

Apple Inc.



Research Report

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1- Executive Summary

Apple Inc. is an information and technology corporation that manufactures many things, like smartphones, computers, tablets, and TV.s. Apple's customers want high-performance products that look good and give them confidence that the product will be good. Apple Inc was founded in 1976 as a company that makes computer software and other things. Since then, Apple has moved into making different types of technology and has set up a chain of stores to make it easier for customers to buy their products.

Apple wants to offer its customers the best possible experience. Its business strategy uses its unique ability to design and build operating systems, hardware, application software, and services. Therefore, this process allows the company to provide its customers with products and solutions that are innovative, easy to use, and integrated. As part of its strategy, the company keeps growing its platform for finding and downloading digital content and applications through its Internet Services.

Furthermore, Apple operates in a highly competitive business with a lot of purchasing power. Companies like Samsung, Google, and Amazon are the direct competitors of Apple. When it comes to innovation, Apple must constantly be one step ahead of its competition. Apple distinguishes itself from the competition by including hardware and software in its gadgets. They also try to keep their designs basic, user-friendly, integrated, and visually appealing.

Apple has been one of the most influential technology businesses to build brand loyalty among customers. The return of Steve Jobs has played an essential role in turning Apple into one of the most admired and influential brands. His vision was to make Apple technology so simple and easy to use that everyone can be part of the technology future. In fact, Loyal Apple users will stand in line for hours to get their hands on the newest iPhone, download music from iTunes, watch their favorite programs on Apple TV, and play games on their iPads.

In recent years, Apple has broadened the scope of its initial mission and vision statements. Its mission statement emphasizes such core principles as customer satisfaction, product quality, and continuous improvement. However, Apple's mission statement is not just focused on the company's products and technologies. It has to consider the individuals' service and its responsibilities to the community as a whole, among other things. Apple has always thought that technology can bring both value and performance.

Nevertheless, with tremendous power comes much responsibility. People and companies with a source of income must pay taxes to the country where they live or operate. Apple Inc, the world's most valuable technology

corporation, is not an exception to this rule. A significant volume of money must be paid in taxes to the government on its behalf. Like other companies, Apple is frustrated that it must spend billions of dollars in taxes, yet it has no option but to fulfill its obligations to the government. Apple devised a strategy to avoid paying billions of dollars in taxes to the government. The truth is that the secret isn't that hidden after all. Apple sends most of its profits to tax haven nations, like Ireland. As a result, this tax minimization strategy has raised various ethical dilemmas. It has a substantial effect on various sectors in emerging countries throughout the globe, including infrastructure, education, health care, and the environment.

2- Industry: Background and Situation Analysis

Investors often seek different perspectives to conduct a company's market analysis to understand better a company's position and strengths in a particular industry. Michael Porter's Five Forces Model is an essential analytical tool for understanding Apple's industry position and how it compares to the competition (Maverick, 2022).

Apple's position in the market from the perspective of 5 forces

Through its Macintosh computers and operating systems, iPads, iPhones, and other products, Apple, Inc. (NASDAQ: AAPL) has had many ups and downs since its founding in 1976 but has remained a huge success. In 2018, Apple made a significant difference to become the first U.S. company to achieve a greater than \$1 trillion market capitalization (Maverick, 2022) (Marketing10, 2021).

Innovating and launching the best products on the market are two essential factors in Apple's success. Its product development and marketing strategies demonstrate the need to approach and handle the major market forces that could affect Apple's market share and profitability (Maverick, 2022) (Marketing10, 2021).

Michael Porter's Five Forces analysis of Apple's position in the tech sector shows that the bargaining power of buyers and the industry competition are the two market forces that affect Apple's profitability. The threat of new entrants, the bargaining power of suppliers, and the threat of substitutes are feeble factors among the critical forces in the industry (Maverick, 2022).

Industry Competition

Apple faces high competition or a solid competitive rivalry force. Companies like Samsung, Google, and Amazon are the direct competitors of Apple. Many of these companies have huge capital to invest in, just like Apple. To maintain their competitive position and market share in the industry, companies are heavily focusing on R&D as well as marketing. Therefore, the competition within the industry is intense (Maverick, 2022).

Moreover, lower switching costs make it easier for customers to switch brands. These companies offer similar products; thus, consumers can replace Apple's iPads for Google Chromebook or other tablets without any particular investment. Furthermore, there are many similar apps for Android and Apple phones, and they function almost similarly. As a result, customers could easily switch from an Apple product to another company's product (Maverick, 2022) (Marketing10, 2021).

Thereupon, these external factors make the competition rivalry intense for Apple. As a result, Apple innovates and develops unique products for its loyal customers (Maverick, 2022) (Marketing10, 2021).

Bargaining Power of Buyers

The bargaining power of buyers indicates how the purchase decision of buyers can impact the business. And, it has increased owing to several factors. Some of the primary reasons behind the growing bargaining strength of the customers are the low switching cost and the high number of substitutes in the industry. For apple, the impact of individual buyers is unchallenging and negligible to the company's total revenue. However, the collective bargaining power of buyers is very high, which can lead to the loss of numerous buyers to competitors (Maverick, 2022).

To face these issues, Apple has invested heavily in R&D to develop high-quality and innovative products such as the Apple Watch and the AirPods, helping them to build brand loyalty. The company has made customer experience a priority, and it has been successful in this area of competition. Moreover, producing smartphones with efficient cameras and higher processing power satisfied customers; thus, they would not consider abandoning their iPhones in favor of another smartphone competitor (Pratap, 2021).

Bargaining Power of Suppliers

The bargaining power of suppliers is mostly low in the marketplace for Apple's products. The company has many potential suppliers to choose from in the market. Apple is free to select components for its products from several potential suppliers. Industries whose component suppliers, such as computer processor makers, are highly competitive (Maverick, 2022) (Pratap, 2021). For example, Apple has its operating system in the smartphone industry, so suppliers' bargaining power is limited. One of the significant factors in this limitation in the smartphone industry is that suppliers have lower financial strength than makers like Apple (Pratap, 2021).

