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Strategic Analysis of Apple Inc.

ABSTRACT

This report firstly introduces Apple Inc. After a brief introduction of organization is initially outlined, it examines the company's current and future business strategies. Apple's business strategies are explained in details on current and for future. The discussion then focuses on SWOT and Porter's five forces analyses for Apple. Apple's strengths, weaknesses, opportunities and threats are presented in SWOT analysis. Porter's five forces analysis investigates company's competitive environment by analyzing the industry. The report finally is concluded with recommendations on the future strategy and how strategic changes should be managed.

1. INTRODUCTION

The purpose of this report is to examine the current and future strategic direction of Apple Inc. and to make recommendations on the appropriate strategic direction for the future and how any proposed strategic changes should be managed.

By researching a range of recently published journal articles, magazine articles, books and internet sites about Apple Inc. and Strategic Change Management, this report firstly introduces Apple Inc., then presents the current and future strategy of Apple. Finally report makes recommendations on the appropriate strategic direction for future and about how strategic changes should be managed by Apple Inc. .

Apple Inc. , formerly Apple Computer, Inc., is an American multinational corporation headquartered in California that designs, develops, and sells consumer electronics, computer software, and personal computers. The company was founded on April 1st, 1976 by Steve Jobs, Steve Wozniak and Ron Wayne and incorporated on January 3, 1977. The word "Computer" was removed from its name in 2007, to reflect its shifted focus towards consumer electronics after the introduction of the iPhone. Its best-known hardware products are the Mac line of computers, the iPod, the iPhone and the iPad. Its software includes the OS X and iOS operating systems, the iTunes media browser, the Safari web browser and the iLife and iWork creativity and production suites.

As of November 2012, Apple has 394 retail stores in fourteen countries as well as the online Apple Store and iTunes Store. It is the largest publicly traded corporation in the world by market capitalization, with an estimated value of US\$626 billion as of September 2012. The Apple market cap is larger than that of Google and Microsoft combined. As of September 29, 2012, the company had 72,800 permanent full-time employees and 3,300 temporary full-time employees worldwide. Its worldwide annual revenue in 2010 totaled \$65 billion, growing to \$156 billion in 2012(Apple, 2012).

Fortune magazine named Apple the most admired company in the world from 2008 to 2012(CNN, 2012). As measured by the value of its stock, in May 2010, Apple has been the world's most valuable technology company(The New York Times, 2012), in 2011 world's most valuable brand (Indvik, 2011), and in 2012 the most valuable company of all time(BBC, 2012).

2. THE CURRENT AND FUTURE BUSINESS STRATEGIES OF APPLE INC.

2.1. The Current Business Strategy of Apple Inc.

2.1.1. Apple's Current Business Strategy Definition

In company’s 2012 10-K annual report Apple describes its current business strategy. Apple is committed to bringing the best user experience to its customers through its innovative hardware, software, peripherals, and services. Apple’s business strategy leverages its unique ability to design and develop its own operating systems, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative design. Apple believes continual investment in research and development, marketing and advertising is critical to the development and sale of innovative products and technologies. As part of business strategy, Apple continues to expand its platform for the discovery and delivery of third-party digital content and applications through the iTunes Store. As part of the iTunes Store, the Company’s App Store and iBookstore allow customers to discover and download applications and books through either a Mac or Windows-based computer or through “iOS devices,” namely iPhone, iPad and iPod touch. The Company’s Mac App Store allows customers to easily discover, download and install Mac applications. Apple also supports a community for the development of third-party software and hardware products and digital content that complement the company’s offerings. Apple’s strategy also includes expanding its distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience (Apple Inc. , 2012).

Apple’s Organization Structure:

Apple Inc.			
Corporate Address	1 Infinite Loop, Cupertino, California 95014, United States.	Ticker Symbol, Stock Exchange	AAPL[NASDAQ]
Telephone	+1 408 9961010	Number of Employees	76,100
Fax	+1 408 9960275	Revenue (in USD Million)	156,508
URL	www.apple.com	Fiscal Year End	The Company’s fiscal year is the 52 or 53-week period that ends on the last Saturday of September.
Industry	Retailing, Technology and Telecommunication		

Apple Inc. Business Organization	
Reportable Operating Segments	
Americas	North and South America.
Europe	European Countries, Middle East and Africa.
Asia-Pacific	Australia and Asian countries.
Japan	Japan
Retail	United States, United Kingdom, Japan, China (including Hong Kong), Canada, Australia, Germany, France, Italy, Spain, Switzerland, Netherlands, Sweden.
<i>P.S. : The results of the Americas, Europe, Japan and Asia-Pacific segments do not include results of the Retail segment.</i>	

Apple Inc. Products
<p>iPhone, iPad, iPod, iCloud, Apple TV, iTunes, iTunes Store : App Store, iBookstore, Mac Computers : Desktop Computers(iMac,Mac Pro,Mac mini), Portable Computers(MacBook Pro, MacBook Air), Mac App Store, Software Products: Operating System Softwares (iOS, OS X), Application Softwares (iLife, iWork, Final Cut Pro, Logic Studio, Logic Pro, FileMaker Pro database software). Displays & Peripheral Products: Apple LED Cinema Display, Thunderbolt Display.</p> <p>P.S. : The Company also sells a variety of Apple-branded and third-party Mac-compatible and iOS-compatible peripheral products, including printers, storage devices, computer memory, digital video and still cameras, and various other computing products and supplies.</p>

2.1.2. Business Strategies Implemented By Apple

2.1.2.1. Product Differentiation and Cost Leadership Strategy (Porter Generic Strategies)

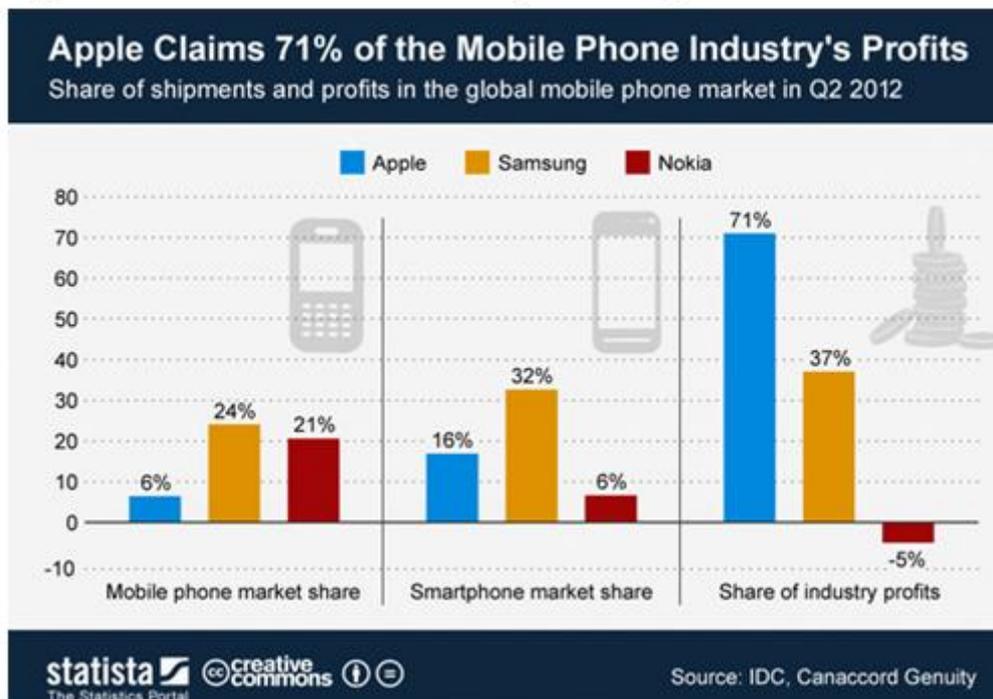
If one had to summarize Apple Inc.'s business strategies in one word, it would have to be "differentiation." Apple makes huge efforts to differentiate its products from its competitors.

