

A comprehensive strategic analysis of apple inc.

[Business](#), [Company](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Issues and Outlook Profile](#) \n \t
2. [External Analysis - PESTEL](#) \n \t
3. [Internal Analysis](#) \n \t
4. [Strengths](#) \n \t
5. [Weaknesses](#) \n \t
6. [Strategy Implications from the analysis](#) \n \t
7. [Action Plans](#) \n

\n[/toc]\n \n

Apple Inc. needs no introduction. It is not only a pioneer in technological innovation through its constant endeavor in R&D and employee empowerment, it has, most importantly, successfully commercialized technology and transferred these pieces into popular consumer gadgets that human being could not live without. Contrary to many technology focused firms which hits their growth plateau quickly after its venture capital stage, by recently becoming the first US company that has ever hit the market capitalization of a trillion USD justifies its successful ' ecosystem based business model of still capable of growing despite its gigantic size. In this short paper, we attempt to conduct a comprehensive strategic analysis document for Apple Inc. by utilizing the metrics in the business strategy perspectives. From external to internal analysis; then we exploit the indicated strength and fix the weaknesses by introducing a set of action plans for Apple Inc.

Issues and Outlook Profile

Apple sets itself apart with innovative hardware and has increasingly diversified its product portfolio into software operating systems, application (app store) via the customer base it has reached out to enabled by its hardware sales. As a well-established and innovative tech giant that have revolutionized the hand-held and computer market, by introducing hit products such as the iPod, iPhone, Mac and iWatch, which can be seen in the hands and homes of millions of users today. We chose Apple due to its seemingly mainstream but in reality pioneering business model that makes the majority of its profit by the entire Apple eco-system built around all of its products and services - not just a single piece, with its customer satisfaction as their main emphasis. We could characterize its strategy by the '3As', namely:

- Attention to customer (through its top-tier material, design, and distribution channels);
- Attraction to customer (cutting-edge R&D such as facial 3D sensing, voice detection long ago through Siri and most AI-feature handset available in the market).
- Addiction to customer (By building an eco-system of both hardware and softwares that are complementary to each other and exclusive and insulated to external systems and networks which makes switching cost from Apple products extremely high).

Apple have established themselves as a luxury mobile and computer manufacturer, which is valued to be the most valuable brand in the world. Sales of Apple products have risen in 2017, primarily driven by the growing

<https://assignbuster.com/a-comprehensive-strategic-analysis-of-apple-inc/>

demand of their luxury products. With an overall growth of around 6% growth, or US\$13.6 Billion in 2017, Apple is still dominating the market, but for how long?

The mobile market has seen its growth in fierce competition, with Apple losing its second place spot behind Samsung to Huawei in September 2017, making Apple the third biggest mobile phone manufacturer. This also marks the introduction of Chinese manufacturers competing for the biggest manufactures, with 3 of the top 5 brands originating from China (Huawei, Xiaomi, OPPO). Although Apple is still reporting increased sales of their phones, it is only a matter of time before other brands start competing with Apple's innovation.

To add to this, Apple have been adamant to keeping their yearly product update cycle, causing less and less innovation and breakthrough technology to be included in their device iterations. This has caused many customers to question Apple's decisions, as new products introduced become less exciting. Furthermore, Apple is facing issues with their scalability. Apple has gone from a company selling two products - Mac computers and iPods, to selling a multitude of handheld devices in many different sizes. Apple still maintains their small team company philosophy, meaning important functions like public relations are less in the forefront of the company.

Apple has recently been in the negative press, as the company have been slow in fixing bugs in their software often only responding with fixes once the issues come to light by the public. Whilst the slow acknowledgement can be attributed to their lacking PR, the software issues Apple is facing is directly

related to their constant push to release a new devices, often on a tight schedule to release before the competition.

Nonetheless, Apple is a successful company that has the potential to drive new innovation. Although their share in both the computer and mobile market are diminishing, due to encroachment of competition, the company has the chance to create new markets. With the release of the iWatch in 2015, they have dominated yet another market, with 23% of all wearable technology coming from the californian powerhouse. Apple is at the forefront of technological advancements and with reports of Apple working on a new iTV and rumors entering the automotive sector with the iCar, Apple has the chance to fair well in new markets and would help them with their current limited portfolio.

