

Global Market Place
Global Company Analysis (2019)
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Apple iPhone production and its business strategies in Global Market place

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Introduction

The subject of this report is one of the leading companies in technology the American tech company Apple Inc. and its most successful product iPhone. The purpose of this report is to show iPhone's global marketing strategy that makes it stands out in the global market. It will be examined under the following three topics 1) iPhone's Market Segmentation 2) its Production strategy and 3) its Foreign Direct Investment (FDI) and business strategies. Finally, it will conclude with some recommendations to other companies which are intending to do global businesses.

Apple Inc. is an American tech company was founded in 1976. Its headquarter is in Cupertino, California in the U.S. Apple Inc. It is one of the most influential global companies in technology today. Apple started its business by creating personal computers. When the first Apple computer was created there was no software available for it. Later Apple had started to develop software to go along with its hardware products. The company slowly built upon its successes from Mac computers to iPod to the iPhone and to iPad. In addition to computer technology, Apple also changed the way people consumed music developing the media player iPod and a music service iTunes. Apple began by revolutionizing once complex-machines into easy-to-use personal computers by pioneering technologies (O'Grady, 2009). Apple had a huge impact on technology and society all over the world and it continues its innovation to this day. Apple goes way beyond the computer brand. In 2007 the first time, Apple launched its smartphone iPhone that had been secretly developed. It was multi-function handheld electronic devices with the capacity to play music, record videos and take photos, connect to the internet by wireless and act as personal organizers.

On 29 June 2007, Apple launched the Its iPhone product into the American market and 270,000 units were sold in the first 30 hours of trading (Wagner, 2007). And over 500,000 units sold on the first weekend. Since that time, millions of iPhones have been sold (Laugesen & Yuffie, 2010). The iPhone represents a significant shift in Apple's strategic business focus. The iPhone was Apple's first mobile phone to go into the market competition.

Apple iPhone's Market Segmentation

Apple does not compare itself with other brands and when it comes to competition it would be independent of the competition. Therefore, on the product level, the iPhone does not enter the competition with other smartphones. Apple creates and offers value to the consumer by innovative product offer like iPhone (Dissanayake & Amararuriya, 2015) Apple Understands the consumer market and then targets the correct consumers by careful segmentation and positioning. Apple Understands the importance of its products and its services and always seeks to bring the cutting edge innovation in order to provide the best technology and services. This is the reason for Apple's progress and what the future holds for the company (Laugesen & Yuffie, 2010). In recent years, Apple has faced serious competition for its smartphones from other companies such as Samsung and Huawei. However, it spends billions in R&D in order to remain a leader in the global market. The investment in its R&D makes Apple so good at innovation. That helps in its prise and quality balancing. Various attributes attract different types of consumers in the market. iPhone has its market segmentation and it targets mainly three types of consumers as follows;

Young people, ages between 18-24:

iPhone target young people as they tend to be trendsetters. Specially ages between 18-24 they tend to be more curious and knows a lot about modern technology. They use this trendy iPhone for entertainment. This age group consume more songs and play video games. Apple has fulfilled these young people's demands and preferences providing apps in iPhones such as iTunes and Apple apps stores. iTunes app allows to purchase, play, and organize digital multimedia on iPhones. iTunes in the iPhone is designed to allow its consumers to access the iTunes store that consumers can download music, TV shows, films, and other apps directly to the phone. Apple apps store gives a facility that people can purchase and download games and other apps (Dudovskiy, 2019).

Office workers, ages between 25-55:

The other types of consumers are people who use the smartphone primarily for work that is predominantly aged between 25 to 54 (Dudovskiy, 2019). Apple's MacBook is probably the most desired computer however, the iPhone gave access to a similar operating system like MacBook computer which is ios. Not only the operating system but also the high-quality processing speed attract these people. iTunes and Apple store are the major attention grabber for iPhone. The Apple store has more apps than the google play store which is a compliment for the developer network. Apple has made numerous applications and games though its developer network. It has one of the strongest developer communities today.