Design: Apple's design philosophy is based on minimalism. It removes clutter both from its products' outward appearance as well as from their user interface(Muehlhausen, 2012).

Pricing: Apple is usually referred to as the technology industry's "high-price" leader. It initially adopts skimming strategy and later launches lower-price versions with fewer features or launches a newer version while continuing to sell older versions at lower price points(Bui, 2012).

Apple has smaller market share in mobile phone industry, it owe its differentiation strategy including high pricing for having 71% share of industry profits.

Apple claims 71% of the Mobile Phone Industry's Profits in Q2 2012.



Source: <http://www.statista.com/topics/840/smartphones/chart/528/apple-claims-71-percent-of-the-mobile-phone-industrys-profits/>

	Lower cost	Differentiation
Broad Target Market	Cost Leadership	Broad Differentiation
Narrow Target Market	Cost Focus	Differentiation Focus

	Lower cost	Differentiation
Broad Target Market		
Narrow Target Market		

Apple's cost leadership strategy is achieved by the direct low cost inputs to produce the cheapest high quality product possible. Apple achieves cost leadership by developing long-standing business agreements with companies and its innovative business so that they can focus on creating new products and solutions to problems. A good example of cost leadership is Apple's iTunes service. This service allows companies to distribute music digitally without the expenses of the physical production of even a Compact Disk(Tumblr , 2012).

2.1.2.2. Product Diversification and Focusing to Broader Consumer Base Strategy

Since the early 2000s, the Internet Era began. All content text, images, video and sound were going digital. Jobs recast Apple from strictly a computer company to a consumer electronics company his decision was based on the "Digital Hub Strategy" where digital content would be easily created and transferred to any Apple device.

Apple began expanding its products beyond just Mac computers with the release of some hardware and software products like iPod, iTunes Store, iPhone, iPad etc. In time, Apple shifted its focus from PCs to more profitable products firstly mp3 players, online applications, then cell phones, and tablet computers. Now Apple's target segment is much broader. Apple is moving towards making people's homes the "Apple Home" by taking a backseat its computers division(Aggarwal, 2011).

Alyson Shontell says "By creating great products enhanced by brilliant packaging, and by changing their computer-only mission, Apple became a technology titan."(Shontell, 2010)

2.1.2.3. Innovation Strategy

Superior Design (Combine art and science): Jobs always pointed out that the biggest difference between Apple and all the other computer companies through history is that Apple always tried to marry art and science. Jobs pointed out the original team working on the Mac had backgrounds in anthropology, art, history, and poetry.

Easy-to-use functional products: It's plain and simple. Easy-to-use and functional products not only make your customers happy, but also make them want to buy more products from you in the future(Insidecrm, 2009). For example, the iPad is so simple 2-year-olds can use it(Shontell ,2010).

Be confident -Don't ask people what they think: Innovation doesn't require focus groups. Steve Jobs doesn't believe in asking customers their opinions. You can develop products people will want before they even know they want it. Sometimes, you can know customers better than they know themselves. (Jackson, 2011)

"Pretty much, Apple and Dell are the only ones in this industry making money. They make it by being Wal-Mart, we make it by innovation." Steve Jobs

2.1.2.4. Creating Ecosystem Products and Brand Loyalty Strategy

Apple releases products that are innovative in and of themselves, but they also connect with other products. When Apple's iTunes Store was created, offering online music downloads for integration with the iPod, it proved how a sum could be greater than all of its parts by getting an instant success.(Shontell, 2010) The App Store, for example, was made to sell applications for iPhone, iPod and iPad and brought in \$1 million daily on average within its first month.(McLaughlin, 2008). Apple's each new product encourages the other Apple products to use. Because an Apple product works the best with another Apple. By this way, Apple creates also a brand loyalty.

2.1.2.5 Vertical and Horizontal Integration Strategy

Apple adopts both horizontal and vertical integration business strategy.

Horizontal Integration : Apple's business philosophy is to acquire small companies that can be easily integrated into existing company projects. For example, Apple acquired Emagic and its professional music software, Logic Pro, in 2002. The acquisition led to the creation of the digital audio workstation software, GarageBand, now part of the iLife software suite(Hesseldahl, 2007).

Vertical Integration : Apple builds its own hardware, operating systems and applications. This strategy is diligently followed by Apple over years. Apple believes that having all the experts in one place leads to a more holistic perspective on product development.

2.1.2.6. Retail Strategy

The Apple Store was a brilliant solution to a problem Apple was having - other retailers weren't giving Apple products proper shelf-life and space. Thus, Apple presents and promotes its products directly to customers by well-trained sales staff. Stores also provide technical support. Gigaom writes, "When you enter the Apple Retail Store, you find a well-lit place that is inviting and aesthetically appealing. More importantly, the company lets you play with its devices as much as you want. Nothing makes the sale as effectively as the iPhone or the iPod touch itself. You like what you see, then you buy." (Shontell, 2010)

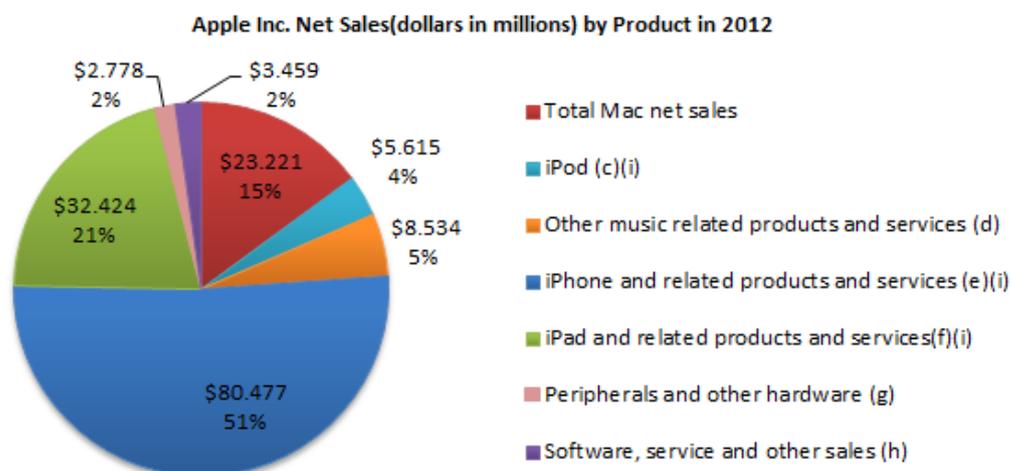
2.1.2.7. Promotion Strategy

Apple's promotion strategy is centered around creating hype. Jobs' theatrical style and panache were successful in creating excitement before the launch of Apple products. Product launches with Jobs always became highly-anticipated events by media and the public alike. For example, http://www.youtube.com/watch?v=tRpY_gVVS Mw (Thiago Martins , 2008). Carmine Gallo says "You can have the most innovative idea in the world, but if you can't get people excited about it, it doesn't matter. Steve Jobs is considered one of the greatest corporate storytellers in the world because his presentations inform, educate and entertain."(Gallo, 2010). Moreover, the ads of Apple are quite impressive. For example, "Think Different" business philosophy was expressed successfully with a series of ads (<http://www.youtube.com/watch?v=cFEarBzelBs>) commissioned by Steve Jobs in 1997. It got a great success for getting signals to start a comeback (Siltanen, 2011).

