

IB Business Management – Marketing

4.1 The Role of Marketing: Assessment



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Read the case study below and answer the questions that follow.

APPLE IN DIFFICULTY?



Apple was once the world's largest smart mobile phone producer, with approximately 22% market share at its best, but in late 2011 Apple lost its market leader status to the Korean mobile phone giant Samsung. Other phone manufactures using the Android operating system

such as HTC, Huawei and LG have also been able to increase their market shares.

The company's unit sales have been growing as they have been buoyed by rising demand around the world for internet connected mobile phones, especially in India and China. Tis market is becoming more and more competitive and the dominant firms have all been losing market share. Apple's market share is now less than half of that of Samsung's, and there is no doubt that without something different from the company, Apple's market share will continue to decrease and its share price along with it. As recently as 2014 Apple's market capitalisation valued it as the world's most valuable company.

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Total smart phone sales worldwide in 2014 stood at 4.728 billion, of which Apple sold 0.52 billion. The market for smartphones has been estimated by industry experts to increase from the \$400 billion market today (2014) to \$900 billion by 2020.

Apple has been described as a product orientated business, and consumers have not liked their latest product offerings. With smartphones, Samsung has a strong market-orientation, Apple a powerful asset-led marketing strategy and other rivals investing heavily in product orientation (e.g., Nokia with its Windows® operating system).

With the release of the iPhone 6 in late 2014, Apple hopes to change all of that. Will consumers ditch their old iPhones and trade up? Will consumers be willing to pay the premium price an Apple iPhone commands? So far the jury is out, but Apple's share price did have a noticeable bounce upon its release.

Source: www.BusinessManagementIB.com

25 MARKS, 45 MINUTES

- 1 Calculate the estimated percentage growth in the size of the smart phone market as measured by the total value of smart phone sales worldwide between 2014 and 2020. **[2 marks]**
- 2 Calculate Apple's market share for smartphones in 2014. **[2 marks]**
- 3 Explain how Apple can have an increasing number of unit smart phone sales, while simultaneously seeing their market share decreasing. **[5 marks]**
- 4 Contrast between having a product orientation, a market orientation and having an asset-led marketing approach. **[6 marks]**
- 5 Discuss the importance of market share and market leadership to firms such as Apple and Samsung in a fast-growing market. **[10 marks]**