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## Introduction

Surveys from Sanford C. Bernstein revealed that Tiffany & Co. generated sales of \$2, 666 per square foot annually. That's a stunning revelation.

But what is more stunning is that Apple Stores generated \$4, 032 per square foot in that same survey, according to Jerry Useem's article ' Simply Irresistible'. Apple is one of the leading innovators in computer and emerging technologies. Awarded the Guinness world record for being the most popular technology marketplace in the world, the Apple Store is one of the most unique technology innovations in the twenty-first century. Another award was bestowed on App Store's video game store with catalogs such as ' Beating Android, Xbox Live Indie Arcade, Steam and Wii Virtual Console'. (International Business Times) Steve Jobs, one of Apple's founders, said, " The trouble with Apple is it succeeded beyond its wildest dreams. We succeeded so well, we got everyone else to dream the same dream.

The rest of the world became just like it." Steve Jobs was ousted by the board many years after he helped found Apple, but later came back to resurrect it. Whatever happened and what went wrong along the way is part of any success experience. This is in fact a success story of a technology only sci-fi movies would dare venture some years back. In 2007, Apple was Number 1, 3rd year in a row, in the Top 50 Innovative companies in the world.

Google Inc. was Number 2, while Toyota was Number 3. (Dalal, 2007, p. 1)

Apple retail stores have been very successful. Its retail stores have contributed about 20% of its total revenues, and this includes most of its

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other products like iTunes, iPod, and iPhones. Non-iTunes revenues were attributed by the stores. (Bernstein Research 93) In 2009, Apple's 275 stores around the world had a net operating income of \$1.4 billion.

The Apple Store has become the best place for anyone to experience what a computer can offer whether music, games, or video. The technology of the Mac universe ignores viruses, and problems are handled by the Genius Bar. (Copeland) When Apple Computer started its vision, everything then referred to technology. But its makers and founders realized that it has to be more than just technology. Apple has to survive as an organization to meet the needs of its customers and its many stakeholders. It changed its name to Apple Inc., a more accurate and competing name.

Apple started its humble beginnings in a garage, met 'turbulences' and tests along the way as an organization, and now it is a leader in the marketing of PCs, iPods, iPhones, the latest iPad, and other high-technology tools of the new century; the most successful are mobile technologies. It started as a computer-selling company until it grew into a large global organization specializing in multi-media products and services. Apple's marketing of its various technology products involves integration or the use of the Internet to market emerging technologies. The Apple Store is one of a kind with many innovations and original features. How these technologies are introduced, sold to the market, loved by millions of customers all over the globalized world, is a subject worthy of investigation.

## **Objectives**

To determine how Apple Inc. serves and meets customers' demands and expectations in the Apple Stores; To analyze how Mobile Cashiers and the Genius Bar help serve Apple customers; To examine the atmosphere and ambiance at a physical Apple Store, and how Apple representatives and employees meet customers' expectations; To provide SWOT analysis and internal and external forces of Apple Inc.

## **Methodology**

The research used qualitative research and review of the literature. The qualitative research utilized questionnaires addressed to employees and customers of Apple Inc. This Researcher has identified some outlets in the state of Virginia and has conducted on-the-spot interviews on employees and customers at the Apple store located at Short Pump Town Center located at 11800 West Broad Street, Richmond, VA 23233. The method used was for this Researcher to observe the App Store in this cite. Conversations and questions were asked of the employees of the App Store, and questions were also asked of the customers. Likewise, the observations and notes were compared with the observations on online App Stores.

## **Questionnaires**

There are two sets of questionnaires, one for the employees and another for the customers of Apple Store. Since these questions are simply answerable with a ' yes' or a ' no', there was no need of a formal questionnaire that should be submitted to the employees and customers.

What this Researcher did was to simply converse – in an informal manner – with the prospective participants and took down their answers. This method

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enabled the Researcher to acquire answers to the questions to as many customers and employees of App Store as possible. But for purposes of formality, this Researcher identified the names of the seven employees and seven customers, stored them in a database to include their answers to the questions. The customers were permanent customers; or, they can be considered as loyal customers in that most of their free time they are there at the App Store; they are very knowledgeable of the App Store's products and features, and whenever there is a new product launch, they are more than eager to wait and test drive such Apple products.

