

# *Analysis of iPhone's Marketing Strategy in China*

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**Abstract:** The iPhone's success in China is largely due to its marketing strategies, which include product strategy, price strategy, channel strategy, promotion strategy and service strategy. Although iPhone was a huge success in the early days of its entry into the Chinese market and its market share in China soared, the iPhone myth only lasted until 2015. Apple had made a series of marketing changes aimed at Chinese consumers in order to maintain its position in the Chinese market after its market share and revenue plummeted in 2016. Over the past two years, iPhone's position in the Chinese market had gradually recovered. Through the analysis of iPhone marketing strategy in China, this paper summarizes several successful experiences of iPhone, in order to provide certain reference for domestic mobile phone market competition and international marketing.

## **1. Introduction**

In 2011, China's smartphone market exploded. However, after three years of rapid growth, the Chinese smartphone market was gradually weakening. In 2014, with the popularization of 4G technology and the reduction of terminal subsidies by major operators, China's mobile phone market was dominated by Samsung, Apple and Lenovo, and most of the market shares were occupied by foreign brands. Since 2017, the rapid rise of Chinese brand mobile phones had led to increasingly fierce competition in the Chinese mobile phone market. Domestic mobile phone brands represented by Xiaomi, Huawei, OPPO and vivo had seized the Chinese mobile phone market, while foreign brands such as BlackBerry and Samsung had gradually withdrawn from the Chinese market. As the international mobile phone industry giant, Apple Inc. still maintained a high market share and profit level in the fierce competition environment. It can be seen from Table 1, with 16 percent market share in the third quarter of 2022, the iPhone was the only foreign brand in the top five, according to Canalys. With 36% year-over-year growth, iPhone shipments were the only one of the top five brands to post positive growth.

The success of iPhone was due to its good marketing strategies, coupled with a number of unique marketing methods, such as hunger marketing, innovative marketing, word of mouth marketing, etc.[1] By doing so, iPhone caught the attention of Chinese consumers, climbed the ladder in the Chinese market, and eventually won a lot of market share. On the other hand, in addition to the unique marketing strategies of Huawei and Xiaomi, the marketing strategies of domestic mobile phone manufacturers such as Lenovo, HTC and TCL all fell into the pattern, which led to the loss of consumers and eventually went into decline. The successful mode and method of Apple's strategy are

worthy of in-depth study by Chinese enterprises, which will provide a new way for the marketing and innovation development of China's mobile phone industry.

Table 1: People's Republic of China smartphone shipments and annual growth rate

Brands	2022		2021		Annual Growth Rate
	Third Quarter				
	Shipment(million)	Market Share	Shipment(million)	Market Share	
VIVO	14.1	20%	18.3	23%	-23%
OPPO	12.1	17%	16.5	21%	-27%
HONOR	12.0	17%	14.2	18%	-16%
Apple	11.3	16%	8.3	11%	36%
MI	9.0	13%	10.9	14%	-17%
Others	11.5	16%	10.7	14%	7%
Total	70.0	100%	78.9	100%	-11%

Source: Canalis's Smartphone Analysis (Shipments), 2022 October

## 2. Literature Review & Hypotheses Development

Through the collation of a large number of relevant materials, this paper found that existing papers all used 4P marketing strategy analysis when analyzing iPhone's marketing strategy in China. However, in modern marketing, service strategy occupies an increasingly important position, so this paper added the relevant analysis of service strategy based on 4P analysis and strove to obtain more convincing conclusions by using the method of 7P marketing analysis.[2]

## 3. Methodology

### 3.1. 7P Marketing Analysis

The marketing theory of 7P was proposed by Booms and Bitner in 1981 to add three "service Ps" to the traditional marketing theory of 4P.[3] The three "service Ps" are: People, Process and Physical evidence.

