Strategic innovation apple inc marketing essay

Business, Marketing

Submitted by: Victor SenapatyF-061Section AFMS MBA FT 2011-13

EXECUTIVE SUMMARY

This paper starts by defining the traditional approaches to strategic management. It further details the competitive forces in work in an industry and the key attributes of strategic management. The strategic management process is discussed with a more of a focus on strategy analysis which assesses the organization’s goals, external environment and internal environment. The second chapter introduces strategic innovation and points the major differences between the traditional approach to strategic management and strategic innovation. Various success stories are touched upon to showcase the impact of strategic innovation. The sources of strategic innovation are analyzed with a focus on the ‘ who-what-how’ framework. Finally, the seven dimensions of strategic innovation which drives growth, are discussed. Then Apple Inc. is discussed as the most visible case for strategic innovation. The growth opportunities at Apple and its market ecosystem are discussed in detail. This paper details the innovation at Apple Inc. from incubation to present. The paper also tries to detail the barrier that Apple Inc. faces and the strategic enablers that allows a corporation of its size to still innovate. Innovation in Apple’s designing process and venture acquisition strategies have been detailed. The Strategic Canvas for Apple and its competitor has been formulated. The Innovation Radar for Apple, Dell and Samsung has been further created. The strategic innovation milestones achieved by Apple Inc. are discussed in detail with a focus on its various products and the ‘ who-what-how’ framework used in

each of them. Further it is detailed as to what the company plans to do in future.

TRADITIONAL APPROACH TO STRATEGIC MANAGEMENT

Definition

In order to gain a competitive advantage, an organization must take into account a Strategic management which involves taking the proper decisions and actions. There are two main elements that describe the field of strategic management. First, the strategic management of any organization involves three processes: analysis, decisions, and actions. Both, the strategic goals (vision, mission, and strategic objectives) as well as the internal and external environment of the organization are analysed. Next, the higher officials are required to make strategic decisions, which mainly address two basic questions: What industries should we compete in? and How should we compete in those industries? Last, but not the least, are the actions that must be taken based on the decisions. In order, to make sure that the strategies are implemented, the leaders are required to provide the necessary resources. This process requires a lot of interaction among these three processes. Second, the main portion of strategic management is dedicated to the study of firms outperforming others. Therefore, managers are required to decide how to make sure that their firm can compete with other firms and gain a substantial advantage over a long period of time. Now a question arises: How should we compete in order to create competitive advantages in the marketplace? For example, managers have to decide whether their firm should be a low-cost producer, or a firm that provides unique products and services, that would enable the firm to charge premium prices, or a combination of both. Managers must also try to make these advantages sustainable, in the marketplace. That is: Creating competitive advantages in the market that are not only unique and valuable but also difficult for competitors to copy and substitute. Most of the ideas are generally copied by rivals immediately. In the 1980s, American Airlines tried to establish a competitive advantage by introducing the Frequent Flyer Program. Within weeks, all the airlines had the same thing. Instead of an advantage, Frequent Flyer programs had become a necessary tool for competitive parity. Therefore, it is necessary to create an advantage, which is sustainable. Most of the popular management innovations of the last two decades : total quality, just-in-time, benchmarking, business process reengineering, outsourcing etc. are about Operational Effectiveness. Operational Effectiveness means performing similar activities better than other competitors. But, none of these activities lead to sustainable advantage, for the simple reason that everyone is doing them. It’s all about being different from others. Companies such as Wal-Mart, Southwest Airlines, and IKEA have developed unique activity systems, which cannot be imitated easily. For that reason, these companies enjoy a sustained competitive advantage.

Competitive advantage

A competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. But, entrepreneurs often make the mistake of thinking that, most good business opportunities are gone and also small firms cannot compete with big firms. Both these ideas are absolutely wrong. As Karl H. Vesper puts it:" Established companies do their best to maintain proprietary shields… to ward off prospective as well as existing competitors. Consequently, the entrepreneur who would create a new competitor to attack them needs some sort of " entry wedge," or strategic competitive advantage for breaking into the established pattern of commercial activity." Before choosing such an entry wedge, the entrepreneur needs to understand the basic nature of the competition he or she faces in the marketplace. Only then can a competitive advantage be developed properly.

