

Apple Inc. Case Study

Executive Summary

Apple Inc. made a noise in the technology industry when it released products that are lifestyle changing to its target consumers.

At first, they had created a substantial value in the highly competitive personal computer industry. However as they soon discovered the true value of innovation, they had become successful in introducing other products in the market. That no one could duplicate and from there onwards there was no looking back. They had launched products. Such success in the industry was brought by the core competencies and dynamic capabilities the company has.

Marketing strategies of Apple Inc., could always create a buzz which makes the consumers to be more inquisitive along with its features. Product differentiation also gives advantage to the markets because it attracts more customers. However, Apple Inc., cannot stay complacent on being in the top position in the market. Many competitors are striving to be greater or least be at par with what Apple has achieved.

The position is not going to be permanent with Apple Inc. therefore it must continue to maintain its profits and create value for their customers and shareholders. Moreover, they should also consider the legal and political aspects that will be affecting their operations.

Situational Analysis

A. Environment

Economic Conditions and Trends

While the economy in the United States has shown some improvement and there are signs of full recovery looming the outlook is not certain currently. The uncertainty leaves consumers weary of big-ticket purchases like computers. Apple's premium pricing position leaves the firm at a disadvantage to less expensive competing products.

However, when consumers directly feel the improving economy and spending increases Apple will be well positioned. Consumers seeking to 'treat' themselves following the economic upturn may be attracted to Apple's premium portables, viewing them as luxury goods. Apple, known for its quality, dependable machines, and excellent customer service may also be seen as presenting a better value than the competitors with fewer frills at lesser prices.

Cultural and Social Values and Trends

Innovation is an integral part of the success of the Apple Inc. which makes human resources essential in achieving such excellence. Apple Inc. gives emphasis on hiring diverse employees due to the fact that with these employees coming from different background cultures and talents, each of them can contribute on achieving the goals of the company. They believe that inclusion and equality will be the key on their progress in the economy while aspiring in making a difference.

An example regarding their diversity, they spent over \$650 million for women- and minority-owned businesses. Apple Inc. has been working hard to expand their recruiting efforts to continue hiring talented people from different groups that are currently underrepresented in their industry.

Political and Legal Issues

The debate over 'Net Neutrality' has entered the political arena, with bills being drafted in Congress and the FCC waiting in the wings to impose regulation if need be. Changing the way the Internet operates may de-incentivize new innovation which could reduce future value to be derived by Apple.

New and innovative technologies are routinely iterated on by hardware companies who strive to offer the best methods of integration in their new products. Reducing this innovation may stifle new value creation for Apple. The push for modernization of the American healthcare system in proposed reform legislation would provide government money for infrastructure development and implementation by care providers. Adaptability of Apple's key portables in innovative health-centric ways could provide new sources of revenue.

Summary of Environmental Opportunities and Threats

Since the introduction of Apple Inc. of their products, many stakeholders in the market were both enthusiastic and threatened because such products are more modernized and the use of technology were really improved.

With the right use of technology and its resources Apple Inc. shall be able to surpass its own success and achieve its goals. However, it is possible that in the business world threats are always lurking in the corner. Legal impediments along with political interventions for Apple Inc. can hinder in attaining their goals.

Implications for Strategy Development

The opportunities and threats in the environmental aspect of Apple Inc. will create a value in formulating strategies for the development of the company. With the review and analysis of opportunities and threats in the environment of Apple Inc., they can be used in SWOT Analysis where assumptions and decisions are made.

B. INDUSTRY

Classification and Definition of Industry

Apple Inc. belongs to the industry that designs, develops and sells of computer hardware and software, consumer electronics and also digital distribution.

Some of its well-known products are Mac line of computers, the iPod Media Player, iPhone smartphone, iPad tablet computer and recently the Apple Watch smartwatch.

Analysis of Existing Competitors

The industry where the Apple Inc. belongs to has also many players that achieves in grabbing the attention of the market in order to generate a good amount of profit. Since Apple Inc. produces a lot of products, its competitors are also great in number. Technology is now a part of most of our everyday lives hence the products of Apple Inc. becomes a commodity. The desire of companies in being similar and more advanced with Apple Inc. had been a struggle of these firms.