External Analysis – PESTEL

Political Analysis: Apple, as a global company deals with a lot of political problems, as their suppliers range from Asia to Europe to the US. Each country bring new potential political issues which could impede the overall product as a whole. This is not only related to hardware, but also software, as certain countries Law's dictate what can, and cannot be shown in their app store or not. Recently, the European Union proposed a new law that streaming services have to dedicate up to 30% of their content library to European film and television shows. The complexity of each country's laws that Apple must follow make any major political decision a potential hazard for Apple, as conformity to the law is in Apple's best interest to guarantee sales of their products.

Economic Analysis: The sales of non essential goods, such as luxury items, directly correlate with the the health of the economy in the country of sale. During economic crisis', potential customers will spend less money on luxury items, which would affect sales of Apple products. This could be seen during the 2012 European Economic Crisis which saw Apple sales fall 10% in Europe alone. On the other hand, with the emergence of new markets due to the growing wealth of emerging countries, Apple has a chance to grow in this Market. China and India combined hold 36% of the world population, which is already a growing market for Apple. If Apple further establishes itself in these markets, it would help drive sales and a new user base.

Social Analysis: Apple has maintained its status as a company that is closely followed by it's loyal fans - to further appease them, Apple has acquired a multitude of companies such as Beats or Siri, to bring the customers the latest technology to integrate within their systems. Apple products are have ascended from normal consumer products and can be classified as luxury goods - with the price of the devices reflecting this change of mentality.

Technological Analysis: With the electronic market being such a competitive market, it is important that brands succeed through innovation. Apple is facing a decline in mobile market share and needs to innovate to keep competing against the Android systems. With the introduction of facial recognition, Apple is still bringing new technology to the market, but innovation has become few and far inbetween iterations of their product. Apple sticking to their 2 season update cycle means that customers know exactly what to expect, as they tend to release.

Internal Analysis

To develop the existing strategic planning, understanding the strategic capabilities of the organization thoroughly is necessary. Apple has been developing their whole brand in every category. As one of the biggest high-tech company, the company needs to aware of what resources and capabilities they own and then eventually will figure Apple's competitive advantages.

Strengths

Resources are inputs that can be used by the firm into their production process. Apple Co is one of the pioneers of innovating technology to computing industry. It possesses a professional team with rich knowledge of Information and Technology. Owning world-class programmers, designers and engineers are the main assets to maintain the competitive power of Apple. They have been developing new technologies and improving the existing technologies, such as improving IOS system and innovate new apps frequently. In addition to all the above-mentioned resources, brand name and image is definitely the most important resources of Apple. With 'Think Different' being their brand philosophy, Apple has always position itself with creative, innovative, smart and clever. People come to buy Apple's product not solely for its impressive product features, but also the brand image. With its branding strategy, people using Apple would just think of themselves with creative, innovative and smart.

Moreover, Steve Jobs who is one of the famous founders of Apple Co should have been a key resource due to his influence to the company. He inspired

Apple's workers to think one step ahead. He wanted to show consumers what they really need before they even realized. This is his philosophy of innovation, which has been kept Apple's business alive and rolling. As mentioned above, Apple is one of the pioneers of innovating technology, therefore it granted numerous patents and trademarks which makes other competitors or potential threats cannot copy Apple's technology resources, such as Apple's unique own system. It benefits Apple to maintain the quality of their products or pronouncing new technology. Comparing to his competitors, having a series of software will provide a professional electronic and convenient idea to the consumers. Apple also has substantial financial resources base that allow Apple has a high borrowing capability. The reason of owning these financial resources is based on good reputation and economic of scale. This also allow Apple to input more resources in R&D for innovation.

Weaknesses

The greatest challenge that Apple Inc. now faces is the impact that the slowing down of the growth in the smartphone market brings to its iPhone sales. Also, consumers' feedback from general surveys suggests that they felt that the new generations of iPhones are under-delivering in features and functionality, hence not deserving a price premium to the slightly older but still sound iPhones. Maintaining the levels of customers' expectation is one of the challenging tasks for Apple. If the product or service is not as well as the customer expected, it might lose their trust and confidence. Furthermore, Apple aims to set up a prestige and image to the public. Therefore, the price setting of apple's product is generally higher than other competitors in every

model, which is reasonable that Apple targets customers in middle to high-income group. However, this could exclude the young people with high-tech knowledge to use it due to the premium price strategy.

Importance of achieving sustainable comparative advantage Every organization aims to maintain their business in long run. Achieving sustainable comparative advantage will keep the business rolling in long term, which needs the organization has unique qualities those others competitors do not have. Apple has built up its comparative advantage based on product differentiation; product innovation & vertical integration and brand loyalty to prevent the business got eliminated.

