers that the product is high in quality. Some companies use this strategy to give their product an aspirational image. For example, according to BetaNews, Apple now has 91 percent of the market in computers costing \$1,000 or more. The company has used premium pricing to capture the market for high-end, high-quality computers. (What is Premium Pricing Strategy <http://smallbusiness.chron.com/premium-pricing-strategy-1107.html> accessed 14 December 2017)

In this strategy, the emphasis is on how prices represent the company and its products, while meeting consumer expectations. In Apple's case, the premium pricing strategy involves relatively high prices. This pricing strategy helps maintain the high-end image of the company and its products. Jobs' vision for Apple was always to create a premium product and charge a premium price. Apple's cheapest products are usually priced in the mid-range, but they ensure a high-quality user experience with their features. The hardware and user interface are designed to provide value for the price, which keeps profits high. (Apple's Premium Pricing Strategy and Product Differentiation <https://finance.yahoo.com/news/apple-premium-pricing-strategy-product-191247308.html> accessed 14 December 2017)

Apple products tend to attract a smaller market share than competitors composed of people from the middle and upper classes. Nonetheless, the company maintains profitability because premium

prices generally result in higher profit margins. Therefore, Apple's marketing mix is aligned to a premium product development strategy.

Because of the innovation and technology in their products customers are happy with paying a higher price compared to some other brands. Apple typically doesn't have sales on their products and the price is usually standard and doesn't drop until a new model is released. This premium pricing strategy attracts middle to upper-class consumers and helps maintain Apple's high-end image.

References

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