

Effect of economic environment and apple business essay



**ASSIGN
BUSTER**

Apple Inc. is an American multinational corporation that designs and produces electronic devices, computer software, and personal computers. Established on April 1, 1976 in Cupertino, California by Steve Jobs, Steve Wozniak and Ronald Wayne to sell the Apple I personal computer kit. Steve Jobs was said to own 45% of the company, Steve Wozniak with 45% and Wayne with the remaining 10%. While Jobs and Wozniak were young with little to no assets, Ronald Wayne was older with personal assets and was scared to put these at risk. This resulted in Wayne selling his share of the company back to Jobs and Wozniak for a reported 800\$.

The company was previously named Apple Computer, Inc., for its first 30 years, but removed the word “ Computer” on January 9, 2007 to expand production in making not only personal computers, but also consumer electronics.

The Macintosh line of computers, the iPod, the iPhone and the iPad are the company’s best-known hardware products. In August 2010, the company operates 301 retail stores in ten countries, and an online store where hardware and software products are sold. In September 25, 2010, Apple had 46, 600 full time employees and 2, 800 temporary full time employees worldwide

Start with its incredible design to its various advertising campaigns, Apple has gained a unique reputation in the electronics industry. This includes a customer base that is devoted to the company and its brand, particularly in the United States. Fortune magazine named Apple the most admired

company in the United States in 2008, and in the world in 2008, 2009, and 2010.

According to the comScore data, in 2010 Apple's share in the US Smartphone market remained stable at 24.3%, Google gained 6.5 percentage points to capture 21.4% of the Smartphone market, and Research In Motion's share slipped 2.8 percentage points to 37.3%.

This year, Apple stock gained more than 40%, driven by iPhone and iPad sales. The stock recently touched an all-time high of \$319. In addition, Apple is now the second largest company in the world in terms of market capitalization and has made an enormous achievement in Smartphone sales.

The US PC market share leaders are HP, Acer and Dell. Apple, with its line of MacBooks, iMacs and Mac Pros is number seven on the current list. When Apple's iPad is added to the PC mix, Apple shoots up to number four, overtaking Lenovo, Toshiba and ASUS.

Entry 2 Effect of Economic Environment

The economic growth is measured by the Gross Domestic Product (GDP) in the United States expanded at an annual rate of 2.00 percent in the last reported quarter.. The economy of the United States is the largest in the world. The economic system in the United States is a free-market economy, which means that sole proprietors and business firms make most of the decisions. It can be seen that due to economic recession in 2008-2009 period all companies including Apple have experienced dramatic decline in sellings.

Nevertheless, Apple recovered its selling in January 2010 and determined an equilibrium price.

Income level of population: According to the graph, there was a dramatic decline in GDP growth rate in January 2009, which means that overall income level of population was very low and, for instance, people did not buy the Apple goods much. However, the next whole year the GDP growth rate began to stabilize and rose gradually reaching a point of 5.4 in January 2010. Consequently, the income level in the United States has risen, which affected all firms including Apple.

Interest rate: The benchmark interest rate in the United States was last reported at 0.25 percent. Interest rates directly affect the credit market (loans) because higher interest rates make borrowing more costly. By changing interest rates, the Federal Budget tries to achieve maximum employment, stable prices and a good level growth. As interest rates drop, consumer spending increases and this in turn stimulates economic growth.

Inflation: The inflation rate in United States was last reported at 1.10 percent in September of 2010. The most well known measures of Inflation are the CPI which measures consumer prices, and the GDP deflator, which measures inflation in the whole of the domestic economy. According to the data, inflation does not seem to be high, which means that Apple is not willing to raise their prices in order to attract more customers.

Fiscal policy: According to Wikipedia, in late 2007 to early 2008, there was a bad recession as a result of high oil and food prices. In order to fix these economic problems, the United States federal government has introduced <https://assignbuster.com/effect-of-economic-environment-and-apple-business-essay/>

bailout packages. But it has not helped to recover due to severity of the current recession and high expenses in military programs. It is estimated that federal budget deficit for fiscal year 2010 will grow dramatically to an unprecedented \$1.56 trillion, or almost 10% of the GDP. But once the recovery sets in, the government needs to run a primary surplus by a combination of higher taxes and spending cuts, which might lead to a weaker economic recovery by itself. In consequence, this affects the consumer demand for Apple products.