Apple's relatively switching cost from one supplier to another is meager and not a significant hurdle. In addition, the company is a substantial customer for most of its component suppliers, so its suppliers are very reluctant to risk losing their business. (Maverick, 2022) (Pratap, 2021).

The threat of substitutes

Within Porter's Five Forces Model framework, a substitute product is not a product that directly rivals a company's product but a possible substitute. In Apple's case, an example of a replacement product is a landline phone, which may be an alternative to owning an iPhone.

The market force in the smartphone industry is relatively high for Apple since the most potential substitute smartphones have high qualities and capabilities, such as Samsung, Huawei, Xiaomi, and Oppo (Maverick, 2022) (Pratap, 2021).

The threat of new entrants

The threat of new entrants to the market is relatively low. It is due to the high cost of establishing a company within the industry and the additional high cost of brand recognition. Any new entrant into the computing or smartphone market requires significant capital for R&D and manufacturing to develop and produce its product. Such entrants face a stiff competition between Apple and its main competitors in an established industry, all of which are large, established companies (Maverick, 2022).

3- Competition: Background and Situation Analysis

Apple vs. Samsung

The competition between Apple and Samsung is one of the great technology rivalries that has emerged over the past ten years. Apple started its smartphone revolution in 2007; however, Samsung joined the smartphone race soon after with their version of Android and made significant inroads in this lucrative mid-to-high-end handheld computer segment. Shortly after Apple launched the Apple Watch and AirPods, Samsung also doubled down on innovation in these devices, which many consider being equal competitors to Apple in all the above (Bajarin, 2021).

Every fall, Apple and Samsung host the latest launches worldwide to take advantage of the holiday shopping season. For the past three to four years, Samsung has made sure to release its new high-end smartphones ahead of Apple, taking advantage of its fall Unpacked event in mid-August (Bajarin, 2021).

As of January 2022, Samsung's market capitalization is about **\$443 billion**, not even a quarter of Apple's. Apple sold **\$365 billion** worth of phones, computers, tablets, and related devices in 2021. Samsung ended the third quarter with sales of **\$204 billion**. Considering their different fiscal year ends, that's still a quarter behind Apple's sales (McFarlane, 2022).

Samsung Electronics, the entity we'll refer to as "Samsung," isn't just an Asian analogy for Apple. The company has three divisions: Consumer Electronics, Device "Solutions," and IT/Mobile (McFarlane, 2022).

Consumer electronics means big boxes: TVs, kitchen appliances, and air conditioners. "Device Solutions" involves semiconductors, integrated circuits, LED panels, hard drives, and other components. The rest is IT and

mobile, encompassing phones and tablets related to Samsung. Apple makes more money on iPhones and MacBooks than anything else (McFarlane, 2022).

Nevertheless, Samsung's profit is more prominent. Its mobile phones contribute to 21% of the company's operating profit. Samsung might gain more than Apple in phone market share (20% vs. 14%), but Apple sells fewer phones than Samsung; thus, Apple has higher profit margins per phone (McFarlane, 2022). 2

Apple vs. Microsoft

Apple and Microsoft Corporation dominate technology and consumer access compared to other U.S. companies. The two companies compete across vast sectors like computing software, hardware, operating systems, smartphones, applications, and Web browsing. However, each company takes a different organizational and philosophical standpoint (Ross, 2022).

Apple and Microsoft are the largest companies in the world. Both companies are worth more than **\$2 trillion**. As of January 2022, AAPL's had approximately a market capitalization of **\$2.61 trillion**, comparing the MSFT that has fallen to second place at **\$2.17 trillion** (Ross, 2022).

Apple Business Model vs. Microsoft Business Model

Apple easily outpaces competitors in sales of high-end hardware and gadgets. The company has made a remarkable insistence on integrating its products, making it easier for people to continue using new Apple products and harder to move to a competitor's interface (Ross, 2022).

The weakness of Apple's business model lies in the historical success of the company's flagship invention: the iPhone. Almost half of Apple's revenue comes from iPhone sales, and no equivalent innovation has taken off since the death of its former CEO Steve Jobs and his replacement by Tim Cook. Nevertheless, Cook preserved the legacy of Steve Jobs and has driven Apple's stock to historic highs (Ross, 2022).

Thanks to the Windows operation system, Microsoft dominated the computer industry; however, Apple took a back seat for more than a generation of operating products (Ross, 2022).

Microsoft's revenue model has been built on a few strengths. The most important is the licensing fees charged for using the Windows operating system and the Microsoft Office suite (Ross, 2022).

Moreover, after a few years of growing and competing against Google and Apple, Microsoft adopted a new vision in April 2014. The company changed its focus to making Windows software more compatible with competing products, such as the iPad. MSFT also has some successful products, such as the Microsoft Surface and Surface Pro, battling Apple devices such as the iPad and the MacBook (Ross, 2022).

4- Company: Background and Situation Analysis

Apple Inc. is the most significant income organization globally regarding market capitalization and brand esteem. The company has altered the cell phone market and has made it one of the most notable brands ever (Jurevicius, 2021).

Apple has established its business by selling and assembling computer systems; however, it experienced a notable advance and accomplishment by entering the electronics market with iPod, iPad, and iPhone. The organization creates and markets smartphones, tablets, PCs, watches, headphones and sells various related services (Jurevicius, 2021).

