

Apple's industry analysis

Business



**ASSIGN
BUSTER**

EXECUTIVE SUMMARY Apple Computer history is full of highs and lows, which is what we would expect in a highly innovative company. They evolved throughout the years into an organization that is very much a representation of its leader, Steven Jobs. Apple made several hugely successful product introductions over the years. They have also completely fallen on their face on several occasions. In 1997 they struggled while Jobs was not a part of the organization.

Apple reached a point where many thought they would not survive, (case study). Well, times changed.

Less than 10 years later, Business Week ranked Apple as the top performer in its 2006 Business Week 50. Apple attributes their recent success to robust sales of iPod music players (32 million in 2005). They are optimistic about the economies of scope with media giants, such as Disney and Pixar. (Business Week) Apple rarely introduces a new type of product. Thus, instead of being the pioneer, they are experts in refining existing products. Portable music players and notebook computers are examples. Apple increases the appeal of these products by making them stylish and more functional.

They now appear on the brink to make significant steps in the home computer market. Apple did create a total digital lifestyle whereby the home is a multimedia centre. Introduction This analysis of Apple Inc uses Porter's five forces to examine the external environment; elements of a PEST analysis to examine the threat levels in Apple's market environment and the SWOT analysis to examine Apple's internal environment. Even though the

analytical format is of various models, certain points are broken out for particular attention below.

First, in order to gain an understanding of the company's macro environment, an understanding the nature of Apple's business is examined.

Apple is basically involved in two businesses: the computer market and the media and entertainment market. Its approach has been to integrate its new products around its core industry in an effort to provide a digital life style that includes not only its line of computers but its new products such as the iPod, iPhone and the iTunes. The various models are presented and then related to the market that Apple inhabits.

Since the five forces are dynamic and also base on the fact that Apple's responses are dynamic, an assessment of apple's SWOT analysis is presented in light of those forces to its markets. The analysis also outlines the impact of the external forces that leads to some of Apple's internal responses. Finally a conclusion is offered base on the results of the analysis.

Several issues are outlined to determine what actions Apple Inc needs to act upon or be sensitive to if it is going to be successful in years to come.

External Analysis Demographic segment: The world population estimation for 2005 was 6, 449, 000, 000 people and for 2010 the world population is 6, 812, 000, 000, the majority of the growth is concentrated in Asia. (www.census.gov, 2010). Increases in population combined with the advances in technology will continue to drive increased sales in future computer markets (Factfinder.

census, 2004). Refer to appendix 1(a) for more details. Economic segment: Even though, computer requirements are increasing across the globe.

Data collected and shown on Table 03 Appendix 1 (c) has all but 4 countries increasing the number of computers being used per 1000 individuals within each respective country. The data was not restricted to PC type computers but listed computer use in general so Apple computers were included within the data gathered even though it is undergoing a market share loss of computer sales.

Exports felled from \$9. 6 billion in 2000 to \$8. 8 billion in 2001 with Canada being the largest regional market for US computer sales (23% of U. S. exports).

Asia and Europe accounted for two-thirds of the total exports. Imports of computers dropped from \$13. billion in 2000 to \$12. 2 billion, a 15 percent drop. Most of the imports are from Asian sources with Latin America and Europe serving as secondary sources (Electronic Computer Industry, 2004).

Political/legal segment: Environmental concerns are issues that directly affect each computer manufacturer.

The Environmental Protection Agency updated " Profile of the Electronics and Computer Industry Code in the September 1995. This document provides directives that must be adhered to by companies manufacturing computer components (EPA site, 2004). Also, the global market differs in its segmentation depending upon which country is involved.

Different countries impose varied restrictions on the equipment components and its use once it is operational. China can be used as an example.

China began allowing computers into its borders in the early 1990s but still places restrictions on its use. It also controls whom, how, and what negotiations take place between foreign companies and local Chinese companies. It limits citizen Internet activity once machines are operational. High tariffs combined with government regulations to prohibit foreign companies from trading directly with the Chinese companies (Kraemer, 2002).

Also, pirating and copying is more easily done in some countries than in others. This illegal activity has direct affect on all computer manufacturers Profitability.

Socio-cultural segment Adapting to the differences in culture is not very easy and some manufacturers are trying to build value into their company name. This is being done in hopes that branding will eventually equate with honesty, integrity, quality, and good service so that storefronts will not be as necessary as they presenting are. Apple computer began opening storefronts in the United States in effort to compete against the PC based companies.

Their thought is that by having it available for the customers some will eventually make the switch away from the PC-based systems. The largest socio-cultural hurdle for companies such as Apple is the lower educational standards of many countries.

While many are making great progress, they are limited in number. Industry Analysis / Porter's Five Forces Model of Competition Porter's uses the five

<https://assignbuster.com/apples-industry-analysis/>

forces, supplier power, barriers to entry, threat of substitutes, buyer power, and the degree of rivalry, as tools that help analyse a company's position against its competitors (QuickMBA site, 2003).

Threat of New Entrants, (low): Start-up costs are extremely high so the probability of new entrants is low. For more details refer to appendix 2 (a).

Bargaining Power of Suppliers, (low): The suppliers are plentiful and must compete with others to ensure that they will be able to retain the business of the computer companies.