2.2. The Future Business Strategy of Apple Inc.

2.2.1. Apple Aims New Territories and to Keep the Success of iPhone and iPad

Apple's CEO Tim Cook discussed Apple's strategy for the future, outlining plans to build on the success of the iPhone and iPad(See Appendix 2 and 6 for more details) and expand into emerging markets.

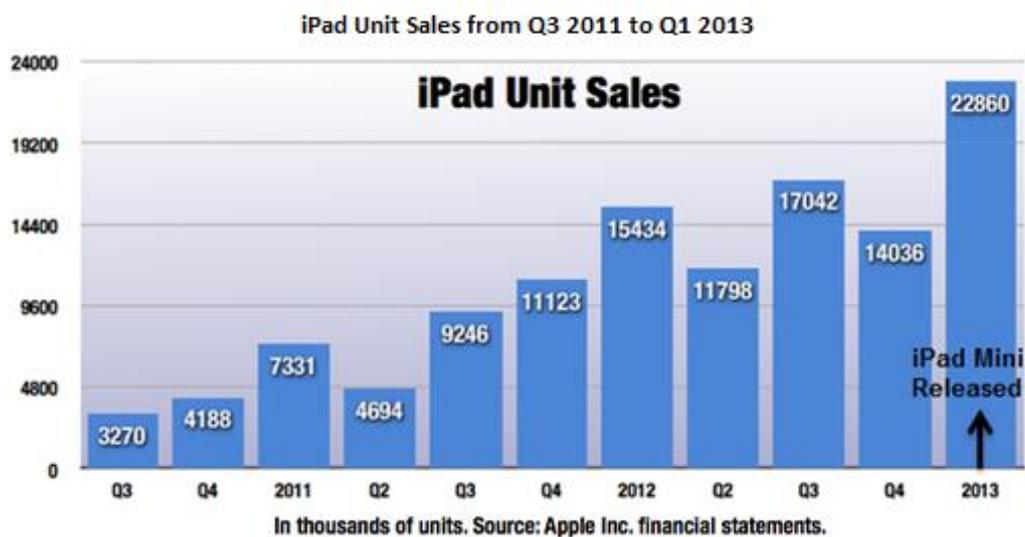


Apple's smartphone and tablet will serve as cornerstones, but the company plans to promote the products in new markets like Brazil and China. Cook highlighted that nearly a quarter of the smartphone market will be made up of China and Brazil by 2015, making those two "critical" markets (Lowensohn, 2012). The decision to keep the iPhone and iPad central to Apple's business plan shows the company believes these devices will enjoy continued popularity. Cook is keeping Apple focused on its successful products (Forbes, 2012).

The Bloomberg report quoted CEO Tim Cook as saying China is a priority market, with Apple having generated \$5.7 billion in sales in China in the quarter that ended in September. (GMA News, 2013).

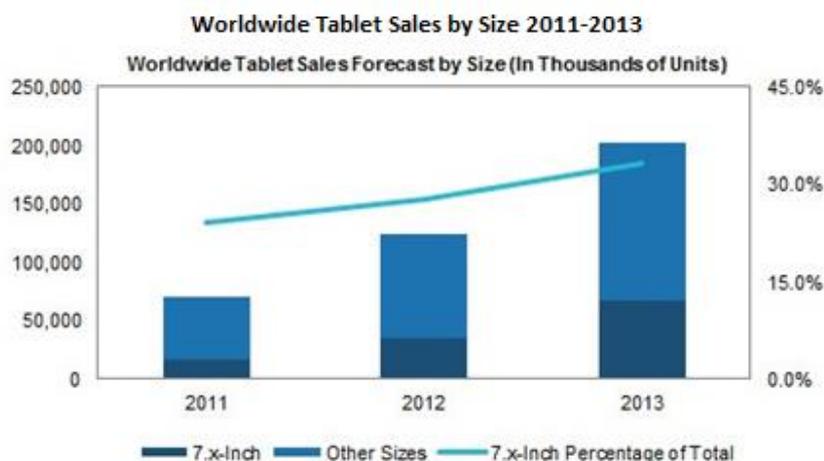
2.2.2. New iPhone Mini is Coming After iPad Mini

Apple has released iPad mini to compete with its rivals' smaller, less expensive tablets. The company wants to win back customers lost to Amazon and Samsung. Apple thought an affordable tablet, iPad Mini may deliver a blow to rivals (Forbes, 2012).



Source: <http://www.macworld.com/article/2026112/iphone-ipad-sales-up-macs-fall-as-apple-sees-record-sales.html>

If the iPad Mini has taught Apple anything, it is that consumers love it when their favorite devices get smaller. Apple's strategy is working very well.



Source: <http://newsbytes.ph/2012/10/23/ipad-mini-to-contribute-to-doubling-of-7-inch-tablet-market-in-2012-to-2013>

Apple cannot release the rumored iPhone 6 or iPhone 5S in the winter or spring, 2013 without cannibalizing sales of the current iPhone 5. The only thing Apple can do is release another type of iPhone — one that will not hurt sales of the iPhone 5. This will be iPhone Mini (Bedigian, 2012). The smaller and cheaper iPhone probably will be unveiled in late 2013 at the earliest, Bloomberg reported (GMA News, 2013).

2.2.3. New Computers will be manufactured in the U.S.

CEO Tim Cook said that in 2013, the company will manufacture new computers in the US. These computers are very likely to be the next iMac or MacBook — not the existing models that are currently available to buy (Bedigian, 2012).

2.2.4. Apple TV

According to The Wall Street Journal, Apple is testing a concept for a large, high-resolution display with major Asian component suppliers (Bedigian, 2012). In 2013, it is predicted that the new Apple TV will allow for a full screen experience, and in turn will spur a new ecosystem for developers and content creators that will disrupt Hollywood (Savitz, 2013).

2.2.5. New MacBooks

Apple will retain its current form factor when it revises the MacBook Air and MacBook Pro in 2013. According to DigiTimes, the design will remain the same. While Apple received a lot of praise for developing a 15-inch MacBook Pro with Retina Display, the company left a lot to be desired when it released the 13-inch model. Expect Apple to remedy this with a superior machine in 2013 (Bedigian, 2012).

2.2.6. The iPad Mini with Retina Display

Apple is developing a next-gen iPad Mini. If there is any single feature the company can use to ensure that at least some consumers upgrade, it is by far the Retina Display. (That or a better battery, but the Retina Display seems more likely.) (Bedigian, 2012)

2.2.7. Siri Will Get Even Better, Soon

Siri, the voice-controlled assistant helped Apple achieve record-breaking sales for Apple (Hodgkins, 2011). Cook said Siri is the most popular feature on the 4S, which he astutely pointed out is the best-selling phone in the world. However, he admitted there are areas where Siri can work better, and the company has a lot of people working on its future (Arico, 2012). Apple will use it to sell the next version of the iPhone (Bedigian, 2012). Cook said Just as the physical keyboard, mouse and now multitouch have become a part of our daily lives, Siri, too, is a technology revolution that will soon be a part in everybody's life (Chatterjee, 2012).