We were able to provide confidentiality to the research. This was clearly explained to the participants. There was no need of a formal request from the App Store management because this Researcher acted as an eager customer requiring information from the employees. Moreover, when there was a need for further verification, a follow up interview was arranged right there and then. All interviews and question-and-answer methods were properly recorded by this Researcher.

### **Sample**

The sample consisted of customers and employees of App Store located at Short Pump Town Center located at 11800 West Broad Street, Richmond, VA 2323. The participants were interviewed on-the-spot and their answers were properly recorded. Before they answered the questions, they were asked if they would like to be a part of the survey/research conducted by this Researcher on the features and effectiveness of the App Store of Apple Incorporated.

## Literature Review

### Background

The original name of the company was Apple Computer. How it got its name, and how it reached into the present state after all the turbulent years of competing in the electronics and computer industry, is a story of the ups and downs of business. Apple begins its story in the fruit orchards of the Santa Clara Valley when it was about to take its new name, Silicon Valley. Stephen Gary Wozniak, like the other boys in the neighborhood was enthusiastic about electronics.

In 1968, Wozniak, or Woz, studied electrical engineering for several semesters at the University of Colorado in Boulder. But in 1971, he withdrew from college, and with Bill Fernandez, built their first computer in the Fernandez garage, from parts rejected by local companies. Regular computer parts were then expensive, so Wozniak had to content himself with creating designs for computers on paper, but always striving for elegant solutions to make it cheaper with the application of a few chips. Fernandez introduced Wozniak to his best friend and classmate, Steven Paul Jobs who was as enthusiastic in the computer as the two; the difference was Jobs was more of a businessman, or was interested of running a company.

One time, Jobs needed parts for a class project, so he called up Bill Hewlett, founder of Hewlett-Packard. He got the parts and also a job at HP assembling frequency counters. Wozniak and Jobs got along together and soon the two peddled “ blue boxes” designed and built by Wozniak.

The handheld electronic boxes allowed “ illegal phone calls to be made free of charge by emulating signals used by the phone company” (Linzmayr, 2004, p. 1). It was illegal, but it earned him some money and some reputation. Wozniak and Jobs regularly attended Homebrew Computer Club or Amateur Computer Users Group, in Stanford Linear Accelerator Center auditorium in Palo Alto, whose young members were hobbyists who dreamed of building their own computers. They focused around the \$175 Intel 8080 chip at the heart of the Micro Instrumentation and Telemetry Systems (MITS) Altair 8800, the world’s first kit computer. Intel’s microprocessor was impressive but expensive. They capitalized on this and the rest is history.

These short anecdotes can tell us how it simply started. The guys who started them all had the guts and the imagination, and transformed it into reality. The Apple Store is just a tidbit of their imagination, and Apple Store is one of the success stories of Apple Inc. Jobs saw to it that he is there up to the App Store founding and development.

## **SWOT Analysis on Apple**

### **Strength**

The many complexities of selling and buying and downloading movies, iTunes, and other features of App Store, have been simplified by this one of a kind virtual marketplace. First, you have to study it, plan it and be a part of the Store. Search the iTune Store and it will lead you to the different sections. You can also use your mobile gadgets to search the App Store. The iPhone and iPod Touch are linked to the Store.

As per record from its database, in 2010 there were over 10 billion apps downloaded from the Apple Store. The download actions emanate from approximately 160 million owners of iPhone, iPod and iPad. The App Store has more than 350, 000 downloadable apps available to 90 countries. There are more apps added.

Categories range from games to business, news, sports, travel, and so on. (M2 Communications) There are downloadable games, tunes and music, productivity tools and whatever there is at the App Store. Many customers, if not all, find the App Store amazing. There are many active Apps in the App Store and more are added every day. The App Store is quite easy to navigate and also enjoyable.

With the right connection, a Wi-Fi or 3G, one can connect quickly to the App Store. The Home Page has soft keys and one can scroll down like the way in the iTunes. An App can be interesting but there are ways to find out if you really want it. By touching and flipping, you can find one for you. There are categories, and a choice has to be made, which to prefer, whether it is for Games, Finance, Photography, and many other categories, or any kind you can choose from. After having picked the right app, one can download it right on to the iPad. A button will tell you whether the app is free or a price is displayed.