Analysis of Potential New Entrants

Technology followers have been abundant since the rapid use of smartphones in the market. These followers introduced their products in the market with lower prices than Apple's introductory price. 4. Analysis of Suppliers

Suppliers have considerable leverage over the manufacturers of portable personal computers. While many industry standards like universal serial bus (USB) and wireless technology are open and issued by independent or collaborative standards bodies like the USB Implementers Forum (USB-IF, universal serial bus) and Institute for Electrical and Electronics Engineers (IEEE, wireless standard 802.11n) manufacturers also rely on privately owned standards. Often the technology must be licensed or requires

entrance to a paid-membership industry group for use. For instance, for the specifications and use of the PCI-Express/Express Card standard, which is present in nearly all personal computers, membership to the industry group PCI-SIG is required.

In addition, the relative concentration of suppliers for some inputs puts pressure on competitors. Within the personal computer industry, central processing units (CPUs) are sourced from a duopoly, Intel Corp. and Advanced Micro Devices, Inc. (AMD). Despite having two options, the semi-conductor market is dominated by Intel, with AMD licensing technology from Intel for use in production of their CPUs.

Despite having compatible chip technologies; these two companies use proprietary chip designs that require different motherboard socket designs. Because of this incompatibility in design, for a PC manufacturer to switch suppliers of CPUs they must also switch to a new type of motherboard, which drives up switching costs. Despite this power the chip manufacturers hold, they are not present in the PC manufacturing business and therefore are reliant on PC manufacturers for a bulk of their business. This leads to discounts for bulk purchasing and exclusivity agreements, which alleviates some pressure from the dominant suppliers.

Analysis of Buyers

Lifestyle is a major factor in analyzing the buyers of Apple Inc. Consumers have the final word and exercise considerable influence in the success of the company. Buyers of the product of this company are those who are often seeking for the latest trends and also the greatest services a technological product can offer. 6. Implications for Strategy Development The opportunities and threats in the industrial aspect of Apple Inc. will create a value in formulating strategies for the development of the company. With the review and analysis of opportunities and threats in the environment of Apple Inc., they can be used in SWOT Analysis where assumptions and decisions are made.

C. ORGANIZATION

Financial Condition

Coming from the report of their fiscal 2015 third quarter, Apple Inc.'s revenue was reflected between \$49 billion and \$51 billion and its gross margin between 38.5% and 39.5%.

Moreover, the reported operating expenses is between \$5.85 billion and \$5.95 billion with other income of \$400 million.

Management Philosophy

Apple's philosophy believes that innovation is constant in this world thus creating great products is their purpose. They believe that they need to own and control the primary technologies behind the products they make and to participate only in markets where they can make a significant contribution. They do not settle for anything less than excellence in every group in the company and they have the self-honesty to admit they're wrong and have the courage to change.

Organizational Structure

The organizational structure of Apple Inc. is one of its most guarded secrets. Even their employees have a little idea of how the company is organized. According to Apple's CEO Tim Cook, their employees are required to give direct reports to the CEO. These employees from different divisions are categorized into "Disruptive" and "Sustaining" functions.

Organizational Culture

Apple Inc.'s organizational culture is considered as "fun, yet demanding". At Apple, the work culture is driven by a passion for new products with no end to challenges and opportunities. Another culture of Apple is having the culture of secrecy. The demand for absolute secrecy and insistence on control were infused into the company since the beginning.

Summary of firm's strengths and weaknesses

One of the strengths of Apple Inc. is on the way they created, managed and improved their organization. The desire of the company to create change shows their compassion as a company in providing the best services they can offer to their customers. Their corporate culture can be considered as their competitive advantage that some of competitors is trying to achieve.

Implications for Strategy Development

Achieving a best corporation's organizational culture is as important in making a profit in a company. Corporate culture is difficult to imitate thus it gives advantage in the market. Once it is sustained and well-organized, it will be a great factor in the success of the company.

