



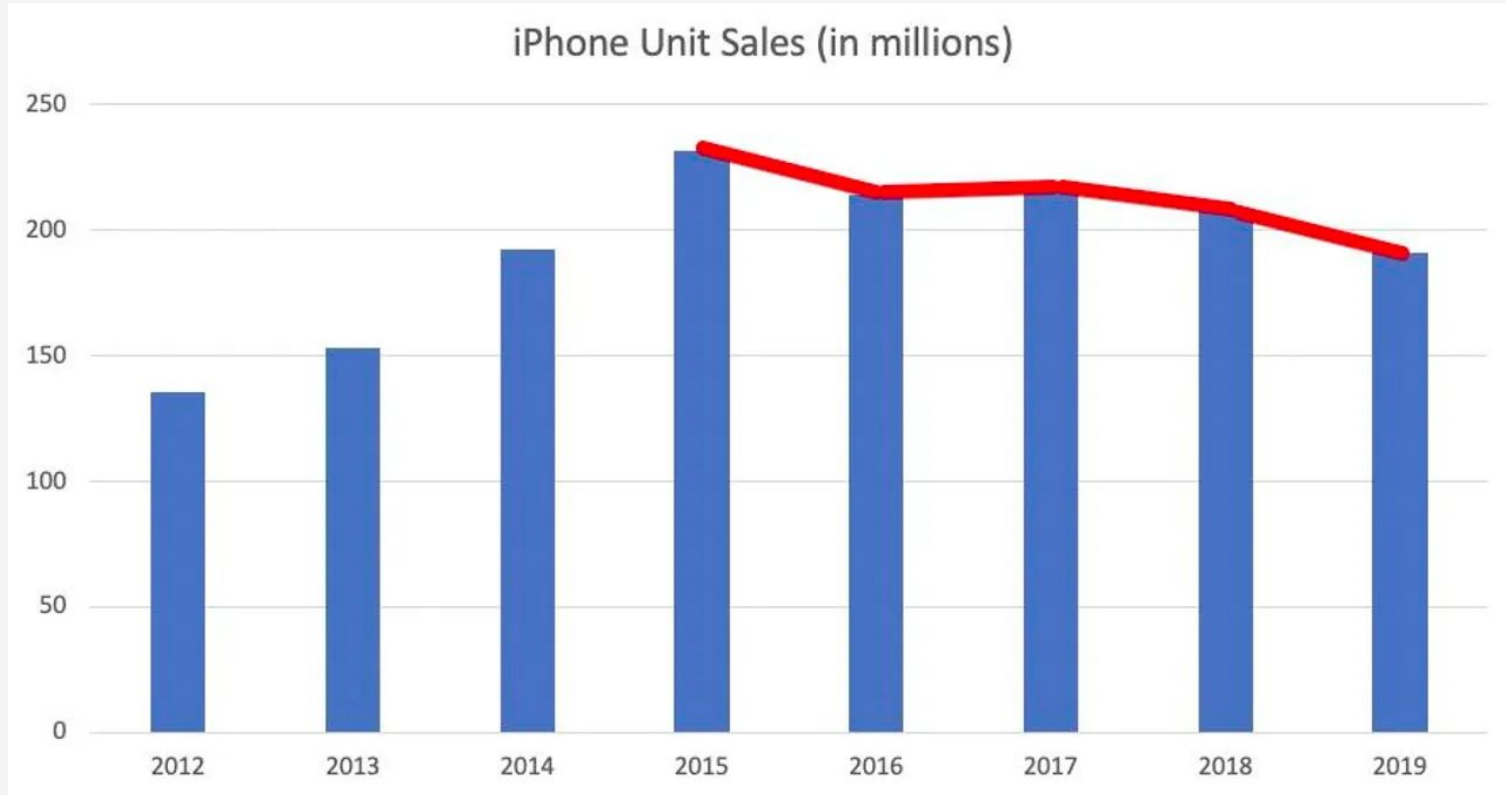
# **Business Case Study of THE CHALLENGES of APPLE**

By  
Oishik Biswas

# Apple Challenges

- 19 August 2020, Apple became the first company to hit a mind blowing market cap of 2 trillion dollars.
- iPhone unit sales have been declining steadily for 5 years.
- Antitrust cases in EU.
- Giant players like epic games and facebook are openly revolting against its policies.