The Basic Nature of Competition

The following strategies of three entrepreneurs shows the simplicity of many successful competitive advantages: Dale Dunning and his two partners started Wall Street Custom Clothiers in 1986, with suits selling for $700 to $2, 000. Dunning targets high-end consumers by traveling to their offices, instead of waiting for customers in a retail shop. Ron Sanculi spent two years developing the perfect salsa recipe before packaging it in an ordinary mason jar with a generic label and seeking shelf space along with many other brands. Since 1991, Sanculi has sold nearly 500, 000 bottles of Mad Butcher’s Salsa. Allen Conway, Sr., is the founder of Discount Labels, a company launched in 1980 to meet the needs of customers who require small quantities of printed labels quickly. Because of its ability to fill orders within 24 hours, the company is the nation’s largest short-run manufacturer of custom labels. These entrepreneurs compete successfully within their respective industries. Each understands the nature of competition and follows a simple but sound strategy. A number of factors determine the level of competition within an industry. The competitive factors are categorized into several forms. For example, Michael Porter, in his book Competitive Advantage, identifies five factors that determine the nature and degree of competition in an industry: Bargaining power of buyersThreat of substitutesBargaining power of suppliersRivalry among existing competitorsThreat of new competitorsTo a great extent, these five forces determine the fate of a firm. Since, all industries are not alike, therefore, each of these forces have variying impacts, depending on the situation. These factors affect the creation of a competitive advantage in the following ways: Buyer power influences the prices that a firm can charge, for example, as does the threat of substitution. The power of buyers can also determine the cost and investment, because powerful buyers demand costly service. The bargaining power of suppliers determines the cost of raw material and other inputs. The intensity of rivalry not only influences product prices, but also costs of product development, advertising, and sales force. The threat of new competitors also places a limit on prices. The forces which dominate industry competition depend on particular circumstances. Therfore, it is necessary for entrepreneurs to recognize and understand these forces so that they can cope up with the industry environment. Porter has identified several flaws that affect entrepreneurs' strategic thinking regarding their competitive situation. Three of these flaws are: Possessing no true competitive advantage. Imitation of rivals is both hard and risky and reflects a lack of any innovation. Pursuing a competitive advantage that is not sustainable. The entrepreneur must make sure that the competitive advantage is not short-term. Misreading industry attractiveness. The most attractive industry may not be the fastest-growing or the most glamorous.

The key attributes of strategic management

First, strategic Management is directed toward overall organizational goals and objectives. That is, all efforts are to be made in such a way that, it affects the entire organization, and not just any individuals. What might look " rational" for one functional area, may not be in the best intrest of the overall firm. For example: Operations may decide to make long productions runs of similar products so as to lower unit cost. However, the output may not meet the demands of the target market. Similarly, research and development may " overengineer" a product in order to develop a superior product, but the design may make the product so expensive that the market demand is minimised. Therefore, all strategic ideas are to be viewed from the perspective of the organization, rather than that of individual functional areas. Second, strategic management includes multiple stakeholders in decision making. Managers must incorporate the demands of many stakeholders when making decision. Stakeholders are those individuals, groups, and organizations who have a " stake" in the success of the organization, including owners (shareholders in a publicly held corporation), employees, customers, suppliers, and so on. If managers shift their focus to any individual stakeholder, they would face problems. For example, if more emphasis is laid on generating profits for owners only, employees may feel neglected, which would affect customer service, resulting in depreciation of the organization. There have been many instances of organizations, who have been able to satisfy the needs of multiple stakeholders simultaneously.

Third, Strategic management requires incorporating both short-term and long-term perspective. Peter Senge, a leading strategic management author at the Massachusetts Institute of Technology, has referred to this need as a " creative tension." That is, managers must maintain both a vision for the future of the organization as well as a focus on its present operating needs. For example, getting rid of several valuable employees may help to cut costs and improve profits in the short term but the long-term implications for employee morale and customer relationships may suffer, leading to subsequent performance declines. Fourth, strategic management requires organizations to have both, effectiveness and efficiency, that is, " doing the right thing" (effectiveness) and " doing things right" (efficiency). While managers must allocate and use resources wisely, they must still direct their efforts toward the attainment of overall organizational objectives. Consider the following story told by Norman Augustine, formerly CEO of defense giant, Martin Marietta (now Lockheed Martin):" I am reminded of an article I once read in a British newspaper which described a problem with the local bus service between the towns of Bagnall and Greenfields. It seemed that, to the great annoyance of customers, drivers had been passing long queues of would-be passengers with a smile and a wave of the hand. This practice was, however, clarified by a bus company official who explained, " It is impossible for the drivers to keep their timetables if they must stop for passengers." Clearly, the drivers who were trying to stay on schedule had ignored the overall mission. As Augustine noted: " Impeccable logic but something seems to be missing!"

