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## Competitive Strategy Assessment 2 Case Study Apple Inc. , 2008

INTRODUCTION This Business Report primarily addresses 3 questions asked on the Apple Inc. case study circa mid 2008. What effects have the changes of structure and dynamics in the PC industry had on Apple Inc's competitive position? What competitive advantages did Apple possess and what were the strategies employed by Apple? What is your evaluation of Steve Job as a leader? Has he finally solved the long standing problems with respect to the Macintosh business? Information is primarily obtained from the case study and from publicly available news reports and articles. KEY QUESTIONS 1.

What effects have changing of structure and dynamics in the PC industry on Apple Inc's competitive position 1) in the mid-1980s and 2) mid-2008? Mid-1980s The " Porter's five forces" (Porter, 2008) is useful for analyzing and expressing the effect of changes in the PC industry on Apple from the mid-1980s to 2008. IBM's entry (New Entrant) into the PC market in 1981 using the Microsoft DOS operating system and the microprocessor from Intel (Substitutes) fundamentally altered the PC competitive landscape. The PC industry became less vertically integrated (Machosky, 2006).

The relatively " open" system resulted in a proliferation of computer applications to be written and heralded the emergence of the IBM-compatible clones (more New Entrant) and the rise of contract manufacturers and strategic outsourcing. Because of their quasi-monopolies, Microsoft (OS) and Intel (microprocessors) were able to control commodities and to manipulate pricing, and consequently, to wield tremendous influence (increasing power of Supplier). Buyers on the other hand voted with their wallet in droves (increasing bargaining power of Buyer) for IBM PC which

worked more for less. Thus Apple lost its market leadership and could only garner around 8% of market share in 1986 (a far cry from its early years) and a net income of US\$154 million. The intervening years The intervening years between the mid-1980s and 2008 saw tremendous changes in the PC industry in general and particularly Apple. Kindly refer Appendix A for details.

Mid-2008 Apple by 2008 had responded to changes in the PC industry by diversifying into consumer electronics years earlier. Its net sales for 2007 was more than 12 times of 1986 (US\$24 billion) and its net income was more than 22 times of 1986 (US\$3.5 billion). On the PC front, Mac now uses Intel microprocessors which are able to work on multiple OS, allowing it to freely run Window-based applications. It has also made strategic trade-offs (Porter, 2001) in its pricing strategy to reach a wider consumer base rather than sticking to the premium segment. While Apple has been able to reposition its Mac offering, Mac ceased to be Apple's lead offering.

The iconic iPod became the next standard bearer after Apple took a strategic decision to diversify into consumer electronics. Though they were not the first, the iPod leapfrogged the competition (Makides, 1997) by delivering what Apple does best i. .

a superior user experience and exceptional design. The successful introductions of iTunes, Video iPod & iTunes and later iPhones further seal the iconic status of Apple. By now, Apple had created a new market space (Kim, 1999) by introducing a much sought-after music/video player that download music and video seamlessly and legally. Making responsibility “cool” again, this model provided record labels to monetize their music over

the internet. 2. What competitive advantages do Apple possessed and strategies employed by Apple to compete? In the years following its inception in 1976, Apple built a number of competitive advantages. Right from the start, Steve's mantra "changing the world through technology" clearly resonates with the brave new world as much as it drives the company forward. Apple's emphasis on exceptional hardware design and "ease of use" that focuses on the customer experience (rather than just purveyor PC) and later, on consumer electronics garnered a steady and faithful following.

Apple exploited this advantage and loyalty to pursue a value based business strategy based on differentiated advantage rather than a cost advantage thus driving a wedge between costs and amount buyers are willing to pay (Brandenburger, 1996). The ability to capture a high value is reflected in the higher-than-industry margins stated in the case (exhibit 5). Apple's aim to create new market space, rather than persistently going head-to-head with its competition, saw it diversifying into consumer electronics. Significantly, when apple launched its iPod, its strategies evolved from the earlier closed proprietary approach of Macintosh. Apple began working with partners to develop the accessories market and started a "made for iPod" licensing program which generated a new revenue stream. Apple also worked with record labels and introduced iTunes which made it easy to buy and to download music and videos legally, thus creating a new platform (Eisenmann, 2006) for two-sided networks.