# Apple Sales Drop



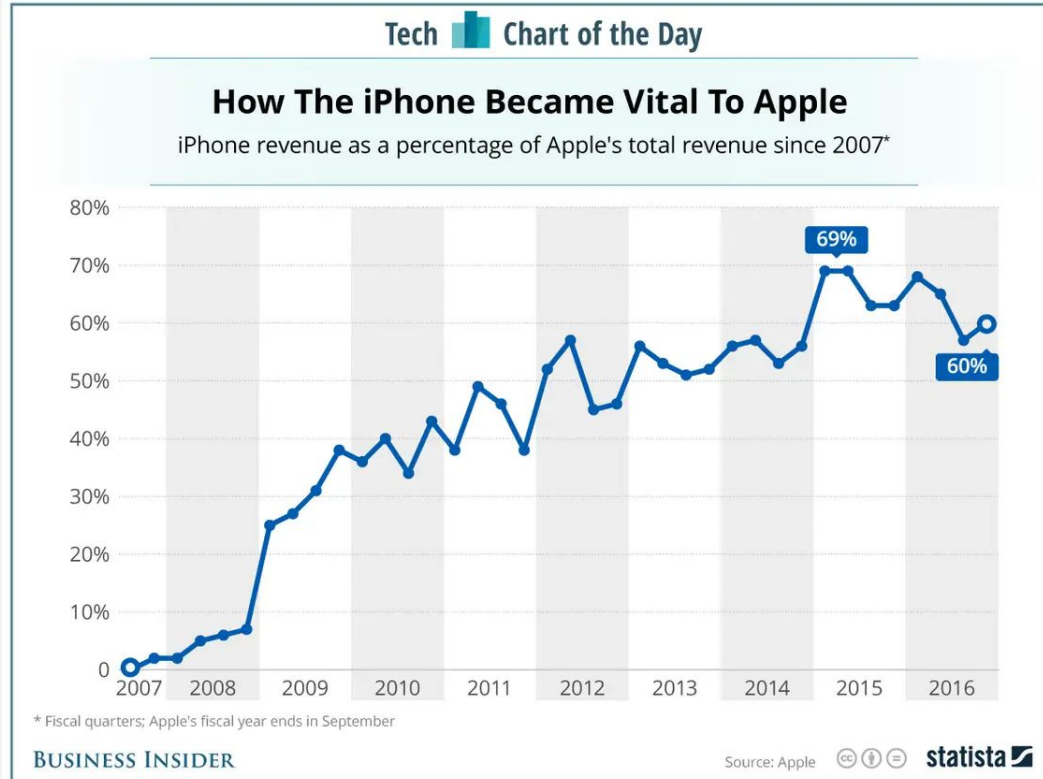
# Apple & iPhone

- 2007 → Groundbreaking announcement of iPhone.
- Whenever a new iPhone was about to be launched the craze and eagerness to see the product never comes down.
- Introduction to touch screen and iconic app store.
- iPhone 3G was twice as fast as 2G.
- App store began to have a ton of apps which increased the utility value of the phone by a larger extent.
- iCloud that enabled apple users to seamlessly navigate between apple device.

# Apple & iPhone

- iPhone 6 → Gold standard of camera in a phone.
- Highest sold iPhone with more than 222 million units.
- 60% company's revenue comes from iPhone sales.

