

**Integrated Marketing Communications Plan
for
iTrip/V**



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Background

The iPod was introduced by Apple, Inc. to fulfill the music lovers desire to control what they listen to and when. Analysis showed that a significant number of consumers did not want to carry bulky CDs and have to switch back and forth when selecting artists and songs; rather, they would be willing to spend in excess of \$200 plus for the convenience that the iPod provides – storage, cataloging and retrieval – all in one simple, easy-to-use device. Since its introduction 29 months ago, the iPod and related products have been pegged by industry analysts as reaping over 55% of all money spent on digital music players (Salkever).

In looking to expand the usability of the iPod, several accessories have been introduced – arm bands to attach the iPod, ear-buds to improve the sound, docking cradles and a car conversion unit, to name a few. These devices encourage the acceptance of the product, which in turn, leads to word-of-mouth advertising and increased sales of both music and additional units. These accessories add to the mobility of the iPod but fail to improve on the usability of the product in the hands-free, eyes-free and ears-free environment of driving a car. By joining forces with Scansoft, a leader in the mobile speech recognition field, Apple will expand the usability of the iPod to the automobile through iTrip/V, an accessory to the iPod that integrates speech recognition and playback through the existing automobile sound systems. The iTrip/V will provide the customer with the ability to select music by artist, song, album genre or user-definable play list simply by speaking.

Situation Analysis

The situation analysis begins with a snapshot of the current marketplace environment for MP3 players. Because the iTrip/V will be targeted to the MP3 marketplace, information about other products Apple offers outside this marketplace are not included in this analysis.

Consumer Analysis

With over two million iPods sold, Apple has garnered acceptance from many different people – from baby boomers to young teenagers, with the majority of its customers being college students and young adults in the United States. These consumers, who have the financial ability and the willingness to invest in electronic gadgets, will be the primary target for the iTrip/V and speech-enabled MP3 files which will sell for a premium over traditional MP3 music. People in this bracket (18-32 year olds) are computer-savvy consumers who demand and are willing to pay for the products and features they want. Understanding how these consumers make buying decisions is crucial to the success of the product.



The 360 Youth College Explorer Study conducted during the fall of 2003, included information about digital music trends that supported the selection of younger, college-educated people as the primary potential market for the iTrip/V. The study showed that 59% of college men and women are four times as likely to download music as the

general online population (14%). Also shown in the study was a significant gender gap – men are more likely than women to own MP3 players (22% vs. 12%) (PR Newswire).

Additional users for the hands-free feature include people who spend a lot of time in their vehicles – taxi and limo drivers, sales persons, truck drivers, commuters and the like. However, there are limited opportunities to sell to these consumers for varying reasons such as technological skills and access to the internet.

SWOT Analysis

The strengths, weaknesses, opportunities, and threats are most easily captured in the tables below. The strengths and weaknesses are described in the table having to do with internal factors. The opportunities and threats are described in the table that deals with external factors.

Internal Factors	Strengths	Weaknesses
Management	Experienced and supportive of introducing innovative products to marketplace.	Past product failures may restrict product vision.
Offerings (focused on MP3 players)	Several models of hardware (iPod/iPod Mini), the software (iTunes) to operate the hardware and a website for downloading music for a fee (per song or CD). Adding a speech-enabled product for vehicles will increase desirability.	New entrants into the marketplace (Dell, Gateway, Virgin Digital, Sony, et al.) are working to provide competing products at various levels for the product line.
Marketing	With over 2 million iPods sold worldwide with majority of sales in the U.S., the U.S. would be the initial target market. The speech vendor (Scansoft) has among the strongest speech-recognition rates for U.S. English.	Speech recognition would be limited to U.S. English as the initial offering and therefore limits the marketplace.
Personnel	Enthusiastic and innovative staff assures product commitment.	With many product lines, key personnel may be re-assigned.
Finance	Excellent growth potential with recurring revenue from speech recognition templates for individual songs, artists, etc. downloadable for an additional fee.	The cost for developing the product and the speech recognition templates may require extensive initial capital expenses.
Manufacturing	Speech vendor assures 90% recognition on first attempt.	The desired recognition rate may not be met.
R&D	There will be continuing efforts to maintain market leadership position by differentiating the product through features and enhancements.	Capital in time and money may be lost in R&D for enhancements that either do not work or will not be marketable in a successful way.

