

Apple ipad

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Apple iPad Week 2: Case Study Analysis Carina Reyes Information Systems
Dr. David Borghese 10 September 2012 | Apple iPad Week 2: Case Study
Analysis Summary of Case Study: The iPad is the first device that consumed all types of content from a variety of publishers and media in the industry. The original innovation can be traced back to a different time for Apple. As far back as 1987, Apple originally developed one of the first "tablet" under the leadership of defunct CEO John Sculley. A \$100M investment led to the creation of Newton and the coining of the term PDA "personal digital assistant." Due to lagging sales complete distaste for anything Sculley brought to Apple, the Newton product was retired in 1998 after Steve Jobs returned to Apple as CEO. Apple refocused instead on a long road to recovery with the Macintosh and the iPod. One of the 1990's Wall Street darling for its innovation in ecommerce of books, Amazon was first to successfully disrupt the marketplace, including its own when it introduced the first successful digital book reader. The "Kindle" was one of the first e-book reader device in the market, launched in 2007. Given Amazon's access to publishers of book content, this was a match made in heaven. The disruptive impact was first felt in the publishing world. By 2010, e-books outsold paperback. In 2007, Steve Jobs had announced his entry into the mobile phone market. Given there were again other predecessors such as Palm and the Blackberry, none took off as well as the iPhone surpassing all its competition within a few years. The experience with the iPhone became the new standard for unrivaled experience for smart phones. Marrying the touch technology of Palm and replacing the scroll of the Blackberry with the swipe, Apple captured the hearts of smart phone users, attracting masses

that found PDAs or smart phones confusing to use. With an Apple cult base of millions around the world, Steve Jobs announced the iPad in 2010, only 3 years after the iPhone. Many were surprised with this move given so many PC manufacturers failed to see strong sales with their own tablets. And with the size of PCs shrinking and costs dropping, market analysts were uncertain as to why users would buy a tablet at the same cost as a PC. Initial reactions to the announcements were mixed. Market analysts underestimated the cult following of Apple, and its thousands of developers and engineers that have become part of the Apple success. While the aesthetic beauty of Apple devices certainly drew the users to look, it is the ease of use applications and myriad of options that closed the deal. The ecosystem that Apple built with the iPhone and iPod using iTunes seamlessly integrated into the iPad, setting up the iPad for another Apple success story. iPad was both a threat and an opportunity for the publishing industry. This is the first device that was truly built for content consumption rather than creation. Publishing companies realized that they had to change their business models quickly to capture the opportunity or they would lose huge market share. Now that they found a device that mimics turning pages, that renders photos and images in greater detail than a television, digitizing content and monetizing it became high priority. Media outlets realized they too had a huge opportunity to join the digital disruption and partnered with several application developers to render their content. Joining the Apple ecosystem, media outlets leveraged iTunes to deliver their mobile apps and began to develop mobile apps that can engage their customers with live content, streaming videos and social media for interactive engagement. TV shows and news video clips are now a

common place on the iPad and other tablet devices. As Apple iPad sales grew in parallel with the growing number of content applications for the iPad, more followed suit. Enterprise and small medium-size businesses now look for opportunities to use the iPad as a key differentiator to a customer experience. For example, when I visited my dentist back in July 2012, he handed me an iPad to fill out the form that automatically inputted into his medical information system. I was astounded. Like the music industry, with the explosion of the iPad, Apple successfully has partnered with several movie and TV networks and have now made top TV shows and movies available on iTunes. Apple, too, learned a critical lesson of the importance of the partnerships and the necessity of great content to make the iPad successful. Evaluate the impact of the iPad using Porter's Competitive Forces model. " Apple established a reputation as an innovator by offering an array of easy-to-use products that cover a broad range of segments. " Given they were the originators of the tablet, later followed by the iPod, iMac, iPhone and then the iPad, innovation is in the DNA of the company. That, by itself, has created its product differentiation as its strategic competitive advantage over its competitors. Ever vigilant and a bit paranoid, Apple is known to squash its competitors primarily by bringing to the consumer the most innovative, coolest experience and sustaining its brand through outstanding service. Their pricing remains a vulnerable target for new entrants. Amazon introduced the new Kindle Fire to the market with WiFi networking capabilities and limited applications such as email, chat and access to social media like Facebook and Twitter. Barnes and Noble has also joined the competition with its Nook product line providing a more enhanced