The strategic management process

The three processes – analysis, decisions and actions are vital to strategic management. These three processes are highly interdependent, which may not occur sequentially in most companies. Henry Mintzberg proposed an alternative model of strategic development. For a variety of reasons, the intended strategy rarely remains in its original form. Unforeseen environmental developments, unanticipated resource constraints, or changes in managerial preferences may result in at least some parts of the intended strategy remaining unrealized. On the other hand, good managers will want to take advantage of new opportunity presented by the environment even if it was not part of the original set of intentions. The SARS crisis in Southeast Asia is a completely unexpected environmental development. If managers of pharmaceutical firms redeploy their R&D capabilities to develop a drug to fight SARS, that would be an emergent strategy. The final realized strategy of any firm is thus a combination of deliberate and emergent strategies.

Strategy analysis

Strategy analysis may be considered as the starting point of the management process. It consists of the " additional work" that must be done before implementing any strategies. Many ideas fail because managers try to implement strategies without conducting any careful analysis of the goals of the organization and its external and internal environment.

Analyzing Organization Goals and Objectives

Organizations must have clearly defined goals and objectives in order to channel the efforts of individuals throughout the organization towards common ends. Goals and objectives also provide a means of allocating resources effectively. A firm's vision, Mission, and strategic objectives form a hierarchy of goals that range from broad statements of intent and bases for competitive advantage to specific, measurable strategic objectives.

Analyzing the External Environment

Managers must monitor and scan the environment as well as analyze competitors. Such information is critical in determining the threats in the external environment. There are two frameworks of external environment. First, the general environment consist of several elements, such as demographic, technological, and economic segments, which can have a great impact on the firm. Second, the industry environment consists of competitors and other organizations that may threaten the success of a firm's products and services.

Assessing the Internal Environment

An analysis of the internal environment of a firm determines the strengths and weaknesses of a firm. Analyzing the strengths and relationships among the activities of a firm can be a means of uncovering potential sources of competitive advantage for the firm.

Mission statements

A company's mission differs from vision in that it includes both the purpose of the company as well as the basis of competition and competitive advantage. Effective mission statements incorporate the concept of stakeholder management, suggesting that organizations must respond to multiple demands if they are to survive and prosper. Customers, employees, suppliers, and owners are the primary stakeholders, but others may also play an important role in a particular corporation. The two mission statements below illustrate these issues: To produce superior financial returns for shareholders as the customers are served with the highest quality transportation, logistics, and e-commerce. To be the very best in the business. The game plan is status quo… constantly looking ahead, building on strengths, and reaching for new goals. The eight golden flames, depicted in the logo of Brinker International restaurant chain reminds employees of the heart and soul of the company. These flames are: Customers, Food, Team, Concepts, Culture, Partners, Community and Shareholders. Few mission statements identify profit or any other financial indicator as the sole purpose of the firm. Indeed, most do not even mention profit or shareholder return. Employees of organizations are usually the mission’s most important audience. Profit maximization not only fails to motivate people but also does not differentiate between organizations. Every corporation wants to maximize profits over the long term. A good mission statement is one, which communicates why an organization is special and different from others. Two studies that linked corporate values and mission statements with financial performance found that the most successful firms mentioned values other than profits. The less successful firms focused almost entirely on profitability. In essence, profit is the metaphorical equivalent of oxygen, food, and water that the body requires. They are not the point of life, but without them, there is no life.