2.2.8. iWatch

It's time for an Apple smartwatch, according to the latest rumors surrounding tech giant. A report by TGBus, a Chinese tech website, has kicked off rumors Apple might be planning to release a 1.5-inch OLED screen iOS watch. The report says Apple is working with Intel on a Bluetooth watch that will work with the iPhone and is expected to come out in the first half of 2013 (Rodriguez, 2012).

3. SWOT ANALYSIS

3.1. Strengths

3.1.1. Strong Marketing Activities

Brand Marketing : Apple is one of the companies which uses brand marketing the best. It had successful “Think Different” ads and catchy slogans such as “It just works”, which brought a quality and innovative brand perception. Apple also promotes itself as an eco-friendly brand with its products such as MacBook Pro computers are promoted “world’s greenest lineup of notebooks”. In 2011, Climate Counts placed Apple in its top category of corporate climate responsibility (Climate Counts Org, 2011). With such these massive marketing efforts, Apple has built a very loyal customer base that advocates the brand.

Ecosystem Products : Apple generated an ecosystem of Apple products which encourage to buy each other. For example the iPhone users definitely downloads applications from company’s the App Store or the iPad users electronic books from the iBookstore. (The New York Times, 2012).

Apple Stores: Apple presents and promotes its full range of products directly to customers by well-trained sales staff with retail strategy. Stores also provide technical support. According to the research firm RetailSails, the Apple Store chain ranks first among U.S. retailers in terms of sales per unit area in 2011, with sales of US\$3,085 per square feet, almost doubling Tiffany & Co., the second retailer on the list (Segal, 2012).

3.1.2. The Tight Vertical and Horizontal Integration

Nokia and Samsung builds hardware, Microsoft and Google builds their software. They had to make a partnership against Apple because Apple builds both. Apple has a great advantage of having both hardware and software teams constantly working together over years. (Etherington, 2011). With this tight integration structure, Apple has control over design, innovation and production throughout the vertical chain.

3.1.3. True Research and Development Management

Apple’s product designs always created a tremendous impression in industry such as iMac, iPod, iPhone and iPad. It's important to note that R&D can be a differentiator, but only if it's managed right. Apple maintains very few product lines relative to its rivals, that’s why the company has been so innovative even with less R&D.

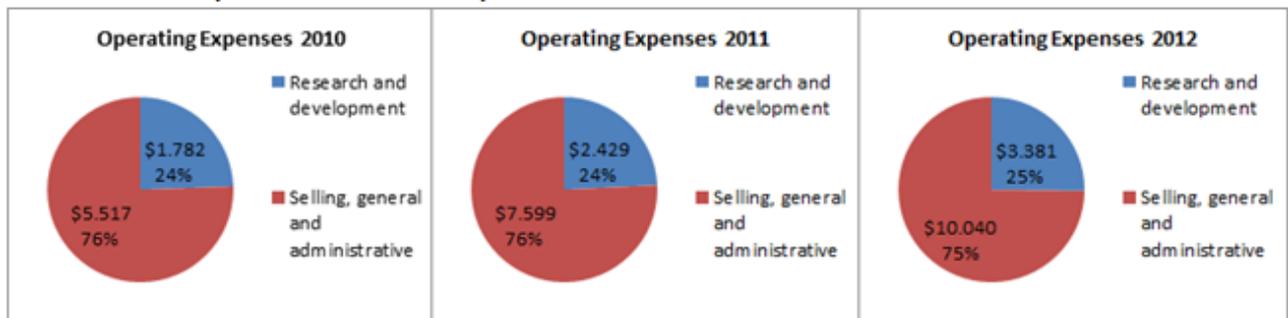
Research & Development Expenses of Technology Companies in 2012

Company	Percent of Sales	Absolute Total Spend (millions)
Apple	2.2%	\$3,381
Samsung	5.9%	\$10,169
HTC	4.3%	\$488
Nokia (NYSE: NOK )	15.8%	\$6,507
Research In Motion	9.6%	\$1,447
Dell	1.7%	\$1,001
Lenovo	1.7%	\$545
Microsoft (NASDAQ: MSFT )	13.8%	\$9,942
Google	13.1%	\$6,208

Source: <http://www.fool.com/investing/general/2012/12/17/is-apples-epic-run-over-analyzing-apples-rd-advant.aspx>

Its management saw the right areas of growth, focused its resources there in an outsized way, and is now reaping the rewards (Bleeker, 2012). According to the company's annual report in 2012, Apple tripled its R&D expense to \$3.4 billion from \$1.7 billion in last three years.

Research & Development and The Other Expenses 2010-2012



Source: It is adapted from information in Apple Inc. Annual Report Form 10-K [Filed October 31, 2012].

3.2. Weaknesses

3.2.1. High Price and Unaddressed Segments

Apple has valuable and high brand perception, so it uses premium pricing strategy to keep maximum its profit. Samsung have many different models each appealing to a certain specific segment of the market. Apple's strategy is almost entirely the opposite. This strategy reduces some costs like stock but the downside of this strategy is that the low end of the market is being left unaddressed by Apple. The other all customer segments out of premium have been left to rivals.

3.2.2. Low product range and restrictions on products

Apple has low product range at its product line. While rivals sell dozen of models at any product category appealed to different segments, Apple focuses on few products and tries to narrow them down. Furthermore, Apple prevents some applications even like so popular Adobe Flash from running in its products like the latest iPad (Shankland, 2010).

3.2.3. Absence of Steve Jobs

Apple was on the verge of bankruptcy in the late 90s (Appendix 1), the greatest corporate comeback story of all time realized when Steve Jobs returned to Apple in 1997 (Shontell, 2010). When in October 2011, Steve Jobs died, he left behind a giant technology company. Undoubtedly Steve Jobs is the face of Apple. His vision and prescient decisions carried Apple its peak. He transformed every product launch to an unbelievable marketing activity and reflected his energy, passion and enthusiasm to audience.

3.3. Opportunities

3.3.1. The Shift from the PC to Mobile Era

The unstoppable rise of smartphones and tablets will see 1.2 billion of the devices being bought worldwide in 2013, analyst Gartner is predicting. It also forecasts tablet purchases by businesses will grow 3x by 2016 and two-thirds of the mobile workforce will own a smartphone in 2016 (Lomas, 2012).

A new survey sponsored by IBM asked 2,000 IT professionals from around the world about where the industry is going. More than half said that "within the next five years, more developers will be working on mobile applications and cloud-based architecture." (McKenzie, 2010). These results further shows mobile industry has a bright future. Apple that has a strong position in market can benefit more from this growing opportunity by developing its existing core competencies.

3.3.2. Emerging Markets

Although the shift towards the mobile era, research shows worldwide PC use is increasing constantly over years and it is forecasted that this trend will continue for the next years, with exponential increases in the Asia Pacific and Middle East/Africa regions. (eTForecasts, 2011) (See Appendix 3)

Another research indicates that the consumers in urban areas of emerging markets have spent a greater percentage of their annual income on consumer electronics devices in the past 12 months than have those in mature markets. (Accenture, 2012)(See Appendix 4)

China looks a great market with its rapid economic growth rates and big population for international companies.

3.3.3. Consumer Digital Lifestyle

People are more engaged in a wide range of technological activities in the 21st century. (See Appendix 5)They are more entrenched in the digital lifestyle with the usage of computing devices such as PCs and smartphones becoming part of their daily lives (Hogan, 2011).