# iPhone Revenue Share of Apple



# Apple Transformation

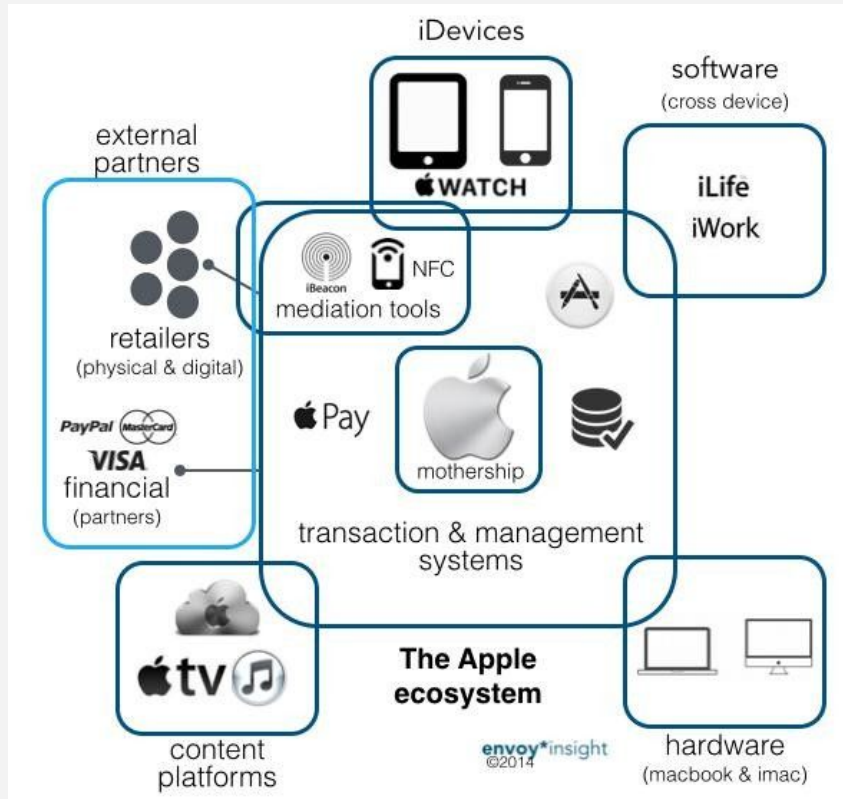
- Apple is on the words of hitting the ceiling because it can no longer increase the price of iPhone.
- Very less scope to acquire new users, unless the price drops drastically.
- If the price drops, profit margins are going to have a hit.
- Apple plans to double its revenue to software services by 2020.
- The transformation from a hardware company to become a software services company.



# Apple Ecosystem Transition

- Entry product → Retailer → Upsell
- Make a small change in its ecosystem.
- Instead of having these apps to just act as retailer, Apple wants to build more apps and services, and turn them into money machines.
- Razor blade model.
- Create new category of products.
- Disrupting an age old industry.
- Apple iWatch sells more watches than the entire Swiss watch industry.