Strategic objectives

Statements of vision tend to be quite broad and can be described as a goal that represents an inspiring, overarching, and emotionally driven destination. Mission statements, on the other hand, tend to be more specific and address questions concerning the organization’s competitive advantage in the marketplace. Strategic objectives are used to operationalize the mission statement. If an objective lacks specificity or measurability, it is not very useful, simply because there is no way of determining whether it is helping the organization to move toward the organization’s mission and vision. Most of the strategic objectives are directed toward generating great profits for the owners of the business, while others are directed at customers or society at large. Measurable. There must be at least one indicator that measures progress against fulfillment of objectives. Specific. This provides a clear message as to what needs to be accomplished. Appropriate. It must be consistent with the vision and mission of the organization. Realistic. It must be an achievable target given the organization’s capabilities and opportunities in the environment. That is, it must be challenging but achievable. Timely, there needs to be a time frame for accomplishing the objective. After all, as the economist John Maynard Keynes once said, " In the long run, we are all dead!" When objectives satisfy the above criteria, there are many benefits for the organization. First, they help to channel employees throughout the organization towards common goals. This helps to conserve valuable resources in the organization and to work collectively in a more timely manner. Second, challenging objectives can help to motivate and inspire employees throughout the organization to higher levels of commitment and effort. A great deal of research has supported the notion that individuals work harder when they are striving toward specific goals instead of being asked simply to " do their best." Third, there is always the potential for different parts of an organization to pursue their own goals rather than overall company goals. Although well intentioned, these may work against the organization as a whole. Meaningful objectives thus help to resolve conflicts when they arise. Finally, proper objectives provide aopportunity for rewards and incentives. This would help employees to get more motivated and make them work towards achieving the organization's goals. There are, of course, still other objectives that are even more specific. These are often referred to as short-term objectives, that is, essential components of " action plans" that are critical in implementing a firm's chosen strategy.

" All men can see the tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved." - Sun Tzu

STRATEGIC INNOVATION

Introduction

Innovative thinking can be applied to the strategic planning of an organization to create new opportunities and boost market performance. http://www. strategic-innovation. dk/Billeder/engtrap. gifStrategic Innovation is the creation of growth strategies, new product categories, services or business models that change the market and generate significant new value for consumers, customers and the organisation. The innovation process challenges an organisation to look beyond its' established business boundaries and to create new possibilities.: strategic innovation processStrategic innovation leads to either: new business models (including a new value chain architecture), ornew markets (either by creating new ones or reshaping existing ones), orincreased value for both the customer and the companyora combination of these three.

Traditional strategy versus strategic innovation

Differences between traditional approaches to strategy and Strategic Innovation are:

Traditional approach

Strategic innovation approach

Adopt a " present to future" orientation – takes the present day as thestarting point" Starts with the end in mind" –identifies long-term opportunities andthen " bridges back to the present" Assumes a rule-maker/taker(defensive/follower) postureAssumes a rule-breaker(revolutionary) postureAccepts established businessboundaries/ product categoriesSeeks to create new competitivespace/ opportunitiesFocus on incremental innovationSeeks breakthrough, disruptiveinnovation – while continuing to buildthe coreFollow traditional, linear businessplanning modelsMarries process discipline withcreative inspirationSeek input from obvious, traditional sourcesSeeks inspiration fromunconventional sourcesSeek articulated consumerneedsSeeks unarticulated consumer needsAre technology-driven (seekconsumer satisfaction)Is consumer-inspired (seeksconsumer delight)May have a " one-size-fits-all" organizational modelMay experiment with entrepreneurial" new venture" or other organizationalstructures: traditional strategy vs strategic innovation

Success stories

In January 1936, Lever Bros., a subsidiary of Unilever, introduced a new food product in the U. S. market, a vegetable shortening called Spry. The new product went up against Procter & Gamble's establishedmarker leader, Crisco, which had been introduced in1912. Spry's impact was phenomenal: In a single yearit had reached half the market share of Crisco.• In the early 1960s, Canon, a camera manufacturer, entered the photocopier market — a field totally dominated by Xerox. By the early 1980s, even after the unsuccessful attempts of IBM and KODAK in the market, Canon emerged as the market leader in unit sales.• In 1972, Texas Instruments, a semiconductor chip supplier, entered the calculator business — a field already occupied by Hewlen-Packard, Casio, Commodore, Sanyo, Toshiba, and Rockwell. Within five years, TI was the market leader.• In 1976, Apple introduced the Apple II in direct competition to IBM, Watig, and Hewlett-Packard in the professional and small business segment and Atari, Commodore, and Tandy in the home segment. Within five years, Apple had become the market leader.• In 1982, Gannett Company Inc. introduced a new newspaper into a crowded field of 1, 700 dailies. By 1993, USA Today had become the top-selling newspaper with an estimated 5 million daily readers.• In 1987, Howard Schultz bought Starbucks Coffee from the original owners. In the next five years, he transformed the company from a chain of

11 stores to some 280 stores in 1993. Sale revenues grew from $1. 3 million in 1987 to $163. 5 million in 1993. The common theme underlying all these accounts is simple: the companies succeeded dramatically in attacking an established industry leader without the help of a radical technological innovation.

