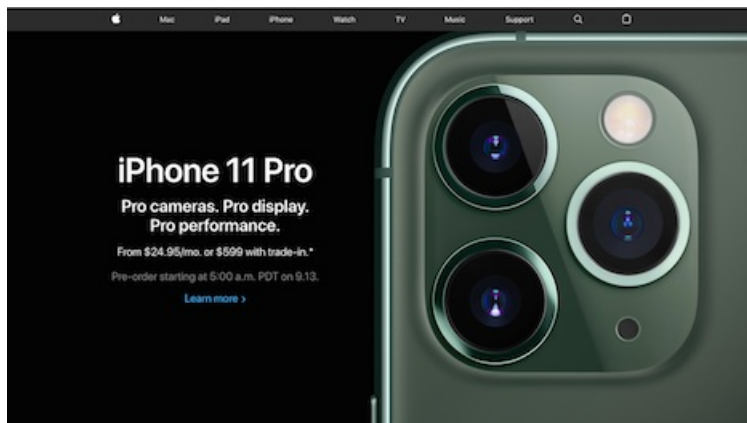


CONSUMER ELECTRONICS

Apple: The first hope-based company

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Apple is a pro at hope marketing. Image credit: Apple

By **James L. McQuivey**

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It was a good week for Apple. Tuesday's Apple announcements largely consisted of modest, incremental improvements to its established line of products. But it also signaled Apple's intention to take a leadership position in the future of business, a shift away from products, beyond services, to hopes. To explain, I will go back in time.

Twenty-two years ago, Steve Jobs came back to take the reins of Apple, the company he had cofounded two decades before that. By 1997, Apple was in sad shape, and many assumed it might never work its way out of the dark, self-centered hole it had dug for itself. Mr. Jobs changed that. He reinvented the company. Under his leadership, the company soon introduced products that revolutionized the music world, then the phone business, followed by the entirety of personal computing with its iPad and later the Apple Watch.

First, the overdue move to services

These products were powerful; some call them revolutionary. They all succeeded using the same model: Apple would sell its hardware products at a premium, enhance them with elegant software, and then work to keep its margins up by upgrading the devices every year or two. With this approach, Apple would go on to become the first company in history to be valued at over \$1 trillion.

But analysts, including this one, have long recognized that Apple would need to move beyond that model. The main reason is financial. The hardware margins cannot continue, not in the face of competition from the Android platform and all of its lower-priced phones, nor especially in light of Huawei's ambitions to bring even lower-priced technology to the billions of people in the world who cannot afford even a used iPhone. The second reason is that other companies principally Amazon, among them have already moved beyond products to services, keeping the attention of customers focused on the value they receive rather than the logo on the device through which they received it.

For years, I have argued that Apple needed to move more directly into a services model. When the original Apple TV was announced in 2007, I told Apple then that the secret to success in the TV business was going to require a foray into content. Netflix announced its video-on-demand streaming service that same year, and I predicted it was sitting on the model of the future. Apple disagreed. Steve Jobs publicly dismissed the aspirations of the Apple TV product

itself, calling it a hobby.

He was wrong. And today's announcement of the Apple TV+ details a \$4.99 streaming video subscription, the first year of which is bundled free with any hardware purchase is a late but welcome acknowledgment of this error. This and other announcements from Apple about the importance of the App Store will cause many covering today's event to talk at length about how Apple is finally embracing its service-based future, bringing music, news, gaming and television to a subscription-based service model.

Then the rush to hope

But that was the discussion we needed to be having 10 years ago, when making the move to a services-based relationship would have been a pioneering move rather than a reactive one. Today, to regain a more powerful position, Apple must rush right past the late acknowledgment of its services-based model on to the next thing: the hope-based company.



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At Forrester, those of us who cover consumer psychology and behavior spend our time and research dollars to understand what consumers want now compared with what they wanted even five years ago, not to mention the 20 years ago that Apple began its climb to the top. From Consumer Technographics to the empowered consumer, from consumer energy to **Forrester Future Fit**, we have applied the best models from psychology and even neuroscience to measure consumers and predict their next behavior.

In all of it, there is one thing that we have not successfully nailed down and that is the role of hope. My colleague Anjali Lai, herself a great proponent of measuring what she calls **the values-based consumer**, sat with me just last week as we tried to puzzle out this tricky question: In a world where technology makes switching from one company to another completely effortless and even automated, what will possibly make the difference 10 years from now in why someone will tell their digital assistant, "Buy product or service X from company Y," instead of requesting or permitting the purchase of any of the dozens or hundreds of alternatives for fulfilling that desire?

Pick your favorite answer. Product quality? Nope, that is too easy to mimic, as many of Apple's announced features today were already present in competing devices. Brand? It helps but will not be enough. Prior satisfaction? That is easy to derail, with detailed data reminding you how unsatisfied you were or how people with your preferences were better satisfied elsewhere. For a few years, it will be the convenience of having signed up for the Disney+ relationship, but our digital assistants will eventually give us the monthly breakdown of whether we are getting our money's worth or whether we could have acquired that content some other way.

The end of consumer habit and consumer loyalty is near. But there is one constant that will emerge in the next decade to dominate consumer choices. That constant is hope.