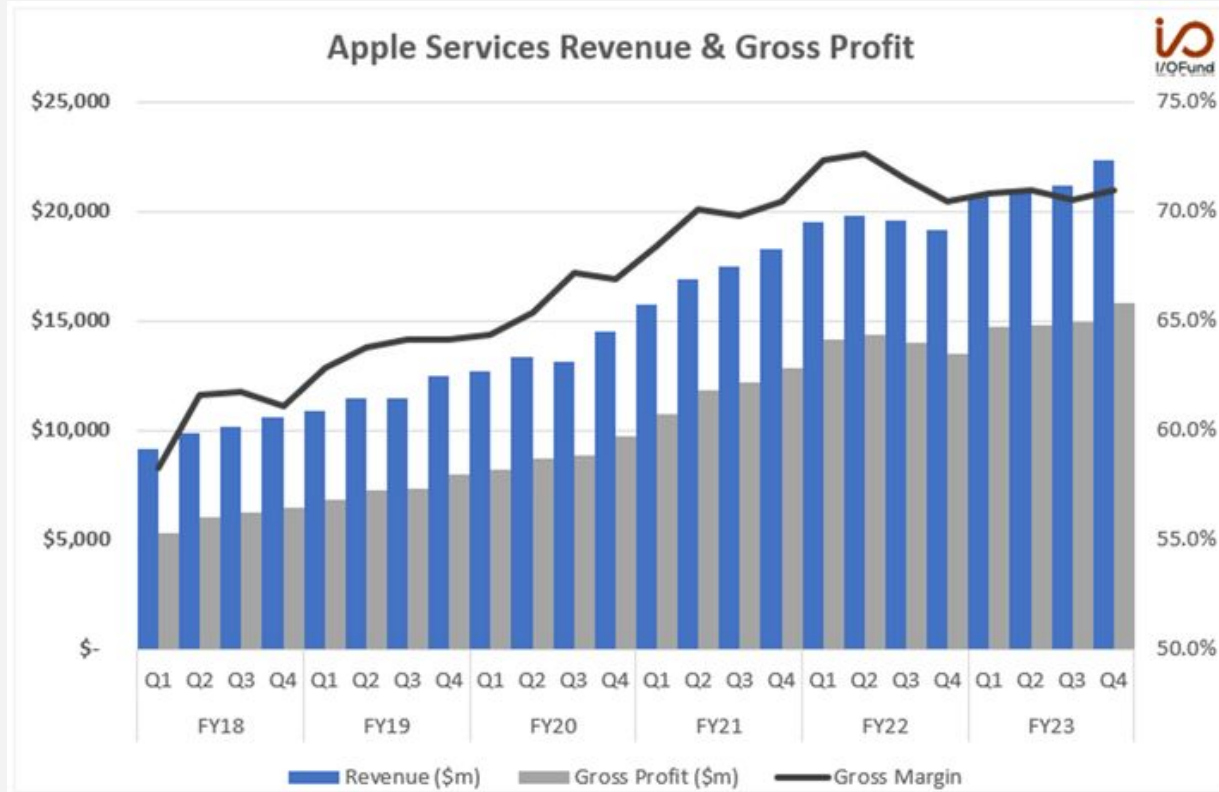
# Apple Ecosystem Products



# Apple Service Revenue

- iPhone revenue increase 23.8% from 2015 to 2021.
- In the same time, iPhone service revenue increase 257%.
- From \$19 billion in 2015, the iPhone revenue is \$68 billion in 2021.
- Profit margin: iPhone → 35%, services → 60%.
- Apple's app store had 78% margin in 2019.

# Apple Service Revenue



# Apple Will Try to Cash on

- Aggregator superpower → Launch a service direct competition with existing app with the huge amount of data.
- Getting into potential spaces, healthcare and fintech with premium audience.
- Perfect audience for financial services, had data to sell healthcare services to customers.
- With Apple card and health app, Apple has the potential to become the biggest health insurance company, even the largest credit card company in the world.

# Apple Will Try to Cash on

- New product launches.
- With aggressively pursuing the software services sector and the launch of m1 chip, apple is eyeing for the next big tech revolution of tech world.

# M1 Chip

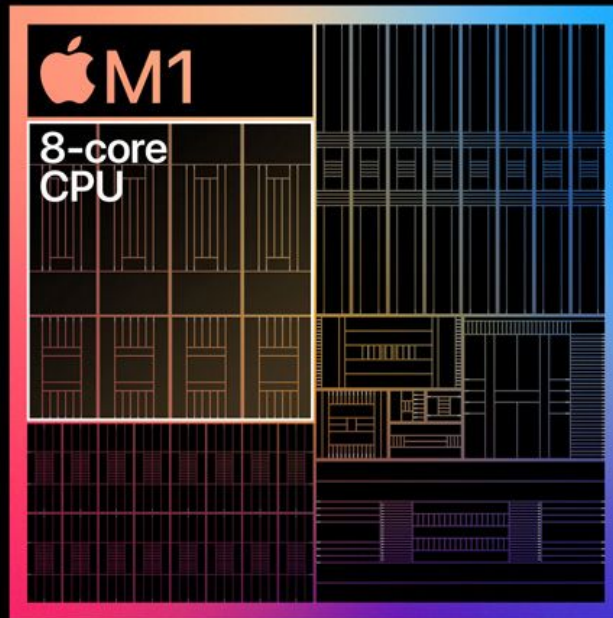
## 8-core CPU

The highest-performance CPU  
we've ever built.