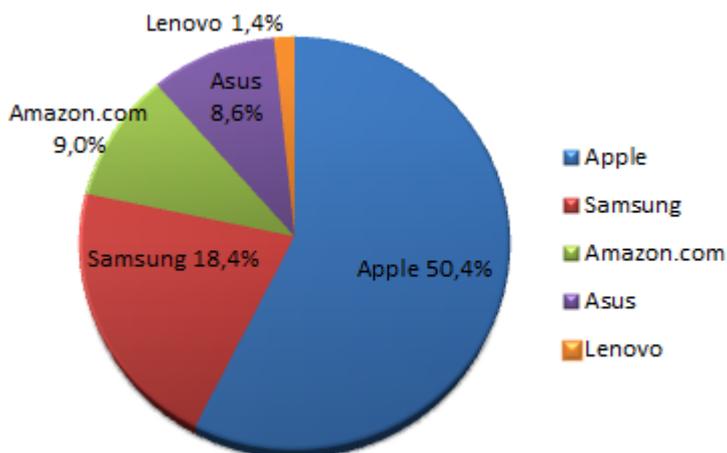
3.4. Threats

3.4.1. Intense Competition

Consumer electronics are fast-cycle and highly competitive markets. That’s why some firms even try to collaborate rivals to be able to be more competitive in the market. For example, Nokia associated with Microsoft to use Microsoft’s Operating systems on Nokia phones.

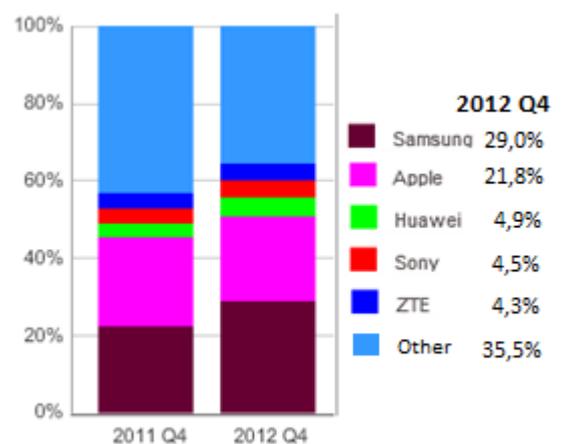
The iPad’s success led rivals to ship their plans to tablets. Apple currently commands 50% of the tablet market share while it is 60% in 2011(IDC, 2012). The nature of the industry shows that it is only a time matter for the competitors to catch up with Apple’s leadership position.

Top 5 Vendors, Worldwide Tablet Shipments in 2012



Source: <http://www.idc.com/getdoc.jsp?containerid=prUS23772412>

Worldwide Smartphone Vendors Market Share



Source: <http://www.idc.com>

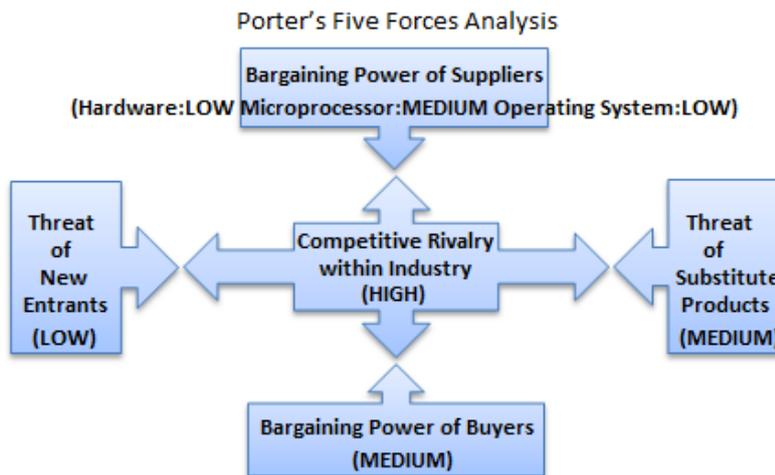
3.4.2. Risk of International Operations

A bigger portion of Apple’s revenue comes international markets. Over the last three years, international sales accounted for 56%, 61% and 61% for Fiscal Years 2010, 2011 and 2012 respectively(Apple, 2012)(See Appendix 6). This shows international operations aboard are important and required to pay attention on foreign laws and regulations about anti-competition and labour.

3.4.3 Risk of Imitation and Piracy

The success of Apple's products caused to new emerging products to resemble Apple's. To some people, the other big players of the industry like Samsung, LG and Sony Ericsson even imitated iPhone's some functionalities and design within their own smartphones (Gikas, 2008). Apple's products are highly vulnerable and prone to imitation. In China iPhone imitations have been rampant(Chang, 2010)

3. INDUSTRY ANALYSIS (PORTER'S FIVE FORCES ANALYSIS)



3.1. Competitive Rivalry within Industry

- Apple has an intense rivalry with many big players from various industries where it operates.
- Apple's products are highly differentiated in terms of design and functionalities as compared to its competitors' products.
- Apple has isolated itself from rivals due to its positive reputation for high-quality, perceived uniqueness in eyes of consumers and strong brand loyalty.
- Dynamic environment makes innovation inevitable. Apple would be able to sustain its competitive advantage as long as it continues to innovate and meet the expectations of its customers.

Products	Competitors
Mac Computers	HP, Dell, Lenovo, Acer, Asus
iPhone	Samsung, Nokia, HTC, RIM(Blackberry), Sony
iPad	Samsung, HP, Dell, Google's Nexus, Amazon's Kindle
iPod	Samsung, SanDisk, Creative, Napster, Sony, Amazon.com
Operating system	Microsoft Windows, Google's Android

3.2. Threat of New Entrants

- Apple's established brand presence in the market, providing it with a strong differentiating factor and occurs a substantial barrier for potential entrants.
- Potential entrants have to invest high capital in technology and production. They will not only have difficulty in winning a market share, but also require a significant investment to compete with Apple's constant innovation of products.
- To be a player in the industry needs to have international business operations. Dynamic International business environment is a serious issue that needs to be considered by new entrants.

3.3. Threat of Substitute Products

- Apple products' success such as iPhone and iPad causes rivals to produce high number of substitute products posing a potential threat to its business.
- Product positioning and innovation are vital for survival. Apple has positioned itself effectively against its competitors' substitute products
- Apple lowers risk with its strong brand name and loyal and loyal customer base. Therefore, it is inferred that the availability of substitutes is medium.

3.4. Bargaining Power of Buyers

- Apple's business markets including PCs, mobile phones, consumer electronics and related software are highly competitive and saturated. There are a high number of product suppliers.
- There are many competitor product substitutes because a large number of firms operate in the industry. This situation increases the bargaining power of consumers. However, the uniqueness of Apple's products and a loyal customer base reduce the price sensitivity of customers for Apple.
- It costs low for consumers to switch from a product to the other one. The strong brand marketing activities coupled with a successful product and pricing strategy make customers willing to pay for the firm's products.
- As long as Apple continues staying innovative and keeping its brand marketing strong, Apple will maintain its competitive advantage. Hence, it can be inferred that bargaining power of customers for Apple is medium.

