

Apple Case Study

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Executive Summary

While Apple has dominated most of the consumer electronics industry, stiff competition is still an obstacle. Product differentiation is harder to pursue nowadays; in response, Apple has resorted to expanding to other smart technological products, like smartwatches and potentially self-driving cars, and changing its consumer experience in their retail locations. Although competition has tried techniques like this, Apple seems to be more successful.

Apple's challenges stem from its tight rivalry with other major corporations, like Samsung and Microsoft, and the bargaining power consumers possess with the ease of business transitioning. There is a slim possibility for new entrants in this industry to succeed; however, consumer electronics do not have to worry about technology alternatives due to the era we live in now, and the power of suppliers is weak due to their wide availability. Overall, there is a high attractiveness for Apple within the consumer electronics industry.

While Apple carries many strengths that keep their customers committed to the high-quality brand, competition can offer similar products at a lower price. There are opportunities for Apple to expand current products with new technology and the business farther internationally, though their main threats deal with competition and patent right lawsuits along with the condition of the current pandemic occurring worldwide. Many of their strengths are important, but it is not clear if they can improve their business with only these.

The main issue with Apple is the irritating yearly or bi-yearly purchase that iPhone users must do because software purposefully slows down to the point of frustration. Recommendations for this could be to keep the phone yet replace it with new software, or Apple could also create specific iPhones for specialized (young kids, work, etc.) purposes with less software and longer longevity. Both of these could satisfy customers' needs while introducing new sales techniques.

Apple & Competitors' Changes

What started for CEO Steve Jobs as a computer business has expanded into a full consumer electronics company. The business continues to produce its high-quality laptop and desktop computers, but Apple is also widely known for its smartphones and other smart technology developed over the years. Their variety of products allows more sales to generate and give them an advantage against their popular competitors. An example of this is with Dell, Lenovo, and HP, all of which are known for their computers and computer-related parts and services (Farooq, 2019); despite their success with lower prices and maintaining acceptable quality products, Apple's loyal customers make it difficult for them to switch to one of these brands. As well, the addition of more smart technology products and Apple's brand name give consumers more incentive to purchase all products from one company rather than buying from multiple (Farooq, 2019). These computer-based businesses still compete with Apple for their specific products, but Apple's expansion has helped it grow into a larger, more profitable empire.

Although Dell and other previously mentioned businesses have not expanded their market to compete with Apple on a full consumer electronics level, others like Microsoft, Google, and especially Samsung, have converted to more than just one technological product. Samsung is already ahead of Apple's game with other smart products like home appliances, automotive, and others available to purchase online and/or in-store at BestBuys and other retail stores (Samsung vs. Apple, 2019), where Apple has not integrated these types of products into its market yet. While Samsung's strategy is to offer a multitude of consumer electronics first, this tactic does not always prove it is the most profitable. Apple focuses more on its research and product design and "lets other companies spend time on R&D and early market development before swooping in and improving everything" (Samsung vs. Apple, 2019). An example of this

is with Apple's creation of the iPod; the iPod was a hit that showed an "industry standard" and that "you don't have to be first to succeed" when it improved the standard MP3 player (Bierman, Ferrell & Ferrell, 2018). While arguable that Apple is a copycat producer in this and many other cases, Apple's focus on improvements rather than brand-new creations has allowed the company to continue its high-quality production by meeting customer expectations and increasing its profit.

Apple has changed not only its products through the years but also how they sell them. While the company has converted to selling digitally as well, Apple has changed its in-person customer experience in retail locations. From Forbes writer Denise Lee Yohn (2016), she said that Apple offers its stores as a place where you go "to buy Apple products; it's where you experience Apple." This redesign is another advantage Apple possesses over its competition in the same industry. With these improved stores, customers can not only browse and look at possible products as other retailers have, but they can also use them directly in the store before payment to understand the feel and difference between each Apple product. Another benefit of these locations is a faster way to receive expert help and replacement of parts. Rather than sending in a product and waiting up to a week to have it shipped back, these Apple locations serve as an in-person troubleshooting service in addition to a retail market. Though Apple's competitors have tried this type of experience in their storefronts as well, "few are re-conceiving their stores to this extent" that Apple has (Yohn, 2016). Product differentiation in this industry is not as easy in today's era, but changes in product variation and customer experience, like what Apple has done, can be pushing them in the right direction toward more consumers in the future.