### 3.2. Product Strategy for iPhone

#### 3.2.1. Streamlined, High-Quality Product Lines

Apple had maintained its lean product line since it opened the Chinese market in 2010 with an iPhone 4. When other domestic brands launched a variety of mobile phones to win the favor of consumers, iPhones are only launched every year for only 3 or 4 models. The biggest advantage of adopting this relatively streamlined product line was that resources could be concentrated for production, reducing the cost of R&D, marketing and other links. Although the number of models was much smaller than that of competitors, iPhone relied on its excellent product quality to occupy half of the domestic mobile phone market. In 2021, during Double 11, among the top ten mobile phone sales on the Jingdong platform, three kinds of iPhone occupied the top three positions. It can be seen that the streamlined product line had not caused a loss of sales, and high-quality products were a strong competitive advantage for iPhone to seize the market.

### **3.2.2. Continuous Product Innovation**

The design of iPhone had always led the entire industry, and every product launched would cause changes in the industry. In recent years, the launch of the iPhone X announced the arrival of the full-screen era, and various brands on the market competed to launch full-screen mobile phones after the success of Apple's mobile phone; The square border design of the iPhone 12 had also caused a big sensation in the market. In addition, for the Chinese market, iPhone had also launched models such as iPhone 11 that supports dual cards. In terms of software, iPhone is also constantly innovating. The original IOS system is highly regarded by consumers for its simple and smooth features, and every system update brings refreshing new features. [4]In addition, the number of patents applied for by iPhone every year and the investment in scientific research and development are at the leading level in the industry, ensuring the market competitiveness of products.

### **3.3. Price Strategy for Iphone**

#### **3.3.1. Skimming Pricing**

The skimming pricing strategy of iPhone was adopted in the pricing strategy, which to some extent built the high-end image of iPhone and brought high profits for Apple.[5] Since its entry into the Chinese market, the price of Apple's new phones had been generally more than 5,000 yuan, and the price of the iPhone 14 ProMax 1TB version was as high as 13,499 yuan, and one in the market could hardly find a new phone below 3,000 yuan. In contrast, the proportions of Huawei and Xiaomi phones that below 1000 yuan were higher, indicating that although Huawei and Xiaomi had considerable market share, their prices were at a very low level, which directly led to a low level of operating income. The price of iPhone was much higher than the average price in China's overall mobile phone market, which mainly ranged from 1,000 yuan to 3,000 yuan. This strategy was a typical skimming pricing strategy.

#### **3.3.2. Trade-Ins**

Started in 2017, iPhone had been offering trade-ins for new phones. Customers in Apple Stores could buy the new model with a certain amount of credit for the old model after reasonably valuing the old model. This strategy could stimulate Apple's old customers to replace new phones, driving sales growth, and attract customers of other mobile phone brands to buy iPhones, seizing market share of mobile phones in China.[6] At present, the deduction is not limited to mobile phones, Apple Watch and iPad can participate in the deduction, which greatly promotes the growth of sales.

#### **3.3.3. Price Adjustment**

The iPhone adopted a price adjustment strategy to further increase sales of the phone, reduce inventory and provide more market space for the new model. The price adjustment strategy meant Apple would continue to sell older models released in the past, but at a reduced price.[7] This strategy of lowering the price of older models after the launch of new models had been effective in boosting iPhone sales. This strategy had not only benefited the vast majority of iPhone customers, but also benefited Apple by spurring consumers to buy older models.

### **3.4. Channel Strategy of iPhone**

#### **3.4.1. Directly Operated Experience Stores**

While most brands in the Chinese market were using resellers as their main sales channel, Apple had boldly opened brick-and-mortar stores offline. The purpose of these stores was not to directly increase the sales of iPhone, but to introduce and display detailed product details to potential consumers and indirectly promote sales, so they were called experience stores rather than sales stores. This sales model allowed consumers to learn more about products in a relaxed environment.[8]

#### **3.4.2. Three Major Operators**

With the introduction of the iPhone to the Chinese market in 2009 by Unicom, Apple had broadened its carrier channels, striking partnerships with China Mobile and Telecom, the other two carrier giants in its home market. This carrier-customised model had won Apple's 40 percents of its handset sales. Carriers had a huge amount of user data, which could help iPhone accurately allocate mobile phone supply and help iPhone discover potential users. In addition, carriers had a huge financial advantage, which guaranteed iPhone's sales and helped it expand their market share.

