

Apple inc. analysis

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Apple Inc. The Company

Having started the journey in 1976 the company has seen many milestones. Today it appears that Apple Computer Inc. is the sole successful escapee from the IBM and Microsoft hegemony in the personal computer field. Headquartered in Cupertino, California, Apple Computer designs, manufactures and markets personal computers and related software, services, peripherals, and networking solutions. But today the company is better known for the iPods and iPhones. The iPod touch being the latest craze. Apple designs, develops, and markets portable digital music players along with related accessories and services, including the online distribution of third-party music, audio books, music videos, short films, and television shows. John Sculley, previously the CEO joined Apple in 1985. Sculley had the valuable experience of the ' Cola-War' between Coke and Pepsi. He was full of marketing ideas and wanted to implement them in Apple as well. Steven Jobs, more of technology oriented initially found this approach little weird, but later gave Sculley a free hand (Yoffie and Slind, 2007). Sculley was later replaced with Michael Spindler in 1993 who lasted only three years, making way for Gil Amelio, who came out with the Macintosh product range for designers and artists. From here onward Apple brought out radical changes in the marketing strategies as well. Amelio also realized that the ' free for all' culture where anybody was free to defy anybody in the company, is causing losses to the company. He believed in more conventional strategy where project managers are supposed to sincerely implement the strategies devised by the strategists, whatever the outcome.

The Business Model

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The company primarily operates in the Americas, Europe and Japan. It employs about 14, 800 people. Apple experienced good success during the late 1980s but equally testing times during the 90s. Realizing the importance of strategic alliance, Apple also had a tie up with IBM in 1991 to target the areas where Apple lacked the developmental skills but owing to cultural and other differences the alliance did not last long. The 21st century seems to be progressing well so far for the company and proving to be particularly success oriented for Apple with its range of iPods and iTunes being very much popular amongst the young music lover fans. By the end of year 2000 Apple was able to sell some 2 million iPods leading to a 30% share of digital music players. Though the profit margin is miniscule as Apple has adopted the penetrative pricing strategy for its iPods, yet Apple is determined not to loose the initiative this time to its competitors like Sony, Phillips, Samsung etc. Year 2004 also saw the launch of a new 20 GB digital walkman from Sony, but so far iPods has been proving to be music to the ears of Apple.

Value Chain of Apple

While planning for long term objectives, the company will have to remain competitive. Porter's value chain provides an important tool for a tool for developing and sustaining competitive advantage for a company. It underlines the need for creating and retailing value for the organisation. Value, in general, can be defined in respect of customers, employees and owners or other stakeholders. Value addition is considered an important ingredient in dealing with the competitions, as it provides the organisation with a strategic tool. An individual's beliefs or conceptions about what is desirable, good or bad – forms the value system (Kotler, 1974). The term “

value” can be defined in different ways according to the adopted perspective of the analysis: it is possible to determine a “ customer value”, a “ firm value”, a “ stakeholder value” (Mele and Colurci, 2006).

Also read about Apple differentiation strategy

For the companies to identify their sustainable competitive advantage, Michael Porter developed a generic value chain with inter-related activities which are common in many firms. Porter identifies primary and support activities. Primary activities are the ones which generate a profit margin by adding value. These activities can be instrumental in providing a sustainable competitive advantage for the organisation either collectively or individually. Porter’s value chain framework (1985) in general is accepted as the language for representing as well as analyzing the logic of firm-level value creation. The customer will prefer to deal with the company which values its association with the customer. This will help in retaining the customer base. And loyal customers happen to be good brand ambassadors for a company/ product, which will ultimately help the company in sustaining its competitive advantage.

For a customer, value proposition include, Access to products, need fulfillment, desire fulfillment, increased choice, new consumption patterns, Problem solving features, and interactivity. In the value chain, value is created in the goods or services through efficient production of goods and services based on a variety of resources. The company is considered as a series or chain of activities. Primary activities in the value chain of Apple include;

§ Inbound logistics: These include the raw material supplies, knowledge sources, consultancies, supplier management etc. Key suppliers of Apple include IBM and freescale.

§ Production: After planning out the strategies, the inbound logistics are put in use to give out a finished product or a full-fledged service component.

§ Outbound logistics: Outbound logistics include taking care of distribution network, inspecting the quality of finished goods and services, planning out marketing and sales strategies etc.

§ Marketing and sales: Marketing and sales forms an important component of the value chain as it is the main interface between the company and the customer.

§ Service: Once the product or service is delivered to the customer, then comes taking a feedback from the customer. This has become very important in order to establish the company's brand equity and customer's loyalty. Futuristic needs are also projected by way of accepting regular inputs from the customer.

Porter's five forces analysis

In case of Apple Inc the Five Competitive Forces can be typically described as follows:

i. Bargaining Power of Suppliers: 'Suppliers' comprises all sources for inputs that are needed in order to provide goods or services.

a. Apple is dependent on IBM for its supply of the PowerPC G5 processor which is used in its current Power Mac, Xserve, and iMac G5 products. The

company is therefore susceptible to a supply risk for key components from its supplier who also happens to be a competitor. In the past IBM has experienced manufacturing problems with the PowerPC G5 processor, which resulted in delaying the shipment of various products and constrained certain product shipments during the second half of 2004 and the first quarter of 2005.

b. Freescale is the sole supplier of the G4 processor, which is used in the company's eMac, Mac mini, and portable products.

In a market where speed to market is extremely vital for beating the competition, Apple's dependency for such key components on its long time rival companies could result in its being at a competitive disadvantage. In fact IBM has made at least two unsuccessful attempts in the past to take over Apple Inc.

ii. Bargaining Power of Customers: Customers of course have plenty of options in the market place. And the customer will weigh all his options before going in for the purchase. Therefore Apple needs to be innovative and rely more on product differentiation. Sony, Phillips, and Samsung threaten to take away its monopoly over the iPod with their own version of walkman and minidisks.

iii. Threat of New Entrants: Though it is not easy for new entrant to enter the PC and Software industry as it is a capital intensive business as the economies of scale (minimum size requirements for profitable operations) leaves little room for a new start up company challenging the existing market share, yet the threat emanates from the existing competitors. If

Microsoft decides to jump into the music store software, then it could be create an uncomfortable position for Apple, as Microsoft is known for aggressive an penetrative marketing.

iv. Threat of Substitutes: Threat from substitutes exists if there are alternative products with lower prices and with better performance parameters for the same purpose. Apple faces aggressive competition in all areas of its business. The market design, manufacture, and sale of PCs and related software and peripheral products has become highly competitive. Moreover this market continues to be characterized by rapid technological advances in both hardware and software development, which results increasing the capabilities of existing products and software. This is resulting is the frequent introduction of new products with much reduced prices and better feature, and performance. Apple needs to keep its R&D activities in motion all the time.

v. Competitive Rivalry between Existing Players: Though to certain extent Apple has been able to lower the competitive rivalry between itself and Microsoft by way of a strategic tie-up, but growth in business is one of the objectives of both the companies. Therefore Apple has a big task in hand. IBM also happens to be a supplier for Apple, but it must be remembered that IBM is a rival as well.

Apple's Core Competency

The core competency of apple is determined with its ' making the technology easy to use'. PC and software development are the two areas the company stands tall amongst the rest. Many times it has come in direct conflict with

the other big name in the industry, Microsoft, but that is part of the business rivalry and both companies seem to take that into their stride while marching ahead, writing success stories. For that very reason the new Apple iPhone has been works perfectly fine with windows and other related features. iPhone is the latest addition in the digitalcommunicationfamilyfor a phone, music player, video player, internet device, and camera all in one.

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