Premium consumers:

iPhone targets mainly upper-middle-class people who seek the peak of quality or premium services. Due to its quality iPhone is an expensive product compared to other brands in the market. Its standard price is maintained across the world market making it an exclusive product. As iPhone targets premium customers it mostly opens up its I stores in malls and premium places in premium cities. iPhone's designing consistency is one of the iPhone's most important attributes that holds its premium customer's attention (Dudovskiy, 2019). iPhones are relatively similar in looks but in its design but its capacity is always upgraded.

Apple iPhone's production strategy

iPhone is highly globalized when it comes to its manufacturing. Manufacturing is the process of making the components that go into iPhones. Apple does not manufacture its components in one place. Instead, It uses manufacturers from around the world to deliver individual parts. The manufacturers specialize in particular items, for instance, camera specialists such as Sony company in Japan and Qualcomm company in the U.S manufacture the iPhone's lens for its camera, screen specialists build the display, and so on. Assembling, on the other hand, is the process of taking all the individual components that are built by different specialists manufacturers and combining them into a finished product iPhone (Costello,2019).

Accelerometer: Bosch Sensortec GmbH company based in Germany with locations in the U.S., China, South Korea, Japan, and Taiwan

Chips: Cirrus Logic based in the U.S. with locations in the U.K., China, South Korea, Taiwan, Japan, and Singapore

Battery: Samsung based in South Korea and Sunwoda Electronic company based China with

Camera: Sony, based in Japan and Qualcomm in the U.S. with locations in Australia, Brazil, China, India, Indonesia, Japan, South Korea, and more than a dozen locations through Europe and Latin America

Compass: AKM Semiconductor, based in Japan with locations in the U.S., France, England, China, South Korea, and Taiwan

Screen: Corning, based in the U.S. with locations in Australia, Belgium, Brazil, China, Denmark, France, Germany, Hong Kong, India, Israel, Italy, Japan, South Korea, Malaysia, Mexico, Philippines, Poland, Russia, Singapore, South Africa, Spain, Taiwan, The Netherlands, Turkey, the U.K., and the United Arab Emirates

Gyroscope: STM microelectronic, Based in Switzerland, with locations in 35 countries

Memory: Toshiba, based in Japan with locations in over 50 countries

Screen: Sharp, based in Japan with locations in 13 countries and LG, based in South Korea with locations in Poland and China

Controller: Broadcom, based in the U.S. with locations in Israel, Greece, the U.K., the Netherlands, Belgium, France, India, China, Taiwan, Singapore, and South Korea.

Chip: Murata, based in the U.S. with locations in Japan, Mexico, Brazil, Canada, China, Taiwan, South Korea, Thailand, Malaysia, Philippines, India, Vietnam, The Netherlands, Spain, the U.K., Germany, Hungary, France, Italy, and Finland (Costello,2019).

components manufactured by all those various companies all around the world ultimately sent to the companies that assemble into iPhones. These companies are the Chinese largest electronic companies Foxconn and Pegatron both of which are based in Taiwan. Foxconn is Apple's longest-running partner in building these devices. It currently assembles the majority of iPhones in its factories Shenzhen and Shanghai China. Pegatron is a relatively recent addition to the iPhone assembly process (Costello,2019). It is estimated that it had built about 30 percent of the iPhone 6 orders (AppleInsider, 2014). However, even though iPhone's components are manufactured all over the world, it is printed on the back of every iPhone "Designed by Apple in California Assembled in China" (Merchant, 2017). Since the iPhone is such a complex machine putting its all components together correctly requires a huge number of skilled workers. It is very logical for Apple to assemble the iPhone in China as China has a low labor wage and highly skilled workforce in this kind. If this laborious work is done in the U.S that would cost a huge amount of money in its production because the U.S has high wages compare to China. Therefore iPhones would become more expensive that only very rich people could afford one.

