

# Apple's alliances cooperative projects

Business



Financial Assessment In a Personal Computer (PC) industry that was close to \$1 billion in sales in less than three years starting in 1978, Apple quickly became an industry leader and successfully launched an IPO in 1980. Its competitor, IBM, however, launched its first PC in 1981 using Microsoft's DOS operating system (OS) to which Apple responded in 1984 with their new Macintosh computer. " With a lack of compatible software and limited sales, Apple's net income fell 62% between 1981 and 1984 (Kim 2). It was not until John Sculley stepped in for the leaving Steve Jobs that things turned around: Apple stepped into the education market, taking in over \$1 billion in cash and became the most profitable PC in the world in 1990.

IBM continued to be a thorn in Apple's side when Microsoft's Windows 3.0 was released and it was back to the drawing board for Apple. Apple's gross profit was over 50% (Exhibit 2) and as IBM-compatible prices dropped, Apple's prices remained the same and came off as overpriced (Kim 2).

Shortly after Michael Spindler took over as CEO, Apple's EBITDA dropped to negative \$35 million in March 1994, as can be seen in Exhibit 6.

This was after investing 9% of sales to research and development (R&D - Exhibit 3). This was in combination with having a gross margin of 34%, well below the company's 10-year average (Kim 3). Apple's alliances/cooperative projects with Novell and Intel to rework the Mac OS (Kim 3) felt it would turn around the company's destiny. Instead, Apple failed to create a new OS that would keep it ahead of Microsoft's Windows 95.

Gilbert Amelio, the CEO at the time, saw a \$69 million loss in Apple's first quarter of 1996, which can also be seen in Exhibit 6. Apple turned back to

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Steve Jobs in 1997, who turned to Microsoft to have a Joint venture to bring Microsoft Office to the Mac PC's, something that still continues today. In 1998, Apple posted a \$309 million profit in its fiscal year, reversing its previous year's \$1 billion loss (Kim 3). External Analysis The threat of new entrants into the PC realm has always been high.

From Acer to Samsung to HP and Dell, new companies were popping up using Microsoft's platform and trying to push Microsoft out of the spotlight. Also using Intel's processors and having pricing at a fraction of the cost of the Mac, these competitors were able to gain Normalized market share on Apple from 2000 thru 2009 (Exhibit 4). Although Apple has increased its market share, HP has a stronghold on the competition and continues to do so today. The same can be said for new products.

Even with the roll of the iPod and iPad, the revolutionary products by Apple to enter the music and digital library markets, its competitors are using Google's Android platform and Amazon AMP, for example, as a means of competing against these innovative and "cool" products. As seen in Exhibit 1, both sales of the Mac and iPod are slowly dropping off. This can be the direct result of two things: competition or market saturation as Apple comes out with a new AC and/or iPod every 6 to 12 months, same as their phone, and customers do not necessarily want to pay again for a newer product for a couple of new features.

Additionally, customers do not have bargaining power of these new products that Apple has to offer.

They have a greater variety of AMP players or digital libraries of music or books be it the Amazon kindle or the Barnes and Noble Nook. Books can be purchased at a variety of prices and although Apple has set the trend in letting the publishers set their own prices (Kim 13), other consumers still prefer other non-Apple reduces because they're against the popular/trendy items of today's marketplace, especially when they are priced sometimes two to three times higher than the aforementioned products.

Also, as just mentioned, the suppliers do not have much Mingle room when it comes to supplying music as Apple has set the standard for stating how much music should be and what " cut/profit" they should get for the music. They even let the publishers set the price for eBooks, while their competitors Nerve setting the prices for books, which has caused conflicts in the eBook community, perhaps turning people to the Apple pad product.

Internal Analysis Having invested more in R&D (Exhibit 3) than their competitors, Apple has the resources and capabilities to stay ahead of the curve in terms of producing new and innovative products. They are able to effectively neutralize most threats from their competitors by coming to market with products that are so state-of-the-art, that the competition hasn't thought about them yet, bringing a value-added benefit to the consumer.

Also, Apple tries to have a mystique when it comes to their products so that the consumer feels they have something rare.

Proof of this is when one can see customers " camping out" in front of Apple stores the night before a big release of a new product comes out. There's also the question of Immutability. Many have tried, and many have failed to <https://assignbuster.com/apples-alliancescooperative-projects/>

produce a product that closely matches anything that Apple puts out into the market. Ere Nook, in comparison to the pad, for example, is in black and white.

The Amazon Kindle Just came out in color, but offers less in terms of applications that can be run on it, but comes close to being a direct competitor and does cost about half as much as the pad.

Finally, the organization is always ready and able to exploit the capability Wisped 1). Apple has press conferences that seemingly come off as play time for the CEO to show off the features of their new products to wow the press and anyone Matching on their website, phone, pad, etc. They make it cool to watch and make the anticipation of a product launch seem like a countdown of the Endeavourer launching into space it's that " darn cool" to own an Apple and be part of the Apple Inc. Family.

Recommendation Apple can continue what they are doing and that is releasing a new phone, pod, Pad every six to nine months.

Market saturation is nigh which is why, in Exhibit 1 eel the net sales per unit are decreasing year-to-year. They're Just releasing too many products per year and, especially those with an phone, they are tied into a contract (usually two years at a time) and would have to pay full price (usually 500-600) for the newer model and won't want to do that, so sales suffer accordingly. He same can be said for the pad. Although I know people that will actually buy the newest pod or pad the second it hits the market, even if they just purchased the ' new' one six to nine months prior, I don't feel the general population is that rooted n the Apple Inc. Family. They try to appeal <https://assignbuster.com/apples-alliancescooperative-projects/>

to the Apple family and make it seem like it's almost a cult to be part of the family, but, in essence, they're neglecting a huge majority of their customer base by over-saturating the market.

My suggestion is that they can keep their R&D at a stable level, but move to release products at a slower pace. They will still be releasing newer and innovative products faster than their competitors and they have such a way of keeping these products secret that I would not worry too much about a “leak” occurring. Their competition will still not be able to keep up and even if the competition comes to arrest with a new product, whatever Apple puts out a year or more later, instead of six months later, will be leaps and bounds beyond whatever the competitor put out.