

REPORT OF APPLE INC. CASE STUDY

NAME: MURSHID RAJA

FACULTY NUMBER: 20COB420

ENROLMENT NUMBER: GL9632

CLASS / SERIAL NUMBER: A3C0-53

Apple Incorporation: Business Case Study

Introduction

Apple was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne on April 1, 1976 to develop and sell personal computers. It was incorporated as Apple Computer, Inc. on January 3, 1977, and was renamed as Apple Inc. on January 9, 2007 to reflect its shifted focus towards consumer electronics.

Brief History

Ron Wayne, Steve Wozniak, and Steve Jobs founded what would become Apple, Inc. in 1976. In 1978, the Apple II was introduced and sales went from 35,000 computers in 1979 to 78,000 computers in 1980. Then, in 1980, the company. In the 1980's and early 1990's, Apple did well in sales due to new versions of Macintosh and their new market, the office computers. In 1984, Apple made the Macintosh computer; the Macintosh made sales of 70,000 units soon after it was made. In 1997, Steve Jobs returned to Apple as an advisor when Apple, Inc. purchased his new company NeXT, Inc. Jobs then became CEO of Apple, Inc. and introduced the iMac, which sold 800,000 units by 1998. From that point on, the company did very well.

Apple, Inc.'s Vision

"To make the best products on earth, and to leave the world better than we found it."

Apple, Inc.'s Mission

"To bring the best personal computing products and support to students, educators, designers, scientists, engineers, businesspersons and consumers in over 140 countries around the world."

Apple, Inc.'s Values

Apple, Inc.'s values are as follows:

- We believe that we're on the face of the Earth to make great products.
- We believe in the simple, not the complex.
- We believe that we need to own and control the primary technologies behind the products we make.
- We participate only in markets where we can make a significant contribution.
- We believe in saying no to thousands of projects so that we can really focus on the few that are truly important and meaningful to us.
- We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot.
- We don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and courage to change.

Apple, Inc.'s Business Strategy and Goals

As seen in the company's vision, mission, and values, Apple Inc. has a clear strategy and set of goals. Apple, Inc. defined their strategy and goals in their last annual report as the following:

The Company is committed to bringing the best user experience to its customers through its innovative hardware, software, peripherals, and services. The Company's business strategy leverages its unique ability to design and develop its own operating systems, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative design. The company believes continual investment in research and development and marketing and advertising is critical to the development and sale of innovative products and technologies. As part of its strategy, the Company continues to expand its platform for the discovery and delivery of third-party digital content and applications through the iTunes Store. As part of the iTunes Store, the company's App Store and iBook store allow customers to discover and download applications and books through either a Mac or Windows-based computer or through "iOS devices," namely iPhone, iPad and iPod touch. In January 2011, the Company opened the Mac App Store to allow customers to

easily discover, download and install applications for their Macs. The company also supports a The Innovative Success that is Apple, Inc. 4 community for the development of third-party software and hardware products and digital content that complement the Company's offerings. The Company's strategy also includes expanding its distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience." Now that Apple Inc.'s strategy and goals have been shown, a look at what effects the decisions of the executive staff in regards to the general environment is needed.

The Target Market/Customers

There is no point to having great products if there is no target market for those products. Apple, Inc. focuses on marketing to people with a few different characteristics. Middle- and-upper-class income people are a primary focus for Apple because these demographics are usually willing to pay slightly more for "a better user experience" because \$500 for a laptop is not a stretch for them. Obviously, technological innovators like Apple are going to focus on people who like to have fun with technology; Apple's extensive line of entry level devices and tools is beginning to appeal to people of all ages and not just the coveted 18- to 34-year-old demographic that seems to be thoroughly enthralled by the company and its products. Thanks to iPods and iTunes (and their impressive compatibility with all other Apple products), Apple is able to target music enthusiasts from a large age demographic. Additionally, thanks to their cutting-edge technology, Apple is also able to target professionals that work in media and design. While Apple's prices are generally higher (a new iPhone could be \$800 or a new iPad almost \$2000), they are able to appeal to people of all ages and demographics due to their reputation of impressive technological breakthroughs, while still managing to focus on targeting the customers that were just discussed.

Why Apple Will Win

The iPhone, iPad, and all the other I-products will keep leading the world's media product wants. Apple is the No.1 wealthiest company in the world now (at least in regards to the fact that they get the most cash on hand show in their balance sheet). These products have helped to create an Apple empire in the history of business. Apple, Inc. grows faster than any other company. The

rate of their revenue increase is over 50% in the most recent three to four years; sometimes the revenue increases even double this number. Apple's previous CEO, Steve Jobs, nor Apple's current CEO, Tim Cook, has not done anything wrong to slowdown this amazing growth. Apple just keeps hitting new records. The third quarter of 2010 saw the company hit 15.7 billion in revenue; a mere year later, that revenue almost doubled when it reached 28.57 for the same quarter. This is exceptionally impressive in regards to a revenue increase during a non-holiday season. Meanwhile, Apple Inc.'s cash reserves managed to total more than the entire net worth of many small countries, as well as the U.S. Treasury's. All the Apple products did well in sales in regards to their own markets.

