

# Strategic audit report apple inc

Business



Creativeness and utilities are connectedly associated with one name "AppleINC." which symbolize an enchant accumulation of engineering genius, dedication, innovation and prosperity in spite of incompetent behavior. The company achieves the unrivaled differentiation of surviving from the beginning of the industry and is still operating prosperously. As well as battle with Microsoft's supremacy of operating system. The company also came severely close to irrelevancy. In 1985 the company co-founder Steve Jobs was removed in boardroom coup (Kaplan, K. 1997).

The firm's very small market share was declining further.

By second quarter of 1997 the company made almost \$1 billion in losses (Galante, S. 1998). Even there were rumor of is there anyone who will buy Apple Inc. In 1997 the company shocked everyone by declaring Steve Jobs will be back as CEO (Campbell, D. 2004), and even more stunning when Jobs announce of partnering with ever rival Microsoft (MacWorld, 1997). Even Jobs test our consciousness of computers, launched many latest computers.

Although company's market share lingers at 5%, they restore themselves as innovator within the industry and create a loyal customer base.

Though the firm has established lots of advantages for themselves, there are many external causes and strong competition, which is a challenge for Apple Inc. This report will analyses' Apple Inc. ' s internal and external environment including its complete strategies. Depending on analysis of strategic consideration, it administers the company with alternatives strategies and complete with strategic advice. Copyright © 2010 Sheikh Adnan All Rights Reserved 6 [STRATEGIC AUDIT REPORT OF APPLE INC] 1.

2 INTRODUCTION “ MAN IS A TOOL USING ANIMAL. WITHOUT TOOLS HE IS NOTHING, WITH TOOLS HE IS ALL! ” (Brainy Quote, n. d).

When composing this legendary quote the Scottish essayist Thomas Carlyle might have imaginary belief. However Carlyle never fabricates in his imagination the extraordinary importance of a unique device “ THE PERSONAL COMPUTER”. The enormous intelligence back of IT firm’s like Apple, Microsoft or IBM developed gadgets which not only advanced worldwide economy, human cohabitation and societal practice, but unclosed new horizons. Notably Apple Inc. developed countless aspects of computer technology that we admit today. The company placed its distinctive uniqueness, which drives to a rivalry against IBM-Microsoft-Intel model (Wintel).

Therefore Apple differentiated its products by precise patent-regulated, non-licensing policy.

Because of Apple’s products excellence due to high quality innovative products they charge a premium on their devices. Apple Inc. commences its journey on 1976 by Steven Jobs and Stephen Wozniak (Apple History, 2010). The firm develops computers, music players (iPod), laptops (Macbook), smart phones (iPhone), hardware, software and ebook (iPad). The company has 284 retail stores worldwide and employs 34300 fulltime employees; the firm had sold more than 250 millions iPod since it’s launched (Apple Special Event, 2010).

Copyright © 2010 Sheikh Adnan All Rights Reserved [STRATEGIC AUDIT REPORT OF APPLE INC] 7 Yearly Results Sales - all segments Profit (loss) - all

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segments Sales Retail segment Profit (loss) - Retail segment Total store visitors 2006 \$19. 31 billion \$ 1. 989 billion 2007 \$24. 0 billion \$3. 496 billion 2008 \$32.

47billion \$4. 84 billion 2009 \$36. 537 billion \$5. 704 billion \$6. 577 billion \$1.

392 170. 3 million \$3. 359 billion \$4. 115 billion \$6. 31 billion \$198 million 81.

1 million \$573 million 102. 4 million \$1. 33 billion 146. 8 million Figure-: 1.

Apple Computer's financial results 1. 3 STRATEGIC CONCERN AND LIKELY CHALLENGES Jobs may be recognizing as the creator of the company's " Digital Hub" strategy, that revolutionize the PC into a entertainment and multimedia hub which associate several other devices.

This strategy must be considered as innovative and visionary because it directs the company towards future goals. Thus, we may assume Steve possibly established an organized strategy to handle upcoming threat, which ensure Apple Inc. ' s victory by bringing a paradigm shift in PC and Telecommunication industry.

The company's all senior executives proved they are highly skilled because of their participate of the firm's common values, which lead to future success of Apple Inc. The internal relationship within the firm's senior management might describe by honestly to Apple's norms and rules as the company never disclose information regarding products, plan and future strategy to the general public.