For more details refer to appendix 2 (b). Bargaining Power of Buyers, (high):

All of Apple's customers have a variety of computer companies from which to choose when it comes to purchasing hardware, software, or peripherals.

Switching costs are low. For more details refer to appendix 2 (c). Threat of Substitute Products (very high): Apple's operating system differentiation can command higher pricing when presented to the creative designer community but not to the individual computer buyer.

For more details refer to appendix 2 (d). Rivalry among competing Firms, (very high): Apple has many competitors that have the advantage of possessing the larger portion of market share. For more details refer to appendix 2 (e).

Internal Analysis: for more information refer to appendix 4 Apple is committed to bringing the best personal computing and media experiences to individuals around the world through its innovative hardware, software and Internet offerings, (Apple website, 2004). Strengths Refer to appendix 3 (a) for more information.

<https://assignbuster.com/apples-industry-analysis/>

Apple is a very successful company in the IT market. Apple is one of the most established and healthy IT brands in the World, and has a very loyal set of enthusiastic customers that promote the brand. Weaknesses see appendix 3 (b). It is reported that the Apple iPod Nano may have a faulty screen.

There is pressure on Apple to increase the price of its music download file, from the music industry itself.

In 2005 Apple announced that it was to end its long-standing relationship with IBM as a chip supplier, and that it was about to switch to Intel. Some industry specialists commented that the switch could confuse Apple's consumers. Opportunities refer to appendix 3 (c). Apple has the opportunity to develop its iTunes and music player technology into a mobile phone format.

Podcasts are downloadable radio shows that can be downloaded from the Internet, and then played back on iPods and other MP3 devices at the convenience of the listener.

Threats refer to appendix 3 (c). The biggest threat to IT companies such as Apple is the very high level of competition in the technology markets. There is also a high product substitution effect in the innovative and fast moving IT consumables market. Apple is susceptible to leaks that could cost them profits.

Recommendations: Apple should continue to support the educational and creative professional markets. Cost of supporting such programmes in a niche market sense should be reviewed financially so that R&D cost do not pull the company into an impossible position of making a profit.

<https://assignbuster.com/apples-industry-analysis/>

Apple can better integrate its operating systems so that they operate within the wintel operating platform but are not subjected to the wintel operational problems. Apple has shown to be a better operating system that is less vulnerable to problems encountered by Microsoft and its fellow operating system packages. It should promote this while melding its operating platform operating into a subunit of the wintel platform.

Apple should negotiate contracts with the governments and schools systems for offering improved success rated teaching softwares and hardware.

Apples products has been documented as providing students with improved scores; Apple should take this as an opportunity to create a wide spread need for this products. The system should run independent of other wintel operating platform computers that are already being used. Younger generations will remember the systems they used when they were in school as a result they will be persuaded to purchase such recognisable products in the future. Apple should get the iPod and the itunes into the school systems. It should work with teachers to have the systems made available for students.

This will promote sales of the products while returning specific sums back to the school for support of other academic programmes. This could also benefit word of mouth advertising. Apple could also reward high academic achievers with new iTunes materials to promote both the product and the educational achievement. Apple must continue to spend on research and development, in finding new innovative ideas that will enable them to continue to lead their competitors. If a competitor comes up with a new idea that turns sales in their direction, this could badly affect Apple's profit.

<https://assignbuster.com/apples-industry-analysis/>

Apple relies on third party suppliers so its inventory might remain high if such a competitor ever surfaced.

Price reductions would ensue as parts price decreased making losses worse as time passes. Apple should continue with the openings of its retail stores so long as they remain financially successful. Apple has been successful with the opening of their retail stores; it should continue to open as long as the profit continues. Real estate purchases for these stores should be in prime locations only should the need for selling arise in the future.

Most importantly, the opening of these stores has brought the products to the people so that they can physically see and touch the product with personnel available to provide assistance when ever needed. Franchising of stores should also be considered, so that costs to Apple are reduced.

They could still control sales and system operation without the excessive cost outlay. A franchisee will work harder at promoting the products since their livelihood is tied to the success of more closely than an employee. Apple should also take its profits and spent it wisely so that growth and innovations continue.

It must realise that not all of its ventures will be profitable and must determine the best approaches that should be taken when a sector begins to produce those needed profits. The recommendations above can help provide direction for Apple but they must be continuously re-evaluated due to the increasing change of the IT markets Conclusion: Apple must focus on several key aspects in order to succeed in the future IT market. They must continue

a stable commitment to licensing, push for economies of scope between media and the computers, and become a knowledge organisation.

Apple may want to consider other forms of strategic alliances. An equity strategic alliance may offer Apple the opportunity to obtain additional competencies. An effective way for a company like Apple to accomplish this would be in the form of a joint venture. Apple should continue pushing the new line of media-centric products. Meanwhile, Apple should not lose focus on its computers.

In the future, they will need to continue innovating to expand the boundaries of both media and computers. One persistent element of both competitive advantage and risk is Steve Jobs.

He is both synonymous with Apple's success and has a large equity interest in Apple and Disney. If he were to divest his leadership position, the reaction of both the market and consumers would be uncertain. Given his position within the organization as well as the history of the company when he was gone, Apple must find a way to learn as an organization.

This will allow the company to withstand a departure by Jobs. Based on the actions of the organisation; Apple is going to lead both the mobile and computer markets for years to come. 2, 016 words