experience and better display than the iPad and already established relationships with its own publishers. Both Amazon and Barnes and Noble price their products more competitively with one another and are targeting the market that want a lower price, a smaller footprint, lighter feel than the iPad and an even more simplified application suite of basic functionality such as reading books or magazines and basic use of email, social media and the ability to connect to the network. Another competitor to the iPad gaining market share is the Samsung Galaxy product line which uses a modified Android OS with 4G capability. New Market Entrants: According to emarketer.com, the total number of tablet users in 2014 is estimated to be 90 million. It is no wonder that many are vying for a piece of that pie as consumers become more mobile and demand more from their mobile devices. New companies are always seeking entry into a marketplace especially once a company has shown proven success. This market however has a high barrier to entry due to the high capital costs and significant expertise and partnerships required. Additionally it goes beyond just the development of the hardware. Entry into the market requires an ecosystem of developers and partners that will provide software behind the operating system and content partners to make the tablet come alive to the consumers. HP was one company who made early attempts using their own proprietary operating system called WebOS. Within a few years, HP chose to end the R&D behind the HP tablet and abandoned further development. Cisco also entered the market with the Cius tablet that can also function as a phone mainly for business users. It differentiated itself by using a modified Android OS from Google and leveraging the Android development community for the

applications while integrating and adding unified communications features into the tablet. Users of Cisco phones can use their tablet as replacement to their desk phone. Given skyrocketing costs, Cisco abandoned further development and sales of Cius. Google is the latest entrant into this market with a 7" tablet called Nexus 7 using its operating system, Android. In the next few month, Apple will be announcing its iPad Mini to combat Samsung's Galaxy and Google's Nexus. Substitute Products and Services: The iPad is presently the highest priced tablet in the industry and inevitably, this allows customers to seek out substitutes. The most obvious substitutes to the iPad are the new thinner and smaller PCs or Macs or the larger smart phones. When Google made Android OS available to any developer, it allowed users of Android OS to leverage the large number of Android developers in the open market working with Google. Hence many companies today can enter the market and leverage the ecosystem of Google developers and partners. " Apple's product differentiation strategy appears defensive against the substitutes, thus reducing the (3) threat of substitutes. " Price remains a factor in the purchase of the tablets, but it will still get down to the differentiated experience the devices brings in comparison to the iPad. Customers: According to commscore, iPad has now reached 7. 8 million users. Of that number, 56. 1% are male and 47. 3% between the ages of 25-44. Interestingly, 22. 7% are the baby boomers falling between the ages 45-64. With the expected reach of 90 million users by 2014, there are still plenty of opportunities to gain market share especially with the upcoming response of Apple to Google's Nexus 7. 1 and KindleFire HD. The iPad Mini, designed slightly smaller than the 10" display, will capture the hearts of

those who opted for the KindleFire or the Nexus due to price and size.

Suppliers: Beginning with the actual devices, most of Apple's suppliers are electronic manufacturing firms from Asia, glass manufacturer like Corning who supplies the glass out of New York and Kentucky and several other business that supply peripherals like power cords or cases . Samsung is a strategic supplier for Apple, providing them the memory chips for the iPhone and iPad. After the Galaxy was released, Apple filed and won a US lawsuit and lost a Japan lawsuit against Samsung for patent infringement, claiming it is using some of its proprietary synchronization and touchscreen technology . The relationship between Samsung is on the fringe as Apple has clearly begun to look for alternatives for their memory chips. One of the most critical suppliers for Apple are the growing 248, 000 iOS (internet operating system for the iPhone, iPod Touch and iPad) application developers who provide the applications for these devices. Application developers built 225, 000 applications ranging from education learning, gaming and social network to keep consumers engaged and interconnected. Most PC/Mac developers have created mobile business apps equivalent to standard applications used on the PCs or Macbooks, changing the tablet to a device that can now do 60-80% of the functionality of a laptop. Additionally, publishers and media outlets are also suppliers for Apple in providing and distributing content. Whether this is for iTunes for their own iPad mobile apps, the content is critical to the success of both parties. What made the iPad a disruptive technology? Who are likely to be the winners and losers if the iPad becomes a hit and why? " The iPad is the first device designed from scratch entirely to facilitate the consumption of Internet content. In contrast,

