

Apple: The Perfectly Timed Negative Ad Campaign

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published on BNET.com 12/01/2008



The Move: Apple beefed up ad expenditures to launch an anti-PC ad campaign that blindsided the mighty Microsoft.

Apple spent a whopping \$486 million on advertising in 2008 — a figure BNET recently found hiding in the company's November 10-K filing. But it's not just the size of the budget that's noteworthy; it's how Apple leveraged those ad dollars to attack rival Microsoft and make big gains in market share through its "Get a Mac" campaign. Was it worth the big bucks? You bet, and here's why.

Negative advertising still prevails in politics because, well, it still works. Not so with consumer products: When commercial brands try to tear each other down, typically neither side wins because consumers find the tactic a turn-off. That is, unless you're Apple. Two years ago, the company launched the "Get a Mac" campaign, a big-budget departure from previous themes. For years, Apple had touted the hardware as the reason to buy the brand. But "Get a Mac" attacked the PC head on by contrasting users — a cool young guy personified the Mac (actor Justin Long), while a pudgy, middle-aged nerd (comedian John Hodgman) represented the PC.

Then, when Microsoft released Windows Vista in 2007 to an unexpected backlash from consumers, Apple had the ideal opportunity to pounce: It quickly retooled the "Get a Mac" campaign using the same hip-cool vs. stodgy-nerd characters to highlight Vista's problems. Thirty-second spots ridiculed everything from Vista's hardware requirements to Microsoft's bungled and pricey attempts to fix the unpopular operating system.

The strategy was not without risk. "That's a tricky campaign to manage," says Julie Hennessy, a Northwestern University marketing professor who has worked with Microsoft. "Apple's campaign is fundamentally speaking to Microsoft users, and yet it makes fun of them." In addition to the risk

of alienating potential buyers, Hennessy adds, even a negative ad automatically gives a rival more exposure.

But the satirical ads turned into a cult success, viewed millions of times on YouTube. Their message drilled down to a single talking point — a Mac is easier to use than a PC — and Microsoft had no ads countering that assertion. “Apple got to define Microsoft,” says Roger Kay, founder and president of the research firm Endpoint Technologies Associates, adding that the negative attacks worked because Apple was simply taking advantage of a competitor’s weaknesses. “There would have been more risk if Apple had been wrong,” he points out. “But instead they capitalized on specific points where Vista was failing.”

Microsoft finally responded to the negative ad cycle in summer 2008. The company launched a \$300 million ad campaign featuring comedian Jerry Seinfeld to turn around the negative image of Vista that Apple had helped create. It was the single biggest ad undertaking in Microsoft history. When announcing the Seinfeld campaign, company officials reportedly admitted that **the Windows brand “has grown stale and has been battered by” the Apple ads**, according to the *Wall Street Journal*. However, Microsoft aired just two ads, pulling the campaign after it met with critical reviews. Microsoft’s ads now respond directly to Apple’s attacks by **defending “I’m a PC” users**.

In the meantime, technology market research firm IDC reports that Apple grabbed more than 8 percent of the U.S. market for desktops and laptops in Q3, up from 7.3 percent the prior year. Apple now ranks as the third largest PC maker in the U.S., behind Dell and Hewlett-Packard. Last year Apple ranked fourth in the U.S. market. The ads “definitely paid off for them,” says Endpoint’s Kay. “It cost Microsoft a lot when they didn’t respond [quickly enough] to them.”

Whether or not it’s accurate to attribute that gain to the ad campaign, it’s notable that, unlike many companies, Apple will enter 2009 in a strong position. The company’s revenues for Q4, which ended September 30, were \$7.895 billion, up from \$6.22 billion for the previous year. Apple’s net profit jumped from \$904 million to \$1.14 billion. Compared with 2007, Apple’s desktop sales were up 39 percent, laptop sales were up 38 percent, software and services revenues rose 46 percent, and peripherals revenues were up 32 percent in the 2008 fiscal year — all product categories that benefitted from the “Get a Mac” campaign. Plus, according to research group NPD, Apple now owns more than a 60 percent share of the retail market for desktop and laptop computers selling for over \$1,000.