It turns out that humans live neither in the present nor in the past. We live almost exclusively in the future. Our brains spend most of our processing cycles conscious and subconscious predicting what resources we will need to deal with what we expect will happen five seconds from now, five minutes from now, five days from now, and, to a lesser extent, five years from now. How we allocate our prediction resources across those options varies by circumstance, personality and individual resources. But that is what we are doing all the time, predicting the future and looking for reasons to have hope.

It was that tendency to focus on future prediction that has ensured the survival of humanity until now. It is the same engine that directs our attention to things such as forests burning in Brazil as well as Ring videos posted from our

neighborhood of someone stealing hanging plants from a porch at 2 a.m. The mechanisms of how we generate our predictions and how we feel motivated to act on them, these are the same mechanisms that drive our decision to buy our son's drumsticks on Amazon and have them delivered the next day or to donate to a GoFundMe campaign that we saw on social media.

These mechanisms are brought into synchrony through a handful of basic systems that we all experience as emotional states. The key states we are most familiar with are things such as joy and anger in-moment states of being that we rightly focus on learning from and working through. But they are largely reactive, not predictive. The predictive emotional state that matters most is hope.

Hope only occurs when we bring together observations at the micro and macro levels of our lives: when the people close to us demonstrate loyalty and when the organizations or social units we affiliate with represent our joys and defend against our angers. When we experience hope, we assign it to the people, objects and places around us. We deepen our connection to others, we establish places of sanctuary and refuge, we imbue objects with lucky or totemic powers, and we sacralize the rituals that brought us together into a state of hope. This happens in a cathedral and it happens at Burning Man.

It happens at the best of Apple's events. And it happened at this one.

How Apple offers real hope

Apple successfully brought together people around the world even streaming on YouTube, a competitor's platform, to ensure maximum ease of access for its followers. It demonstrated loyalty to them and to their aspirations. It represented their joys and defended against their angers. Apple then offered a host of new, attractive totemic objects through which the rituals represented on the stage could be enacted in people's daily lives, from taking ultra-wide lens photos to tracking steps walked to complete a ring. Apple made itself sacred in a way that products cannot do alone and services will not ever do.

What can we learn from how Apple revealed itself as the first effective hope-based company? I will make a list, not exhaustive, of some of the conditions under which a small number of companies may try to imitate Apple. Hope-based companies will:

- Emphasize the future benefits they seek over today's benefits. In today's Apple event, the company presented the Apple Watch Series 5 as one that can save lives and, indeed, already has. But the company then pivoted to describing research efforts the watch would soon enable that could save even more lives. A feature that performs an ECG on your wrist is neat. But a watch-based system that will use that data to add to our collective knowledge is a platform for hope. Amazon should learn a thing or two about this, as its current obsession with meeting your in-moment transaction needs is already backfiring among some people who perceive this as cold and calculated. The transactional value may be there, but the hope is waning. Banks, you are next in line to find that your convenient customer experience is not transmitting a promise of hopeful future benefits.
- Include the customer in the platform for hope. Apple invites its customers to contribute to health research efforts as a way to make them part of the hopeful future. In many other features, however, the company also looks to make the customer a partner in Apple's hopes while simultaneously helping customers achieve their own hopes. Even something as silly as a "slofie," or slow-motion selfie, gives customers a chance to express their hopes and begin to fulfill them. We even think allowing the iPhone video cameras to record both the front and rear-facing images at the same time is a stroke of genius, bringing the customer into not just the device itself but the platform for hope the device represents. Healthcare companies, serving your customers is laudable, but making them part of the hope that they sometimes desperately seek is something you have largely omitted to date.
- Consistently show the world the hopes the company has for the future. Every image, every design, every audio track, all of it communicates a view of the future streamlined, smooth, natural the kind of design value Apple is famous for and that its brand has long come to represent. You will accuse me of reverting to a brand-building technique here, and you are right. Building a brand in the past, when done spectacularly well, could create a "feeling" of hope that the consumer could willingly choose to live in, as Coke did when it invited us to buy the world a Coke in perfect harmony. But in those days, the company showed the brand image and the consumer had to close the distance between their own lives and that image at great effort to themselves. Today, through digital services built on elegant products (those things do not go away as we move to hope; they enable it), Apple can project beautiful brand images that feature people of all walks of life, all nationalities, and varying

economic levels, but Apple can also fill your phone and your watch with services that reinforce those images. Where are you projecting your view of the world? What visuals represent the year 2030 as seen through the lens of your company's hopes and wishes for the future? Apple has an answer, but most others do not.

HOPE IS THE new competitive arena. It is ironic that hope would be in such short supply given that for the last 25 years, roughly 100,000 people have been lifted out of abject poverty *each day*. But that is technically irrelevant. People's mental prediction engine the one that generates hope focuses on the well-being of kin, near kin and close social groups. If you perceive that those connected to you are suffering compared with others, you will suffer a deficit of hope. Apple's success in becoming the first hope-based company relies on becoming near kin, feeling like part of your close-in circle such that you share its hopes and you believe it shares yours. Whether it is a hope for enhanced privacy in a cold world of AI algorithms or a hope for a beautiful world of individual creativity, Apple is joining hands with your circle and saying, "Let's hope together."

Kudos, Apple, for reinventing yourself once again.

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