

# Apple swot analysis – 2

[Finance](#), [Financial Analysis](#)



Apple SWOT Analysis II Cesar Diaz MGT/521 Management October 31, 2011

Erick Espinosa Abstract Apple is a company that concerned of the environment and has been working for more than 20 years to minimize the impact their products have on the environment. Apple has developed and formulate an environmental policy in 1990 and since then, Apple has continue making their products more energy efficient, eliminating toxic substances. Apple is also the only organization that all the products they sell not only meets but exceeds the firm energy guidelines of the ENERGY STAR specification.

In 2009 become the first company to report their total carbon footprint giving the opportunity to their clients to see Apple progress and efforts. Studying the financial statements of Apple investors and also costumers can determinate the health of the company, with the statements investors can decide if is a good investment risk by studying them in depth because the financial statements inform all of the business assets and liabilities and also include information about how much shareholders would receive as dividends from each share of stock.

Companies calculate the earnings per share by dividing their net income by the total number of outstanding stock. Apple SWOT Analysis The environment of Apple is unique in this type of industry, because they focus on all the steps that their products pass through, Apple calculate their carbon footprint establishing the impact the company has in the planet. The footprint of Apple is divide in 46% on Manufacturing, a 6% on Transportation, a 45% on Product use, 1% of Recycling and the last 2% in Facilities The vast

majority of our carbon emissions come from the manufacturing, transportation, use, and recycling of our products.

The rest — 2 percent — come from our facilities. The way Apple minimize the impact of their growth is designing the products using less material, ship with smaller packaging and been as energy efficient and recyclable as Apple possible can. Apple remains committed to creating products that have the least amount of impact on the environment. Since 2008, as our revenue grew 74 percent, our greenhouse gas emissions grew only 57 percent.

In other words following Energy Star qualification all products of Apple go beyond the USA Environmental Protection Agency`s strict ENERGY STAR guidelines for efficiency and has become the only company that can make that claim. In the past few years has made notable reduction in carbon Emissions ([http://images.apple.com/environment/images/manufacturing\\_emissions\\_20110909.jpg](http://images.apple.com/environment/images/manufacturing_emissions_20110909.jpg)) also the CO<sub>2</sub> Emissions per hour of products have considerable reduce ([http://images.apple.com/environment/images/product\\_graph\\_20110909.png](http://images.apple.com/environment/images/product_graph_20110909.png)) Apple continues to install state-of-the-art digital controls, high-efficiency mechanical equipment, and monitoring technology and Apple have a commitment to recycle, that also have Recycling Program and with this increasing their goal all year. The goal for 2010-2015 is a 70% of weight Recycled per year. (<http://images.appleinsider.com/apple-e-waste-perc-070502.gif>) Apple Inc. is an American based multinational company whose stocks are listed in the New York Stock Exchange and NASDAQ (National Association of Securities Dealers Automated Quotations) under the symbol AAPL.

The company specializes in the design, development and manufacturing of electronic equipments like computers, software and smart phones. The hardware related product line of the company is well known to everyone; including iPhone, Macintosh and iPad and iPod respectively. While there are multiple range of software's offered by the company to its customers that ranges from operating system to the entertainment and educational based software suits.

There are several statements that can be analyzed to establish the health of Apple each one with different meaning and purpose. The income statement is for measures a company's financial performance over a specific accounting period. This is one of the three major financial statements; it also shows the net profit or loss incurred over a specific accounting period, typically over a fiscal quarter or year. The income statement of Apple is In the last quarter the Revenue (in billion) of three of Apple products iPod, Mac and iPhone) is of 28. 23 and the cost of Revenue is 16. 89. The gross profit is 11. 38, which leave us between the selling, administration and expenses, also the department of research and development a total operating expense 19. 56. so after taxes the income available is 6. 62 with this information investor can identify how Apple has been growing despite the death of their executive chief. The balance sheet will give the summarize of a company's assets, liabilities and shareholders' equity at a specific point in time.

Knowing what Apple owns and what owes and also the amount invested by the shareholders. Seen the graphic, it's enough to appreciate that Apple does not owes nothing and the assets are increasing more each quarter Cash

; Equivalent 9, 815. 00 Short Term Investments 16, 137. 00 Cash and Short Term Investments 25, 952. 00 Total Receivables, Net 11, 717. 00 Total Current Assets 44, 988. 00 Long Term Investments 55, 618. 00 Total Assets 116, 371. 00 Total Liabilities 39, 756. 00 Total Equity 76, 615. 00

Total Liabilities ; Shareholders' Equity 116, 371. 00 Total Common Shares Outstanding 929. 28 And the last statement to study is cash flow, this is a A revenue or expense stream that changes a cash account over a given period. Cash inflows usually arise from one of three activities - financing, operations or investing - although this also occurs as a result of donations or gifts in the case of personal finance. Cash outflows result from expenses or investments. This holds true for both business and personal finance.

This statement provides aggregate data regarding all cash inflows a company receives from both its ongoing operations and external investment sources, as well as all cash outflows that pay for business activities and investments during a given quarter. As we can see in the graphic and confirm with the numbers Apple has increase their operating activities but the investing are dropping fast enough to realize that even is a good market rentable their stock are not valuable right now, we can say that one of the reason that their value have decrease in stock is because of the death of Steve Jobs.