#### **3.4.3. Sales and Distribution**

Apple's domestic sales and distribution channels not only covered first-tier and second-tier cities, but also covered third-tier cities and below. Therefore, Apple had broadened its market scope through this channel, discovered small and scattered potential user groups, and further increased mobile phone sales.

### **3.5. Promotional Strategies for iPhone**

#### **3.5.1. "Chinese-Style" Advertising**

The iPhone had homogenized its advertising in the global market, and the advertising language was English. For this important market, China, Apple implemented a localized advertising strategy. Apple had produced and placed a series of advertisements with Chinese elements according to the demand of consumers from China. These ads had greatly boosted Apple's growth in China. At the end of 2015, Apple created a video AD tailored for the Chinese market using many Chinese elements, such as Chinese Facebook and daffodils. In 2018, Apple tapped Chinese director Kexin Chan to produce Three Minutes, an Apple commercial. Apple reached out to Chinese consumers with these ads specifically designed for the Chinese market.[9] These advertisements were in line with the consumption characteristics and psychology of Chinese consumers, which could improve the spread of iPhone in the Chinese market and ultimately increased the sales of iPhone.

#### **3.5.2. Hunger Marketing**

The iPhone's shipments were usually purposeful and measured. In Apple's 2017 iPhone X order, for example, Apple asked component suppliers to produce only about 40 percent of the first batch. Apple's control of shipments had resulted in demand outstripping supply in the Chinese market, and the severe supply and demand imbalance had made it difficult to get one. In addition, Apple's hunger marketing strategy was also reflected in the phone before the release of information control. Before every iPhone's launch, media platforms were filled with gossip about it, but Apple ignored it. That mystique made Apple more visible. Apple's hunger marketing strategy had worked well with Chinese consumers.

## **3.6. Service Strategy for Iphone**

### **3.6.1. People**

It was an important way for Apple to achieve success in China to make use of local service talents to create more profits. Apple had revamped its executive and marketing staff to better serve Chinese consumers. On the executive side, for the first time, Apple appointed managers familiar with local markets to run them; In terms of marketing and R&D personnel, Apple had set up local R&D centers to train talent. Apple's success in the Chinese market was tied to its localized services.

### **3.6.2. Process**

Online, Apple provided telephone after-sales service, WeChat service, "genius bar" and other services to provide more convenient services for Chinese customers. Offline, Apple had set up its own direct service stores, and customers could go to these stores to test and repair their mobile phones. In addition, Apple had also authorized dealers and increased offline service channels, so that consumers could solve their product problems face-to-face and enjoy offline services. In addition, Apple had also made local service measures for payment services, supporting the use of WeChat and Alipay for payment.

### **3.6.3. Physical Evidence**

The design style of Apple Direct Experience store was simple and atmospheric. Different from the previous Chinese mobile phone companies' store setup and internal structure, Apple Direct Experience Store had its own unique interior design: simple and stylish store displays and glass staircases. The completely open design of the cabinet made customers free to touch and try the product, giving consumers a perfect sense of experience. In addition, the store also set up a special product experience area, where mobile phone products were orderly placed for consumers to experience, creating an open shopping environment. And the lighting was soft. Consumers in the stores actively wanted information about Apple products rather than passively accepted promotions.[10] In the process of customer experience, Apple staff would not bother to promote randomly, but would explain the product according to the requirements of customers.

## **4. Conclusion**

Apple's successful foothold in the Chinese market stemmed from the right marketing strategies it had adopted in different areas. All in all, through a streamlined, high-quality, innovative product line, iPhone ensured the competitiveness of the product itself; Through the pricing strategy of skimming pricing, trade-ins and price adjustment, it could build the high-end image of the brand while increasing sales; Through diversified sales channels, it could cover wider markets and reduce operating costs; Through hunger marketing and tailored advertising, it could stimulate consumer's demand; Through personnel localization and unique physical evidence and after-sales service, consumers could enjoy better service, so as to achieve the purpose of increasing sales.

China's mobile phone brands should take inspiration from the successful experience of iPhone. They should put the experience of consumers in the first place, take improving product quality as the fundamental means, and use pricing strategies and promotion strategies in line with market characteristics as auxiliary means to carry out domestic and international marketing, and finally spread Chinese brands to different parts of the world.

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