Apple Competitors & 5 Forces Analysis

Rivalry (High)	Threats: New Entrants (Moderate)	Threats: Substitutes (Low)	Bargain: Supply (Low)	Bargain: Customers (High)
<ul style="list-style-type: none"> • Samsung, Microsoft, Dell, HP, PC, Google • Well-established companies • Little differentiation between products 	<ul style="list-style-type: none"> • Strong brands • High costs to develop brand and products • Other companies capable of competing against Apple 	<ul style="list-style-type: none"> • Less advanced technology (ex: phones just for texts and calls or landlines over smartphones) • Amish-like lifestyle (technology-free) 	<ul style="list-style-type: none"> • High quality • Advanced experts in all areas • Lots of suppliers 	<ul style="list-style-type: none"> • Small size of individual buyers • Collective bargaining power is strong • Low switching cost

Rivalry is one of the strongest factors that affect the consumer electronics industry. All of these recognized businesses have been around for years and have taken time and development to be where they are today, product- and finances-wise. While Apple and all of these companies offer relatively the same products, a consumer can decide which one they want based on a variety of factors: price, design, comfort, and other details all play a part in a customer's decision-making between these businesses. The products do vary between each of these aspects, but it is ultimately up to the consumer on which best fits them, making the competition in this industry a strong force.

The other large factor that can impact Apple's profitability is the bargaining power of customers. There is a relatively small size of individual buyers, which makes the bargaining power of consumers weak originally; however, it is easy for customers to change brands from or to Apple, which makes a low switching cost and giving them more power. As well, the availability of information for each product is quite public, which makes recognizing similarities and differences between competition easier for buyers. Like rivalry, a customer can decide which

brand they will purchase from based on the information given to them, giving them a higher power as well.

Other factors may affect Apple's overall profitability, but not as much as these first two. For new entrants, it's difficult to newly enter this specific industry, though still possible: the companies within this industry have formed and changed to fit customer satisfaction over many years and alterations, and the financial portion of doing this is not easy but still achievable, deeming it to be a moderate force. In contrast, opting for substitutes in this industry serves as a weak force. Today's world and ever-advancing technology are heavily integrated into our everyday lives, meaning many people would be unlikely to choose less advanced technological products or going partially or completely technology-free. The other weak force comes from the bargaining power of suppliers. It is easy for Apple not only to buy their resources from a variety of locations without much change but also difficult for companies buying from Apple to risk any negotiation because of their large brand.

Overall, with the highs and lows of these forces, the analysis shows that there is a high attractiveness within this industry.

Apple's SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Brand • Variety and quality of electronic products • Constantly improving • Loyal consumers around the world (evangelism) 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Prices • Slow innovation pace • Incompatible with outside products • New management/leadership style • High customer expectations • Constant new device updating (iPhones)
<p>Opportunities</p> <ul style="list-style-type: none"> • Increase in artificial intelligence (AI) • Continuing global expansion 	<p>Threats</p> <ul style="list-style-type: none"> • Coronavirus and its location in China • Competition • Lawsuits with Samsung

Apple is a strong brand known around the world, and because of this, their customers are more than likely Apple-only electronic consumers. This is a great strength because a consumer's loyalty will keep them coming back to the company again and again, and Apple's evangelic strategy helps people promote their products even further for others to join the "Mac cult" as it is dubbed (Bierman, et al., 2018). Another strength Apple possesses is its variety of products; over the years, Apple has grown from its stationary computers in the beginning to a range of electronics including laptops, smart T.V.s, cell phones, smartwatches, and many more (Rawlinson, 2017). The business is also always improving these products for the best quality and creating more as well to keep up with the technologically advanced age we live in today.

Despite the high quality of its products, a major weakness Apple has is that it can struggle with bringing in new customers because of its high prices. This expense is due to the "Apple brand [which] embodies quality, prestige, and innovation" as the "world's most valuable brand" (Bierman, et al., 2018), giving Apple the right to charge higher prices for their products. The time it takes to succeed and produce its products is another downfall of Apple; while its quality is one to be compared with, it usually takes Apple at least a year or longer for an improved product, like an advancement from the iPhone 7 to the 8, to be available to the general public (Visualizing Apple product release patterns, 2020). Beyond this, Apple products usually are not compatible with their competitors' similar products. The special chargers, software, and differentiation create a very closed business in this industry. As well, the recent change in leadership could lead to major downfalls; Jobs' and current CEO Tim Cook's leadership styles vary greatly, which could make the future of Apple and how it conducts business and strategy unpredictable, too. Lastly, the struggle for many Apple consumers is the continuous updates necessary in terms of whole devices. Due to Apple's value in constantly improving its products,

the software and battery in each device, specifically their iPhones, only lasts about three years, though typically less. While it is a great idea to keep customers buying more products, it is troublesome and frustrating to the consumer who is then required to buy another Apple product at least once every other year or so to continue using an iPhone at its best performance.