By touching the button, one can install the program quickly. Apple has also made visiting the App Store memorable or an opportunity to buy products. In 2007, it launched the program Youth Workshop series worldwide, which is open for kids from 6 to 13 years old, to include their families. One of the



features included a music-focused workshop entitled Jam; another workshop was called Action, which centered on moviemaking. About 6, 000 kids participated in the workshops, and it would continue with a session on photography titled Snap.

Other programs included the Apple Camp and School Night at the Apple Store, which was participated by more than 2, 000 schools worldwide. It was open to all K through 12 schools, and it was an opportunity for teachers and students to witness and showcase their digital projects. (Dalrymple) There are a number of Pros in buying from the Apple Stores: The Genius Bar – this is one of a kind feature in all Apple stores. This is an area in every Apple Store that is manned by an expert staffer; expert in all products and services being offered by the App Store. The guy there is called a ‘ Genius’. An array of demo hardware and software – Inside an Apple Store, you can play, you can test drive, and you can touch everything from gadgets to any PC hardware feature that you want to buy. It’s all there inside the App Store and you can buy after doing all those test drives. Scheduled Theater presentations – Through theater presentations, Apple Stores provide quick training on the software for the Mac products that they offer.

This is one of a kind feature in retailing which others have not emulated. Transfer of data from PC to a Mac – The voluminous data and information can be transferred from the PC to a Mac, if the customer wants to, and this is done by the experts of the App Stores. (Engst 51)

## **The Genius Bar**

The Genius Bar is said to be the ' friend' or the technical support that a customer needs. If the customer is a first-impression client, he/she can get advice from the Genius Bar. The Genius Bar is manned by trained employees. They were trained specifically to attend to complaints and problems of customers. They have extensive knowledge about the products, and they can provide advice and troubleshooting techniques on the spot.

The Genius Bar can also be accessed through the Internet. (Genius Bar) The Genius Bar is one of the most important and fascinating features in the App Store. It can enhance music and video. The Genius feature in the website can be accessed by doing the following steps: In the navigation bar, the Genius feature can be turned on by clicking on the button; The Genius can provide the playlists and go over the songs you may have downloaded and currently present in your library; Next, you have to log on to the iTunes store. The Genius will ask you to agree to the license agreement. You may also choose to ' Update' the Genius when you have already downloaded many songs and videos in the library.

All product-related questions and problems are addressed by the Genius Bar who is actually a staffer or a trained employee of the Apple Stores.

## **Performance of Apple Stores**

With respect to Apple Stores' performance in terms of revenues, there have been doubts and skepticisms since their inception in the early 2000s, particularly the year 2001. The Retails Stores were part of the retail strategy of Apple. There was the popularity of Gateway Country Store but which later waned down and all the stores were closed. Apple has now reached quite a <https://assignbuster.com/introduction-of-apple-inc-this-researcher-has/>

number of countries in propagating its retail stores, and this includes the United States, Canada, the United Kingdom, Japan, and the emerging countries of Asia, the so-called “ Tiger Economies” – Singapore, Taiwan, and now China and India. Retail giant Best Buy has made a comeback with its increased annual revenues, but its stores are bigger than Apple’s. The average size of an Apple Store is 6, 000 square feet.

Best Buy’s is about seven times larger. (Bernstein Research 91) Compared to other retail giants, including high-end luxury goods, Apple’s Stores have maintained an impressive performance. (Bernstein Research 91) Further information by Bernstein Research states that in 2006 Apple’s manufacturing profit of its products alone attributed \$663 million, while the rest (non-Apple products) accounted for only \$200 million. Manufacturing profit is solved by calculating the difference between the cost of sales of that retail sector and Apple’s cost of sales. Figure 1 Apple’s profits for the calendar years up to 2006.