So, therefore it is understandable that its executives are strongly participating in the company's strategic management process. The fundamental part of the company's strategy is being innovative and to remain the maximum innovator Apple must perform.

The absolute job of the company's R & D is to create a unique competence in technology and innovation that fulfill the buyers demand (Hill C. W & Jones G. R 2004, P.

424). Autonomy and enough independence is the way the company assist its R & D achievement. The other useful aspect for fruitful and efficiently R & D movement is flat and decentralized hierarchical structure. Just In Time (JIT) inventory system, Flexible manufacturing or Total Quality Management (TQM) are among the many ways the company can enhance to improve Apple's operations effectively.

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1 Strategic Group Analysis INTERNAL FACTOR 1. 4 Core competencies and Distinctive competencies – Core competencies of a company distinguish existence that the firm internally does best. These include but not limited to following competencies for Apple Inc. i. Design – Creativity: Component design and extraordinary marketing ii. Technological excellence and innovation: Innovation and engineering development HRM Policy: Employee contribution organisations success iii.

and HRM department effective o Distinctive Competencies of Apple Inc: i.

Capability of creativity: Software and hardware design Technological

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resources: Superior IT (extranet ; intranet) HR High skilled workforce ii. iii.

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REPORT OF APPLE INC] 9 Figure: 3. 1 Core competencies ; Distinctive

competencies STRATEGIC ANALYSIS Part 2 2. 1 Competitive Landscape and

Strategic Groups Investigation ; Result: The PC, Telecommunication and

Consumer electronics industry do have many profitable rivals.

Almost all the competitors to Apple Inc do offer identical products.

According to the product's competency and features different company sets different prices for their products from low range, middle range and high range. On the low range companies compete on value for money devices. On the high range companies introduce very sophisticated devices while targeting specific consumer groups. See diagram 4. 1 for accompanying template.

Extrinsic Dynamics- Quality, Design, Price & Support: Comparing of companies operating on computer sector on the proportion of design and price unveil a linear connection [see Figure: 1].

Some companies' products are high in price for exquisite (Apple) or intricate (Alien Ware) design. But to keep price down some companies offer just basic feature designs (eMachines). This paradigm remains true when considering quality and support [see Figure: 2]. Apple Inc introduces laptops made of solid aluminums and poly carbonated plastics (Apple, n.

d). Voodoo PC use durable design cases with efficient internal wire routing design to increase airflow within the computer. But the mid range and low

range firms offers economical materials and plastic while not even considering internal well design layouts.

Copyright © 2010 Sheikh Adnan All Rights Reserved 10 [STRATEGIC AUDIT REPORT OF APPLE INC] The weighing of design to quality and design to price represent comparable relevance. But the definitive utmost extrinsic proportion for what companies in this sector contest is support. The high price and low price disclose same support policies between the two extremes [see Figure: 3].

For example apple Inc providing one to one support on their retail stores worldwide for their customer on top of warranty. This type of service and support need additional expenses, which they cover through premium price for their products.

Intrinsic Dynamics-Gaming Capability, System/Peripheral Integration, Out of the box features and Customizability: The companies that prioritize customizability for the customer aim to present PC made of advanced applications, e. g. Gaming. This is critical to innovation and the proportions of customizability in specification, function and appearance, which is the major force to firm's targeting their companies on Gaming, for e.

g. Voodoo PC & AlienWare. The correlation over gaming & customizability efficiency remains linear [see Figure: 4].

Companies have select its own position for this competitive dynamic but companies who fails to accept can not stand for winner segment to target. Apple Inc. is the only of its kind, which stand on Peripheral/System Integration, which is a polarizing metric with its portable MAC.

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The company develops its eco system in such a way, which support intelligible and logical integration within their software, iPhone, iPod, iPad, Computers and other devices. Manufacturers of windows PC do have compatible peripherals but not the similar integrations like Apple Inc. Regarding to out of box features many firms arise.

Companies like HP, Dell, Lenovoprovide standardized features made into Windows but Voodoo PC & AlienWare provides selection of pack in Games and features.