Company Information

Country	U.S.
Headquarters	Cupertino, Calif.
Industry	Computers
CEO	Timothy D. Cook
Website	https://www.apple.com
Company Type	Public
Ticker	AAPL
Revenues (\$M)	\$378,323
Profits (\$M)	\$100,555
Market Value (\$M)	\$2,652,865
Employees	154,000

Figure 1: Apple general Information (Staff, 2022)

Key Financials (Last Fiscal Year)

	\$ millions	% change
Revenues (\$M)	\$274,515	5.5%
Profits (\$M)	\$57,411	3.9%
Assets (\$M)	\$323,888	-
Total Stockholder Equity (\$M)	\$65,339	-

Profit Ratios

Profit as % of Revenues	20.9%
Profits as % of Assets	17.7%
Profits as % of Stockholder Equity	87.9%

Earnings Per Share (Last Fiscal Year)

Earnings Per Share (\$)	3.28
EPS % Change (from 2019)	10.3%
EPS % Change (5 year annual rate)	7.3%
EPS % Change (10 year annual rate)	19.7%

Total Return

Total Return to Investors (2020)	82.3%
Total Return to Investors (5 year, annualized)	40.3%
Total Return to Investors (10 year, annualized)	29.6%

Figure 2: Key Financials, Profit Ratios, Earnings Per Share, Total Return – 2021 (Staff, 2022)

Measure Up Diversity & Inclusion Metrics

As of 6/2/21

Measure Up Rank	188
Provides Day Care Services	-
Facilitates Employee Resource Groups	yes
Has a Policy on Board Diversity	yes
Has a Policy on Diversity and Opportunity	yes
Has Targets Toward Diversity and Opportunity	-
% of Employees With Disabilities	-
% of New Employees Who Are Women	-
% of Employees Who Are Women	34%
% of Managers Who Are Women	31%
Gender Pay Gap %	100%
% of Board Members Who Are Minorities	-
% of Employees Who Are Minorities	-
% of Managers Who Are Minorities	-
Minorities Salary Gap %	-

Latest available annual data reported during the collection period. Source: Refinitiv (an LSEG business).

Figure 3: Measure Up Diversity & Inclusion Metrics (Staff, 2022)

Products

iPhone

The principal organization's item is the iPhone, based on its iOS operating systems, and accounts for 52.4% of its total revenue. In 2020, the company released four new iPhones with 5G technology: iPhone 12, iPhone 12 mini, iPhone 12 Pro, and iPhone 12 Pro Max. Then, in 2021, Apple Company released iPhone 13, iPhone 13 mini, iPhone 13 Pro, and iPhone 13 Pro Max (Inc., 2021).

Mac

Macintosh items are the second biggest organization's item classification by income, generating 9% of the entire organization's revenue. In 2020, Apple launched new versions of MacBook Air®, 13-inch MacBook Pro®, and Mac mini®; then in May 2021, the company launched a redesigned iMac®, all powered by the ARM-based system Apple M1 chip. In October 2021, the company launched a redesigned MacBook Pro, in 14-inch and 16-inch powered by the Apple M1 Pro or M1 Max chip (Inc., 2021).

iPad

iPad is Apple's multifunctional tablet line, representing 8.2% of the total Apple income. In 2020, the company **launched** a new iPad Air®, and in 2021, the company launched a new iPad Pro® powered by the Apple M1 chip. Moreover, In September 2021, the company launched an updated iPad and a new iPad mini (Inc., 2021).

Wearables, Home, and Accessories

The rest of the company's products are Wearables, Home, and Accessories, including Apple TV, AirPods, Apple Watch. These products account for 9% of the organization's total revenue (Inc., 2021).

Furthermore, Apple offers different services to its clients, such as:

- **AppleCare Services:** AppleCare is a fee-based support product portfolio that provides access to the global Apple service network for repair services. Also, it offers different additional coverage for accidental damage, loss, and theft (Jurevicius, 2021) (Inc., 2021).
- **Cloud Services:** Store customers' services and keep them available across numerous devices (Jurevicius, 2021) (Inc., 2021).
- **Digital Content:** Apple operates multiple digital platforms, including the App Store. They enable users to download digital content applications, such as music, videos, podcasts, and books (Jurevicius, 2021) (Inc., 2021).

- **Payment Services:** Apple offers payment services, such as Apple card and Apple pay (Jurevicius, 2021) (Inc., 2021).

Apple Inc. SWOT Factors

Apple's Strengths

Apple is one of the best leading brands of the era. The company has maintained its top position in the market for many years. It has many strengths as an established company; it has created a strong brand image and equity.

Some of the strengths are enlisted below:

- Exceptional capability to design and produce its own hardware, software, services, and applications, integrating into one Apple system. It allows the company to develop unique, creative, and easy-to-use products for its customers (Jurevicius, 2021).
- A strong brand sustained by powerful marketing and advertising competencies: Apple nowadays is the world's number one brand for the 8th consecutive year with a brand value of \$322 Billion (Davis, 2022).
- **Global reach and customer loyalty:** Apple operates in more than 160 countries worldwide. It sells through multiple trade partners, which helps the company to expand its reach throughout the globe. Furthermore, the company has kept a loyal customer base thanks to its innovative, well-designed, and easy-to-use products (Davis, 2022) (Swot, 2022).

Apple's Weaknesses

Although Apple has many strengths, they do have some weaknesses:

- The biggest weakness of Apple is related to its premium pricing strategy. High prices seduce clients from the middle- and high-income classes and prevent clients from the low-income class (Jurevicius, 2021).
- Apple devices are not flexible with connection to other brands' devices. For example, iPhone users cannot install software from sources other than their providers (Swot, 2022).
- The company has been accused of tracking customers through their phone apps. However, Apple solved this issue by letting the user deactivate/activate the tracking feature (Swot, 2022).

Apple's Opportunities

With weakness comes opportunity. Apple has many opportunities to improve:

- **Customer growing rate:** The demand for computers and electronic devices is increasing worldwide, providing Apple with various market opportunities (Davis, 2022).

- **Using green technology:** To prevent climate change, Apple set a goal to become carbon neutral across their entire footprint by 2030. Also, the company aims to create products and packaging using recycled and renewable materials (Apple, 2022).
- **Using Artificial Intelligence:** Machine learning and AI engineers build outstanding experiences into every apple product, permitting many people to perform what they never imagined (ML, 2022).