SOURCE: Bernstein Research Analysis Apple’s performance compared to other retail stores is demonstrated in the figure above. Moreover, in 2006 Apple’s iPods contributed about one-third of Apple revenues from the Apple Stores. Bernstein Research concludes that the Apple Stores have contributed to the customers’ perception and awareness of Apple products. Joe Delmont describes briefly: “ The Apple Store is one giant room, with the Genius Bar located at the back and surrounded by areas dedicated to accessories and software.” The Genius Bar offers maintenance, diagnostics, and many other features for free. Apple is about good customer service.

One who enters an Apple Store can browse everything from physical to virtual, play whatever he/she likes to play, with excitement and joy. After playing, he/she becomes a customer who buys the product and come back for more. A customer who visits an Apple Store is greeted by a host of helpful employees who wear Apple shirts. They seem like they do not offer products for sell but they show how to live the Apple lifestyle. If you enter an Apple Store during the eve of a product launch, you will see many customers who are eager to wait to see and take hold of the new product. Their behavior seems like those of groups very enthusiastic of the new product rather than technology customers. Customers get special treatment with Apple's ProCare program, and this costs just about \$99 a year.

The Genius Bar can make appointments seven days prior to actual appointments. Customers can play and test drives what Apple Stores offer, for example the Canon cameras and Epson printers. The Stores have the simplicity and beauty.

What's more, Apple employees do not work on commission; their staff members are experts than the other retailers who work on multibrands. (Rothman) Other stores like Best Buy cannot emulate Apple Stores and the way Apple representatives handle customers. In this particular aspect, the store management has got to do with the way Apple has gained significant customer loyalty. In a recent study, Donald Lichtenstein, Richard Netemeyer, and James Maxham III investigated the role of management in gaining customer focus and loyalty that would translate to more profits for the company.

The researchers hypothesized that “ the degree to which a store manager identifies with his or her organization will trickle down to the salespeople, which in turn will further trickle down to customers and result in improved financial performance for the store” (Coget 94). Organizational identification is perceived when an employee feels that he/she is one with the company. The employee feels he/she belongs to the organization. Coget says that this can be measured by asking the employees to rate their own identity and compare this with the identity of their organization. The point is to determine which identity is more pronounced. If the employee feels he/she is more identified with the organization, there are many positive outcomes that can come out. The employees display more loyalty to the organization and exert more efforts in performing their duties for the organization. The study of Lichtenstein, Netemeyer, and Maxham was conducted on a sample of 306 retail stores selling women’s apparel.

The researchers collected data from store managers, employees which numbered 1, 615 in all, and another sample of 57, 656 customers. They found the results which can be compared to what they termed the “ Apple Store effect”. (Coget 94) Their hypothesis proved them right when they found that the store managers’ level of organizational identification resulted in increased level of organizational identification on the sales employees. This effect also resulted in the customers’ identification with the brand, and further resulted in increased profits for the company. The study of Lichtenstein and associates allowed them to quantify the effect. The more the managers increased their identification with the organization by 50%, the employee identification would also increase by 14.

5%, and the customers' identification would further increase by 3.63%, resulting further in an average spending of 2.69%. The researchers concluded that manager and employee's organizational identification influence customer loyalty to a brand, thereby increasing sales and profits for the company.

The researchers further said that CEOs, middle-level managers and store managers have a significant role to play in the process of gaining customer loyalty and brand identification, as their interpersonal influence has an effect to the hierarchy of the organization up to the customer. (Coget 95) Sales representatives also have a significant role to play in influencing customer loyalty; they act like ambassadors of the brand as they have direct contact with customers. However, Lichtenstein and associates said that the chain influence starts at the top of the organization. The Apple Stores have innovative supply chain. Supply chain management excellence is crucial to customer satisfaction; consequently, customer satisfaction is critical to customer loyalty, and loyalty critical to profitability.

In order to address the problem of customer loyalty, firms apply product and service innovations. Supply chain learning should be a part of the firms' strategies to address customer satisfaction and loyalty. This is also the main objective of market orientation – customer satisfaction through superior performance of products and services. Companies attain competitive edge through constant innovation. Organizations keep constant contact with customers, looking for ways to satisfy their needs and wants. Good customer relation is an important aspect of business. Identifying and working out to strengthen customer satisfaction, supply chains can help in having a good

relationship with customers, but supply chains have two attributes which are cost and service. Service is itself responsiveness to the customer's demand, but demand can also increase cost.