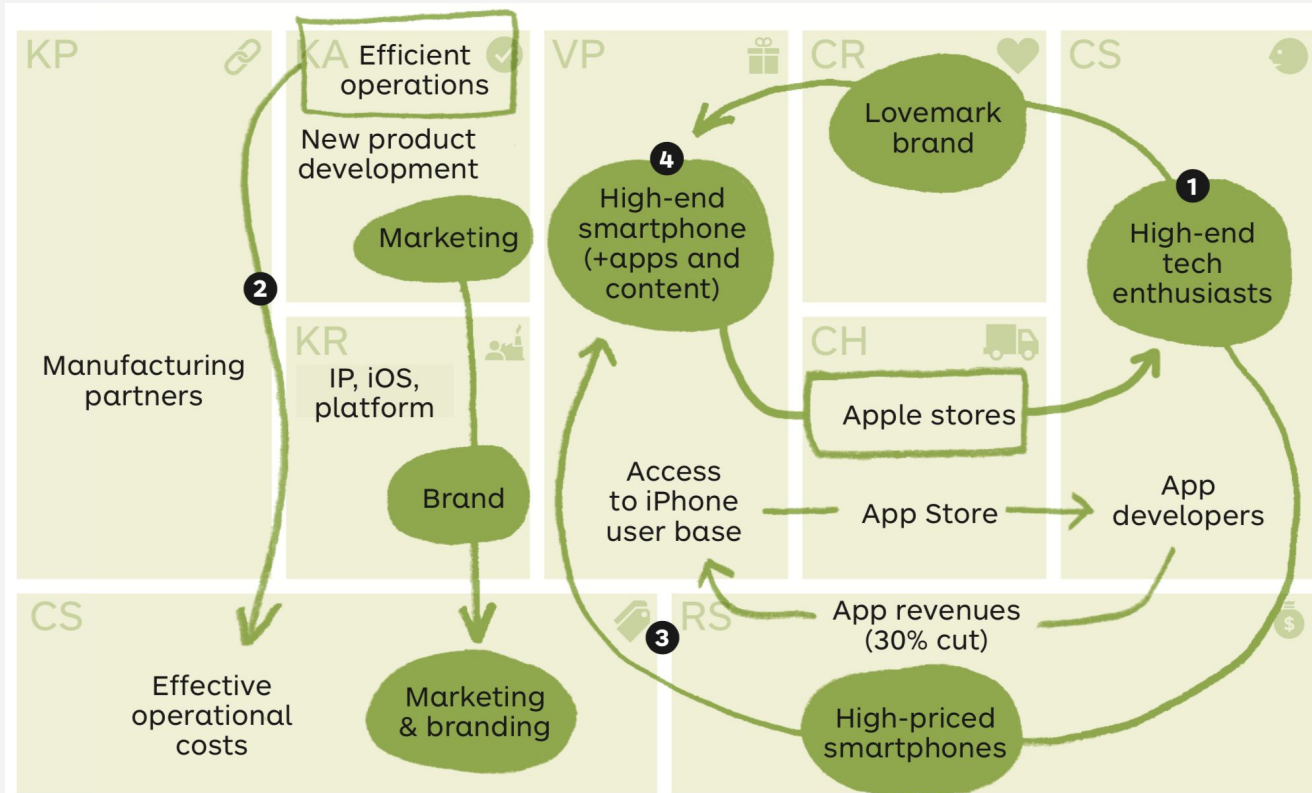
Up to

# 3.5x

faster CPU  
performance<sup>1</sup>



# Apple Business Model





# Apple SWOT Analysis

## SWOT ANALYSIS OF Apple

# S



### Strength

- Strong Brand Recognition and Loyal Customers
- Innovative Products and Services
- High-Quality Products with Unique Features
- Leading Technology Edge
- Financial Strength and Profitability

