

The pestel framework of apple inc marketing essay



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Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store, and is defining the future of mobile media and computing devices with iPad. The organisation has been incorporated in the US state of California since January 3rd 1977.

In this assignment, I will discuss the strategic position of Apple. I will focus predominately on the organisations environment, how it creates opportunities and presents threats to the organisation. I will analyse the broad macro environment of the organisation in terms of PESTEL framework and identify key drivers with this environment. I will be using Porters Five Forces analysis to define the attractiveness of Apple's industry and sector and also analysing the organisations competitors and markets, exploring its market segment and strategic groups.

The Pestel Framework of Apple Inc.

The macro-environment is the highest level layer in the framework we use to analyse changing and complex environments of an organisation. We use PESTEL framework to identify how future issues in the political, economic, social, technological, environmental and legal environments may effect organisations.

Political Influences:

Tax implications and governmental structure, for example, may prove to be very influential for the organisation. Over half of the organisation's sales revenue is generated outside the U. S. Therefore, bad international relations,

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war or terrorism would influence Apple in a major unfavourable way. Apple has limited control over these factors.

Economic Influences:

National growth rates and costs of raw materials are economic factors which can influence the organisation. They can also help determine global sales and demand of Apple products in the daily electronics industry. Other factors which are out of the organisation's control such as the current global economic recession have an immense impact on Apple.

Social Influences:

The needs and lifestyle of Apple's customer base is ever changing. People are using their products more and more for entertainment, which means they need phones and PC's with much better graphics sounds and processing power. People nowadays are always on the move so smaller, lighter laptops and tablets are desired by the consumers. Social influences have had a positive effect on Apple as they are seen as the 'King of Technology', due to the quality, design and functionality.

Technological Influences:

The improvement of internet and broadband facilities throughout the world has a big influence on Apple. As these services improve, so too are Apple to ensure we can get the best possible experience from our mobile handsets, PC's and tablets. The technology department is growing and growing each year and as a result competition is becoming a lot stronger. Apple is top of

the market regarding innovative products, this is as a result of their large investments in their Research and Product Development Department.

Environmental Influences:

In recent years, Apple has proved their commitment to protecting the environment.

They led industry to remove harmful toxins such as BFR and PVC from their products, as well as lead and mercury.

They are one of the only companies to file comprehensive reports their greenhouse emissions.

They are the manufacturers of the most energy efficient computers in the world.

All products exceed 5. 2 Energy Star government standard.

Legal Influences:

When launching a new product, such as the iPhone, or entering new markets places, laws and regulations such as Consumer Protection and Employment Laws can greatly influence the organisation. Governments in these new market areas provide the basic legal regulations and restrictions that can influence the way in which Apple produce and sell their products .

Porter's Five Forces Framework

This helps us to identify the attractiveness of an industry in terms of five competitive forces; the threat of entry, the threat of substitutes, the power

of buyers, the power of suppliers and the extent of rivalry between competitors.

The Threat of Entry:

Start up costs in this industry are extremely high, this lowers the possibility of new entrants. Existing organisations within this sector, have already capitalised on distribution channels and created strong branding awareness. This makes it very difficult for new comers to compete. Rather than trying to compete with these larger organisations, competitors pursue niche markets as the probability of success id so low. Apple positioned itself in the market years before so had created its space in the computer industry just as IBM, HP, and Dell

The Threat of Substitutes:

Over recent years, a considerable amount of substitute products threatens Apple's market. Theyse products are readily available so this threat is very high. Apple need to work to prove to competitors that their products is superior to its competitors, to so this they need to more differentiation of the product. With differentiation of the product, switching to competitors will become less likely. Because the pricing of Apples products in higher than its competitors, they need to provide justification for this higher price. For example, Apples operating system is marketed to the creative designer buyer as opposed to the average individual who would not be specifically looked for its advanced features. The business and education facility market is favourable for the organisation. This is because over time they will need to

change the computers throughout there facility and locations. This will generate much extra revenue for the organisation.

The Power of Buyers:

All of Apple's customers have a wide variety of alternatives in the industry from which they could purchase their computers, software, music devices and phones. The cost of switching to these alternatives is very low and the customer may even save money. The buyer has the ability to switch when they are unhappy with a service, or see a better quality product or service for a cheaper price. The buyer is in a strong power position in situations such as these. The computer, tablet and phone operating systems differentiation make it very difficult for businesses to switch, however this not such a difficulty for individuals who find it much easier to change from one system to another. The same difficulties apply to the education facilities that have committed to a single operating system, which help to discourage change.

The Power of Suppliers:

Suppliers in this industry are plentiful, and as a result there is strong competition between them. They each try to ensure they can retain the business of these large electronics and computer companies. However, larger companies can readily switch from supplier to supplier without any major repercussions for the organisation. Suppliers adjust pricing and quality to improve the attractiveness of their product to companies. As competition is very high in this industry, suppliers are left in a low power position.

Competitive Rivalry:

The advantage Apple has over its many competitors, is its larger portion of the industry's market share. The organisation faces strong competition from large multi-nationals such as IBM, HP and Dell. Because in the computer hardware industry switching costs are low, competition can be fierce. Apple rely very heavily on the promotion and sales generated from its own operating system. The iTunes digital hub developed by Apple has already been copied by Gateway.

Apple: It's Competitors and Markets

Strategic Groups

Market Segement

Conclusion

In this assignment, I feel I have discussed the strategic position of Apple, focusing on its environment. I have used PESTEL framework analysis to analyse the broad macro environment of the organisation. From this analysis, I was able to identify the key drivers in the organisation environment. Using Porters Five Forces model, I detailed the threat of entry and substitutes, the power of buyers and suppliers and most importantly the degree of competitive rivalry which exists in the industry. Through investigating Apples's strategic groups and market segements, I have provided myself with a more improved understanding of the Apple's competitors and markets. Through my research which I carried out for this assignment, I have gained a much more indepth understanding of the strategic position of a company in relation to environmental factors, and also

hows these factors influence, threaten and create opportunity in a large global organisation such as Apple Inc.

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