

Market conditions and competitive analysis essay sample

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Market Conditions and Competitive Analysis

AT&T began business back in the 19th century when AT&T became the parent company of Bell System. At the time Bell System held a monopoly in telephone service and was considered to be the best in the world. In 1984 Bell broke into eight different organizations and until 1986 AT&T was part of an integrated telecommunication service. Today AT&T is a global leader in the telecommunications and continues to grow (AT&T, 2013). One of the best technological ideas that helped AT&T stay competitive in the market was the introduction of the Apple iPad. The iPad offers different features and options for different ages, and has become one of the top rated mobile devices available.

The iPad is equipped with sound, a variety of applications, is lightweight, equipped with Wi-Fi, and Bluetooth capability. However, the technology industry advances rapidly, and it is necessary for businesses like AT&T to continue to advance to stay competitive. This paper will show the factors that affect supply and demand of the iPad, along with issues and opportunities AT&T will face in regard to competitiveness and profitability and last the best recommendations to maximize profit potential to stay successful in the market. The current market that the Apple iPad is competing in also includes other operating system platforms; the operating system Apple uses on their iPad tablet device is the iOS operating system.

Android is the main competing operating system and can be run on various devices and is not specific to one, which is the case with the iPad. The iPad operating system is exclusive to operating on only Apple devices, whereas

Android can be run on Amazon's Kindle Fire, Google's Nexus device, and other devices. A factor that determines demand for the iPad is the pricing these competing devices are more affordable to the consumer enticing those who want a tablet, but do not want the expense of an iPad. This was not always the case with the iPad, when introduced the Apple device dominated the market. This is demonstrated in the second quarter of 2012, Apple iPad shipments consisted of 17 million units, which took up 47.2% market share. This changed significantly in 2013, where iPad shipments dropped to 14.6 million and market share dropped to 28.3%. The Android operating system devices continued to dominate in 2012 by shipping 18.5 million devices that was 51.4% market share and in 2013 increased to 34.6 million devices increasing to 67% of the market share in tablet devices. In an effort to compete on price and increase demand for the tablet, the Apple began to produce the iPad Mini to entice users away from the android operating system devices. The iPad Mini is currently priced competitively with the Android systems but may not be able to compete with the Android loyal users.

Other factors that Apple must contend with and work on is creating an iPad that can bring Android loyal users. Apple will need to look for innovative ways to win over Android users to the iOS operating system devices produced by Apple. With current market shares waning and the flexibility of operating systems devices Apple will need to look for innovation to entice users back to the Apple iPad product line. The iPad is entering a competitive market as companies such as Amazon, Barnes and Noble, Samsung, and

Android are releasing similar products. However, iPad has a competitive edge because it contains innovative product specifications that make it a higher demand product than other competing tablets. These innovative parts include a retina display, larger battery life, an advanced processor, and its brand reliability (Tech Radar, 2013).

Brand reliability and customer loyalty are likely the two most important contributors to the iPads success within such a competitive market. Because Apple provides such a competing product, the demand for it is somewhat high making it relatively inelastic. This implies that a large change in price is accompanied by a small change in demand. Thus, Apple has already chosen a pricing strategy that sells products at a higher price. Apple successfully relies on this strategy because their company has established strong brand recognition. The strategy also relies on what M. Tabini (2013) explains as price maintenance which “takes advantage of the popularity of its products and exploits a quirk in the way retailers are allowed to advertise their merchandise” (Par. 1). Traditionally, products from other retailers are sent through distributors, and stores are able to set their own sale prices. Apple, however; only gives retailers a small amount of room to adjust their price. The wholesale price, in fact, is a confidential number that is not released under contractual agreement (Par. 5). Thus, retailers cannot offer sales or discounts on Apple products. Consumers are unable to bargain shop for Apple products, keeping the product on demand and the price at a maintenance level. This concept ties into the relationship between the

amount of labor and capital employed and the law of diminishing marginal productivity.

As Apple chooses the maintenance pricing strategy, they can account for both the amount of labor and capital employed and the law of diminishing marginal productivity without suffering in either area because of large sales or discounts on their products. They are instead firm on their price and able to cover any costs accrued from manufacturing or distributing their product. Apple's variable costs in producing its iPad include the costs for the parts and materials to build their iPad such as the screens, cables, camera, and the development and production of their latest central processing unit (CPU) that according to Apple (2013), describes as it "delivering up to twice the CPU and graphics performance of the A5X chip, making the iPad feel faster and even more responsive."

Colander (2010) stated, "Variable costs are costs that change as output changes" (pg. 284). Apples variable costs would include employee wages, advertising costs, shipping costs from production facilities to the retail stores, and the contracts they have with their Internet service providers. The changes in inputs would increase variable costs. Competition with Microsoft and Samsung has seen the demand for their iPads decrease over the last year. This would cause the amount of current production of iPads to diminish as Apple would want to move their resources into the development of the next generation iPad to stay competitive.

The law of diminishing marginal productivity states, “ that as more and more of a variable input is added to an existing fixed input, eventually the additional output one gets from the that additional input is going to fall” added to fixed input eventually the output from these additions will decrease (Colander, 2010). Apple would need to monitor the demand and supply of its older models to determine the number of resources they can move to the development of the newer model without reducing the efficiency of their production of the older and newest model of iPads. Apples fixed costs would be the facilities for production, equipment used in the production process, and costs for utilities, taxes, and patent fees. Colander (2010) stated, “ Fixed costs are costs that are spent and cannot be changed in the period of time under consideration” (pg. 283).

Eventually the fixed costs will become variable costs as there are no fixed costs in the long run. Apple will continue to produce their older models as long as their total revenue is higher than their total costs, and they are maximizing their profits. For Apple to maximize their profit-making potential it is recommended that the employees know the products inside and out. Properly trained associates and finding the interesting details customers may not be aware of, so do what it takes to be an “ expert.” It is also believed, that Apple can differentiate their firm by providing top-quality products in which they can command higher prices in the market. Although price alone does not guarantee profit, it does give companies the opportunity to maximize profit.

Apple is always creating new and improved products to appeal to the public and to remain relevant. Some of the products they have introduced over the years are the I Pod, I Phone, I Pad, I Pad mini, and the Mac computer. By researching and constantly looking for new and better products Apple will continue to remain a top notch organization