Apple Inc do ships iLife package, which includes iCal, iPhoto, Garage band, iMovies and many more with their each machine. When set up a Mac or AlienWare its not only let you to go online but also let you to do many more things which is a convincing difference from their rivals [see Figure: 5].

Copyright © 2010 Sheikh Adnan All Rights Reserved [STRATEGIC AUDIT REPORT OF APPLE INC] 11 Figure: 4. 1 Strategic Group Maps Figure: 4.

Strategic Group Maps Recommendation Depend on Group Map analysis, I propose: Target Differentiated position branding- the company strongly establish a differentiated position and should carry on whereas prevent difficulty to compete with HP and Dell.

Innovative Design- establishes further emphasis about developing design to remain the exceptional in the industry for design. Copyright © 2010 Sheikh

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Opportunities of research on user interface- The firm should carry on innovation of user interface spotlight on functions, feature menu and simpleof-use.



STRATEGIC ANALYSIS 2. 2 The VRIO Assessment To consider the company's internal resources, competencies, strength and weakness I want to investigate four questions regarding Apple Inc. ' s competitive abilities, testing the VRIO framework.

Question of value- Is the company's resources qualify them to neutralize environmental risk or able to utilize environmental options? From earlier time Apple. Inc does have the knowledge of manufacturing, designing, trading PC, iPod, iTunes and iPhone. Using all these experiences the company move further into e-book (iPad) industry.

Question of rarity- Is there any rival company to Apple that acquires distinct resource and capability? Apple does not patent software and operating system besides they develop integrated system for iTunes and iPod so that the consumers can quickly take advantage of both the products. The technology is rare for sure as the company control the patents, avoiding competitors not to use similar technology (Thomas, O. 2006).

Question of imitability- Is the competitors out of capability or resource face financial damages in developing or acquiring Apple's technology?

Apple acquires the copyrights and patents for their designs and innovations. Therefore any rival companies that violate its intellectual properties laws may compensate damages, which might be a big amount of money (Sahli, 2006). Question of Organization- Is the company sufficiently organized to utilize its capabilities and resources as competitive advantages? Apple has the history of innovative firm that carry required practices and strategy to

exploit the Copyright © 2010 Sheikh Adnan All Rights Reserved [STRATEGIC AUDIT REPORT OF APPLE INC] 13 advantages of technologies as resources.

Apple's first priority is design and innovative movement that is the essence for the organization, which promote its competitive potential. Are the Capabilities or Resources: Expensive Utilize by Rare? to Organisation? Imitate? Yes Yes Yes Valuable? Yes Competitive Potential Sustainable Table-1. 1 Evaluation of the Organization's Internal Capabilities According to the evaluation, the company is credible whereas they develop and maintain the particular competitive advantages that involve in forever innovative for the industry.

STRATEGIC ANALYSIS 2. Industry Forces and Attractiveness The direct competitive issues in the industry involve the followings but not are limited to: i. ii. iii. iv.

v. vi. Innovation - design Function and features of products Support and services Comparative performance to price Reliability and quality of products Corporate position PERSONAL COMPUTERS Low - Economies of Scale: Research and development (R&D) is a large expense for the cost of production (R&D cost apple \$4. 6 billions over the last 4 MP3 player/online music services Low - Economies of Scale: iPod has 74% of market share. (Delahunty, J. 009) - Product Differentiation: iTunes is the online music All Rights Reserved TELECOMMUNICATION PRODUCTS Low - Economies of Scale: Huge demand in marketing and R&D (now Smartphone's are with adds on features like video calling, retina Copyright © 2010 Sheikh Adnan 14 [STRATEGIC AUDIT REPORT OF APPLE INC] years) (Rosenman, S.

2010). -Product Differentiation: Apple's product carries its own operating system and exclusive designs. - Cost Advantage: Huge demand particularly in proprietary technology. store specially developed for iPod user from where users can download music easily. Cost Advantage: Apple do have many copyright and patents for iPod and there are huge demand in proprietary technology.

display, multi tasking, HD video recording, high resolution camera and apps for iPhones (Apple, 2010). -Product Differentiation: None of the other phones have huge collections of apps and without installing iTunes no one can use iPhone or synchronize it. -Cost Advantage: Innovative and high proprietary technology. Threat of Entry High Threat of Rivalry - Majority of market being capture by Microsoft. - Low price computer developers like Dell are arising (see figure 5. ).