Advertisements

Apple, Inc. has become well-known for its advertisements in the past couple decades. Their ads have been designed to reflect the company's business plan of targeting creative individuals to market their products to through various campaigns like the infamous "1984 Super Bowl commercial, the 1990s Think Different Campaign, and the iPod people of the 2000s campaign".

Regarding its advertising budget, Apple (AAPL) spent a lot of money for advertising over the past several years. In the 2009 fiscal year, the company spent US \$501 million, which was up from US \$486 million in 2008 and US \$467 million in 2007. While this may seem like an overabundance of money spent on advertising, Apple's budget was comparatively less when compared with the US \$1.4 billion spent by Microsoft (MSFT) in 2009. In fact, as a percentage of revenue, Apple had actually been decreasing its ad spending every year, from nearly 5% in 2001 to 1.37% in 2009. This amount is less than half of the 3.6% of revenue that Research in Motion (RIMM) spends just on advertising Blackberries.

Apple's Retail Strategy

While other PC manufacturing brands are competing for shelf space, promotion, position, etc. at retail stores, Apple invests heavily in their brilliant retail strategy. Apple has 325 stores in 11 countries, 87 of those stores are outside the U.S (Bajarin, 2011). Apple is aware of the importance of interacting with customers to understand their needs. While the rest of the PC industry is struggling with differentiation and depends on software providers to improve

their products, Apple has a strong competitive advantage because they manufacture both software and hardware. According to Ron Wayne, a senior analyst in competitive analysis at IHS, "Apple takes a vertically integrated approach to its products, from the operating system to the user interface, to the hardware design, down to the selection of individual parts used in the device".

TOWS Analysis of Apple, Inc.

Like any other company, Apple, Inc. does have threats, opportunities, weaknesses, and strengths. A further analysis of the company from a firm's point of view by evaluating their strengths and weaknesses and then an industry point of view by evaluating their threats and opportunities will help to better understand the company as a whole.

- **Strengths:**

- Apple has a strong financial position with total assets of 162.90 billion
- Apple's strength is in its differentiated products. Apple's computer operating system is highly secured and is not subject to viruses and hackers which tend to affect the Windows software of Microsoft.
- Apple is very successful with their marketing techniques. According to Technology news, it is believed that Apple's strongest competitive advantage is its marketing strategy: "The Company simply seems to understand what will get people excited about its products, and then it executes on that vision".

- **Weaknesses**

- In October 5th, 2011, Apple Inc.'s genius executive, who created a successful decade for the company, Steve Jobs passed away. Tim Cook, who had been a senior vice president for worldwide operations of Apple, Inc., was made CEO of Apple after Steve Jobs.
- After successful period since the iPhone, the iPod, the iPad, were introduced, Apple seems to have decided to play a safer strategy. Instead of focusing more on innovation, top executives of Apple,

Inc. keep their customers satisfied by introducing more and more similar products.

- Product information security Unlike the time when the iPhone 3, 3GS, 4, 4S were introduced, people now can easily get the new Apple products' information, including designs and features, before these products actually are launched.

● Threats

- After the first Android smartphone was introduced in October 2008, Google's operating system has become more and more popular. By the end of 2010, Android had become the leading smartphone platform in the world (Simonsen, 2012). Different designs, cheaper prices, and easy modifications are some features that make customers prefer the Android to iOS devices.
- Technology innovation is not only an opportunity, but also a threat for Apple, Inc. Although Apple gained competitive advantages through technological innovation, the company also has been faced with more innovative competitors
- Apple, Inc.'s supply chain may be considered one of the best supply models in the world. However, when the technology company has become bigger, it has been traditionally faced with more problems in its supply system.

● Opportunities

- Apple targets the educational market and it seems to forget the bigger market of the business segment. Businessmen, large enterprises, and government organizations are the main customers in that market segment.
- Apple, Inc. has built a different experience for its customer, which has brought them more loyal customers. According to a survey of Goldman Sachs in May 2012, 88 percent of iOS users who own Apple's tablets or smart devices will stick with the same brand for their next device.

Apple, Inc.'s Strategy

With the blue ocean strategy, Apple can continue success as a market innovator. Apple is applying its blue ocean strategy successfully; Apple creates

the need for its new innovation and delivers its new created products into the market quickly. In 2003, Apple started entering the music distribution with iTunes and the iPod. People could download (legally) high quality songs for a cheap price on iTunes online service and load them on their iPods quickly for enjoyment. Apple's vision under Jobs' era was looking forward The Innovative Success that is Apple, Inc. 20 to create the new market and new demand for different products that go beyond the bound of the existing products. Apple's vision under Cook is balancing between maintaining their core successful products and services and creating the new demand. Tim Cook has been expanding Apple's market share with their current products internationally and also create a new demand with iCloud and Siri.

Conclusion

Apple is usually the first company to come out with a new product line before anyone else. This is very risky but it seems to be working to Apples advantage. This shows that taking risks can sometimes make or break you and Apple has great potential and has a lot to improve. Thus, Apple can be said to be a good innovator and an early adapter which has helped it stay ahead in the commercial world.