most computers are built to create as well as consume content, yet ordinary people consume content 10x more often than creating content, except when at work. " Hence the first disruption would be felt in publishing and media industry. The ease-of-use with the iPad made content much more easily readable, available and instantaneous. Publishers and the media industry had to make decisions to divest their investments into digital content versus the traditional delivery platforms in order to survive. Applications like Flipboard that gave consumers a magazine style view of their Facebook, twitter updates gave magazine and news syndicates a new entry for their content. Digital and media companies began to innovate with their own mobile applications such as CNN News or ABC News providing some free content while monetizing other parts of their content to the consumer. New education and business learning applications have flooded the Apple Store with capabilities to learn a language, build your vocabulary, expand your math skills, while waiting in line at a grocery store or at the convenience of your couch. Furthermore, the iPad has given the capability to self-educate with the unveiling of iTunes University coupled with open content from MIT, Stanford and Khan Academy. The clear winners of the iPad are Apple and its interdependent ecosystem of suppliers and developers, content creators, manufacturers, media and publishers. According to the Apple Job Creation website, " the Apple economy has resulted in creating or supporting over 500, 000 jobs worldwide and \$4. 1 billion dollars given to developers for royalties. A study by Analysis Group found that Apple has directly or indirectly created 304, 000 U. S. jobs. " These jobs - spread across all 50 states - include thousands of jobs in numerous industries, from the people

who create components for our products to the people who build the planes and trucks that carry them to our customers to construction sites building out Apple stores. The losers of the iPad will likely be the publishing and media companies who refuse to join the digital age insisting on print as their primary mode of delivery. PC manufacturers who did not invest on tablet technology or abandoned it are at risk if without some type of content consumption device different from the PCs. Apple's own MacBook product lines may see decline in sales as other move to tablets to replace their PC or laptop. " A polling company Poll Position, which surveyed 1, 155 registered American voters last week, found that 46 percent of respondents believe tablets will eventually replace laptops. " With the flexibility and options on the iPad, the Kindle and the Nook may also face conversions to iPad especially with the release of iPad Mini. Describe each of the mediating factors in Figure 3-1: Two-way Relationship between Organizations and Information technology using Apple as the organization. Rather than attempt to define the mediating factors between Apple and technology, I thought I would share my personal experience with the purchase of my first iPad to show how the relationship between Apple and information technology. From the moment I step into an Apple store, I can sense Apple's culture of Think Different. Apple lures you into their environment filled with innovation from the beginning to the end of my Apple journey. By reinventing the consumer shopping experience with a structured layout that is simple, appealing, uncluttered, Apple hooked me into an unexpected escape. First notice there are no registers or lines, and the place is swarming with blue shirted Apple clerks, sworn to give me the best service. Ready to help or handle my

transactions with iPhones capable of all the bells and whistles, they can quickly search for specifications, answer questions, look at your account without taking one step from your spot. As I glanced across the room, computers and the iDevices are all connected to the internet so I can experience the Apple world without interruption. As I moved my eyes towards the iPad, I found myself admiring the replacement to my planner, portable DVD player, magazines, and books. I studied the glass display that is rendering better than print quality imaging at 3.1 million pixels. I found the backlighting just perfect, and contrary to the iPhone, I no longer had to squint to read or type an email. Like the iPhone, the always-on sensory exceeded my wildest dreams. I can now in an instant, reply to an email or chat with my friends around the world unlike the experience with a laptop where I must wait minutes for the hour glass to finish spinning. Next I imagined how I could proudly share my home pictures and video in this aesthetic glass encased with a silver titanium, tightly protected from the elements. I could sit on a porch reading my favorite e-zines on Flipboard. A little taste of Angry Bird on a 9.7" display seals the deal, and I made the purchase from one of the friendly blue-shirts with an iPhone credit card reader, without leaving the spot where I fell in love with my new gadget. That is a business process worthy of admiration. The buying experience does not end at the store. With relentless focus on perfection in their design, a purchase of an Apple product meant experiencing the rapture of its zen-like packaging, designed with care and perfection. " To fully grasp how seriously Apple executives sweat the small stuff, consider this: For months, a packaging designer was holed up in this room performing the most mundane