Apple's Threats

- **Increasing Competition:** The markets for Apple's products and services are highly competitive. Companies such as Microsoft, Samsung, Amazon, Huawei, Lenovo, and Dell are strong competitors for Apple (Davis, 2022). 2
- **Impact of Covid pandemic:** Coronavirus pandemic has affected Apple products' fabrication, distribution, and purchasing (Davis, 2022).

5- Apple Brand: Background and Analysis

Apple's Branding Strategy

Apple Inc. has competed in several highly competitive markets, such as the personal computer industry, the consumer electronics industry (such as the iPod), digital music distribution via iTunes Music Store, and the smartphone market with Apple iPhones and iPads. With its Apps business and iAd network, Apple creates a significant footprint in the advertising sector to compete with Google (Minds, 2014).

The Apple Brand Personality

Apple's branding strategy is based on evoking positive feelings in the consumer. It is about lifestyle, imagination, innovation, passion, hopes, goals, aspirations, and bringing power to the people via technology that distinguishes the Apple brand personality (Minds, 2014).

The return of Steve Jobs has played an essential role in turning Apple into one of the most admired and influential brands. He noticed that people were dissatisfied with the way other technology companies built their products without thinking about consumers. Steve Jobs pushed the company to consider users' experience the number one priority, as technology comes as a second element (Brands, 2022).

Everything about the Apple brand that we see now revolves around the brand philosophy of "*Apple makes technology so simple that everyone can be a part of the future.*" (Brands, 2022).

Moreover, “*Technology for all of us*” was Apple's slogan when they challenged IBM in the 1980s. Afterward, they used the “*I'm a Mac*” marketing campaign to compete with Microsoft. The allure of Apple lies in the fact that it takes complicated technology and makes it simple, allowing people to do more with Apple products (Brands, 2022).

The process of developing Apple's brand identity

The Consumer-first approach is crucial to Apple's success, and Steve Jobs has emphasized this throughout his tenure as the company's CEO, helping to reinforce the widespread belief that Apple is an inventive leader (Brands, 2022).

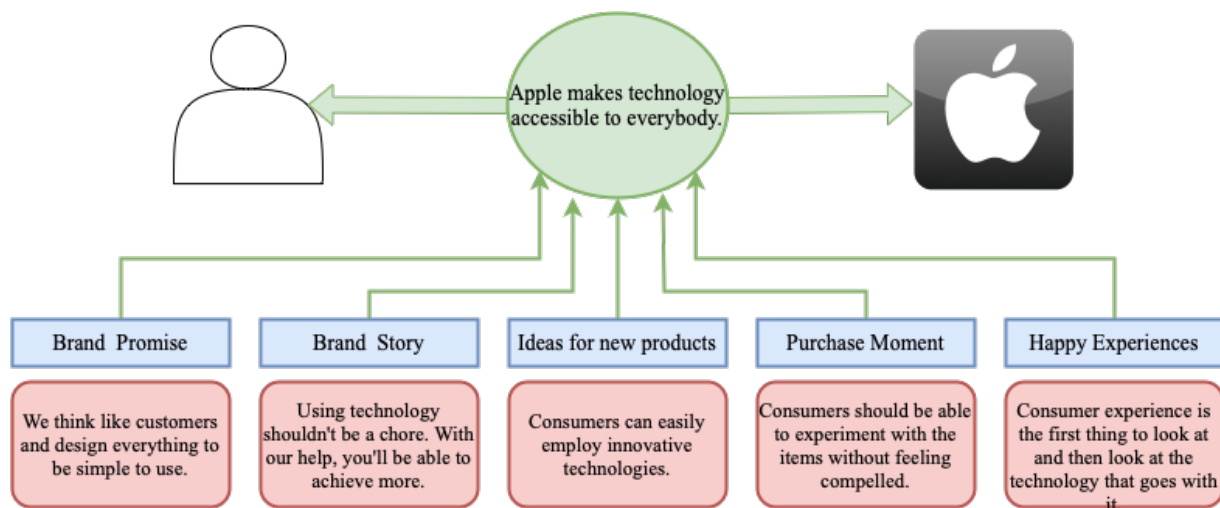


Figure 4: Apple's philosophy is simplicity (Brands, 2022).

Apple has done an excellent job of adopting that simple brand notion and extending it across their brand narrative, as well as their innovation strategy and goal (as they have branched out into new tech areas) (Brands, 2022). For example, they have utilized their brand concept to drive how they handle the purchase moment (to ensure that their retail outlets are simple for consumers) and generate positive customer experiences (Brands, 2022).

How do the five components of smart strategic thinking contribute to Apple's turnaround plan?

1- Create a vision of what you want to achieve

First, Apple wants to make it simple for everyone to participate in future technologies. However, the significant difficulty was building brand lovers (Brands, 2022).

2- Invest in a strategy plan

Apple then invested and oriented everything around a brand concept described as "*Apple makes technology so easy that anybody can be a part of the future.*" They apply it to brand positioning, innovation, communication, purchasing, and experience (Brands, 2022).

3- Focus on an opportunity that has been spotted

Apple has spent decades empathizing with—and exploiting—consumer discontent with technology. In the 1980s, they criticized IBM PCs for being too complex. The company used "*I'm a Mac, and I'm a PC*" to criticize Microsoft in 2005. Its "customer-first" philosophy transformed cutting-edge technology into consumer technology (Brands, 2022).

4. Take advantage of a new market influence

All in all, the Apple brand strategy adopts a fast-follower approach that takes advantage of contemporary technologies. The brand notion of simplicity is delivered across all platforms, including PCs, laptops, smartphones, watches, tablets, and music streaming. They employ high-profile launches to recruit loud supporters to spread the message (Brands, 2022).