# W



### Weakness

- Expensive products and services
- Lack of new innovative products in recent years
- High degree of litigation
- Complacency in the face of growing competition
- Limited Customization Options
- Dependence on iPhone
- Closed Ecosystem

# O



### Opportunities

- Leveraging its strong brand image to enter emerging markets
- Incorporation of new product lines like virtual reality, and augmented reality devices
- Increased focus on content streaming services
- Utilize Artificial intelligence
- Growth of the Advertisement Market

# T



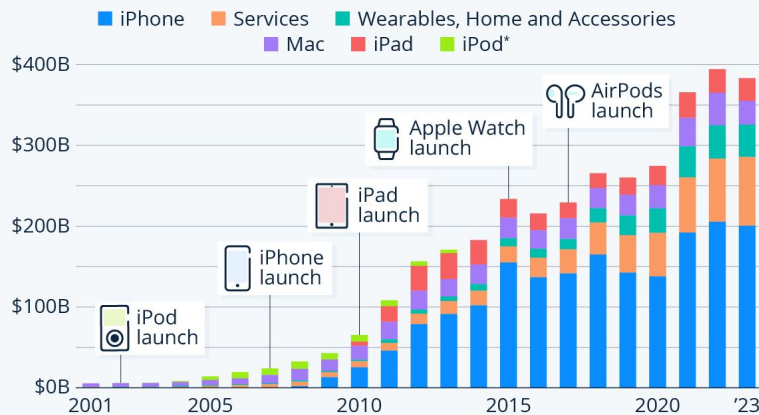
### Threats

- Battle Against Counterfeit Products
- Increasing competition in their various industries
- Threat of reduction in demand due to economic downturns
- Backdoor Mechanism

# Apple Revenue

## Apple's Constant Search for the Next Big Thing

Apple's revenue by operating segment since 2001  
(fiscal years ending in September)



\* Starting in 2014, iPod sales are included in "Wearables, Home and Accessories"

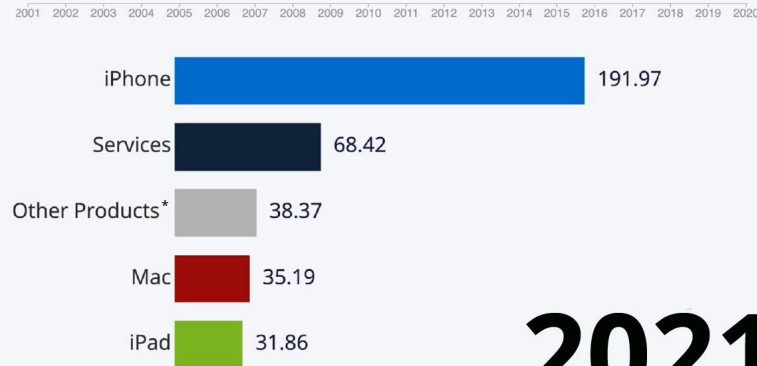
Source: Apple



# Apple Growth

## Apple's Incredible 21st Century Growth

Apple's revenue by operating segment since 2001  
(in billion U.S. dollars)



