Entrepreneurship Assignment 2

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**Q1. Company Analysis**

I am doing a SWOT analysis on Apple for 2012. A SWOT analysis is an acronym for a company’s strengths, weaknesses, opportunities and threats. The analysis should include both the internal and external factors which have an impact on the company. These factors affect strategic decisions for the business now and in the future (Kuratko, 2016).

Strengths

* A strength for Apple is the success of their products. After the previous success of the iPod, it is estimated that in 2012 around 350 million iPods were sold since its launch. 2012 also saw the creation of the iPhone 5. Apple had already created their reputation of producing the best phones by then, so this product was destined for success. The iPhone 5 went on to become the world’s best-selling smartphone of 2012 after selling 125 million iPhone units that year. The company claimed 20% of the market share for 2012 and in the fourth quarter of that year they also claimed 70% of the mobile phone industry’s total profit (MarketLine, 2013).
* Strong growth rates help the company with their competitive advantage. Every year their sales rates are increasing. Due to the success of their products, they have been able to increase their prices as they have proven they are worth the money. For example, the average price of a PC is the same price as an Apple smartphone. This has led to major increased profits, their gross profit increased by 63.5% in financial year 2012. They are also able to charge mobile phone carriers more. They make 40% more from phone carriers than any of their competitors. For the financial year 2012, Apple’s revenue grew 44.6%. Whereas, one of their competitors, Microsoft, only increased their revenue by 5.4% (MarketLine, 2013).

Weaknesses

* A weakness for Apple is that the price range in their products isn’t very big, making it difficult to hit different audiences. They class themselves as a premium company meaning premium prices. Their audience is the rich and business people of this world, the prices are too extravagant for an ordinary person. The average price of an iPhone is over $600 (€500). Although it is a reasonable price for what you get, not many people can afford these types of luxuries. On the other hand, Samsung, who is a competitor, have many different products at different prices making them affordable for everyone. This gives them access to a bigger audience as they have a better chance of catching the eye of potential customers. Apple only produces smartphones in the mobile phone sector. They don’t make standard mobile phones whereas most of their competitors do. Apple owns only 10% of the global mobile phone market while Samsung have a 30% share (MarketLine, 2013).
* Another weakness of Apple’s is that they depend highly on the iPhone and iPad products. Most of their revenue and growth rate comes from the iPhone and iPad with 72.1% of the total revenue in the financial year 2012 coming from those products. Even though these products have been a great success for the company, if the sales of these products were ever to drop it would have a major impact on the company’s growth rate and revenue (MarketLine, 2013).

Opportunities

* An opportunity for Apple is that they had potential for growth in the enterprise market. The enterprise, government and education markets are calling out for Apple to step in and provide them with electronic devices to help each of them. Recently, people in the business world have started to use their personal devices for business purposes which is leading to the introduction of iPhones and iPads into many businesses. The company is rapidly becoming a trusted enterprise provider. Recently, many companies have switched from the BlackBerry platform to the Apple iOS platform. An example of this is Home Depot, who replaced 10,000 of their BlackBerry devices with Apple devices. It is estimated that Apple will provide 97 million units of devices to companies in 2016. It is looking very likely that the enterprise market will become an important customer and will ultimately play a key role in the company’s success (MarketLine, 2013).
* Another opportunity for Apple is the emerging nations providing a strong growth rate. The price of their products and the lack of carrier providers are some of the challenges they face entering into these markets. However, these markets are growing, and it is the perfect time for Apple to step in. It is estimated that the sales of smartphones, PCs and tablets in emerging markets grew by 41% in 2012. It is highly expected that the sales of smartphones and other electronic devices in emerging markets are to have a huge increase in sales by 2017 (MarketLine, 2013).

Threats

* One threat of Apple’s is that there is a price competition in emerging nations. Apple’s prices are quite high while competitor’s prices are much lower which gains them more consumers in emerging markets. Competing with the likes of Android smartphones which are of a cheap price is quite the challenge for Apple. This may lead to Apple reducing the prices of their products in these countries. Samsung was the market leader for selling smartphones in the emerging market in 2012. This has a negative impact on Apple and may lead to the loss of money (MarketLine, 2013).
* Another threat that Apple has is of course their competitors. They have multiple competitors trying to sell the same products and targeting the same markets. Some of these competitors include the world’s largest companies such as, Samsung, Microsoft, and Google. They are constantly trying to outdo each other, and it can be tough for Apple to do so sometimes (MarketLine, 2013).

**Q2. Marketing Analysis**

A marketing analysis is an element of a business plan that a company must undertake before their new venture to help put them on the right path and make changes that may result in success. A major factor of a marketing analysis is market research, and this involves identifying the target market, competitors and competitive advantage (Kuratko, 2016). I am doing a marketing analysis on Apple for 2016.

Target Market

A target market is the market that the business intends to sell their product or service to. This is a vital part in the marketing analysis and proof needs to be demonstrated to show how this particular market suits their product (Kuratko, 2016).