5 - Results in terms of performance that pay off

The most crucial factor in Apple's success was its ability to build a strong relationship with its customers. As a result, it is currently the most popular consumer-driven brand, with premium pricing, increased market share sales, and profitability. Over the course of ten years, Apple's revenue grew from **\$5.7 billion** to **\$240 billion** due to the company's brand love approach (Brands, 2022)

SWOT analysis of Apple iPhone

Apple's iPhone caused a sensation throughout the globe through its IOS operating system and its multi-touch capabilities. It was the first phone that could legitimately be referred to as a "Smartphone." With the benefit of being the first to market, Apple's iPhone is still going strong. The following is a SWOT analysis of the Apple iPhone (Bhasin, 2020).

Strengths

- **Brand equity:** Apple is one of the most valuable brands globally, ranking in the top ten percent of all corporations. Since the introduction of the Macintosh computer, it has been renowned as a brand that delivers on its promises (Bhasin, 2020).

- **Incredible software and operating system:** Apple's IOS operating system is a recognized mobile platform due to its versatility and speed. Also, the iPhone's user interface is excellent, and its simplicity is addictive (Bhasin, 2020).
- **Consistency in design:** Apple's design consistency has produced success after hit. The design of the Apple iPhone is remarkably similar. However, Apple iPhone offers customers what the gadget contains inside (Bhasin, 2020).

Weaknesses

- **High price:** With such strong brand recognition, customers are almost sure to exclusively target the A grade category. However, the Apple iPhone is more expensive than Samsung phones that provide equivalent functions (Bhasin, 2020).
- **No variety:** The design of the Apple iPhone is relatively constant, which is a good point. However, a significant population is constantly changing their phones simultaneously as well. Their Apple iPhone does not provide them with the diversity they are used to receiving. Therefore, Customers may abandon one brand in favor of another. When it comes to a brand like Samsung, the range and features are extensive (Bhasin, 2020).

Opportunities

- **Smartphones have much promise in the market:** The smartphone market is expected to continue to grow in the future. As a result, the Apple brand has access to a massive market of prospective clients (Bhasin, 2020).
- **Continued technological advancement:** Every decade, or perhaps every five years, Apple has produced successful products. As a result, customers have anticipated more distinctive products from Apple. Furthermore, creating innovative items can drive the organization to greater heights (Bhasin, 2020).
- **Increased reliance on digital technology:** People's dependence on the internet and mobile applications grows. Thus, smartphones like the iPhone will benefit from increased demand as people become more digitally literate and their purchasing power rises (Bhasin, 2020).

Threats

- **Android:** Android is the greatest threat to Apple's iPhone. Google's mobile operating system, Android, has taken the globe by storm, and it's free for everyone (Bhasin, 2020).

- **Samsung:** Samsung, with its large inventory of mobile phones available in various forms and sizes, is a serious competitor to Apple's iPhone. Samsung has shown the strength of Android smartphones, and the company has now introduced the Android operating system into cameras. As a result, Samsung is the most significant challenger to Apple's iPhone (Bhasin, 2020).

6- Strategic Focus: Mission, Vision, and Values

Apple Mission Statement

As stated in their mission statement, Apple strives: "To bringing the best user experience to customers through innovative hardware, software, and services." (Hub, 2021)

What is the meaning of Apple's mission statement?

As Apple has indicated in its mission statement, the company wants to deliver the best services and products to satisfy each customer's unique needs. It has helped the company achieve its long-term goals (Hub, 2021). Apple's mission statement has three main parts:

Outstanding user experience: Apple makes its products easy to use, whether an iPhone, an iPad, or a wearable device. User experience is essential to the company, and it won't settle for anything less than that. Apple's products have new and easy-to-use features that make them the best for the people who use them (Hub, 2021). When Apple released iOS 13 in 2020, it had many more permissions for location and Bluetooth. In 2021, it added an option to allow tracking ads on iOS 14. People who use iPhones can keep their information safe with these easy-to-use privacy features, making their lives better (Hub, 2021).

Advanced Products: Apple creates products that meet specific customer demands. The company has raised the bar in product design, usability, and usefulness. In addition to serving education, business, and healthcare markets, Apple's hardware and software solutions also help a wide range of other markets. Apple has strengthened its healthcare footprint in recent years, thanks to breakthrough devices such as the Apple Watch, which detects abnormal heartbeats. Patients may access their medical data using Apple Health Records for iPhone. Apple announced **\$91.8 billion** in quarterly revenues in the first quarter of 2020, with record-breaking profitability from its healthcare goods and services (Hub, 2021).

Delivery of High-Quality Services: Apple is concerned with customer service. Everything is under its supervision, from design through development, sales, and maintenance. This approach provides Apple an advantage over its competition. Moreover, according to a 2020 investigative research study, Apple received a

51/60 rating for online assistance and a 34/40 rating for phone support, for a total tech support score of 85/100. Given that most businesses provide terrible customer service, this is an excellent result (Hub, 2021).

Apple Vision Statement

Where Apple's mission statement talks about how the company does business, Apple's vision statement refers to what it wants to be and how it wants to get there (Gaille, 2021). The following is Apple's vision statement: "*We believe that we are on the face of the earth to make great products and that's not changing. We are here to make the best products on earth, and to leave the world better than we found it.*" (Gaille, 2021).

This statement underlines Apple's commitment to providing excellent products to its customers, and they expect to continue doing so for an extended period. Moreover, the statement informs us about how Apple runs its business to be the best in the field (Statement, 2022). The following are some of the components related to this statement:

- 1. Innovations**
- 2. Integrating partners while maintaining high standards of performance**
- 3. Specialization in markets**

Apple does not restrict itself to a single place. There are no plans to develop items for the United States alone. A worldwide presence is clearly in the company's goals. Since February 2019, Apple has launched 506 retail locations across 25 countries (Statement, 2022).

The first component of the statement demonstrates that Apple is primarily concerned with technological advancements. The second component indicates that Apple wants to provide excellent goods for an extended period (Statement, 2022). The firm has always been at the forefront of cutting-edge technology solutions, and it intends to maintain that position in the future (Statement, 2022).