Firstly, Apple's products have a unique user interface design. It focuses the unique look to build up a stronger brand. By focusing on innovation, Apple continuously innovate new product design and features. Being the first step mover in the market with trademark and patent being registered for the innovation, Apple protect it self from being replicated by the competitor and is able to be the top in the industry.

Secondly, Apple has their own system, which allows customers to enjoy vertical integration. This vertical integration cut the cost of Apple's innovation. It does not only reduce the cost of Apple, vertical integration also allows Apple to have strong control over the user and their products, which is an extreme advantage comparing to other competitors because it is almost impossible to replicate.

Thirdly, Apple has a power brand image of providing high quality of innovating services. Apple has input substantial resources in advertising and building up good reputation and image. Due to a long time set up, Apple creates brand loyalty to their customer. It sustains a long term relationship with customer, who will trust and have beliefs in the brand 'Apple'.

Strategy Implications from the analysis

Despite Apple has been maintaining his successful business strategies in a positive way, there are improvements can further exploit its strength. As mentioned in last part, Apple has the potential to create new product lines, which similar to what it has achieved with their product IWatch. Current product lines are highly successful but further innovation could be the only way to push the business further meaningful. For example, Apple could innovate larger product, such as ICar, which might brought up the heat into another industry. Although the decision to create something not familiar is risky move, the idea of 'no risk, no gain' would explain this as opportunity.

Furthermore, Apple could input more resources on R & D section. As Steve Jobs mentioned that he did not believe of spending money on R & D would benefits innovation. He believed that his workers innovate by their knowledge and innovation is about how to utilize. However, I believed that gather more data or information from targeting marketing could benefit Apple's development strategies by further understanding potential customers' wants. Apple could focus on controlling price level. One of the weaknesses is high price setting. Although setting high price is a result of differentiation, Apple could still consider adjusting the price to fit into low-

income group. It has much less purchasing power compared to audits or professional groups. The result of setting the price higher than low-income can afford, some of the low-income group with high passion of technology could not take pleasure of Apple's product. As this situation, Apple will lose some potential customers to competitors who can produce similar products with similar functions, such as Samsung' mobile. In 2017, when Iphone X first appeared, fewer consumers bought the product if comparing to last few generations of Iphone. The price-setting problem is a real issue. This action also lead to a lost of customer who has brand loyalty with Apple brand.

Action Plans

We Split the analysis by different sources of its main challenges in the biggest revenue generating product - iPhone which comprises 63. 9% of its 2017 FY revenue. To cope with slower sales growth The greatest challenge that Apple Inc. now faces is the impact that the slowing down of the growth in the smartphone market brings to its iPhone sales. Also, consumers' feedback from general surveys suggests that they felt that the new generations of iPhones are under-delivering in features and functionality, hence not deserving a price premium to the slightly older but still sound iPhones. Once the initial growth stage of the burst in smartphone penetration has been saturated, we should not expect iPhone sales growth to replicate the figures it has accomplished a few years ago when people are just starting to switch from traditional phones into smartphones. That is the case given that no major technological breakthroughs in iPhone (by ' Killer app' innovation or advancements in AI-chip processing speed) take place.

Therefore, the baseline action plan specific to slower sales growth before

major features upgrades is to 'do nothing' (not overspending cash flows in marketing of the new iPhones). Accept the lower revenue growth as a fact and focus on the R&D of the next technological breakthrough that would revitalize its demand.

Moreover, Apple should cut down its input into new generation of iPhones simply because of the plummeted sales figures. Modest iPhone sales actually supports other parts of Apple's product portfolio as well (e. g. application purchasing through app store and iTunes enabled by the huge iPhone user base). To cope with increasing competition from cheaper substitutes/competitors.

This is a relatively straightforward challenge to deal with because Apple and the 2nd tier phone producers have never been perfect substitutes to each other, they compete at different market segments. Apple has always been leading in the will maintain its position in product quality and innovative ability due to its much stronger engineering team (5 years ahead of its Chinese peers like Huawei, Xiaomi, Oppo and Vivo etc. in mobile phone chip design.

Apple should refrain from engaging in price competitions with these lower end players and remain in its higher end quality game. This would first keep its margins healthy, and help differentiate itself from others. In addition, Apple should leverage its free cash flows advantage and replenishing them into more frontier innovative projects that would materially enhance product quality by speeding up its processor and maintain its lead in the upcoming 5G generation.