

Business analysis of apple, inc

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Business Analysis of Apple, Inc. Padma L. Dongre MGT521 Nov 28, 2011 Dr. Stephen McCann Background. Apple Inc. designs, manufactures, and markets personal computers, portable digital music players, and mobile communication devices.

It sells a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, retail stores, direct sales force, and third-party wholesalers, and resellers. In addition, the Company sells a variety of third-party Macintosh ("Mac"), iPod, iPhone, iPad compatible products, including application software, printers, storage devices, speakers, headphones, and various other accessories and peripherals through its online and retail stores. The Company sells to education, consumer, creative professional, business, and government customers. The Company's fiscal year is the 52 or 53-week period that ends on the last Saturday of September.

The Company's strategy also includes expanding its distribution network to effectively reach more of its targeted customers and provide them with a high-quality sales and post-sales support experience. Financial Analysis: Detailed financial statements are available in Appendix A. This information provides immense detail in the financial status of Apple, Inc. over time. Combined with data regarding product sales, much can be derived to analyze Apple's strength. Revenue rose 40% in 2011 when compared to 2010.

2011 Versus 2010 Revenue and Net Income: Revenue rose 40% in 2011 when compared to 2010. Net income during 2011 was \$6.62 Billion and

revenue was \$28. 27 Billion compared to net income of \$4. 31 billion and revenue of \$20.

34 billion in 2010. Gross Margin: Apple's strength is reflected in its gross margin percentage of 44. 2% in 2011 which increased significantly from 36% in 2010. Cash Flows: In 2011, Apple Inc. increased its cash reserves by more than double from 2010, from \$18. 59 Billion to \$ 37.

52B. As a percent of revenues, this was among the biggest increases by any company in the Computers and Peripherals industry. By looking at the Cash Flow Statement, the reader can easily see the sources and use of cash generated throughout the year. Accounts receivable turnover: This indicates how quickly credit sales are converted into cash. Apple's average is 19 days.

Anything less than 30 days is considered positive. Collection periods ranging from 10 to 180 days are common depending upon the industry. Summary of Financial Health Apple is the market leader in its category. Revenues continue to grow at healthy clip. Comparing 2010 revenue versus 2011, revenues increased from \$66. 22 Billion to \$108.

5 Billion, an increase of 20%. The company has no debt as seen in the balance sheet. Cash flows are healthy (as seen in the cash flow statement) in Appendix A. Healthy cash flows will allow the company to continue investments in R, innovation and maintain/grow market share. Apple spent about 5% on R in the year that ended September 30 2011.

Googlespent 7. 8% on R as of Dec 31 2010 whereasAmazon's expenditure on R&D does not appear to be publicly available but it is a known fact that

the CEO of Amazon drives lot of innovation and must be spending on R&D. Apple's current technology advantage is that the user experience is consistent and not compromised since they control the handset design end-to-end. Android on the other hand allows free licesning to different handset manufacturers (e.

g. HTC, Samsung, LG, Motorolaetc). This promotes handset-specific feature differentiation and resultant user experience dilution. Amazon on the other hand has licensed Android from Google and is keen on controlling the user experience.

Global Markets: Android is outstripping Apple in the global markets. Since Android is free, it has been embraced by many more handset manufacturers and mobile operators. The activation rate for Android is almost twice that of Apple on a daily basis. Apple, on the other hand, is more selective in how it chooses new mobile operators. Due to their focus on user experience, every operator and every country must also support the Apple Retail experience which slows down their deployment. In the end, it is quite possible the Android will triumph due to sheer numbers, fast deployments and using less expensive devices, especially in emerging markets.

Benchmarking Analysis: When Apple set out to enter the cell phone market, it did not just look at whatNokiaand RIMM were doing and follow their lead. Apple followed Steve Jobs' own mantra of " Think Different" and its iPhone revolutionized the cell phone industry and the user experience. The company has done the same with the iPad, creating a whole new product category and becoming the market leader, as competitors struggle to catch up with them.

Apple also looks up to its competitors for best practices, but more to fine-tune its products and address its deficiencies than to define its path forward.

As mentioned earlier, Apple offers a consistent user experience across all products and does not suffer from fragmentation as experienced by Android users. In addition, their extreme focus on product design, aesthetics and user interfaces allows them to command premium pricing. An interesting phenomenon to watch is how the Amazon Kindle Fire does. Amazon licensed Android from Google and then built a very controlled user experience for the customer. Amazon has access to great content and can deliver this to their customers and create an end-to-end Apple-like environment.

In this sense, Apple and Amazon share some common go-to-market tactics. Google can also provide a compelling user experience using a single sign-on to Google mail: This now allows users to access Google+, Google documents and other Google products. However, the user experience is not seamless enough to make an iPhone user switch. While some argue that open systems (such as Android) will eventually win by pointing to the Mac Versus PC wars in the 80s, so far Apple has executed very well. Appendix A .

+ References: [www. appleinsider. com](http://www.appleinsider.com) www. innovationexcellence. com
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