With its success, Apple still has different opportunities in which they can grow. Artificial intelligence (AI) has been growing at a rapid rate to make our lives easier, and Apple recognizes this. The company invested into Xnor.ai, an AI business, to help them increase their presence in the community by expanding on processes like Siri, a natural language processing technique, facial recognition (McGregor, 2020), and more. As well, according to a case study from Bierman, et al. (2018), Apple is also looking to expand AI into the future of self-driving cars into its iOS software. Another chance at growth is through continuing its international expansion. Almost all countries around the world have access to Apple and its services/products, so expansion to reach everyone globally is an opportunity Apple could take to grow.

The primary threat to Apple is its competition. Other top brands producing similar products have been battling with Apple since its beginning. Companies like Microsoft, Dell, HP, Google, and more fight for their customers, with its largest being Samsung as it leads the smartphone market (Farooq, 2019). Samsung is Apple's top competitor and is willing to do anything to be the best in the industry, which has resulted in multiple lawsuits from Apple. These lawsuits require legal costs on either end and also reduces any time that could be used for future production or brainstorming as well (Samsung vs. Apple, 2019). Apple's production is done primarily in China, the beginning epicenter of the coronavirus, which is another threat the company has had to face in the past few months and going forward.

Apple's strengths provide a stable base for them to build off of for current and future products; however, improving their weaknesses with solely these strengths does not seem possible. This is due primarily because of the way Jobs had built Apple and its culture originally. The high quality and customer expectations do pair well together, but the want for lower prices on these advanced products is impossible for Apple's overall financial strategy. As well, there is no way to guarantee that Cook will perform in the same manner as Jobs because all managers execute their managerial styles differently. Their slow innovation process is another method to keep loyal customers waiting for the next best thing, which is another strategic tactic they use and more than likely will refuse change. For opportunities, Apple has already taken advantage of these through beginning to advance its AI and global expansion. In contrast, threats like COVID-19 are unpredictable, which may continue as a threat currently and with its aftereffects in the future. All companies will face competition and forever will be an over looming threat, but lawsuits are possible to avoid, especially with the brand that Apple has built. Considering that most of the lawsuits are coming from Apple rather than to Apple, they can defend their accusations easily against Samsung.

Identified Key Issue

A key issue that hurts Apple and its relations with consumers is the continuous need to completely upgrade to new devices, more specifically their iPhones. While this benefits Apple with increasing revenues, it hurts the consumers emotionally and financially. They are forced to purchase these new iPhone products every few years, and for some, the thought of repurchasing a slightly-upgraded new iPhone bi-yearly with a high price tag is not worth reinvesting in the company simply for its quality or design.

Apple Recommendation Plan

One recommendation Apple could do is the possibility of exchanging software between new and old devices. An important strength for Apple is constantly improving its products, so this would work toward their overall value of product modification. For example, if a person likes the size and design of an iPhone 5 over any other iPhone model, but cannot use it due to the outdated hardware, Apple could give an option for consumers to exchange an older version of iOS to an updated one at a lower price than buying a brand new phone and its SIM card. This could be beneficial for Apple as it still brings in a type of revenue, the consumer who is satisfied with Apple's expectations, and it is more sustainable for the future with less technological waste being produced. Though another weakness Apple has is a slower innovation process, Apple could also have a specific department or factory dedicated to this individual iOS software that is specifically for older devices to keep up with demand and warehouse inventory.

Another recommendation for this issue would be to limit what is put into each software for specific devices and corresponding purposes. Some use their smartphones simply for work-related business while owning a personal phone. Others give older phone models to their children to experience what owning a phone is like; these types of devices could be limited to certain capabilities like Internet, text, call, application downloads, and more, to reduce the necessary hardware space within the iPhone. These specialized iPhones could be a separate category for younger teenagers or for business-only to stay within the boundaries that are solely for its purpose. The brand Apple has created with its high-quality products could benefit from this differentiation against competitors' free-for-all smartphones.

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