What is strategic innovation

Strategic Innovation is the creation of growth strategies, new product categories, services or business models that change the game and generate significant new value for consumers, customers and the corporation. Strategic Innovation takes the road less traveled –it challenges an organization to look beyond its established business boundaries and to create possibilities in an open-minded and creative environment. It has been seen that focusing on the short-term aspects typically yields short-term results, however, firms seeking to make significant breakthroughs identify both, big and innovative ideas. Strategic Innovation calls for a holistic approach that operates on multiple levels. First, it blends non-traditional and traditional approaches to business strategy, deploying the practices of " Industry Foresight", " Consumer/Customer Insight" and " Strategic Alignment" as a foundation, and supplementing them with more conventional approaches and models. Second, it combines two paradoxical mindsets: expansive, visionary thinking that imaginatively explores long-term possibilities; and pragmatic, down-to-earth implementation activities that lead to short-term, measurable business impact. Strategic Innovation can thus be defined as: a framework of interdependent content, process and context dimensions, the application of creativity and innovation to strategic managementenabling strategic differentiation and competitive advantage, challenging conventional logic and redefining the company's business model, creating new markets and value improvements for customers and the company itself.

Sources of Strategic Innovation

How can a manager systematically think about breaking the rules? How does one go about it? How do innovative companies come upon their strategic ideas? As already proposed by Abell, all companies in an industry have to decide three basic issues at the strategic level: Who are going to be the customers? What products or services should be offered to the chosen customer? How should these products be offered? The answers to the above questions depend on the business the company is currently dealing with. The customers may vary depending on the business, like, for example, if a company is in the electricity business, the customers will be different from those of the company involved in the energy business. Every company makes different choices depending on their preferences. Some companies may choose to focus on certain customer segments and offer specific services. While others may choose to be global, offering one or many products or services worldwide. Once they've made a choice, companies are not stuck with these choices forever. A company can always change its customer orientation or the services it provides. However, over time, all the elements of a given industry are taken care of, i. e., most of the possible customer segments are taken care of, most products and services are offered in one form or another; and most possible distribution or manufacturing methods or technologies are utilized. Strategic innovation occurs when a company identifies gaps in the industry positioning map and decides to fill them. Some such gaps are : (1) new, emerging customer segments or existing customer segments that other competitors have neglected; (2) new, emerging customer needs or existing customer needs not served well by other competitors; and (3) new ways of producing, delivering, or distributing existing or new products or services to existing or new customer segments. Gaps appear for a number of reasons, such as changing consumer tastes and preferences, changing technologies, changing government policies, and so on. Gaps can be created by external changes also. The first requirement to becoming a strategic innovator is to identify gaps before everybody else does. However, just identifying gaps does not guarantee a company’s success, but competitively exploiting the gap does.

Proactive Strategic Innovation

How can a company proactively and methodically think about and develop a new game plan? Five general approaches of the prosperous strategic innovators are : 1. Redefine the business. 2. A company should think of new customers or new customer segments and develop a game plan that serves them better. 3. A company should think of new customer needs or wants and develop a gameplan that better satisfies these requirements. 4. Companies should force existing core competencies to build new products or a better way of doing business and then find the right customers. 5. Start the thinking process at different points. For example, instead of thinking, " This is our customer, this is what he or she wants, and this is how we can offer it," start by asking: " What are our exclusive capabilities? What specific needs can we satisfy? Who will be the right customer to approach?

Dimensions of strategic innovation

The Strategic Innovation framework weaves together seven dimensions to produce a assortment of outcomes that drives growth. The dimensions include: A Managed Innovation ProcessStrategic AlignmentIndustry ForesightConsumer / Customer InsightCore TechnologiesOrganisational ReadinessDisciplined Implementationa) The Managed Innovation
Process covers the sequence of activities from the beginning of a scheme through implementation combining traditional and non- traditional approaches to Business Strategy. As a team based framework the approach includes part information exchange, part exploration, part mediation, part creative invention and part improvement thereafter. The Innovation process is divided into two broad modes of thinking : Divergent and Convergent. Divergent thinking lies at the heart and is open minded, probing and curious, deploying non- traditional, creative thinking and future visioning techniques. If not impatient for short term success then the divergent mode opens the door to the possibility of identifying breakthroughs. Convergent mode includes the traditional business tools, techniques and data analysis, potential opportunities are looked into and prioritized, refined and then often moved through a formal decision based stage gate procedure until the most promising ones are implemented. b) Strategic Alignment is the process of engaging short term leadership team, a broad cross section of the organization and key external stakeholders in the developments of a shared vision. Strategic Alignment can be of two types: Internal Alignment and External Alignment. In case of the Internal Alignment the Internal Team of the Organisation will drive an innovative initiative while in case of External

