

What, historically,
have been apple's
competitive
advantages essay



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What, historically, have been Apple's competitive advantages? Apple since its inception was driven by mission to bring easy-to-use computers to market. But during Sculley years (1985-1993), Apple targeted low cost computer and forge an alliance with IBM for OS development on Intel platform, both of which didn't bear any results. Spindler's ('93-'96) strategy to expand to international market gave short-term results, but did not help Apple in long term. Amelio ('96-'97) decided to go back to premium price differentiation strategy and invited Steve Jobs to take over as CEO in 1997.

Steve Jobs restructured company around the original strategy of Apple and turn that into a competitive advantage. Apple's competitive advantages are its control of software and hardware, marketing, digital asset management, retail strategy, product differentiation and Steve Jobs's strategical decisions. Decisions such as switching to Intel processor resulted not only reduced power use & design ease but also made Macs able to run windows on it. Apple retail concept implements direct selling, creates first hand experience to customers, customer education, after sales service etc.

With these advantages Apple built a barrier to five forces that shapes industry competition [1]. Analyze the PC industry. Are the dynamics favorable or problematic for Apple? Intel co-founder Gordon E. Moore predicted that the performance and capacity of an integrated circuit would double approximately every two years. Technology in PC industry became cheaper and affordable over time. Company's Growth was driven by low price but revenue growth didn't match with volume growth. This led to decrease in R&D spending.

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Hence almost all PC suppliers used cost differentiations as their strategy and sell to volume. The consumers are also very cost conscious and need value for money. It can be seen as market dynamics that is problematic for Apple. But on the other hand it can be seen as favorable to Apple in a way that there is room for a quality product that caters to customer's needs for which customers are willing to pay more for. After Steve Jobs took over in 1997 he led Apple to create niche products for customers. Present company performance figures are proof of success.

How sustainable is Apple's competitive position in PCs? Steve Jobs laid out his vision for Macintosh computers to be a Digital hub. Apple wanted to target consumers who were living the digital lifestyle. I believe Apple's competitive advantage is sustainable as long as Apple keeps on innovating and be one step ahead of competitors. Up till now Apple Macintosh computer gives wonderful user experience. Hardware is of top quality, product design is exceptional, OS and applications has right mix of software needed for everyday use, which other operating systems in market do not offer efficiently.

It is true that other competitors will catch up, for example Microsoft's Windows 7 has improved a lot and the improvements is rumored to based on ideologies that are same as of OSX (Mac OS). But Apple will need to innovate continuously to differentiate in terms of quality, user experience and creativity. Given Apple's history and Steve job's leadership, Apple's innovation is expected to continuous. For example, in 2011 Apple will offer Mac App Store [3], an application store similar to Appstore for iphone, ipod & ipad, which may change the way PC industry do business.

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How sustainable is Apple's competitive position in MP3 players? In smartphones? Apple's competitive advantage in mp3 players and iPhone are its sleek design, simple intuitive interface, and technology (innovative touch interface). But the gadgets alone are not competitive advantage for Apple, but it is the successful ecosystem built around it that involves buying of music (itunes), accessorizing (personalize ipod), gaming (ipod touch & iPhone) and AppStore. Apple's ecosystem operates at breakeven but it greatly influences the sales.

Sustainability of competitive advantage will come down to how innovative Apple's next version of iPod and iPhone to appeal to loyal and growing customer base. Overall, the credit of Apple's success goes to Steve Jobs who has constantly challenged the rules of the industry & market and delivered something new to consumers. Apple will need to innovate on their differentiation, focus heavily on being the best solution in the market for the problems they are trying to solve to maintain their competitive advantage.