Undoubtedly, Apple demonstrated the ability to focus on their distinctive competencies (Porter 2001) and to move away from strategies and practices which have served them well in the past but no longer held true due to the changing forces in the market. In my opinion, what sets Apple apart is its Marketing strategy. Their ability to sniff out what the consumer wants and deliver on that is just phenomenal.

Apple's campaign, advertising, product launch and product placement are second to none. Rob Enderle, TechNewsWorld wrote " Apple simply seems to understand what will get people excited about its products, and then it executes on that vision. You don't see the company mainly talking about features or technology, but about how the computer will make your life better. " 3. What is your evaluation of Steve Job as a leader? Has he finally solved the long standing problems with respect to the Macintosh business? Steve Job as a leader When one thinks of Apple, one cannot help but think of Steve Job.

In its early years, Steve galvanized Apple to be the PC market leader. He is visionary and transformational (Dubinsky 1995). While he is clearly not infallible, his determination and drive is exemplary. He is also clearly Apple's chief strategist (Montgomery, 2008) On his return in 1997, Steve began re-establishing Apple's distinctive strategic positioning (Porter, 2001). Apple began outsourcing manufacturing of its Mac products, revamped its distribution system and also started selling its product through the internet. He led Apple into consumer electronics and created a new platform that offers unprecedented user xperience in personal music and video. US News

on Dec 9, 2006 described him as one who has been labeled a saint, a sinner and now a saint again after his successful second stint at Apple. One question that lingers in the minds of investors is – Will Apple thrive without Steve Job? The Macintosh business The earlier issues with Macintosh being a proprietary platform and its inferior processors were addressed in 2005 with the migration to a new chip architecture that adopted the Intel Processors which allows Mac users access to a plethora of Window-based applications thus removing a major hurdle to wider acceptance.

This move coupled with Apple's own distinctive value (Porter 2001) saw a sales increase by 27% in 2005. Apple also made strategic trade-offs (Porter, 2001) in its pricing strategy of its Macs to reach a wider consumer base rather than sticking to the premium segment. Its subsequent successful product extension into mobile computing segment ensured the Apple buzz continues. CONCLUSIONS Some can point to Apple's failings to capture a bigger piece of the PC cake as Microsoft did and it is a valid point.

But it is hard to begrudge a company that has weathered the storm, adapted to changing market forces and dynamics and changed its strategies, delivered value to its shareholders and last but not least captured the imagination of consumers worldwide eagerly awaiting their next big hit.

APPENDIX A The intervening years The intervening years between the mid-1980s and 2008 saw tremendous changes in the PC industry in general and particularly Apple. •A shift in buyers' attitude towards PC as a commodity increased the bargaining power of buyer. The emergence of Intel as a supplier of cutting edge and cost competitive processors and Apple's

eventual adoption of the Intel micro-processors in 2005 further increased the bargaining power of Supplier. •The acceptance of the Windows OS as the industry standard meant Apple's OS X was in fact " Substituted".

•The new Wintel platform reduced the barrier to entry and a slew of PC manufacturers (new entrants) entered the market. •The twin rise of the Wintel platform and other PC manufactures such as HP, Dell etc. also altered the nature of the competitive rivalry in the industry. Steve Job got the sack in 1985 after the Macintosh failed to deliver. REFERENCES Brandenburger, Adam M. , 1996, Journal of economics and management Strategy, Value based business strategy Yoffie, David B, Slind, Michael. , 2008, Harvard Business School, Case Study, Apple Inc. , 2008 Eisenmann, Thomas, Oct 2006, HBR, Strategies for two sided market Ghemawat, Pankaj, 2006, Strategy and the business landscape, Creating competitive advantage, Upper Saddle River.

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