Alignment, the team has to gather insights from partner organizations by formally making them a part of the co- creation process. This is called an Extended Team which includes representatives from the organization's supplier, channel, manufacturing or packaging partners. c) Industry Foresight is a top- down approach that explores the drivers, trends, enablers and dislocations within one or more industries. By this step an organization can develop a compelling, proprietary view of the future , enabling it to then define well grounded and pragmatic participation strategy. d) Consumer – Customer Insight is a qualitative, bottom up approach that leverages insights into the behaviours, perceptions and needs of the current and potential consumers / customers by involving them as true partners in the innovation process. Though Consumer /customer participation in corporate strategy is not very usual, there is a tremendous opportunity in involving consumers / customers (and suppliers and other external stakeholders etc.) as true partners in the innovation process by adopting a Customer / Consumer Insight approach. This approach is not limited to Consumer / Customer but can be extended to channel partners, employees, investors, early adopter non-users etc. e) Core Technologies : After having a clear idea of a Consumer Customer needs it is not only essential to consider the organisation's technologies but also other capabilities that are integral to success. Such competencies include intellectual property or patents, unique relationships with suppliers and partners, brand equity, speed and operational agility or unique business process. An innovation must have a tight link to core competencies. The significant opportunities by partnering, outsourcing or acquiring new technologies and competencies must be considered for innovation. f) Organisational Readiness has its importance in the innovative or convergent stage. It mainly refers the ability to act upon and implement innovative ideas and strategies, and to successfully come to grips with the operational, political, cultural and financial demands that will follow. The Organisational Readiness has three dimensions: Cultural ReadinessProcess ReadinessStructural ReadinessCultural readiness refers to the mindset and norms that allow individuals and teams to think imaginatively, to take prudent risks and to seek out, create and introduce innovative solutions. Process readiness refers to the general business process and practices that enable functional groups to operate effectively and collaborate toward a common goal. Structural readiness refers to the organizational structures and technologies that support innovation as well as levels of flexibility to assign qualified staff to high priority projects. g) Disciplined Implementation includes transition to specific projects or programmes, technical product development and design, brand development, building a business case, developing marketing and channel strategies, defining evaluation criteria, developing new business processes, hiring and training and establishing feedback loops for continuous improvement to the innovation process.: dimensions of strategic innovation3. APPLE INC. http://barrywalsh. ie/wp-content/uploads/2011/05/Screen-shot-2011-05-17-at-00. 28. 28. png

Introduction

Apple Inc. came into existence in 1976 when Steve Jobs and Steve Wozniak left their jobs to create an inexpensive, simple personal computer, Apple I worth $666. 66. After that they never looked back and as they say the rest is history. After that Apple came up with innovative products like Apple II, MAC, IPOD, IPHONE and their latest forefront product IPAD. Apple can be used as a synonym to innovation. Steve Jobs has lead Apple to be a pioneer of innovation and creativity for many years. It fosters innovation in products, processes, leadership, customer satisfaction and models for business. Apple has a Innovation Factory in which it harvests the talent, ideas and creativity from its people which can lead to profitable ventures. Apple’s culture and its eminent employees, partners and customers drive innovation and help the business to grow by grabbing every opportunity available. Apple produces only limited products so that it can retain its focus on its target market and efficiently maximize sales. Moreover its products are difficult to duplicate, thereby warding off other competitors. Apple’s motto of " Think Different" is what separates it from its competitors as they come up with forefront products. Innovation can be carried out in products, service, processes, systems, etc. The 4P’s of innovation are Process, Product, Paradigm and Position. Apple has been effective in the implementation of these 4P’s. Process innovation has been made by Apple when it made available music to be purchased online through the App Store on the i-tunes, and started online shopping of the products. They have come up with products like Macbook, Ipod, Iphones, feather touch technology, slim laptops, high battery life in their products. Apple’s paradigm has changed from being computer manufacturers to Creator of Designer products. Moreover the position of Apple in the minds of the consumer has changed from being just another computer manufacturing company to being an Innovative and Creative company, and their products are not only bought for the ingenuity and use but also as a fashion accessory. Apple has followed push strategy for marketing their products and their innovation has been incremental after analyzing the inside and outside environments. Apple has effective research and development departments, probably the best in the world. It analyzes information from competitors, suppliers and customers to help them innovate. It tries to forecast future demands and creates products to match those demands. Innovation process in Apple can be linked to the Simplified Model of the Innovation process which consists of Searching opportunities for innovation then selecting the best option, implementing the option and capturing the benefits.