It does this by providing its personnel with the most creative resources available, all of which are also client-focused. As a result, Apple feels that teamwork is essential to remain one step ahead of the competition in today's highly competitive environment (Statement, 2022). It also encourages this by concentrating its resources in areas that may influence the quality of life (Statement, 2022).

Apple Values

Apple's values guide how the organization and its workers do business and connect with the world (Hub, 2021).

They include accessibility, education, environment, inclusion, diversity, privacy, racial equity, justice, and supplier responsibility (Hub, 2021). Apple's values highlight the characteristics of its overall performance as a technology and innovation leader. Apple is skeptical of the values that have guided it as a quality-driven firm for two decades (Hub, 2021). To maintain these standards, the firm ensures that all operations align with the organization's basic principles (Hub, 2021).

Accessibility

Apple gives people and businesses the software, hardware, services, and technologies they need to reach their goals and dreams. The company used advanced technologies to improve accessibility. Moreover, Apple has created devices that allow individuals with physical disabilities to participate fully in society and go about their everyday lives (Statement, 2022).

Developers use Apple's App Store ecosystem to make apps. In 2020, Apple cut its App Store commission for small businesses to 15%. The program gives small developers access to the App Store and more money to invest and grow their businesses (Hub, 2021).

Education

Apple and ConnectED "Giving products, support, and opportunities to schools that need them most" (ConnectED, 2022).

As part of the ConnectED initiative, Apple has given \$100 million worth of teaching and learning tools to 114 schools with insufficient help. Apple gave every kid an iPad, every instructor a Mac and iPad, and every classroom an Apple TV. Then, the company created a structure that offers planning, professional development, and continuing support so that every school may benefit from technology. Moreover, the company is still teaching students and teachers how to use the products in school and life (ConnectED, 2022).

Environment

"Apple commits to be 100 percent carbon neutral for its supply chain and products by 2030" (Apple, 2021).

By 2030, Apple wants to make all its business, manufacturing supply chain, and products carbon-free. The company is already carbon neutral for its global business operations. This new promise means that by 2030, every Apple device sold will have no impact on the environment (Apple, 2021).

"Businesses have a profound opportunity to help build a more sustainable future, one born of our common concern for the planet we share," said Tim Cook, Apple's CEO. "(Apple, 2021).

Moreover, Apple launched a project called "Restore Fund," a first-of-its-kind carbon-removal effort that will make investments in forestry initiatives to remove carbon from the atmosphere while providing a financial return to investors (Newsroom, 2021). Apple's **\$200 million** funds, which were launched in partnership with Conservation International and Goldman Sachs, aims to reduce carbon dioxide emissions from the atmosphere by at least one million metric tons per year, equivalent to the amount of fuel used by more than 200,000 cars. This

project is part of Apple's long-term work to protect forests, including collaborating with Colombia companies to restore a 27,000-acre mangrove forest (Newsroom, 2021).

Inclusion and Diversity

The company's biggest strength is the diversity of its employees. Apple is committed to building a diverse workforce to meet customers' needs from all over the world, regardless of race, location, religion, gender, or culture. The way Apple has made progress has always been to bring people together who are different in how they think about things, what they have seen, and who they are (Statement, 2022).

Privacy

Apple creates its products intending to protect users' privacy while also providing them with control over their information. The business thinks that privacy is a fundamental right of every human being. Apple released an upgrade to its iOS operating system in April 2021 that included new privacy protections aimed to prevent iPhone users from being monitored by digital ads. Some applications will display a pop-up message to Apple's more than 1 billion iPhone owners, asking for their permission to gather data from their devices. It is protected by this feature, which prevents third-party applications and websites from using client data to follow them online (Hub, 2021).

Racial Equity and Justice

Apple recognizes its role in the worldwide battle against systematic racism and inequality as a global leader in technology. Through the Racial Equity and Justice Initiative (REJI), the firm pledged \$100 million to support the fight against racism in the United States (Hub, 2021).

Supplier Responsibility

Apple expects its suppliers to adhere to the highest labor and human rights standards, as well as the highest levels of health and safety and environmental policies. To do this, the organization employs a stringent supplier performance evaluation method in these three areas of operation. In 2019, Apple performed 80 exams at manufacturing facilities, 50 assessments in the services supply chain, and 291 assessments at smelting and refining plants (Hub, 2021) (Responsibility, 2022).

7- Ethics and Corporate Social Responsibility

In this section, we will analyze the ethical and legal problems of tax havens, specifically Apple's history of using Irish companies to avoid paying taxes in the United States. First, we will discuss how apple saved billions of dollars by minimizing taxes. Then, we will explain the legal and ethical issues regarding Apple's tax minimization actions.

Apple's strategies for global tax minimization

Tax avoidance, unlike tax evasion, is a legitimate and legal business approach. Tax evasion occurs when businesses refuse to pay taxes or falsify financial statements. However, tax avoidance uses every available legal option to keep tax rates as low as possible (Orem, 2022). Furthermore, companies that use tax avoidance have been thoroughly brutally condemned, although what they are doing is legally lawful in the countries where they work.

The "Double Irish with a Dutch Sandwich"

Apple reduces its tax liabilities by intentionally funneling money into offshore tax havens using "shell corporations," corporate sub-entities utilized only for international capital movements and other financial transactions. "Apple Ireland" is a shell business controlled by the United States technology behemoth, sells iPhones to another shell corporation, "Apple Netherlands," which sells the products to the buyer (Snowden, 2017). The Dutch franchise then takes the sale proceeds but pays the Irish shell firm as much as possible in license costs. This process enables Apple to report little income to the Netherlands and tax the remaining 25% in Ireland. The rate would be 39% if Apple reported this revenue in the U.S (Snowden, 2017).