3.4. Bargaining Power of Suppliers

- The bargaining power of suppliers for hardware components is low because the industry is highly saturated and suppliers have to be competitive in their pricing.
- Apple is partially insulated from the impact of higher supplier costs through its premium pricing.
- Apple purchases a large amount of raw materials, increasing its bargaining power as a significant customer. Hence, Apple is able to secure components at a lower price.
- Intel has been dominating the PC microprocessor market with 83% market share (Mouthaan, M., 2012). Whole Macintosh line is now running on Intel chips to get higher performance for desktops and laptops. There is a dependence on Intel like the other PC brands. Therefore, Intel has a high bargaining power as a supplier for PCs.
- However, for non-PC devices (iPhone, iPad, iPod) that make up 76% of Apple's revenue (See Appendix 2), it develops its own A4 and A5 chips which mitigates its over-dependence on Intel. (Ogg, E., 2010)
- Apple develops its own Mac OS X operating system for its PCs. Owing to incompatibility of the Mac OS with many software programs, Mac users may prefer to run the Windows OS. This creates a bit dependency on Microsoft to provide the Mac-compatible Windows OS. However, Microsoft would also be dependent on Apple to make more sales for the Windows OS. Hence, this interdependency results in a low bargaining power of Microsoft.

According to Porter's Five Forces, Apple's differentiation strategy has enabled the company to compete effectively in the competitive industry.

4. CONCLUSION

This report has identified Apple's the current and future strategies. Apple Inc. uses a range of business strategies such as differentiation, diversification, broadening consumer base, creating ecosystem products, innovation and retail. Apple is now the world's the most valuable technology company. Apple's growth and to keep its lead depend on innovation and its future business strategy. Apple's strategic direction for the future is to focus on the success of the iPhone and iPad, expand into emerging markets and continue innovation. Apple can be expected to continue with new product launches in next months. The report also makes SWOT and Porter's five forces analyses for Apple. It presents Apple's strengths, weaknesses, facing threats and opportunities in SWOT analysis. While Apple's high price and low product range are a weakness for Apple, its strong marketing activities and innovative products are its strengths. Consumer's digital lifestyle's shift from PC to mobile devices and emerging markets are Apple's big opportunities. However, intense competition in industry and international operations also carry substantial risks for Apple. Apple's competitive environment s examined with Porter's Five Forces and it is inferred that Apple's current position and strategies has provided the company to compete effectively in industry.

5. RECOMMENDATIONS

By the nature of the industry where technological advancements and product obsolescence are rapid, Apple should continue to invest in Research & Development in order to keep its lead in industry with new innovations.

Apple should turn its each product launch into an Apple show again as Jobs does the best. Because Apple's product launches always reflected firm's energy, passion and enthusiasm to audience and caused even rivals to admire Apple. It created Apple fans. Shortly, Apple should continue getting people excited with product launches.

Apple's premium pricing strategy can exceed what some consumers can't afford. Low end of the market is being left unaddressed by Apple. Apple should follow diversification based on each on product model to address different segments. By making a low cost entry level phones, Apple should attract people into the Apple ecosystem. Apple has an ecosystem which enables to position Apple as the center of its consumers' digital lifestyle. This means there is a tight connectivity and compatibility among various Apple products which is exclusive to Apple. Once a person buys one of Apple's products, he/she will probably buy again, because an Apple product works best with the other Apple product. Therefore, Apple should access more customer segments.

Apple should take notice of both positive and negative feedbacks from its consumers and turn these ideas into winning solutions.

It is important for Apple to minimize product limitations without compromising on its core values and product uniqueness. In this way Apple can increase its strength in the market.

Apple should expand its market towards to unsaturated and growing markets. Especially Apple products are very popular in some growing economies such as Brazil and China. Apple should give weight to these new markets.

The bigger proportion of Apple's revenue comes from international markets. Therefore Apple should take notice of laws and regulations abroad.

Apple should continue taking legal actions to protect its products from imitation and piracy. Thus, with lawsuits, it can discourage imitators and pirates

Behind Apple's success there is a web of suppliers and distributors such as AT&T, Verizon, TPK Holdings. These companies also profits as long as Apple's phenomenal success continues. Apple should strengthen and expand its strategic partnerships.

Apple stores operate in only thirteen countries. Apple should increase Apple store locations. The stores are an important source of revenue for Apple and serve as an interactive advertisement for the Apple brand with its unique atmosphere and service concept.

Apple should expand Corporate Social Responsibility (CSR) services in education sector. Apple could donate, or sell at a discount, these excess stocks to schools and aid in upgrading the school's infrastructure, as well as enhancing the learning experience of youths. Thus, it both will have helped in frame of CSR and increased Apple's brand value and awareness.

Strategic change is essential for improving the competitive advantage of Apple and driving up business growth. Apple should manage strategic changes as follows:

- It should educate those at the lower levels the reasons and benefits of implementing the change process.
- It should facilitate the change process, for example, through investing in training and rewards. This has the benefits of reducing resistance to change, motivating the staff and allowing total co-ordination and commitment.
- It should involve those affected in the change process. Getting their views and opinions is key to achieving total participation from them as they feel empowered to support the vision of Apple.
- Where necessary, it should negotiate and make a compromise with those affected. However, it should care should be taken that a compromise will not result in Apple abandoning and modifying its vision of strategic change. A bargain should only allow minimal changes to the original strategy.

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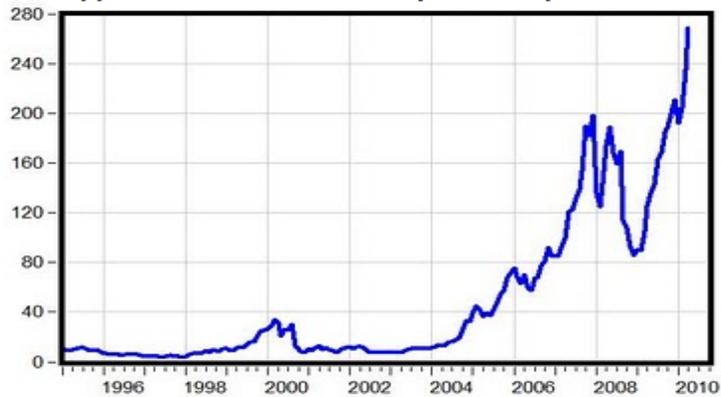
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7. APPENDICES

7.1 Appendix 1

Apple Share Price from January 1995 to April 2010



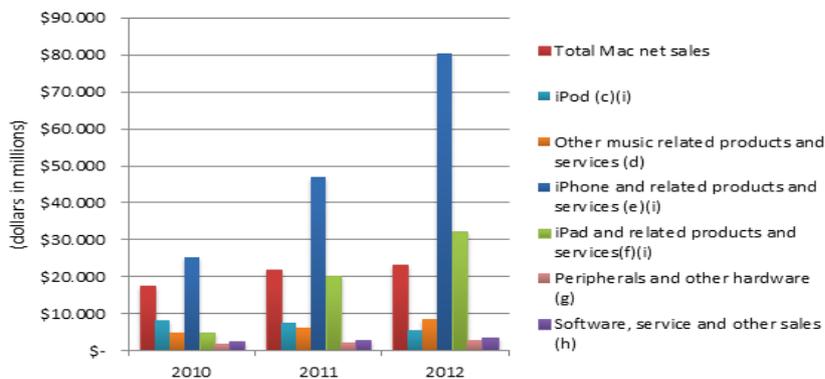
Source: <http://mjerry.blogspot.co.uk/2010/04/what-if-i-had-bought-apple-stock.html>