Putting on a lot of innovations on the products means adding cost on production. Marketing involves a lot of issues to include the marketing mix, and these can be about selling and product development. A business organization must sell products to survive and to grow. The marketing concept looks at the depth of selling which is searching for ways to satisfy the needs and wants of the customer. The organization has to find out what will satisfy customers, and create satisfying products. New trends in supply chain include seeing to it that the customer longs and wants for a 'remake' of the product.

In other words, it aims for the customer's coming back to want for more. That is customer loyalty. But customer satisfaction does not necessarily mean loyalty on the part of the customer.

Many authors suggest that having a continuous communication with the customer is one step to loyalty. Customers have to be asked to rate the importance of particular attributes and performance levels of the product/s. They have to be asked about their willingness to repurchase and to recommend the products bought. These steps can lead us to a thinking of customer loyalty. As consumers, people make decisions and ultimately adopt products for use and consumption. Companies endeavor to educate their target customers. This is done through promotional activity which explains product usage, presents an image for the product and convinces customers

that they have a reason to purchase. Supply chain goes with the demand chain in order to see to it that complexities in the market are properly addressed.

Demand chain points to a network of trading partners which include manufacturers and end users. It is also linked to the customers who have to be consulted on the product quality. It starts with the manufacturer, goes to the customer or end user but has to link back to the manufacturer because the customers' ideas and opinion regarding the product are significant. In a research conducted by Edward Morash and Daniel Lynch (Jobber and Lancaster 15), which involved surveys on global capabilities and performance measurement practices, they found that customer closeness is important in demand-oriented capabilities and performance. Customer closeness is supported by responsiveness to customers and customization. The research also found that some supply chains are also experimenting with mass customization, which is a strategy that combines operational excellence with customer closeness.

Companies have to be flexible in dealing with customers, and should have the ability to change and react. Flexibility is defined as “ the ability to change or react with little penalty in time, effort, cost or performance”. A flexible organization should respond to rapid changes in product mix, delivery, or volumes demanded by the customer. Flexibility can also mean financial performance.



### **Jobs's Influence**

The Apple effect is clear in the organization of Apple Inc. and its Apple Stores. Steve Jobs has been there with the organization and he is the embodiment of the organization from its inception up to its successes. The people see and feel his presence as the father image. When he quit as CEO, the market for Apple was down. When he came back, the company seemed like resurrected again. There was one time that he fell ill, and many were worried of what would happen to Apple's Stores. Steve Jobs is considered a cheerleader of the company.

When events unfold at the Apple Stores, he is there appearing; the employees and the customers feel his presence, thereby building loyalty to the organization. The organization gains much from Jobs identification and the Apple Stores. The stores provide a venue for an interpersonal relationship between the managers and employees and the customers. The study of Lichtenstein and associates provides additional tool for store managers and employees to increase sales and this is the Apple Store effect.

### **Comparing Apple Store Genius and Best Buy Geek**

What if you can't see certain online video files on Windows 7, and on OS X Mac, certain high-definition files on the Microsoft site? The Best Buy Geek would say that the Apple site should need QuickTime and an error message would tell you that that there's a need for a QuickTime. The Genius would say that the videos need Windows Media and that there's a Windows Media coded needed. Also a Perian multicodec tool is needed which works on any kind of Internet video. These answers can solve the problem as suggested by Best Buy and Genius.

What is important is that in Genius, it is still free, but in Best Buy, some amount has to be paid. (Stern 23) Apple Inc.'s commitment to innovations is rooted in the strategy of human resources. It metamorphosed from a computer company into a broader media and entertainment company, which is based on superior design and supported by a close-knit of partners and alliances. The success of Apple can be attributed to a clever and successful management of human resource. As music, movies, and photography were becoming digital, Jobs introduced elegant and simple devices which attracted millions of customers, particularly the young, and now the increasing enthusiasm displayed by the women demographic. Apple also focused on counterculture themes.