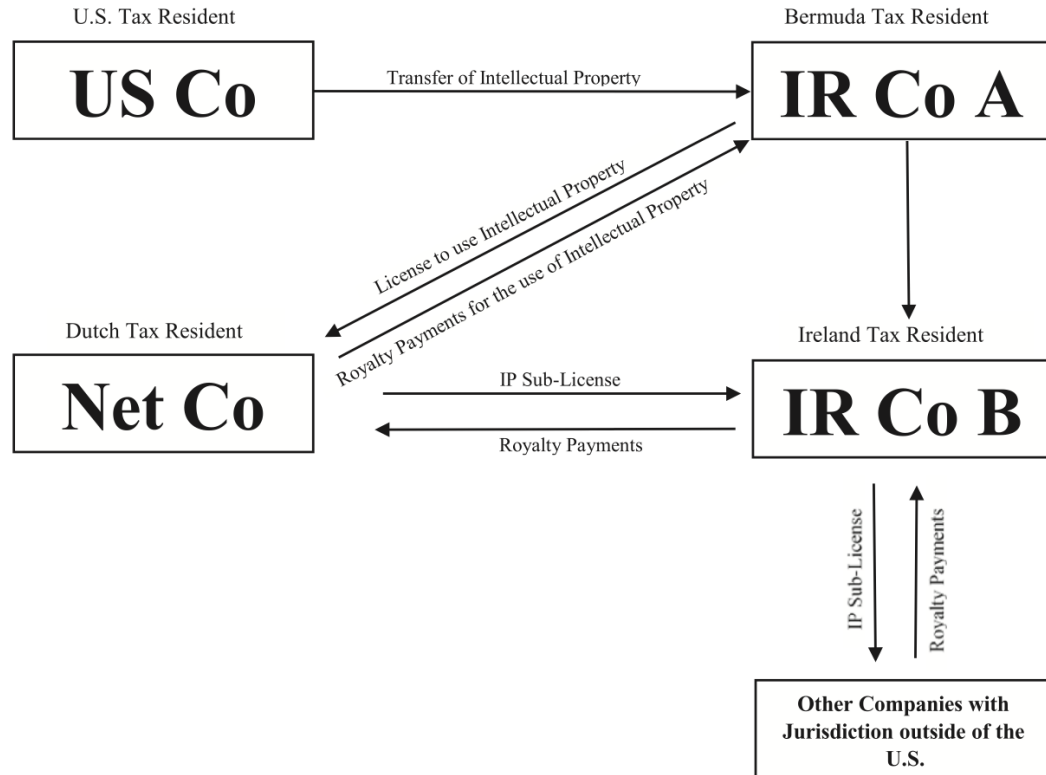


Figure 5: General Overview of the “Double Irish with a Dutch Sandwich”

Apple took a similar approach in New Zealand. In 2016, the company sold almost **\$4.2 billion NZD** in New Zealand but paid no local taxes. The New Zealand government determined that Apple should repay close to **\$357 million NZD** if it claimed the same profit margin globally (Snowden, 2017).

Litigations

The European Commission recently determined that Apple owes Ireland over **€13 billion (\$14.1 billion)** owing to improper transfer pricing and state assistance received from Ireland. The E.U. Treaty prohibits governments from providing financial aid to a single enterprise without making it accessible to everyone. A similar tax decision in 1991 and 2007 applied to Apple's Irish offices in 2015. Thus, The Commissioner of the E.C., Jean-Claude Juncker, stated: *"that Ireland granted illegal tax benefits to Apple, which enabled it to pay substantially less tax than other businesses over many years"* (Snowden, 2017). However, the Irish government has not agreed to accept these back taxes and has filed an appeal. The Irish government sees taking the back tax as a sign that they and the businesses that invest in Ireland have done something wrong (Snowden, 2017).

On the other hand, Luxembourg's government has indicated its support for Ireland's rejection. Hence, they have asked the Netherlands and France to join them, hoping to make significant changes in the European Union. However, they haven't been able to get either of these countries to join (Snowden, 2017). Moreover, Ireland would have been able to finance the entire health budget or pay off 6% of the country's debt if Apple had paid 14 billion dollars of taxes. Despite this, Ireland is reluctant to pursue Apple for unpaid taxes due to the enormous money and employment it generates (Snowden, 2017).

As they don't want to accept back taxes, Ireland has taken steps to close the "Double Irish" loophole by putting tax categories called "knowledge boxes" in place. Knowledge boxes allow collecting tax money from intellectual property and other, more tangible sources of profit. This change will not push Apple out of Ireland any time soon, but it reflects a growing trend towards a more consistent global tax system (Snowden, 2017).

Ethical issues

This case raised various ethical dilemmas, according to Oxfam Ireland CEO Jim Clarken: *"Tax dodging has a real human cost. When a company gets away without paying the tax it should, that has a direct impact on the lives of people around the world. This is tax that should be paying for schools, roads, medicine and lifting people out of poverty"* (Cogley, 2016).

This demonstrates that Apple's tax evasion has a substantial effect on a variety of sectors in emerging countries throughout the globe, including infrastructure, education, health care, and the environment. Moreover, the \$14.1 billion-plus interest that Apple owes is *"40 times the previous record for such a case and the equivalent of the annual budget for Ireland's health service. Irish campaigners called for the windfall to be invested in public housing"* (Guardian, 2016). Even though Apple has done much good in Ireland, the public can't just forget about its tax-avoiding schemes because of that (Guardian, 2016).

Corporate social responsibility

Apple has directed its corporate social responsibility efforts to support local communities, educate and empower workers, assure employees' health and safety, and provide charitable donations (Research, 2021).

Nevertheless, doing a good deed does not make a wrong act disappear. Hence, philanthropic foundations are qualified to receive donations from the tax deduction. As a further measure, rather than reinvesting its foreign revenues, Apple has taken on a **\$17 billion** debt load to fund its three-year goal of returning **\$100 billion** to shareholders via dividends and stock purchases. Thus, Apple is attempting to serve the best interests of its stockholders by increasing the company's value while paying lower taxes via its international subsidiaries (Nelson, 2013).