# 2021

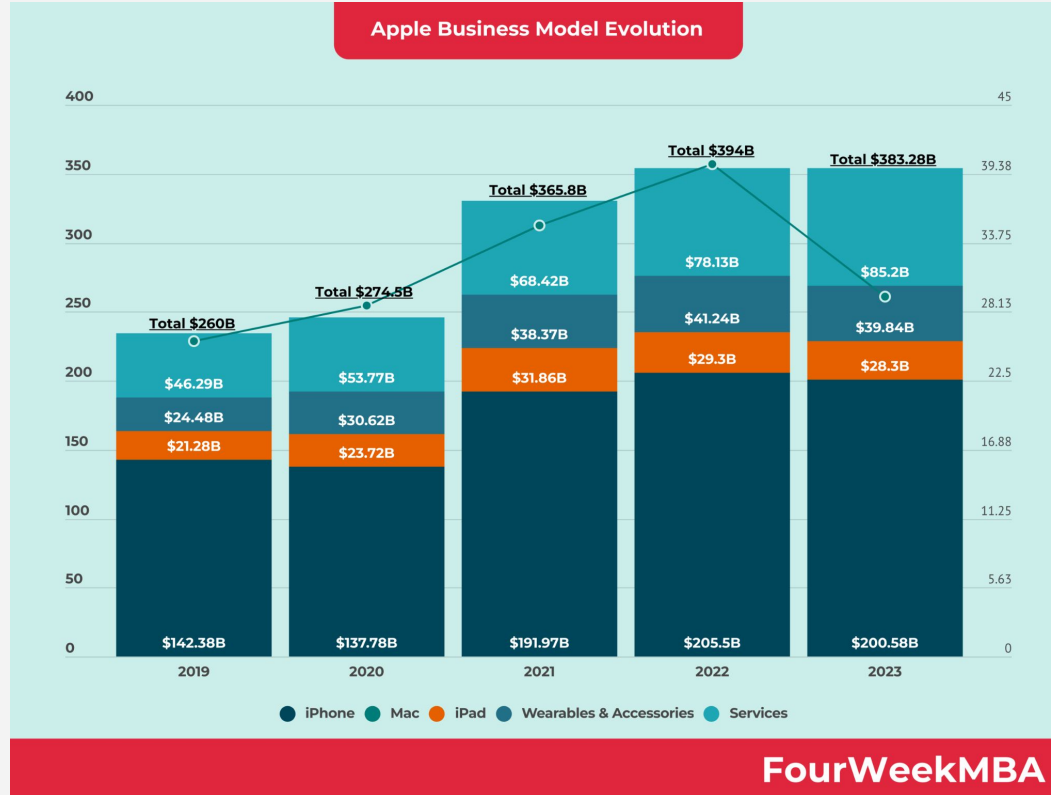
\* Incl. iPod from 2014 onwards. Renamed Wearables, Home and Accessories in 2019.

Source: Apple



statista

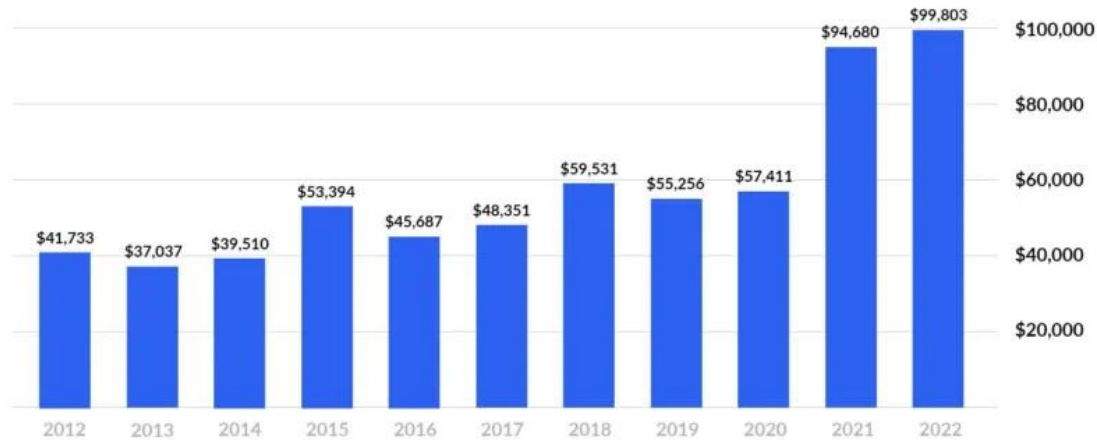
# Apple Growth



# Apple Profit



**PROFIT 2012 - 2022**  
*(in million U.S. dollars)*



# Business Pointers

- Fintech revolution.
- Transition of Apple from a software product company into a software service company.
- Dispute between Apple and Spotify.