

# Strategic case analysis of "apple inc. in 2012"



The Apple case starts out by stating facts about the death and accomplishments of their former CEO, Steve Jobs. This leads into the introduction of the new CEO, Tim Cook, and the battle he is facing to keep Apple at the level that Steve Jobs left it. After a brief history of the company from its founding in 1976 to its firing and eventual re-hiring of Steve Jobs, the article goes into specifics of the personal computing industry. While keeping Apple as the main focus throughout this article, they detail events and products that were relevant to the technological race from the late 1970's until 2012. This section of the article builds up the fact that the PC was the main player in the industry. It shows how Apple had to fight an uphill battle to keep innovating and gaining their way into a larger market share.

The article then goes on to explain Apple's evolution from only producing Macs and Operating Systems, to producing massive amounts of mobile electronic devices. The article then explains the "digital hub" strategy that would integrate all devices at one "hub", which would be the Mac. This led into a discussion of the ideas that came along with this "hub", which included iTunes, iCloud, iPods, iPads, and iPhones. The authors spoke about the ideas as compared to industry competitors' products. The authors ended the article with a re-statement of the importance of Steve Jobs' legacy at the company. The authors refocused everything back on the new CEO of Apple, and left him with the task of living up to the expectations of the previous CEO.

To analyze this case, I will perform a SWOT analysis with a basis in the five forces of competition. This analysis will gain insight from threats of entry,

supplier power, buyer power, established rivals, and substitutes as determinants for each of the SWOT criteria.

### Strengths

To start off the strengths of Apple, they are a company that has been running for 37 years. They have seen the ups and downs and have made it through. They have seen the bottom and are now at the top. This strong history is what will keep them from making the same mistakes as in their earlier years. Throughout this history, Apple gained established rivals. These rivals brought out their strength of innovation through competition. In recent years, this innovation has sent their profits through the roof. With such large profits, Apple now has the advantage of now being one of the biggest companies in the world. They are able to spend as much money as they feel necessary on research and development. This fact shows that their ability to spend capital will reduce the threat of entry. The money they are able to spend cannot be matched by any newcomers.

The strengths Apple has in terms of suppliers are that they are able to set up manufacturing plants almost wherever they want. This allows them to get their products made at as cheap of a price as they possibly can. They were able to use their weight as a large player in the personal computer business to strike a deal with Intel and have faster microprocessors made for their Mac line of computers. This was able to be done even though Intel only usually worked with PC manufacturers. Apple was also able to get Microsoft to make a Mac compatible version of Microsoft Office. Microsoft was big enough to turn Apple down, but they realized the benefit of making a deal with this company.

Apple's strength in terms of buyer power is that the buyer wants their product because what they make is seen as cool, new, and necessary. The products they make are useful in everyday life and the buyer feels that they need these product features to enhance their daily lives.

This leads into their strength in relation to substitute offerings. As of now, no other products tie together applications as well as Apple does. The interconnection between having iTunes on a notebook, connecting it to an iPhone, iPod, and iPad with the ease of use of storing and grabbing information from the iCloud are still unmatched by competitors.

#### Weaknesses

Apple's current weakness comes from the drive and innovation that the new CEO, Tim Cook, is trying to maintain after the death of Steve Jobs. Jobs was seen as the life of the company, and since his passing, the trend of innovation has seemingly decreased. This decrease in innovation has given the opportunity to established rivals to make their move to overtake Apple in the phone and tablet sectors. Apple needs to avoid coming out with unappealing products that reinforce the thought that innovation has dropped since Jobs passed away.

This idea leads to Apple possibly losing sales to substitute products that have better features. They currently are able to charge a premium for their products, but this may change if similar or better substitutes come along at lower prices. This was noted in the smartphone category. The article stated that Apple phones are sold at higher prices than the competition. As the competition's phones start to have more features and become more appealing than the iPhone, these substitutes will start to take over market

share. This idea is also tied into buyer power. If the buyer is not getting what they want or expect from Apple products, they will switch products because the ease of switching is getting easier to do.

Although the size and spending power of Apple reduces the threat of entry in their line of work, there is still a small threat of entry. A company may come up with an idea that takes off and propels them to a level that Apple may not be able to match. Just like Apple took off after the introduction of the iPod, some start-up company could come up with a brand new, unforeseen product that makes Apple products obsolete. They could quickly move to buy out the company, but this is not a guaranteed plan of action.

### Opportunities

The main opportunities that Apple has as of now are to continually update their product lines and services. By continuing to come out with new applications, versions, and features for their products, they will hold on to their current market share. The reliability of their products will also grab more market share over time. This does not mean that they should be content with where they are at though. As stated in the previous paragraph, they need to be on the lookout for new innovation from outside sources. By buying up new, innovative companies that enter their realm, they can increase innovation in their own products while decreasing the number of threats in the open market.

Another source of opportunity comes from buyer power. If Apple sees that their current consumers are switching to other products, they can take note of the features that people are leaving for. They can also take suggestions to see what is most desired out of their products from the consumers. These <https://assignbuster.com/strategic-case-analysis-of-apple-inc-in-2012/>

suggestions reduce the stress on internal innovation by receiving ideas from external sources. On the other end, Apple should continually search for the supplier that will provide them their products and components at the lowest price. This will lower their costs and increase profits. This does not mean that they should sacrifice quality for lower costs.

Other opportunities that are not as appealing as an option, but might help the company in the long run is to possibly explore joint ventures with their established rivals. The article stated that some of these attempts failed, but in a few examples they worked. The use of Intel microprocessors is one of them. Apple knew that Intel had a faster product than they could create, so they teamed up with Intel to gain the technology they needed. Steve Jobs was a very competitive person who did not seem to like his competition, but maybe the new CEO should explore these pathways in the best interest of his company.

### Threats

Apple's main threat is that substitute products can easily lure customers away. Attractive features on non-Apple devices can cause an Apple user to switch products. On a large scale, this can significantly reduce Apple's market share. As product cycles move on and this is seen to keep happening, the loss of market share can be exponential. This will lead to Apple being at the mercy of buyer power, causing them to make drastic changes in the way they run their business.

Although Apple is one of the largest companies in the world, their established rivals are also large companies with much of the same purchasing power. Apple is limited by their Mac OS and iOS operating

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systems that are specific to Apple products. Most companies with innovative ideas that are entering the personal computer and mobile device markets base their products on Microsoft operating systems. This makes these companies easier to acquire by Apple's competitors.

### Future Strategy

Based on my analysis, some suggestions for Apple in the future are not to settle with their position. The company needs to be on the lookout for start-up companies who have ideas that may be beneficial to Apple and their mission. This reduces the threat of entry by accepting and acquiring the ideas these companies provide. Apple needs to continually upgrade their products and keep on the path that Steve Jobs started. This is done by looking to produce the new product that people did not know they needed, but cannot live without.