

Apple competitive advantage case study



“ A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices”(Porter 1980: 26).

In this case, Apple Inc has a net advantage over its competitors such as Blackberry, Google Android, Palm pre and HTC. Their success lies in its competitive advantages including the firm’s cost structure, product offerings and customer service. Furthermore, Apple are able to differentiate themselves from its competitors and have been able to gain successful customer satisfaction, in the same way they can charged a premium price. But using its competitive advantage does not mean that the company should ignore other competitors, simply because the trend of technology continuously keeps progressing with new products and innovations.

Product differentiation

Apple products are significantly costly, they targeted a certain segment of the market by producing high quality products which are potentially durable and unique for example the iPhone range and newly launched iPad in 2010. Businessweek investigated that apple are planning to cut the price of their computers considerably low and far more affordable to all individuals, the iMac and MacBook laptops were designed for the purpose of multimedia, most media companies uses the apple products to run their businesses as apple provide loads of incentives from its software Mac OSX. Aggressive competitions from Microsoft with windows 7 multi-media may have lead Apple to reduce their prices to gain market-share. (Businessweek. com, 2010)

Core Competencies and Growth Strategy

Apple's customer orientation is to introduce the iPhone series and recently the iPad. Both devices are made at high specifications, enabling users and businesses to access their data easily and efficiently. It was reported that these high tech devices were faster than any others products in the market. The products are unique at this stage as Apple are reputedly known as 'innovators' (Macworld. com, 2010). Following this trend, Apple company structure has always been an example. They are often known as re-designing or re-structuring their organisation for instance hiring new employees of high competencies such ' Mark Papermaster' from the IBM Company who joined Apple in 2009 (Networkworld. com, 2010). Apple value chain has also been analyzed as effective, Crompton (2010) retrieved that Apple has reworked their value chain to create manufacturing, which improved the quality of its product in the end of the 1990`s. Their production plants are outsourced from china in which they have exclusive relationship with suppliers and chip-set manufacturing companies such as Foxconn Limited from China (Businessweek. com, 2010). Apple marketing strategy is planned on a geographical segmentation; in the UK for example they have subsequently sub-contracted their products to network providers such as O2, Vodaphone, Orange and Three networks. These telecommunication mobile providers offer amazing discounts on pay as you go and sometimes delivering free iPhones to customers with a contract on a pay monthly basis. Secondly Apple has a massive advertising campaign on private TV Cable and Newspapers (The Guardian UK, 2010). On the other hand, Apple`s activity and main core competencies comes with its R&D. According to Datamonitor (2010) the company believed an investment in R&D (Research and

Development) should keep them at competitive advantage within the industry (Datamonitor, 2010). In brief, in order to maintain and acquire its position in the market, the Apple Company has developed its online support in delivering updates in its software applications also known as (Appstore) accessible via iTunes for example updates on its operating systems and useful applications to home users and businesses. (Datamonitor, 2010)

Growth Matrix

Steve Jobs commented recently on the launch of the iPhone 4 and quoted “ It was a phenomenal quarter that exceeded our expectations all around, including the most successful product launch in Apple’s history with iPhone 4. The iPad progressed slowly onto the market with more people buying Macintosh than ever before, and amazing new products still to come this year” (Apple. com/investor, 2010). With such confidence, the company has reassured their position into the market, their new device iPad which has made remarkable total sales of \$3. 27 million (Apple. com/investor, 2010). Accordingly the iPad would fit clearly as star product in the BCG matrix for the moment as it is hard to imitate. On the other hand the iPhone4 launched in the beginning of 2010 has also made considerable sales on its launch with a figure of 1. 7millions units sold worldwide on the 26th June 2010 according to Reuters (2010). Despite of its high sales, the iPhone4 could be positioned as being a ‘ question mark product’ in the BCG matrix because after the launch of the product in June 2010, some complaints were perceived from customers and professional technicians stating that the product is built as ‘ faulty’; that is a lack of reception for incoming and outgoing calls which could result a decline in sales worldwide in which buyers will have the tendency to

look for other alternative Smartphones such as Google Android or Palm Pre. To compensate its customers, Steve Jobs the CEO has proclaimed that he will be giving free cases to all Iphone4 owners (FT. com, 2010). Some Apple products have been discontinued such as iBook G3 which can be classified as ‘ Dogs’ in the BCG matrix, the product has come to an end in 2006 (Apple. com/support, 2010). Other products called such as the iPod classic music player can be positioned as a ‘ cash cow’ under the BCG matrix as they are known as ‘ mature’ in the market, the iPods series have been released in 2005 and has now a slow growth in the market due to competition from other companies such as Sony producing Mp3 players and Microsoft with its Zune Mp3 Players (Apple. com/hotnews, 2007). Apple has emphasized on product diversification from its iPod classic to iPod Touch which relatively stands within its market share for the time being.