Exchange rates: The United States Dollar exchange rate was 5.65 percent during the last 12 months. Higher value of the US dollar affects the export power of the US goods. In other words, the higher is the value the less US goods are sold outside the country.

Entry 3 Effect of Industry Environment

Apple is a big corporation and operates in different industries. That is why I have chosen computer industry and will analyze it below. Earnings that companies get from this industry are relatively high due to the replacement of employees to automated production. In addition, it is also partly because more and more goods are imported from other countries. In 1975 less than 50,000 PCs were sold with a value of about \$60M. From this limited start the PC industry has grown to unit sales of over 280M units in 2009. PC retail revenue topped \$330B in 2007 and 2008, but is in a declining phase due to continued price declines and a shift to low-cost products such as net books.

This graph below show yearly PC sales in the United States and other main regions of the world. It can be seen that that total market sales in computer

industry in USA will continue to grow from approximately 75 millions of units to more than 80 millions of units.

Computer industry in the US has a variety of segments. In particular, computer manufacturing numbers more than 10 companies that compete between each other.

The graph above represents PC market share of companies such as HP (Hewlett Packard), Acer group, Dell, Lenovo , Toshiba, ASUS and Apple in the period 2008 to 2011. It can be seen that HP is going to be the top PC seller with 20 % market share by 2011. Regarding the Acer group in the first two quarters of 2008 the market share was 10%, however the company began to sell more computers and gained a market share of 13% in fourth quarter of 2010. Dell computers were famous at the beginning of 2008 but had declined gradually and it is estimated by IDC & Barclays Capital that they will continue to decline in 2011. The prediction made to Lenovo company is that it will have 5-6% market share as it had got in previous 3 years. Toshiba remained stable with 5% market share during the whole period.

Apple is the company which is distinguished from others because of its creativity and innovation. One of the company's competitive advantage is its combination of hardware and software, which means that not all companies are able to produce hardware and create software at the same time. The other strategic element of the Apple is its retail strategy or in other words the company's success in location its stores and wise plan on how to attract customers. The reason why customers prefer more Apple stores is that Apple is interested to provide support and repair service with highly qualified

employees. In addition, retail stores are located in malls so that a customer can leave its products for a repairment while they will make shopping.

In computer industry there are 2 main competitors which are Dell and Hewlett-Packard.

Dell Inc.

The competitive advantage is that Dell reduces its costs by having direct sales approach. Dell computers are manufactured once an order has been received, thus reducing inventory and warehousing expenses. By providing with perfect price and quality the Dell incorporation has experienced a tremendous advantage over its gained profits. In 2004 Dell had 30 % of the annual computer sales in the US.

Hewlett-Packard

Hewlett-Packard is a leading global provider of products, technologies, solutions, and services to consumers and business; offering personal computing and access devices, imaging and printing. Hewlett-Packard poses a threat to Apple's growth. Hewlett-Packard can capitalize on the longevity of its name and offer a desktop computer at a price much lower than Apple can.

Entry 4 Effect of political and legal environment

The rules and regulations created by the politicians have significant influence on the cost of running a business and the way it can market products and services.

Government regulations

Apple can claim that it could make more money and better products, if it was not precluded by state regulation, but Apple is, and it has found a way to thrive within those parameters. As a result, Apple has to learn how to thrive with accounting rules and intellectual property rights. Apple is at a stage where it needs to be carefully watched for possible regulation, should intensify their current trend of unfair business practices. The truth is simple and indisputable, though, and ironic: a reliable system of regulation is necessary for a truly competitive economy. The very second, that firms become as successful as Apple, they have a monopoly for effect opposite to the free and innovative markets.

Business competition legislation

In the United States FTC (Federal Trade Commission) regulates unfair competition and investigates antitrust actions. Antitrust lawyers from this commission monitor the market share of companies and their legal performance.

Apple nowadays is growing its positions in different industries but at the same time its market share is still small to be a dominant producer of hardware and software goods in the USA. However, federal antitrust regulators may be able to build some cases against Apple Inc. over its music downloads and portable music players business because the company has a 70% market share.

Each company has a Code of Conduct as well as Apple. Below are regulations that I have adopted from the “ Apple Supplier Code of Conduct”:

<https://assignbuster.com/effect-of-economic-environment-and-apple-business-essay/>

Labor and Human Rights

Antidiscrimination

Suppliers shall not discriminate against any worker based on race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, or marital status in hiring and employment practices such as applications for employment, promotions, rewards, access to training, job assignments, wages, benefits, discipline, and termination.

