

APPLE INC.



BUS 478: Group Written Case Synopsis

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INTRODUCTION

Background in Brief

Apple is an American corporation that develops and sells computer electronics, software, personal computers and portable devices internationally. Founders Steve Jobs, Steve Wozniak and Ronald Wayne established Apple in 1976, with its incorporation in 1977. Apple has a history that spans over 30 years, and during that time the company has experienced its ups and downs in financial performance. It was after 2007 when Apple finally achieved widespread success with the launch of the iPhone, the iPod touch and the iPad. It is traded on the NASDAQ under the ticker AAPL. It is also a part of the NASDAQ-100 and S&P 500.

The Organization Today

As of August 2012, Apple has 393 retail stores in fourteen countries. Apple is also the third-largest mobile phone maker after Nokia and Samsung. Recently, it introduced a variety of new products such as the iPhone 5, iPad mini, iPad 4 and the All-new iMac. The reported net income of the fourth quarter is about 24% higher than that in the year-ago quarter. Sales of iPhones represent 58% unit growth over the year-ago quarter. However, those high numbers in earnings have not met investors' expectations. The share price of Apple dropped after the fourth quarter earnings report and also recently following the iPad mini launch.

MISSION, GOALS & STAKEHOLDERS

Mission

Apple is committed to bringing the best personal computing experience to individuals around the world through its innovative hardware, easy-to-use software and sleek product design.

Goals and Objectives

1. To provide customers with high-quality services with a knowledgeable sales staff
2. To bring best user experiences to customers through its innovative products and technologies
3. To design and develop its own operation systems, hardware, application software and services.
4. To increase sales volume by opening more stores, launching new products, streamlining production and using smart marketing tactics

Stakeholders

Main stakeholders include: investors, customers, employees, communities and competitors.

EXTERNAL ANALYSIS

General Environment

Global:	<ol style="list-style-type: none">1. Developing foreign economies could cause Apple's production facility in China to increase costs as wages in China increase.2. Government laws regarding environmental concerns could affect Apple.
Demographics:	<ol style="list-style-type: none">1. Buying power of consumers could decrease as wages flatten.2. Aging population could influence Apple's product design development.
Political/Legal:	<ol style="list-style-type: none">1. Legal battle with Samsung over patents.2. Apple's unethical way of re-routing profits to mitigate American taxes.
Economic:	<ol style="list-style-type: none">1. Recent recession could cause buyers to spend less and save more. Apple's products could be seen as out of range for buyers.
Sociocultural:	<ol style="list-style-type: none">1. Consumers' environmental concerns could influence Apple's device manufacturing.2. Consumers may value more portable and faster devices; therefore, Apple's devices could be seen as "outdated."3. Trends: Bigger screens and more functions could outdate Apple's products.
Technological:	<ol style="list-style-type: none">1. Apple's products nearing end of product cycle; (Ex) iPhone and iPod nano/touch.2. Rapid changes in technology could outdate Apple's technology.3. Apple's diverse product line may become obsolete (Macbook Air, Macbook pro, iPad, iPad mini, iPhone, iPod Touch, iPod Nano, Mac Mini, etc.).

Industry Environment

Power of Suppliers	<ol style="list-style-type: none">1. Few chip designers, but there is one dominant player (Intel).2. High switching costs from suppliers.
Power of Buyers	<ol style="list-style-type: none">1. High dependence on technology, high demand.2. Varying needs.3. Moderate switching costs (switch from one OS to another: e.g. Macbook to Windows).
Threat of Substitutes	<ol style="list-style-type: none">1. "Smartphones" that perform same basic functions (word processing, etc.).2. Increasing use of tablets for their portability.3. Alternate forms of entertainment (TV, Movies).
Threat of New Entry	<ol style="list-style-type: none">1. Economies of scale: need a lot of resources to develop an electronics company.2. Many large players and consumers have brand loyalty (Mac lovers).3. Mobile phones makers entering tablet market (Samsung, Blackberry, Windows).
Competitor Rivalry	<ol style="list-style-type: none">1. High: intense price competition and "who's better and faster."2. All computer/electronic devices have standardized components: small area to differ in product function.3. Products have similar life cycles, hard to maximize life span.

Competitors

Software: Windows, Android, Blackberry.

Laptops: Sony, Dell, HP, Toshiba, Acer, Asus.

Smartphones: Samsung, Blackberry, Nokia.