External Factors	Opportunities	Threats
Consumer/Social	There is an expanding market with strong growth potential for new sales and increased revenue through sales of speech-enabled music (ten cent premium for recognition template).	U.S. English speech limits access to additional markets.
Competitive	Since Apple is the market leader in MP3 devices, a built-in potential market exists.	Entrants like Virgin Music, with a strong existing market in traditional music may provide competition if they include this feature in their product line.
Technological	Scansoft is the recognized as a leader in the speech recognition field and is the only one that is pursuing a mobile product for use in automobiles.	Speech recognition information is vendor-specific. If Nuance, Philips, or other speech vendors partner with competitors, conflicts could be created. Not all music genre and files will have the speech recognition information available at product launch.
Economic	Keeping the speech unit below the cost of the iPod (MSRP of \$299) should overcome potential sticker shock.	Consumers may not wish to pay for the base unit or if they opt to purchase cheaper MP3 players without speech recognition, Apple's market share may be eroded.
Legal/Regulatory	Many communities have passed hands-free, eyes-free and ears-free regulations for cell phones. If this should extend to other in-car devices (MP3 players, GPS systems, etc.), being the first to market with this type of product will only help sales.	If someone claims that iTrip/V is distracting and causes accidents because of the distraction, Apple may get sued.



Industry Analysis:

According to EMedia Magazine, U.S. sales of MP3 players is expected to top 3.5 million in 2004 and expected to grow nearly 50% for the next three years. This explosive growth is attracting many players into the field, new hardware manufacturers (Dell and Gateway) and distributors of music (MP3.com).

One recent entrant into the arena, Virgin Digital, a part of the Virgin empire of Richard Branson, promises to provide the stiffest competition yet. Virgin has the market presence, alliance with music distributors and “branding moxie that can match Apple’s”. Further, Virgin’s pay-as-you-go cell phone service successfully targeted to teens could easily become an MP3 device with integrated download capabilities as cell phone technology continues to expand product usability (Salkever).

Company and Competitor Analysis:

Apple has diversified its product lines with mixed success in the past, but the iPod is Apple’s rising star – it has now surpassed computer sales (Waters). While sales of computers has been flat with limited inroads into the marketplace, sales of the iPod products have captured close to 50% of the market share (Salkever). To maintain this leadership position, Apple must continue to innovate and differentiate itself from other players. Apple has the resources to develop the necessary products or to partner with like minded companies to provide the best product on the market.

Virgin Digital, set to launch in the US in the summer 2004, will provide potentially the strongest competition to the iPod product set. They have a proven track record in reaching teens. Apple needs to ramp up features to deflect some of the potential damage to its market share. Further, Virgin has not intention of developing software compatible with Apple’s PC platform operating system, or any other operating system outside of the Microsoft Windows family (Salekever). Dell, Gateway and other MP3 device manufacturers provide little threat to Apple.

Target Market

The primary target for the iTrip/V iPod accessory, as previously indicated, is college students and young adults. Analysis shows that these consumers have the financial ability and willingness to invest in electronic gadgets. There is a stronger purchase trend by males over females (22% to 12%) for MP3 players.

Therefore, our main focus will be young male adults; however, this is not a homogeneous market. Rather, the market is further segregated by music preferences – rock, pop, hip-hop, country, etc. It is our intent to target both male and female consumers through their music preference whenever feasible.



Point of Difference

The “Point of Difference” – – characteristics that make iTrip/V distinct from competitors’ products – can be summarized as follows:

- **Unique Test Run.** There are no known competitors with speech-recognition feature, further differentiating Apple’s product offerings.
- **Quality and Reliability.** By partnering with a leading speech technology vendor, Scansoft, with proven recognition rates of over 95% for U.S. English, we can provide a quality product that performs well in the automobile usage environment.
- **Ease of Use.** Providing speech recognition information embedded within the music files gives the consumer not only a high quality product but also one that is easy to use. Consumers do not have to use cumbersome software to develop complex recognition templates thereby improving the ease of use for the consumer.
- **Seamless Integration.** The consumer simply plugs the iPod with the speech-enabled music into the iTrip/V receptacle and he or she is ready to use the device.

Positioning

To simplify the overall positioning strategy, we have developed the following positioning statement:

Current and future owners of iPod MP3 players will be able to expand the usability of their iPods when traveling in their vehicles using the speech-recognition-enabled iTrip/V to select easily from the available music set.