* One of Apple’s target market is emerging nations. The company is in talks with the government of India to set up factories in the country to manufacture their products. This is in the aim to sell more of their products in India. India have recently taken over the US as the second smartphone market behind China. They are also trying to do the same in Indonesia after a $44million investment over the next three years for research and development centres across the country. The main goal here is to sell more iPhones. This comes after the decline in sales of iPhones in the already emerged markets, the US and China. It is reported that the sales of iPhones declined by 5%. Whereas there was an increase in sales in emerging markets, South America, South Asia and India. These were both reported in the third quarter of financial year 2016. However, this is going to be difficult for Apple. The prices of their products are quite expensive and there are mostly cost-conscious customers among this market. It is reported that around 80% of the smartphones sold in India in 2016 were less than $150, whereas the average price of an iPhone is $618 (BI Intelligence, 2016).

Competitors

Competitors are other companies that are selling or providing the same or similar product or service.

* There is no doubt that Samsung is Apple’s biggest competitor both selling very similar products at a very similar quality. They have both been battling it out for the best smartphone for around a decade. Apple released their first iPhone in 2007 and Samsung followed suit in 2009 with their first Galaxy smartphone. However, Samsung blatantly copied Apple in the smartphone’s presentation and function. Samsung is currently defending themselves against $400 million jury decision that they violated Apple’s patent rights in the Supreme Court (Hanlon, 2016).
* Recently Samsung have announced that they have discontinued the sales of their Galaxy Note 7 smartphone. This has led to their stock price dropping by 3% (Hanlon, 2016). While Apple’s stock price has raised to over $116 a share, this means a 28% stock rise from May 2016 – October 2016 (Solomon, 2016). The reason for discontinuing the Galaxy Note 7 is that the smartphones have been exploding into flames for no reason. Samsung recalled the product and replaced them with newer versions, but the same thing happened with the new products as well. The US Department and the Federal Aviation Administration banned the phone from being on flights anywhere across the world (Hanlon, 2016).

Apple had an easy enough year in 2016 regarding competitors. They had their top competitor hand them the win for the year. Of course, the iPhone 7 was going to produce mass sales and profits even if Samsung didn’t make this major error but all in all it was made very easy for Apple.

Competitive Advantage

A competitive advantage is when a company has unique characteristics that their competitors don’t have and does things that can’t be done by competitors (Lasalewo et al, 2016).

* Apple’s competitive advantage is the software they run all their products on: iOS. This software is only run on Apple products and it is very difficult to copy for other companies. Many of their competitors use similar but not as good software’s and therefore they don’t get as much sales as Apple. Steve Jobs described that their products were ‘software wrapped in a beautiful package’ (Burdeshaw, 2017).
* In 2016, Apple released iOS 10 to operate on the iPhone 5 or later, iPad 4th gen or later and the iPod 6th gen or later. It is a big update taking up between 600MB and 1.2GB. After a recent jailbreak software from Pangu, Apple have made sure to block this jailbreak and they have made it very difficult for any more jailbreak software to take over. The new update sees new features on their products. Some of these features include new notifications, this was done because of the success of Samsung’s ‘rich notifications’ allowing a direct interaction with the notification from the lock screen. They have also improved their widgets by adding a ‘up next’ feature in calendar and a ‘favourites’ album on photos. They have improved their photos majorly to rival Google Photos. They have added a feature that makes montages of your best photos. They have also done one better than Google by adding a feature that you’re able to search a keyword to find a photo for example searching the word ‘beach’. Google has a similar feature, but they use Google servers to find the photo instead of staying on the Google Photos app (Kelly, 2016).

**Q3.** **Financial Analysis**

**P/L Accounts** (Macrotrends)

|  |  |  |  |
| --- | --- | --- | --- |
| \*millions of US $ | **2010** | **2013** | **2016** |
| **Sales** | $65,225 | $170,910 | $215,639 |
| **Cost of Sales/Purchases** | $39,541 | $106,606 | $131,376 |
| **Gross Profit** | $25,684 | $64,304 | $84,263 |
| **Net Profit** | $18,540 | $50,155 | $61,372 |

A profit and loss account is a statement that lists all the changes in the income and expense accounts for a certain period of time (Wilson, 2010). After looking at Apple’s profit and loss accounts for the years 2010, 2013 and 2016, it is evident that Apple grew as a company as their sales and profits increased massively between the 6 years. Apple’s sales and net profit increased by over 30% from 2010 and 2016. This was due to the new products they released and entering into new markets.

**Balance Sheets** (Macrotrends)

|  |  |  |  |
| --- | --- | --- | --- |
| \*millions of US $ | **2010** | **2013** | **2016** |
| **Fixed Assets/Non-Current Assets** | $33,505 | $133,714 | $214,817 |
| **Current Assets** | $41,678 | $73,286 | $106,864 |
| **Current Liabilities** | $27,392 | $83,451 | $193,437 |

A balance sheet is a list of the things the business owns, and what the business owes. Assets are the things the business owns, for example, cash. Liabilities are things that the business owes, for example, bills (Wilson, 2010). After looking at Apple’s balance sheets for the years 2010, 2013 and 2016 I have notices that Apple’s fixed assets grew over 15%, their current assets increased by 39% and their current liabilities grew 14% all of these between 2010 and 2016. This balance sheet indicates the massive growth of the company.

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