Apple’s market ecosystem

Apple’s market ecosystem has four major components: devices, distribution networks, delivery channels, and content. These four markets can be further distinguished between hardware and software, and between devices and content that are local to the user or producer, or which are based on networks that reside centrally. All of these elements are evident in the following matrix. 1. Devices: hardware and locally distributed – These are the end user devices, computers, iPods, phones and pads. Apple makes these. Over the last decade the company has evolved from a device maker, earlier defined as a computer company with a handful of products, to one with a much broader portfolio of devices. To reflect this shift the company removed the word " computer" from its official corporate name – now it’s just " Apple, Inc." not " Apple Computer." 2. Distribution networks: hardware and centralized – These are the wireless phone networks that connect the devices that Apple makes. These networks are created and run by Apple’s partners, including AT&T, Verizon, etc..: Apple Inc. market ecosystem3. Content creators: software and locally distributed – These are the individuals and organizations that record the songs and create the TV shows and movies that customers buy on iTunes, and write the apps used on phones. 4. Distribution platforms and channels: software and centralized – Apple has proven itself as a skilled distributor as a retailer, the proprietor of the world's most successful chain of stores, now numbering more than 300, and as an retailer, proprietor of iTunes and Apps. The company depends for its success on the integration of all of these elements into a functional device + network + content creation + content delivery system, which is a market ecosystem of no small complexity. The validity of this ecosystem principle is strongly reinforced in the following comment from the new CEO of Nokia, Stephen Elop. In discussing Nokia's new alliance with Microsoft, he said, " The game has changed from a battle of devices to a war of ecosystems." The fact that Apple recognized this earlier than its competitors – especially Nokia – has contributed significantly to its success. And the risks associated with not managing the entire ecosystem is fully evident in Nokia's decline of the last few years from the world's leading cell phone maker, to a company in danger of being left behind, out-innovated, made irrelevant by the rapid evolution of the market. Devices – What new devices could Apple create that would offer significant growth potential? Are there more computers, pods, pads, phones and other yet-unrevealed devices waiting to be launched? Or perhaps Apple's near the end of the line? After Apple introduced the iPhone in 2007, Google quickly copied many of the iPhone's best attributes with Android, which came out in 2008. By 2010 Android phones, with global distribution through multiple handset manufacturers, were outselling iPhones worldwide, showing that there’s still some strategic value in the fast follower strategy as practiced by Google. With competitors coming from everywhere, there are certainly many manufacturers who want to lead the tablet market, but so far Apple’s mastery of the entire ecosystem has enabled it to dominate. Since Apple’s approach to the user interface has become the worldwide standard for phone, pad, and computer design, commodity dynamics will only intensify since these design principles can be readily copied, which will in turn make these markets less and less attractive to a company that built its success on high margin differentiation. But the following graph tells the story somewhat differently.: Apple inc: revenue by productAs can be seen, from Q4 2008 to Q4 2010, the growth in revenue from Apple products that use its mobile operating system, iOS, has been far faster than the growth from the Macintosh OS. I believe that this tells us that Apple is, in effect, trapped by its own success with iOS, and that iOS must be the driver for its future growth. So the way forward for the company must be to continue to expand the appeal of its mobile iOS devices, which means that Apple will have to continue to develop a broad range of products. If the iPhone and iPad are " high end" devices with impressive market share, then the market segment that remains as yet uncovered would be that for lower cost smart mobile devices, in other words, a smaller, cheaper iPhone. Such an Apple device would put it into direct competition with companies like Nokia, Samsung, and LG. It’s most likely that Apple would attempt to entice its new cheap-phone customers to move up to more powerful – and more expensive – devices, including most powerful phones and perhaps new versions of pads as well. Are there other iOS markets that the company could also exploit? Perhaps Apple should consider the car as an attractive telecommunications and media platform. An iCar wouldn't sell in the volumes that iPhones do, but wouldn't it be enticing to imagine a Tesla car with a build-in iSuite? That would be off the charts as far as cool factor goes. And even a Toyota wouldn't be too bad. And certainly Apple will continue to try to develop its market in the home, with a more robust iHome. There's much more to be done here than the company has so far succeeded with. Distribution networks – If Apple wants to avoid commodity markets, then it will probably want nothing to do with the business that AT&T, Verizon, and all the world's other operators compete in. In this market not only are price-competitive dynamics the norm, but the cost to build the necessary wireless infrastructure is only increasing, and margins will be the casualty. Content – This is a business that Steve Jobs knows intimately, having developed Pixar into a global animation paragon, and then sold it for a fabulous sum to Disney, one of the world's great proprietors of branded content (becomingDisney's largest shareholder in the process). So far the company's been able to leverage content created by others, and there's nothing to suggest that the company wants to get into content now. It makes much more sense for Apple to provide a platform for content created by others than to venture into this risky world. Distribution platforms and channels – Expanding Apple's tunes and apps distribution holds great promise for its future because the value of its mobile devices is directly related to the kind of apps that are available in the App store. Perhaps even more lucrative than these forms of content is the domain of advertising. The company has only to take a look to the north up Silicon Valley's Highway 85 to see what Google's done with its immensely lucrative revenue stream as the world's leading ad agency. Yes, this is a channel with a future. So there are some interesting possibilities here, and certainly there must be business units at Apple which are developing the company's efforts in all of these markets.