Communication Objectives

With the target audience identified, we begin to focus on the communication objectives. It has been shown that consumers respond in terms of a hierarchy of effects, which is the sequence of stages a prospective buyer goes through from initial awareness of a product to eventual action.

Hierarchy of Effects

- **Awareness.** As with any new, unique product entering the marketplace, building awareness is crucial for product success. Building awareness of 60% within the target audience is the first step
- **Interest.** After awareness comes interest. It is at this stage that the customer begins to build desire for the product. Of the 60% of the consumers aware of the product, it is hoped that 40% will be interested in the product.
- **Evaluation.** Out of the 40% of consumers who are interested in the product, we want them to evaluate, that is compare the iPod with iTrip/V to other MP3 players available, and for our product to make their list of possible choices at least 30% of the time.

- Trial. Of course, trial is the crucial purchase stage. After evaluating the iTrip/V, consumers should select it over other in-car devices at least 20% of the time because of the unique speech recognition capabilities of the iTrip/V.
- Adoption. As consumers use the product in their vehicles, passengers riding with them will be able to experience the product in a real-use situation. Should the consumer buy the product and not have a positive experience, he or she will fail to adopt the product, which could hurt future sales with bad word-of-mouth publicity. To avoid this, it is the intent to build adoption of 75%, which will mean the consumer will purchase speech-enabled music and have a positive response to the product

While not all consumers will ultimately purchase the iTrip/V, they may select the iPod MP3 player as their primary option due to the robustness of the options available for the product. This would be a beneficial side-effect of having the iTrip/V in the product line.

Communication Mix Elements

Since the primary target for iTrip/V product is college students and young adults who currently own or will purchase an iPod device, we will be using several approaches to reach our target market.

The first step is to build awareness by 60% among the target market. The market is subdivided into existing owners and new/potential owners of iPod MP3 players. The objective is to make the market aware of the product's existence, its functionality, and its availability. We will be using various means to achieve this step. First all of, we will be printing ads in university magazines and newspapers and other popular magazines with high readership by our target audience such as The Rolling Stone, Maxim and Playboy. We will also be placing ads on several billboards and bulletin boards situated near popular hangouts for college and university students and nightspots frequented by the target audience. While print advertising provides a way to build awareness of the product, it is not as effective as audio/visual for a complex product such as the iTrip/V. Our most effective means of communicating with potential owners of iTrip/V will be through ads on MTV, university radio and television services, radio stations and popular television shows geared toward the target audience. The iTunes website is the most effective way to communicate with current iPod owners as they frequent the website often to purchase new music and check for software updates. Advertising on the iTunes website will be the major communication strategy for reaching existing owners of iPod. To broaden the reach, additional electronic advertising will be placed on MP3.COM and Real.Com

The next step is to create interest in the product by 40% of our target market. To do so, we will sponsor several concerts of various music types such as pop, country, and contemporary rock concerts by artists like 50 Cent, Eminem, Michelle Branch, Jessica Simpson, Nelly, etc. We will also have a presence at events such as auto shows, state fairs, and spring break festivities. At the events we will garner interest with colorful signs and banners and announcements by the featured artist.



The third step is evaluation. This will be accomplished by having the product directly accessible to the consumer. In developing our marketing mix, we will sponsor several

concerts and participate at other events. These events will not only generate interest in our product but will also encourage evaluation at a target rate of 30%. Evaluation will be facilitated at the various events by having the product available for event participants to try. Having one or more cars with the iTrip/V and an iPod with speech-enabled music should encourage event attendees to try the product in a real-use situation. At concerts, the sponsored band would also encourage attendees to try out the product.

The fourth step is to encourage trial (purchase) by 20%. Apple will achieve that by providing customers with rebates such as \$50 off the product purchase price. Such price rebates will encourage customers to believe they are getting a bargain. To encourage sales by the retailers, Apple will provide trade discounts in the form of marketing funds to encourage companies such as Best Buy to advertise and promote the complete iPod product family.

Last, we want to encourage adoption by 75%. To reach that goal, we will provide coupons for downloading 10 free songs from the internet. Additionally, we will offer various deals and packages for new and existing customers. The adoption phase is crucial to the success of the product as consumers who use the product are the best source of communication for new products. The early adopters who are pleased with the usability of the product often happily demonstrate the product's capabilities to their friends and family. As they access their music on their iPod using speech commands, their friends and family members who witness the use may be encouraged to buy the product, too.