Apple chose partners carefully by having close relationships with artists and music groups, for example the U2. Apple's attention to business strategies went as far as convincing, and gaining the trust of, companies for distributing Apple products. (Paley 141) The management style of Steve Jobs also worked for its success. Jobs provides advocacies and manages work personally by controlling all aspects of a product, from hardware and software to the services they offer.

Most of the time, Jobs and his people spent coming up with the next product which becomes in-demand to match their other products which have been successful before. Apple keeps in close contact with suppliers, and with suppliers' suppliers. Jobs' style of leadership is a model to emulate.

His people see him as some father image and a good leader. (Paley 141) Paley (3) comments: " Apple Inc. has been a niche player in the PC market.

In 2002, overall PC market sales leveled; Apple's share was hovering in the 3 percent range. Stephen Jobs moved aggressively by launching iPod, a very-small digital handheld music player. It was estimated that the original sales for this iPod reached 12 million units and a growth of 74 percent annually for several years." One striking advantage of the iPod is that it can work on almost all PCs. Then in 2007, Apple again made another bold move by introducing the innovative iPhone. Apple's boldness is supported by the workforce's sound planning led by Jobs.

They also provided an almost accurate estimate of their resources, coupled with skilful and competitive planning, and their commitment to the organization's objectives. They took risks but considered many options before proceeding to do their bold actions, considering the company's finances, supply chain capabilities, and the talents and skills of the employees. (Paley 3) Apple's website is a state of the art that showcases some of the best desktop video in the world.

Individual customers, major studios, and permanent customers go to their websites to preview million-dollar movies. From the Apple website, the trailer of some of the sci-fi blockbusters like the ' Star Wars: Episode One' and the ' Lord of the Rings' have been downloaded for over 25 million times and 1. 7 million times in a single day, respectively. The Mac family, the iPod family, iPhone, and iTunes, are relevant in the present generation. What is important is Apple's choice of demographics. These kinds of products are important to the young who value music with accompanying video. Apple has tapped the emerging market with emerging technologies powered by the Internet.

There is no other more important innovation than this. And it has given Apple billions of profits. Another important human resource common that can be attributed to Apple is its strategy inside the organization – it keeps trade secrets. Apple, like any other company, keeps secrets for itself, but these are those that should not be kept in the open as it will hurt its operations, and perhaps its profits. But technology wise, they have already divulged their secrets a long time ago. What are being kept are those that are still in the infancy stage, or those that are still to be copyrighted. Like any other company, they need the protection of the law.

Jobs and his engineers employ an Apple ‘compressionist’, a talented technician or engineer who dedicates his time capturing or downloading movies from the web or the internet. Innovations, strategies, and secrecy are some of the important ‘tools’ that Apple used along with new technologies in meeting the needs and wants of its customers. Apple deviates from the ordinary; it’s rare, it uses originality. The success of Apple is due to many factors – technology and people; people who are innovative, creative, hardworking, and ambitious employees and managers. Dvorak affirms that what makes Apple Store a success is that it has good (effective) sales people.

### **The Apple website**

Take a look at one of Apple’s websites. Enter Store and you will be led to an array of Apple products with the corresponding prices: iPhone 3G, iPod shuffle, iPod nano, iPod classic, iPod touch, Apple TV, and the Mac family.

They also have Staff Picks, various accessories, CDs, etc. The Internet is used to help the customer's problems. At the Apple Store, problems are diagnosed free of charge. Another use of integration of on- and offline marketing communications, according to Bach, is that it can be used to track information regarding past and present purchases, help to enhance customer service, and provide an effective communication between customers and stakeholders (3). The Internet provides many advantages to international marketing and business operations, but there are disadvantages too. According to Bach, internet application can be a vast challenge to marketers (10). Dominant product Macintosh iPod & iTunes iPhone Design Mac OS, Graphical User Interface iPod (click-wheel) and Video iPod Mac OS, Safari browser, Multi-touch screen Customer Network Niche market segments (media & hobbyists) Network of consumers using Windows and Macintosh Network of consumers using Windows and Macintosh Complementor Network IBM Power PC and later Intel Network of music content labels and podcasters Launch partner with AT&T; Google and Yahoo search Time period 1984 – till date 2001-till date 2007 – till date