Moderate - There are many rival companies like Sony, Samsung etc but still iPod capture 74% of market. - Low priced mp3 player can be a threat at any time if apple do not maintain their gadgets more innovative. High - There are many rival firms like Nokia and HTC but current news from technological newsletter mentioned apple share of smart phones market is 16.

1% worldwide on 1st quarter of 2010 (Dignan, L. 2010). Low Threat of Substitutes - Products like DVD players, e-books or PDA can be substitutes for computers but that may be substitutes for 2 or 3 functions of PC only.

High Apple is dealing with handful preferred suppliers and outsourcing company therefore the suppliers may increase the price for their own profit for what the company is in higher risk compare to High - The substitutes for <https://assignbuster.com/strategic-audit-report-apple-inc/>

MP3 player can be a Mobile phone; Low -Home phones, internet messenger or skype may substitute cellular phones but the usefulness of cell phones, which is its mobility, is difficult to substitute. Low - At present all phones comes with many features so there will be lots of suppliers for camera, MP3, video rec etc. High -Illegal music downloads, file sharing on P2P sources which is a direct threat for iTunes.

Threat of Suppliers Copyright © 2010 Sheikh Adnan All Rights Reserved [STRATEGIC AUDIT REPORT OF APPLE INC] 15 other rivals (Apple Inc. Form 10K, 2010: 10). - The company uses custom components that are not common to the rest of the industry (Apple Inc. Form 10K, 2010: 10). Moderate -Due to rapidly technological development buyers numbers are increasing. -Apple differentiated its products by unique design and its own operating system whereas competitors like Dell differentiated by low price.

Low -Loyal customer base for iPod. -Music file providers are developing with internet speed, which is encouraging the buyers.

Low -Market is bigger than PC. -Market is expanding for developing countries. -Most innovative products with latest technologies (see table 2.

1). Threat of buyers Figure: 5. 1Global market share (%) PC Table: 2. 1 U. S smart phones subscribers (%) Recommendation Depend on Industry analysis, I propose: Establish Good Relation With suppliers- The utmost priority is to create close relation with suppliers rather than looking for low cost suppliers.

To mitigate the strength of suppliers the company should develop a collaborative and exclusive business relationship, which may help lock attractive raw material prices.

Copyright © 2010 Sheikh Adnan All Rights Reserved 16 [STRATEGIC AUDIT REPORT OF APPLE INC] Construct Differentiation Strategy- Commodity computer industry exist a downward force on price that deteriorate company profit margin. Creating more innovative devices apart apple inc. from competitive race. Diversification Consumer Electronics- Due to buyer's saturated different areas of electronic products is growing rapidly; inventing gadgets in other categories may increase revenues with reduce risk of competitors.

#### STRATEGIC ANALYSIS 2. 4 Apple Inc. Value Chain Analysis.

Value Chain Activity 1. General Administration Corresponding Firm Practice, Policy or Procedure A Greener Apple-less energy usage and reduced emission during transportation and production to engage themselves in greener business (Apple, n.

d). Strong Cash position-saving cost of capital the company internally capitalizes development and expansion of business with little help from third party creditor due All Rights Reserved Copyright © 2010 Sheikh Adnan [STRATEGIC AUDIT REPORT OF APPLE INC] 17 to huge cash reserves and maintains a small long-term debt. . Human Resources Management 3.

Technological Development Selective recruitment process-the company finds and attracts very talented individuals.

Employee benefits program-the firm offer many attractive employee benefits (Apple, n. d). Research ; Development-the company spend USD\$1. 33 billions for its R; D, which is approx 66% increased from 2007 to 2009 (Apple Inc. Form 10K, 2009: 15).

Patent Filling- Apple Inc controls thousands of patents and intellectual properties right for its innovations and invention worldwide. (Apple, n. d).

Effective relationship with suppliers-the company develops its own code of conducts to control its suppliers; they always ensure fair treatment for its OEM factories workers and is the member of the Electronic Industry Citizenship Coalition (EICC) (Apple, n. d). Automated receiving systems-cut facility footprint and area requirement.