Prevention of Under Age Labor

Child labor is strictly prohibited. Suppliers shall not employ children. The minimum age for employment or work shall be 15 years of age, the minimum age for employment in that country, or the age for completing compulsory education in that country, whichever is higher.

Working Hours

Except in Emergency or Unusual Situations, a workweek shall be restricted to 60 hours, including overtime, workers shall be allowed at least one day off every seven-days, and overtime shall be voluntary. Under no circumstances will workweeks exceed the maximum permitted under applicable laws and regulations. Suppliers must offer vacation time, leave periods, and holidays consistent with applicable laws and regulations.

Wages and Benefits

Suppliers must pay all workers at least the minimum wage required by applicable laws and regulations and provide all legally mandated benefits. In addition to their compensation for regular hours of work, workers must be compensated for overtime hours at the premium rate required by applicable laws and regulations.

Health and Safety

Apple recognizes that safety management practices into all aspects of business are essential to maintain high morale and produce innovative products. Suppliers must be committed to creating safe working conditions and a healthy work environment for all of their workers.

Communication

In order to foster a safe work environment, Suppliers shall ensure that workers receive appropriate workplace health and safety information and training, including written health and safety information and warnings in the primary language of its workers.

Worker Health and Safety Committees

Suppliers are encouraged to initiate and support worker health and safety committees to enhance ongoing health and safety education and to encourage worker input regarding health and safety issues in the workplace.

Prevention of Chemical Exposure

Suppliers must identify, evaluate, and control worker exposure to hazardous chemical, biological, and physical agents. Suppliers must eliminate chemical

hazards where possible. Where chemical hazards cannot be eliminated, Suppliers must provide appropriate engineering controls such as closed systems and ventilation.

The Environment

At Apple, environmental considerations are an integral part of our business practices. Suppliers must be committed to reducing the environmental impact of their designs, manufacturing processes, and waste emissions.

Wastewater and Solid Waste Emissions

Wastewater and solid waste generated from operations, industrial processes, and sanitation facilities must be monitored, controlled, and treated as required by applicable laws and regulations before discharge or disposal.

Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals, and combustion by-products generated from operations must be characterized, monitored, controlled, and treated as required by applicable laws and regulations before discharge.

Environmental Permits and Reporting

Suppliers must obtain, maintain, and keep current all required environmental permits (e. g. discharge monitoring) and registrations and follow the operational and reporting requirements of such permits.

Pollution Prevention and Resource Reduction

Suppliers must endeavor to reduce or eliminate waste of all types, including water and energy, by implementing appropriate conservation measures in their facilities, in their maintenance and production processes, and by recycling, re-using, or substituting materials.

Customer legislation

All transactions between the buyer and the seller are contracts, with both sides having clearly defined responsibilities. There were issued acts that regulate relationship between customers (consumers) and sellers. The Sales of Goods Act was issued in 1979 and has many parts. The main points are that the seller is obliged to provide the description, expiration date and satisfied quality. In addition, there were Sale and Supply of Goods Act (1994), Supply of Goods and Services Act (1982), Data Protection Act (1984) and Consumer Protection Act (1987) which acknowledged the legal responsibilities between the buyer and the seller.

Regarding the Apple Company, customers are quite pleased with the service they are provided with and while making a research on it I have not found any complaints. In addition, an expert from Jobs' post says, " Our motivation is simple - we want to provide the most advanced and innovative platform to our developers, and we want them to stand directly on the shoulders of this platform and create the best apps the world has ever seen", which means that it is of Apple interest to have loyal customers.

Entry 5 Effect of Socio-cultural Environment

Socio-cultural environment is becoming more and more significant in industrialized countries. Especially in the United States where diversity of

nations work and live. Therefore, it is highly important to consider socio-cultural factors that might affect Apple company and, in consequence, the society itself.

For example, each company has its slogan and color of brand in marketing promotion and Apple also has its slogan which is “ Think different” by what Apple shows that the motto is not easy to create because there should be considered such socio-cultural factors like faith, ethnicity, language and etc.

In addition, population growth and population density has continually increased over the last ten years which mean that there is a big opportunity for Apple to attract more customers and diversify its products. However there should be made some analysis regarding the preferences of the customers due to the difference in faith, ethnicity, language and etc.