IOS growth opportunities

Apple is interested in new markets where it can own recurring, subscriber-based revenue streams. The technology that calls out here is video streaming, and Apple is already targeting the home market, where it competes with Netflix. Netflix itself, by the way, is a very interesting story. Having forced Blockbuster into bankruptcy with a superior business model, it has become a legend of the stock market. Yet Netflix faces formidable competition not only from Apple, but from Wal-Mart, which has announced its own video streaming business, and from Google, not to mention the cable providers like Comcast. Despite all these formidable competitors, or perhaps because of them, one might think that there are scenarios in which Netflix itself could become an attractive acquisition candidate for Apple, particularly with its growing subscriber base of 20 million families. But Apple's iTunes database includes 200 million accounts, so the real challenge for Apple is not to expand it's number, but to get a larger portion of the 200 million to become subscription customers rather than transaction-based customers. What Apple needs, in other words, is its own entertainment subscription service. Perhaps it gets one by developing it, or perhaps by buying Netflix or another competitor. Providing content – news, movies, music – to iPads on a subscription basis could also become an attractive market as the number of iPad users increases beyond the 15 million mark, sold to date.• The company is also obliged to look for new device markets with significant growth potential. Perhaps Apple has another huge new product in the wings, but whether it has the next big thing or not, it could make a lot of sense to go after the commodity smart phone market by making a smaller iPhone at a lower price that can reach more customers around the world as an entry level device.• Apple will also certainly continue to make iTunes and the App stores as attractive as possible for content makers to sell their creations.• And lastly, Apple will look for markets where the company can act as a gateway between its device users and the providers and advertisers who want to reach them, which means that Apple will attempt to break through in the emerging mobile advertising market.

MAC OS growth opportunities

Apple will also look for enterprise markets where it can leverage its customer loyalty to capture new customer segments. This suggests that a renewed effort in the enterprise market to make the Mac platform a solid choice for corporate IT departments is in the proccess. By providing unparalleled tools to link phones, pads, and corporate IT systems with the cloud, the company could feasibly expand its market share in the PC market and grow its Macintosh revenues. A modest example of this occurred recently when the FAA approved iPads for use by some commercial pilots for their flight charts, enabling them to replace the old paper ones. If Apple succeeds market by market, then gradually the corporate IT departments will be surrounded, but it will happen only if the security tools are flawless. But speaking of security, a recent survey by Frost and Sullivan found that 80% of smart phone users are accessing corporate databases through their phones, naturally enough, but that the phones are woefully lacking in security features, thereby exposing the corporate data centers to attack by hackers. Whichever smart phone makers address these gaping holes the first, and the best, will gain considerable traction in the market. Apple’s notorious and tantalizing secrecy only inspires the imagination to consider what might be as yet unrevealed. But the purpose of this exercise has not been so much to predict, as it is has been to think about the market ecosystem in which Apple competes, and to explore some of the markets and possibilities that could enable the company to sustain its growth rate and maintain its lofty market cap. Overall, Apple remains one of the most interesting of all high tech companies, and hopefully the work started by Jobs will continue to improve, by bringing more of the new, unexpected, useful, and delightful products, services, and business models that have characterized Apple’s first 35 years.