D. MARKETING

Analysis of sales, profits, and market share

Even though the company only sells less than 20% of smartphones in the market, Apple has set a record of having 92% of the total operating income from the world's eight top smartphone makers in the first quarter of 2015. The company sold 43% more iPhones than last year. However in their Mac line, they only accounted for only about six of every 100 computers sold. 2. Analysis of target market Apple Inc.'s target has been very vast within the last years. From teens to the adults, most of them are using the Apple's product. This is because of the different products that cater for anyone's need or leisure.

Analysis of marketing mix variables

The products of Apple Inc., have the state-of-the-art quality that gives their competitors very hard to compete with. They build their products beautifully that their customers adore. The software of Apple is more intuitive than others and no product is more valuable than any Apple's product. The brand of Apple is already been instated to the minds of consumers.

A retail presence gave Apple another forum to flex its design prowess. Customers come into the stores to experience firsthand the aesthetics and ease of use of Apple products. They also get to see the larger "solution" that the array of interconnected products offers. Carefully recruited and trained sales associates are encouraged to take customers on a "ride" which former head of Apple Stores, Ron Johnson, describes as "something short, fun, and something you want to talk about." Apple ignores the standard by not only pricing their technology more than 2x what their competitors charge, but doing so without blinking. However, their price is justified with features and benefits that can't be matched.

Summary of marketing strategy's strengths and weaknesses

Apple Inc. has used the principles of empathy, focus and impute to become the world's most valuable company and one of world's most valuable brands. They truly understand the needs of their customers and they do eliminate all of unimportant opportunities their company has. They have the best product, best quality and the most useful software. They have one of the best marketing mix that any company could offer in the industry.

Implications on Strategic Development

Marketing has become more about building a two-way relationship with consumers than just informing consumers about a product or service. Apple Inc.'s marketing strategies have made their customers more involved. These actions will deliver more research on more substantive product development, customer service and ideas.

Problems Found in Situation Analysis

A. Competitive Competitors in the Market

The emerging of competitors of Apple Inc., in the market will be a very big problem of the company. Technology followers are very evident today in the industry. Competitors such as Samsung, Sony, and LG Electronics now offers specifications of smartphones that are more advanced than Apple Inc. can offer Competitive frictions among these companies are very powerful that most of their targeted customers are confused as to what product they will buy.

The effects of these competitors of Apple Inc. will make their sales and profit to decrease. Any company would not want this to happen.

B. Product Innovation

- 1 It is a challenge for Apple to be in constant and be updated in their product innovation. The pace of progress in the technology industry is relentless. Their main products such as iPhone, iPad and Mac have been leading in the industry right now but what comes after is blurry for the company right now. Apple has also engaged in purchasing companies that already makes their products. Many critics argue that these purchases is not a good idea for the company.
- 2 Developing new products could be hard in any organization. Innovation is a process that involves thousands of people in a company and can influence creation of new products. It can lead to either great return or big loss. If Apple will lost its vision on the mainstream market then it could lead in decreasing their sales and profit.

Strategic Alternatives

Improvement of Product Differentiation

1. Apple's product share in the market is relatively small compared to other companies. They only offer products that are limited in number. However, this gives advantage to the company because they can focus on producing highend products, give priority to profits over market share and create a halo effect that makes people starve for new Apple products.
 2. Improving of product differentiation will make the company to suffer for the additional costs it will incur. These additional costs will also be a burden for the consumers since the only way to have a return for the company is to increase the products' price. Another costs of having product differentiation is the uncertain reaction from the market. There is no guarantee that new products or software development will be accepted by the customers.
- Selection of Strategic Alternative and Implementation

With product differentiation, Apple's value will create its product unique and attractive to consumers. With high competition, Apple could succeed in creating demands for products, giving the company power over prices through product differentiation, innovative advertising, ensured brand loyalty, and hype around the launch of new products. If Apple's product differentiation is going to be successful, the brand loyalty from their customers will continue and strengthened.

The research and development division of the company will mostly be tapped when it comes to product differentiation. Action Plan In connection with the competitive advantages of Apple Inc., they must see to it that they will sustain these competencies in order to be on top of the market. Since they focus more in innovating products, their research and development division must always be ready in terms of product development. The heads of the office must invest more in finding the next and suitable product development that will earn interest from the consumers.

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