Moreover, rising education levels can also influence the company. The more society is aware of the product that is being promoted the less there will be a chance of buying low quality product.

Firms may reduce the risk of gaining a bad “ ethical” reputation by anticipating and adjusting for socio-cultural trends. For example nowadays people are aware of environmental issues and prefer to purchase goods that are being produced from recycled products or environmentally friendly materials. As to the Apple Company, it is promoting “ green effort” campaign, meaning that the company is going to assemble products that contain fewer chemicals.

Entry 6 Effect of Ethical Environment

The main aim of every business is profit maximization. Stakeholders are highly interested in success of the company. Therefore, it is important to make right ethical decisions. The company's operation is conducted by CEO (Chief Executive Officer) and the Board of Directors that are hired as a professionals by shareholders. The main priority is to know different preferences of customers and attract them by providing the product that is exclusively differs from others and that is made of environmental friendly materials. Loyal customers are valuable for the company because the company gets the constant revenue which enables to attract more and more consumers. Consequently, high revenues of the company are high revenues of shareholders that, in consequence, are interested to put more stocks. However depending on the status of the business, generally when unethical decisions of administration become public they entail negative effect on the company which I will discuss below:

Government is one of the company's stakeholders which are interested in successful operation of the company because if it does not make profits it will fire its employees which in consequence will raise an unemployment rate of the country.

Sometimes managers can make unethical decisions by not paying compensations to employees or by not respecting the staff personnel.

Customers bring revenues to the company. So if the company tries to bring the product that is not of high quality but at the same time is expensive it is

highly likely that there will be less customers and it will be affected on the company's revenue.

If the firm practices unfair values and it is not honest with its creditors then the firm will not be able to contract with new investors.

Finally, if the company assembles its products with the material that damage the environment it will lose its loyal customers, shareholders and revenues which ultimately will lead to company's bankruptcy.

Social responsibility is the duty and obligation of a business to other stakeholders. For example, good return on investment in Apple Company will ensure its shareholder that his shares are appreciating in value. Another example is that if consumers' see that Apple has a great reputation with its public for being for example, environmentally cautious, they will be more likely to buy its product or service. This leads to increased sales and customer loyalty.

Apple will benefit from having a government approval of their product because it uses corporate social responsibility which could be a reduction in the amount of government interference within the company. This helps to show future clients and investors that the firm practices honest and fair values.

Entry 7 Effect of Technological Environment

As was mentioned before, Apple is multinational company and operates in different industries. Therefore I will look through computer industry, which in

the United States tends to focus on high-end products, such as computers and microchips.

Production technology involves applying the work of researchers to develop new products and processes. There are a range of new technologies that are being applied to improving production methods and outputs. For example, in recent years human is replaced by robot which involves automatic control. At the same time we have seen the widespread application of Information and Communications Technology to a wide range of production methods, such as:

The use of computer databases for online booking in the airline industry.

The development of World Wide Web, benefiting for all businesses to communicate throughout the world.

The use of company intranet systems to inform, and train employees in companies.

The internet and electronic commerce are two recently innovative technological advancements that have proved to be efficient technologies to every firm. These technologies allow companies to instantly connect with employees, customers and suppliers. Moreover, it affords ground for customers to make purchases in a convenient way. The vigorous growth of e-commerce emphasizes this concern, as firms seek to attract as many potential customers as possible to their Web sites.

Technological advancements in computer industry create an opportunity for companies to market a new product or better product that can bring a
<https://assignbuster.com/effect-of-economic-environment-and-apple-business-essay/>

success for the product and companies. Therefore R&D plays a great role in producing new and faster products and applications. For instance, a company that develops a new version of software to be used in many brands of computers can earn millions of dollars in sales until a competitor is able to improve on that program.

Since Apple Company is targeted to produce recently innovative computers it is of its interests to adapt to these technologies. Part of Apple's financial strategy is to spend a high amount of money on R&D; allowing them access to the latest technology, which keeps them a leader in industry innovator. It is one of the Apple's competitive advantages to introduce to the market recently developed computers that differs from others by design, processor's specification, software and etc. Apple is definitely a company that has been able to turn the internet from a distracting technology into a sustaining technology. The company is focused to integrate to the internet throughout their products and services. Apple's Internet solutions hold to many industry standards to provide an optimized user experience. Apple continues to develop new products and technologies to enhance existing products in areas such as Internet services and solutions.

Conclusion :