of tasks - opening boxes. Apple always wants to use the box that elicits the perfect emotional response on opening. " As I unwrapped the white box, it felt a bit like Christmas morning. By the time, I held the iPad and called it my own, the rapture is nearly complete. I joined the Apple cult as if nothing else would seem worth experiencing. Apple's management decisions to reinvent the Newton to the iPad, the mp3 player to the iPod and smart phones to the artful iPhones revolutionized the way we work, live and play. The technology changed the environment, disrupting old models and introduced new business models. Apple's management's relentless focus to design and to create extraordinary experience in the buying process is where Apple reigns supreme. No other great smart phones or tablets, in spite of equally beautiful designs, evoked the same attachment. Apple leadership has driven brand loyalty; a cult following that continues to astound market analysts and critics. Discuss five moral dimensions of the information age as they pertain to internet tools and technologies such as the iPad (refer to chapter 4) With access to over 225, 000 applications and 200 million iTunes accounts, Apple has the moral obligation to govern its applications to ensure that privacy, property rights, accountability, system quality and quality of life are properly in place. Its impact is far reaching due to its sheer size of consumers and developers. Otherwise, it can risk its reputation and brand if these dimensions are compromised. Beginning with first moral dimension, the Information Rights: Privacy and Freedom, Apple must be vigilant in ensuring its ecosystem of developers and partners consistently practices the Federal Trade Commission Fair Information Practice Principles such as " 1) Notice/Awareness 2) Choice/Consent 3) Access/Participate 4) Info given are

secured from unauthorized use 5) Enforcement on its hardware settings, applications and cloud services. As an example, while the "Find my iPhone/iPad" serves the purpose of being able to find the device in the event it gets lost, it also creates the ability for the person to be tracked by other devices. Hence the organization should ensure that consumers are given the choice and the settings are easily changeable and manageable. Opt-out policies and/or privacy statements must be a required disclosure in each of the applications that tracks profile data or movements. Property rights particularly around intellectual property appear to be an ongoing battle for the iPad. Apple has had a history of fighting patent battles for decades as far back as the days of Microsoft in the 1980s. This decade seems no different. With the number of developers and suppliers and rapid growth of Apple's ecosystem or partners, leaks of trade secrets are par for the course. One clear example is the ongoing lawsuits between Apple and Samsung where Apple has charged Samsung with multiple violation of intellectual property infringement on the iPhone and the iPad. To date, Apple and Samsung have had a symbiotic relationship with Apple's dependence on Samsung's memory chips for its Apple devices, and Samsung profiting considerably on every purchase of the iPhone. This relationship is nearly ending as Apple charges Samsung with patent infringement on its Galaxy phone and tablet release. Court battles are being fought from the US to Tokyo to Seoul, Korea with Apple winning a \$1B lawsuit and losing the battle in Tokyo.

Accountability and Liability: While mechanisms are developed to sell and distribute books, articles, etc. legally on the internet, organizations face the challenge of copyright infringement. Apple must remain vigilant in ensuring

they are not distributing copyright materials in iTunes or Apple Store in compliance with the Digital Millennium Copyright Act (DMC). Apple's decision to work closely with publishing companies begs the question of who could be held accountable for copyright infringement. System Quality involved data quality and system errors that can have unintended consequences to a consumer and pose liability risks for Apple. As Apple increase its footprint beyond the device such as its recent entry into cloud services, it increases its liability risk for system quality and errors as it commits to the consumer synchronization of data and data archival. For example, imagine losing all tracking of a consumer's entire music purchases on iTunes or all the photos captured and stored in the Apple cloud services via the iPad. All these are risk factors Apple must consider in its expansion of technology to further enable and serve its growing customer base worldwide. The iPad has perhaps done more for the quality of life than any other technology today. The portability of the iPad allows users to choose how to expand the boundaries rather than worry about maintaining boundaries for the family, work, and leisure. Apple's strategic approach to building ecosystems versus products or software has bridged the data across multiple devices allowing users greater access to its data on the fly, anytime, anywhere. While all these capabilities appear to be geared towards the privileged given over 40% of iPad purchases make over \$100k/year, by the end of 2012, Apple will once again enter into a market that will threaten Amazon and Google. The iPad has created equitable and affordable options to the consumer with its upcoming pricing strategy. With the iPad mini, iPad will become even more affordable and will open doors to lower socio-economic status and to

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