Delegate raw materials acquisition- help supervised OEM partners who achieve acquisition. Exploit OEM's economies of scale-the company outsource their productions to OEM partners to reduce the burden of production management.

Internal design-the style and design of all production is endorsed and done internally at apple HQ. Economical packaging- to reduce the shipment cost and utilize more space, apple reduce the size of packaging which help reduce CO2 emission and increase 50% more box fit on each shipment (Apple, n. d). See figure 6.

1 Apple Store-to increases the brand image it sells products from their store which acts as advertisement too. Direct Shipment- apple. com orders shipped from china directly, which reduce expensive, warehouse location in USA. Selective and secretive unveilings- Hype and Suspension created during gadget launches.

Retail/Flagship stores- image promotion and strong branding with living ads.

E. g. 5th avenue new York store or regent street London store. See figure 7.  
1 Free consultation- anyone can bring their apple products even if it's out of warranty for issues and problems. Genius Bar-All apple stores have " Apple Genius Bar" where anyone can chat with an specialist or genius regarding problems of their products 4.

Procurement 5. Inbound Logistics 6. Operations 7. Outbound Logistics 8. Marketing ; Sales 9. Service Figure: 6.

1Energy Use comparison Chart Copyright © 2010 Sheikh Adnan All Rights Reserved 8 [STRATEGIC AUDIT REPORT OF APPLE INC] Figure: 7. 1

Correlation of Apple store expansion ; Mac market share.

Recommendation Depend on Value Chain analysis, I propose: Make effective handling of surplus cash-Although huge amount of cash important to a company, idle capital never use efficiently.

While Budgeting Apple may invest a portion of surplus cash, which may increase the profit, lazy cash never create value. Wide expansion of retail store- Due to massive successful with their retail locations apple may further with new locations worldwide.

Though they must avoid over saturated e. . Starbuck effects. First party quality ensures in OEM- the company should implement random check and quality audit on OEM factories, which may detect issues and fault early, and help protect their own image e. g.

(bad image on iPhone 4 reception problems). Copyright © 2010 Sheikh Adnan All Rights Reserved [STRATEGIC AUDIT REPORT OF APPLE INC] 19

STRATEGIC ANALYSIS 2. 5 Strategy to reduce competition The company must analyze further direct threats from the industry and strongly control the competitions. A big rivalry may bring price war and reduce profit margin.

In this circumstances Apple have many options, 3 fundamental possibilities to manage rivalry being further analyzed Non-price competitions, price signaling and price leadership (Hill, W. ; Jones, R.

2004: 204) Any price signal is ineffective because like-for-like strategy will be ineffective in this situation. Price leadership indicates the poor competitors in the industry will fix a price, but apple will never depend on this system due to its products differentiation to large extend. So price setting from its rival do not indicate apple for pricing option. The only possibility to impact on Apple is non-price competition.

To blow nonprice-rivalry in its 4 major components following diagram is used to clarify the company's strategic options.

Figure: 8. 1 Non- Price Competitive Strategies These 4 tricks are obtained on differentiations of products. The combination between product proliferations and product development is the answer for apple. To increase barriers to entry product proliferation is the right option. When fresh niches develop always the leader approach and that is what happens with apple when it first offers music through iTunes and its device (iPod). When competitors try entering the niche rivalry stabilized and reduces competitions.

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development Apple ahead in design and innovation. When iTunes and iPods being accessible through windows the demand soar which increase record sales. As competitors never sleep the electronic devices makers started differentiated their products, which compete with apple, but as long as innovation exists for apple the company must outperform competitors.

PART 3 3. 1 CONCLUSION As my strategic examination and the effective strategic options including strategic recommendation literally take out important factors of the strategic analysis and support a experimental but absolutely interesting suggestion for Apple Inc.

, I will like to conclude the report with few individual thoughts. Actually, this was difficult, interesting and valuable assignment for me to pursue the strategic analysis that developed my cognition about the apple and strategic management, methods, tools and processes.

Additionally, all the tasks are an opportunity for me to put my understanding (theoretically) of strategic management including an insight of a company that attracts me for its phenomenal history, its effective capabilities and exceptional strategies in handling past, present and future challenges in the rapidly-changing industry environment. Finally, I hope I have able to disclose the reader a comprehensive and consistent strategic view of Apple Incorporated.