After reviewing each statement I can understand that the company is financial speaking, healthy because it have values that makes the company special, such as the quality in their products and cares about the planet, also the revenue are increasing and is a solid business because is always

improving for increase the profit and reduce the cost. That concern to me because as an young entrepreneur learn to measure an investment`s risk. Management use this information to see the weak points have to strengthen and how is the company doing, is the duty of the manager make the revenue of the company always increase and find a way to reduce the cost.

The stocks of Apple have a value of 404. 78 and a valuation change of -0.04% Apple has 929. 28M of Shares and 70% of the installations Apple is the owner, comparing Apple with other companies is simple to appreciate that (see table) Apple is the most stable for investment and with more market capital to invest, also is the most active in dollar volume improving in technology and research, certificating the quality of Apple products. Key stats and ratios | Q3 (Sep '11) | 2011 | Net profit margin | 23. 43% | 23. 95% | Operating margin | 30. 81% | 31. 22% |

EBITD margin | - | 32. 87% | Return on average assets | 23. 81% | 27. 06% | Return on average equity | 36. 40% | 41. 67% | Employees | 46, 600 | - | Carbon Disclosure Rating | - | 80/100| In terms of technology advancement Apple is pioneer because have the brains of Steve Jobs, Jonathan Ives and other top visionaries at the company But it would be a mistake to think that only these few drive all of Apple`s vision and long term strategy. Indeed, as I understand it, the visionary conclusions they come to that drive Apple is quite a collaborative effort.

A good example of technology advancement is the iPhone, that product began when some engineers showed Steve Job`s a larger touch screen version of an iPod they created in 2004, It took three years to pull off but in

2007, Apple introduced the iPhone and its apps eco system and as you know, this changed the course of smart phone history. Since then, every handset maker and PC vendors has been playing catch up with Apple. It has taken at least two years for the competition to pull alongside Apple but with each new generation of the iPhone, Apple seems to raise the bar.

The 4th generation of the iPhone introduced the retina screen and a front facing camera and who knows what will be in the next generation iPhone when it comes out this summer. What Apple does is use its cash hoard to pay for the construction cost (or a significant fraction of it) of the factory in exchange for exclusive rights to the output production of the factory for a set period of time (maybe 6 - 36 months), and then for a discounted rate afterwards. This yields two advantages: First Apple has access to new component technology months or years before its rivals.

This allows it to release groundbreaking products that are actually impossible to duplicate. And second Eventually its competitors catch up in component production technology, but by then Apple has their arrangement in place whereby it can source those parts at a lower cost due to the discounted rate they have negotiated. Once those technologies (or more accurately, their mass production techniques) become sufficiently commoditized, Apple is then able to compete effectively on cost and undercut rivals.

It's a myth that Apple only makes premium products - it makes them all right, but that is because they are literally more advanced than anything else (i. e. the price premium is not just for design), and once the product line is no

longer premium, they are produced more cheaply than competitor equivalents, yielding higher margins, more cash, which results in more ability to continue the cycle. There is one other strategic advantage that Apple has that does not make them happy and that is Apple's \$60 billion cash in the bank.

Although there has been suggestion from stockholders that some of that be given back to shareholders, Jobs and team have argued that they need it for acquisitions and other competitive issues. Well, it turns out the competitive issue they are talking about is the ability to pre-buy components in large quantities and at big price breaks. One example was the \$500 million purchase of flash memory Apple did three or four years ago that almost wiped out the entire supply of flash at the time and drove the price of flash for competitors up. Apple is currently working on the differentiation strategy by putting unique elements in the design and development of its products. The differentiation strategy is defined as a strategy that aims to develop the products and or services that have unique characteristics that are well liked by the customers and are valued by them. This strategy enhances the market position of the companies with respect to their counterparts (Porter, 1998).

Moreover, the company strategies also involve the expansion of its distribution network in order to improve its global reach by providing high quality products and services with after sales services to their customers. Therefore, the company is positioned uniquely in the markets to offer superior and integrated digital technologies and productivity solutions. The



company faces aggressive competition from the other market players.

According to Hoover (2011) the top three competitors of Apple Inc. in United States are Fujitsu Technology Solutions (Holding) B.

V. , International Business Machines Corporation and Media Net Digital, Inc. respectively. The needs of the markets it caters are highly competitive in nature due to the ever changing and advancing technological environment and the rapid introduction of new technology based products. The main competitors of the company are following costleadershipstrategies by reducing the prices of their products or by maintaining low profit margins to maintain their market share. There are various forces that can impact the business and profitability of Apple.

These factors may include the marketing mix ± product, price, place, promotion strategies, product performance, the quality and reliability of the product, innovative designs as well as the availability of up to date software services. Currently, the management of the company is focusing on the expansion of its business markets related to the smart phones and other media andcommunicationdevices. Therefore, it is expected that the competition in these markets will tend to increase for the company.

Conclusion Apple competitors delight in going head-to-head with Apple in hardware, because they can compete with them at this level.

But it's the combinations of its hardware that's created specifically to be a vehicle for its software and the software itself that really sets Apple apart. And, there is another element to Apple's " blank screen" strategy that adds to its competitive advantage. It makes Apple driven content a cornerstone of

its extended software offerings. Also the study result showed that the company is doing pretty well in the global markets due the integrated resources and operative capabilities that are outcome of globalization.

Apple Inc. lags only in its outsourcing associations with the other company's at different countries of the world. In order to improve the outsourcing practices ethically, Apple can strictly ask its outsourcing partners to comply with the ethical rules, and regulations. References Apple Finance (2011, October 18). Apple Financial Result [Audio podcast]. Conference Call.

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