7.2 Appendix 2

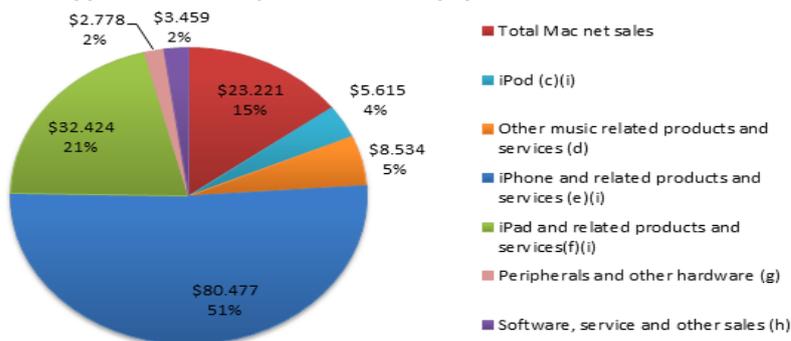
Apple Net Sales by Product 2010-2012

Apple Inc. Net Sales (dollars in millions) by Product			
	2010	2011	2012
Desktops (a)(i)	\$ 6.201	\$ 6.439	\$ 6.040
Portables (b)(i)	\$ 11.278	\$ 15.344	\$ 17.181
Total Mac net sales	\$ 17.479	\$ 21.783	\$ 23.221
iPod (c)(i)	\$ 8.274	\$ 7.453	\$ 5.615
Other music related products and services (d)	\$ 4.948	\$ 6.314	\$ 8.534
iPhone and related products and services (e)(i)	\$ 25.179	\$ 47.057	\$ 80.477
iPad and related products and services(f)(i)	\$ 4.958	\$ 20.358	\$ 32.424
Peripherals and other hardware (g)	\$ 1.814	\$ 2.330	\$ 2.778
Software, service and other sales (h)	\$ 2.573	\$ 2.954	\$ 3.459
Total net sales	\$ 65.225	\$ 108.249	\$ 156.508

Apple Inc. Net Sales by Product between 2010-2012



Apple Inc. Net Sales(dollars in millions) by Product in 2012



Source: Adapted from Apple Inc. Annual Report Form 10-K [Filed October 31, 2012] in 02 January 2013.

7.3 Appendix 3

PC's in Use By Regions :

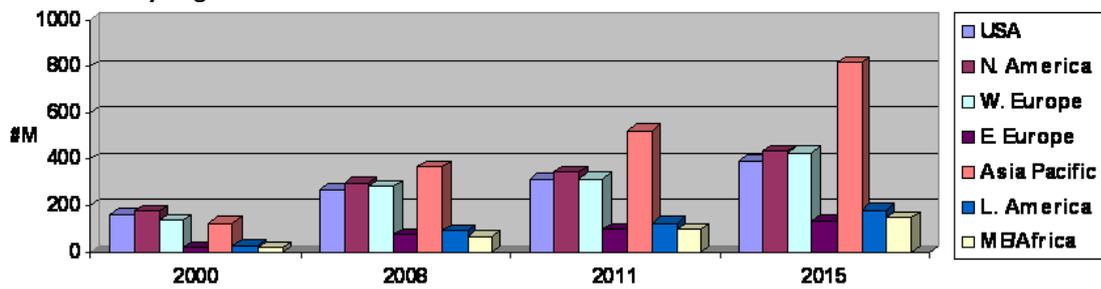


Figure 1.2: PCs In-Use by Regions

Source: http://www.etforecasts.com/products/ES_pcww1203.htm

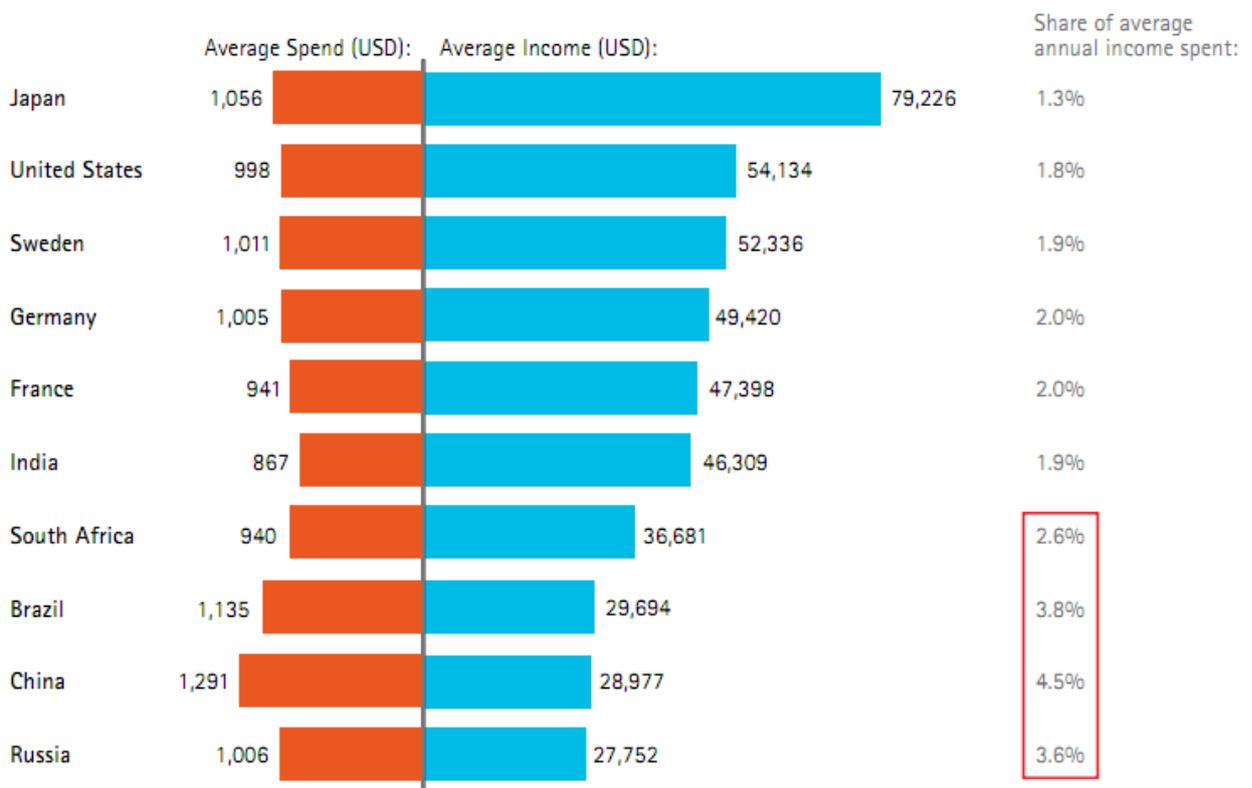
7.4 Appendix 4

Spending on Consumer Electronics By Countries :

Figure 10: Spending on Consumer Electronics

In the past 12 months, approximately how much have you spent on purchasing consumer electronics, such as the ones listed previously?