Advertising

According to Marketing by Kerin, Berkowitz, Hartley, and Rudelius, every advertisement must have a message, content of the advertisement that focuses on the key benefits of the product that are important to a prospective buyer in making trial and adoption decisions (Kerin 505). Advertising for the iTrip/V will have a message designed to appeal to the target consumer, college students and young adults.

The Message and Information

The basic message for the iTrip/V will be that the iTrip/V provides a way to access songs on the iPod in the car using the voice-recognition feature. The message will be simple and straight-forward. It will focus only on this basic benefit to the iTrip/V and where the iTrip/V can be purchased. The ad will not contain any technical details. Otherwise, consumers will get too overwhelmed with the details and miss what the product is. Also, it is important to keep the message short and simple so that the potential consumers, who may have limited time to read advertisements, can get the basic point about the iTrip/V and its main benefit and learn the place at which the iTrip/V can be bought.

Persuasive Content and Message Appeal

The advertisement's message will be wrapped in persuasive content. Ads will have four themes in appeal:

- Sex Appeal. One theme in appeal will be sex appeal, for example, a picture of an attractive male or female in a spiffy-looking Volkswagen. Such an ad will imply that the person who buys an iTrip/V will be as attractive and look as good in his or her car

as the person in the ad. [Advertising that is visual and includes a Volkswagen will have an additional benefit of advertising Volkswagen products, which partnered with Apple to give Volkswagen buyers complimentary iPods (“Volkswagen’s New Beetle and Apple iPod Unite”). Volkswagen and iPod can share the advertising costs as well.]

- Appeal to Animal Lovers. A second appeal will be the appeal to animal lovers who will be attracted to the picture of the “pack,” a group of lovable looking puppies. Since the puppies are treated nicely in the picture, animal lovers’ warm and fuzzy feelings about the puppies may translate to warm and fuzzy feelings for the iTrip/V.
- Humor. The third appeal will be in humor. The attractive male or female will have a funny smile on his or her face as he or she talks to the iTripV, which, as the book, Marketing, says, will imply “either directly or more subtly that the product is more fun or exciting than competitors’ offerings.” (Kerin 503). Humor will also be found in the part of the advertising having to do with “the pack.” The puppies in the pack will all be wearing earphones and have tape or CD players with cords. Indirectly, the ad in a light-hearted, gentle way, will imply that people who still use CD and cassette players are part of a mindless pack and that people who have iPods and the iTrip/V are “cool” and sharper than the pack.
- Appeal to “Yuppie.” The fourth appeal will be to the ambition that the college student or young adult may have to do better, look better, and have more technical and cool material things than other people. Therefore, the message will have a main theme, “Get Ahead of the Pack.” The people shown in the ad will be in sharp looking, shiny, new, bright, aggressive-red Volkswagens or powerful cars, all of which symbolize ambition.

The persuasive content will not just be in the print advertisement, but also in advertising in iTunes.com, MTV, and other media that are more dynamic and use other senses such as hearing.

Ad

An advertisement designed to help launch the iTrip/V is shown on the next page. The advertisement shows a female in the Volkswagen, but a similar ad can be constructed to show a male in the Volkswagen. The ad can be placed in newspapers, magazines, billboards, internet, point-of-purchase placement, etc. wherever still photographs and print ads are appropriate.

As indicated above, print media or print-like media will not be the only media used to advertise the iTrip/V. Internet media allowing for videos and audio will be used. MTV will also be a medium for advertising. In television or video ads, the attractive male or female can be shown driving the Volkswagen and actually talking to the iTrip/V, with cool music coming on for the person viewing the ad to hear. The pack can be actual dogs with ear phones applied through special effects. Because this is a complex product, it is believed that audio/visual advertising will be more effective for reaching the intended market.

Get Ahead of the Pack!

*Don't Just Hold Your iPod.
With Voice Recognition in the iTrip/V, Speak to It in Your Car!*



Available in stores where iPods are sold and on the Internet at www.iTunes.com.

Evaluation Criteria

The evaluation of the campaign will be based on how well we reach our target market and achieve our communication objectives. First, we will be analyzing consumer response to the advertisements on the various media. Simply stated, we want to see if our ads are effective enough to catch our target market's attention and interest. Second, we will be evaluating customer experience with our product. We plan to accomplish this through surveys at the events we sponsor and through mail and telephone calls to registered owners. In this way, we can achieve a better understanding of the effectiveness of the both the advertising and the product itself.



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