INTERNAL ANALYSIS

Tangible Resources

1. Massive technical patents.
2. Apple stores - retail locations.
3. Tailored hardware and software system.
4. Well-fortified and global supply chain.

Intangible Resources

1. Industrial design capability.
2. Steve Jobs' vision.
3. Relations with original equipment manufacturers.
4. Talented software development team.
5. Patents.

Capabilities

1. Human resources: excellent training program.
2. Marketing: effective promotion of Apple products.
3. Manufacturing: Sleek product design.
4. R&D: Innovation and technology leader.

Core Competencies

1. Unique user interface, iTunes ecosystem, operating system, product design.
2. Captive retail stores: bright, large and accessible.
3. Strong internal cash flow: \$100-billion in cash.
4. Brand loyal consumers.
5. Massive technical patents.

Performance

1. Apple's net profit increase from less than \$5 billion in 2005 to over \$25 Billion in 2011.
2. Apple has opened 113 new outlets over 2008-2011. It makes Apple become the sixth electronics and appliance retailer.
3. In 2012, at \$622 billion, Apple becomes all-time most valuable company.
4. In 2012, Apple sold 26.9 million iPhones in the third quarter, representing 58 percent unit growth over the year-ago quarter. Apple sold 14.0 million iPads during the quarter, a 26 percent unit increase over the year-ago quarter. The Company sold 4.9 million Macs during the quarter, a 1 percent unit increase over the year-ago quarter.

STRATEGY

Apple's Corporate Strategy

1. Dominant Business type of diversification: 70% -95% of their revenue comes from a single business.
2. The dominant business: computer business. Supporting businesses: software and chips businesses.
3. Related constrained diversification.

Apple's Business Level Strategy

1. Differentiation strategy.
2. Focuses on high quality and innovation.
3. Offers strong graphic performance with great design.
4. Creates brand loyalty.
5. Products can be imitated at a lower cost structure than apple focuses on superior quality and innovation focuses on superior quality and innovation.

Apple's International Strategy

1. Follows a global strategy.
2. Promotes its products worldwide as a standardized product.
3. Uses centralized control to tightly monitor and coordinate their pricing across different international markets.

Apple's Cooperative Strategy

1. Uses strategic alliances and joint ventures to enter markets.
2. Alliances with companies like HP and Nokia to promote products
3. Joint venture with Nike to create the Nike+Ipod to further brand recognition in other markets

SYNTHESIS

Strengths

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Strong brand image. 2. Customer loyalty. 3. High customer switching costs. | <ol style="list-style-type: none"> 4. Research and Development. 5. Outstanding financial performance. 6. Frequent product introduction. |
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Weaknesses

1. Dependence on the third party software developers.
2. Products and services experience quality problems from time to time (inconsistency).

Opportunities

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Increasing demand in emerging foreign markets, for example, China and India. | <ol style="list-style-type: none"> 2. Retail store expansion. 3. Increase lifestyle brand image. |
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Threats

1. Intense competition in the industry.
2. Intellectual rights infringement..
3. Political events, terrorism, etc..

	Strengths	Weaknesses
Opportunities	<ul style="list-style-type: none"> • Quality, brand image, global distribution will address increased emerging market demand. • Collaborations to expand lifestyle products (Apple and Bose) expand market. 	<ul style="list-style-type: none"> • Inconsistent service may turn away buyers. • A diverse product line (too many products) does not fit Apple’s “simple” brand and will turn away buyers.
Threats	<ul style="list-style-type: none"> • Fine management team, innovative and effective Marketing, R&D team and large financial resources defend their position. 	<ul style="list-style-type: none"> • Increased demand for portable devices may outstrip production abilities. • Steve Jobs Death is an irreplaceable loss.

STRUCTURING OF ALTERNATIVES

Apple Inc.'s problem is their diverse product line, which could become obsolete. In addition, there is increasing competition in the markets that Apple competes in. For example, Windows, Samsung and Blackberry are also emerging as players in the portable devices market. Furthermore, companies are competing not only in product design, but also in functionality and affordability.

Therefore, Apple needs to further differentiate itself from its competitors by introducing products that its competitors have not yet developed. Apple is known as a leader for innovation in the industry; therefore, its future products must have the same “wow” effect for the consumers.

Our alternatives, which will be discussed in our report, will revolve around developing and maintaining Apple's image as a leader.