FDI and Apple Business Strategy

Apple started to set up its office in Ireland in 1980 and now it has its headquarter for Europe, Africa, and the Middle East is located in Co. Cork in Ireland which, employs nearly 6,000 people across the country (Wang, 2018). Cork's headquarter deals with all of Apple's international sales outside of the U.S. It also deals with Apple's international distribution network. This headquarter plays an essential role in delivering products and providing aftercare support to customers.

The services that it provides include customer care, finance, localization, logistics, manufacturing, sales support and transport management. Apple organizes the supply of products to more than 147 countries through Cork, either through online, retail or resellers. The company supplies more than 110 physical stores and 24 online stores, as well as a large number of direct and indirect resellers (Taylor, 2018). The three main reasons Apple chose Ireland are as follows:

Low Taxation:

With the intense globalization, global companies tend to take advantage of different countries' political economies, laws, and governments to achieve wealth concentration. Ireland has one of the lowest corporate tax rate regimes in the world only 12.5 percent. This is one of the reasons that foreign corporations like Apple chose to locate its headquarter in Ireland. Apple-based a major international division, Apple Sales International, in Ireland. In 2011, this division generated more than €16 billion in pre-tax profit but paid Ireland less than €10 million in income taxes, which is well below Ireland's 12.5 percent corporate tax rate (Wang, 2018). By comparison, the United States has a much higher corporate tax rate of 35 percent. This means that when a company generates \$10 million in profit, it needs to pay \$3.5 million U.S. tax if the company were built in the United States, while it only pays \$1.25 million if the factory were built in Ireland. In addition to the 12.5 percent tax rate, Ireland provides tax subsidies for research and development and other activities (Wang, 2018). This explains the benefits for Apple choosing Ireland, instead of its home country.

Highly qualified workforce:

The major factors that helped Apple to establish its business and thrive in Ireland is the availability of skilled workforce. Ireland produces highly qualified and English speaking workforce. Skilled workers are the main resources for giant tech companies like Apple. As Apple's one of the big headquarter in Ireland it requires a highly-skilled, flexible and adaptive workforce in order to give such services to its consumers around the world. This giant tech company Apple is able to expand its business across Europe and beyond was facilitated by a well-educated workforce in Ireland (Keating & Olivares, 2007).

political stability, economic and legal system

political, and economic systems have a direct impact on global businesses. The most important reason that Apple to do and handle its business from Ireland is that Ireland has pro-business government policies and regulators, good infrastructure, proximity to the United States and Europe. Ireland is a politically stable and highly democratic country and shares a single market with the rest of the European countries. This barrier-free allows access to over 500 million customers in Europe. Ireland also gives 25% R&D Tax Credit and Apple is able to take this advantage fully by doing its big business in and from Ireland. In return, Apple has given the employment opportunity in the country and helped to develop the infrastructure in the country (European Commission, 2019).

Conclusion

Apple is a leading multinational technology company in the world. It started its business from making Apple computers and gradually developed various other electronic devices and software. Among all its products, the iPhone is the best-selling product in the global market. One of its successes behind is that Apple invests huge money in R&D in order to keep and upgrade its standard and quality through innovation. Apple targets mainly three types of consumers young, office workers, and high middle-class people. Apple takes all the advantages produced by the culture of globalization. It uses resources including human resources from all around the world through manufacturing, assembling and distribution strategic tactics. It always looks out for premium locations to open its stores and offices around the world. Apple has been taking benefit from Irish friendly business policies. One of the most important lessons to be learned from this successful Apple iPhone business is that always be innovative in order to maintain and upgrade products' quality and good services. That could be possible through investing in R&D. The other important lesson is to choose the best locations for the business. Understand consumer's preferences and demand and to be able to fulfil that demand. Apple presents to the world a whole package of corporate globalization. Starting with the original iPhone in 2007, which revolutionized the mobile phone industry and has been the most desirable and best-selling product among Apple brands.

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