Average spend vs. average annual income in the past 12 months:

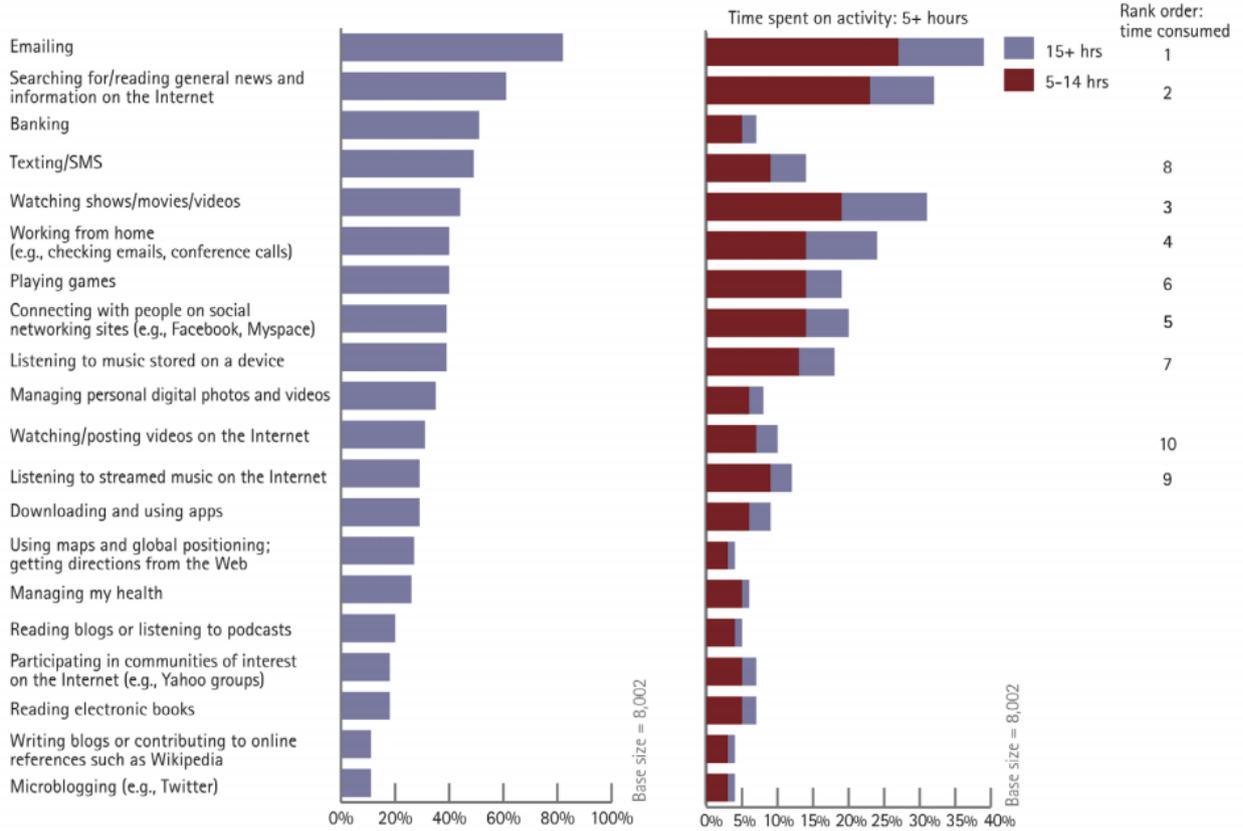


Source: http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture_EHT_Research_2012_Consumer_Technology_Report.pdf

7.5 Appendix 5

Consumers' Digital Lifestyle Survey :

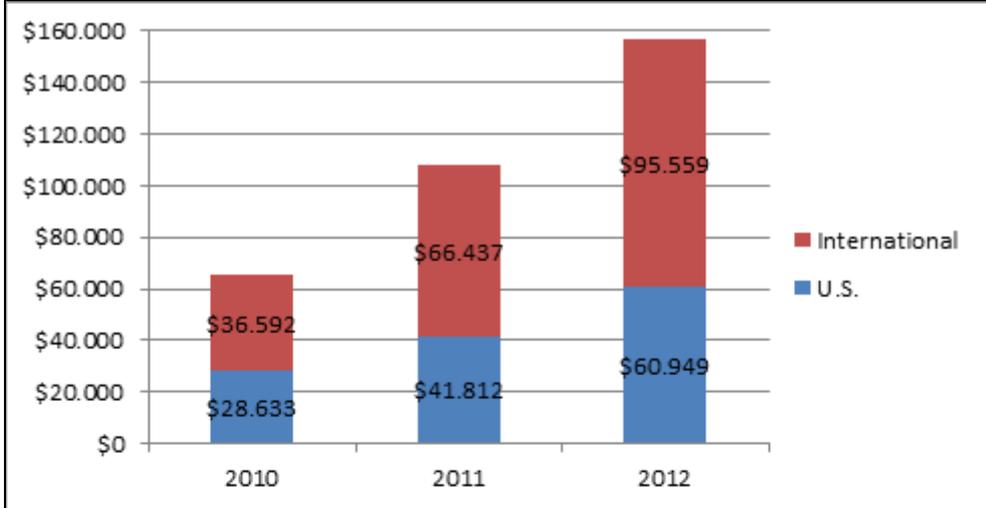
Figure 1: Which of the following activities do you do in a typical week? How much time do you spend?



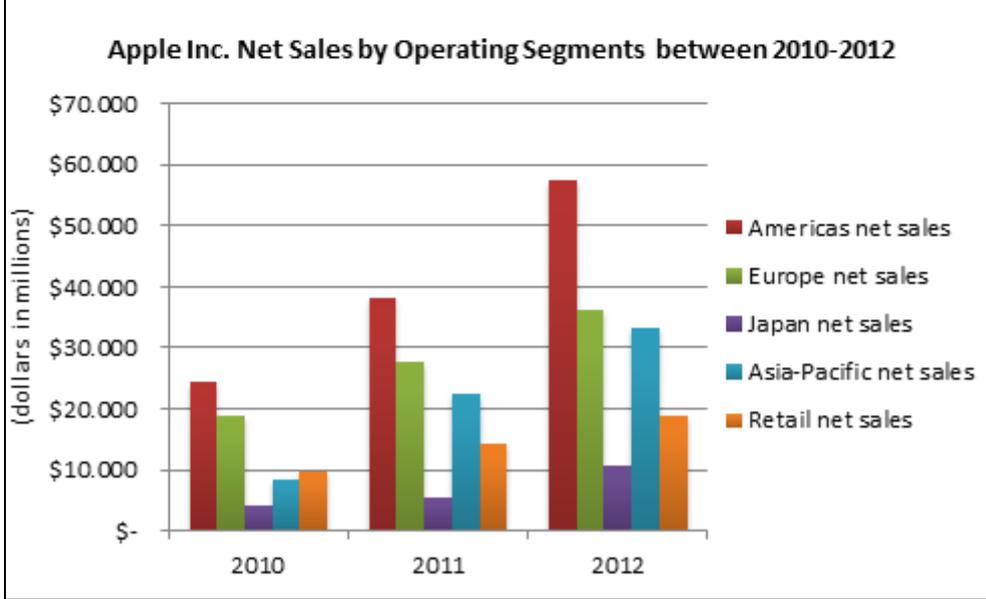
Source: http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture_Communications_Research_PTS_Digital_Lifestyle_to_Digital_Lifeblood.pdf

7.6 Appendix 6

Apple's Net Sales By Operating Segments Between 2010 – 2012



Apple Inc. Net Sales (dollars in millions) by Operating Segments			
	2010	2011	2012
Americas net sales	\$ 24.498	\$ 38.315	\$ 57.512
Europe net sales	\$ 18.692	\$ 27.778	\$ 36.323
Japan net sales	\$ 3.981	\$ 5.437	\$ 10.571
Asia-Pacific net sales	\$ 8.256	\$ 22.592	\$ 33.274
Retail net sales	\$ 9.798	\$ 14.127	\$ 18.828
Total net sales	\$ 65.225	\$ 108.249	\$ 156.508



Source: Adapted from Apple Inc. Annual Report Form 10-K [Filed October 31, 2012] in 02 January 2013.