To sum up, Apple's tax minimization strategies have helped the company stay profitable under U.S. and Irish tax rules for a long time. On the other hand, these strategies break the rules and only benefit shareholders, while current and future customers pay the price for not paying taxes on their own.

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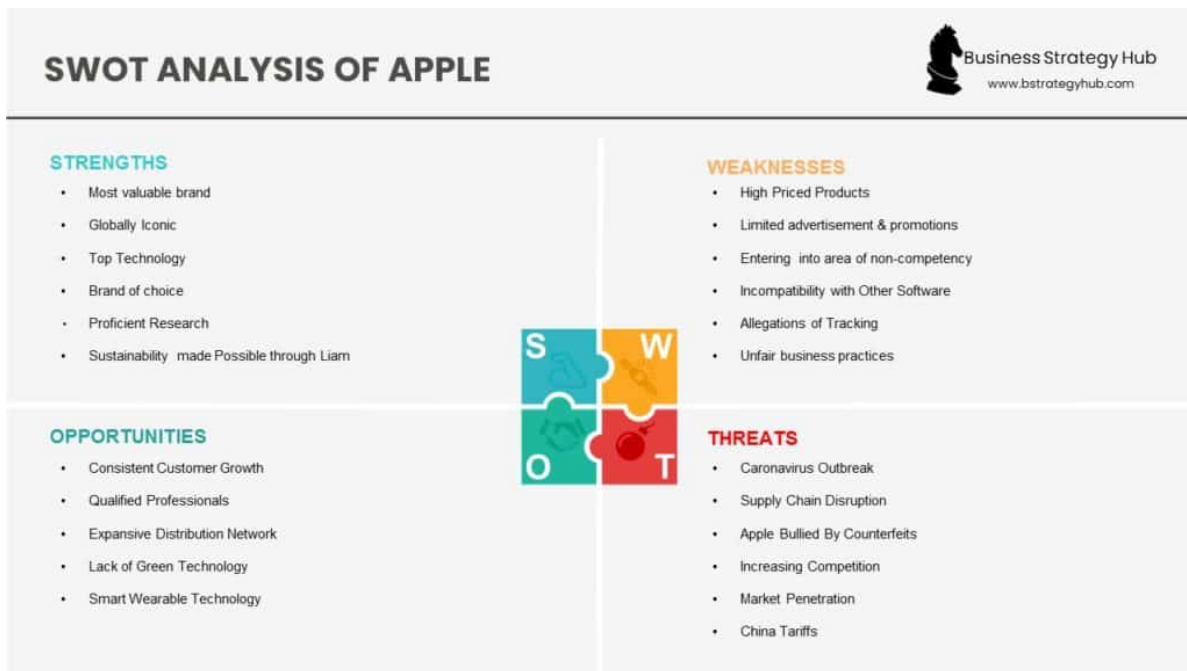
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Appendix A: Apple SWOT (Jurevicius, 2021)

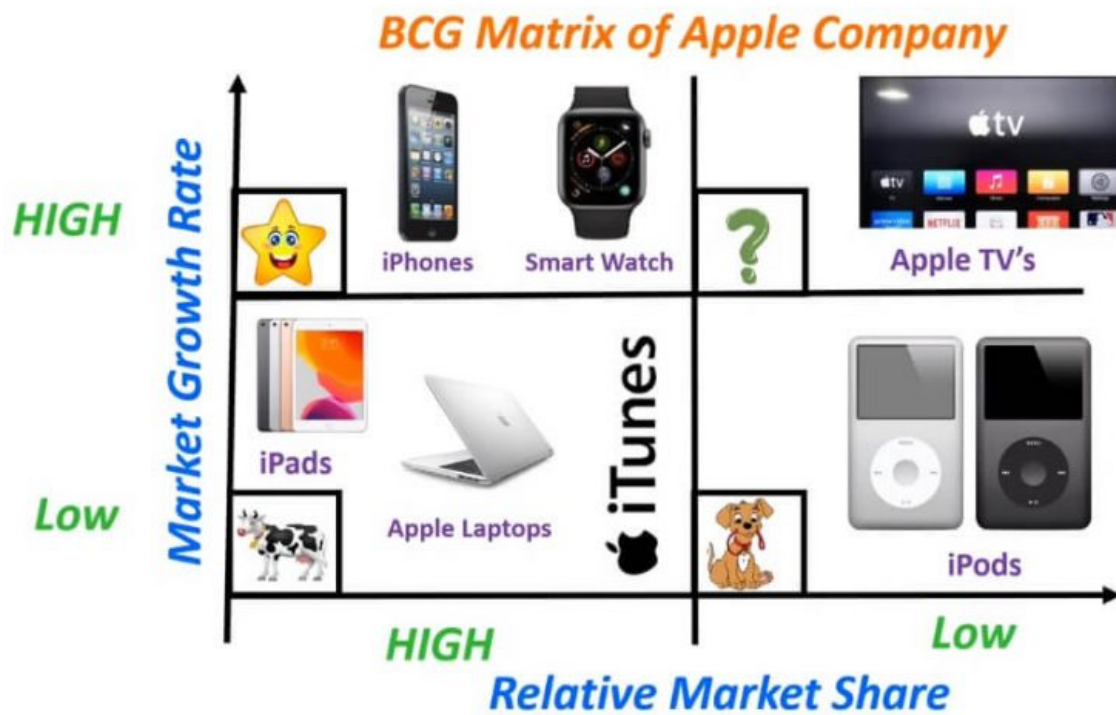




Appendix B: Apple SWOT Analysis (Hub, 2021)



Appendix C: Apple SWOT Analysis (Hub, 2021)



Appendix D: BCG Matrix of Apple (E-Learning, 2021)

