1-1-2012

The Innovative Success that is Apple, Inc.

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Introduction- The Birth of a Brain Child

Apple, Inc. started out as an idea of one man. This man was Steve Jobs. Jobs and his friend, Steve Wozniak, were two high school drop outs living in the Silicon Valley with extremely innovative and intelligent minds (Santa Clara Historical Society, 2012). The pair teamed up, while working for Hewlett Packard, to start Apple, Inc. from the basement of Jobs' home (Santa Clara Historical Society, 2012). The pair created the first Apple computer on April 1, 1976 (Santa Clara Historical Society, 2012). The rest, as they say, is history. The creation of that first computer—and subsequently the birth of Steve Jobs' brain child-- is what started Jobs and Wozniak on the path that has now revolutionized the way that many people all over the world use a computer, search the internet, listen to music, and even talk on the phone. Apple, Inc. is the perfect example of how a dream became a reality—one step at a time.

From Brain Child to Innovative Success (A Brief History of Apple, Inc.)

Ron Wayne, Steve Wozniak, and Steve Jobs founded what would become Apple, Inc. in 1976; however, soon after, Wayne left the company (Santa Clara Historical Society, 2012). Steve Wozniak introduced and designed Apple's first computer, the Apple I, to Hewlett Packard (HP); HP was not impressed and chose not to pursue the venture (Doughtery, 2011). Jobs and Wozniak did not let this deter them from continuing to develop and sell their computers. In 1978, the Apple II was introduced and sales went from 35,000 computers in 1979 to 78,000 computers in 1980(Doughtery, 2011). Then, in 1980, the company (which consisted of about 1,000 employees at the time) went public and the stock offering did well (Santa Clara Historical Society, 2012).

In the 1980's and early 1990's, Apple did well in sales due to new versions of Macintosh and their new market, the office computers (Doughtery, 2011). In 1984, Apple made the Macintosh computer; the Macintosh made sales of 70,000 units soon after it was made (*The* (Doughtery, 2011). Shortly thereafter, there was a major power struggle among executives. This power struggle would lead to the departure of Jobs and some other executives (Santa Clara Historical Society, 2012). The combination of sales success and departure of the company's leaders found Apple at a monetary loss in the mid 1990's which can be directly linked to unfilled orders for the Power Macintosh line of computers(Doughtery, 2011).

In 1997, Steve Jobs returned to Apple as an advisor when Apple, Inc. purchased his new company NeXT, Inc(Doughtery, 2011). Jobs then became CEO of Apple, Inc. and introduced the iMac, which sold 800,000 units by 1998(Doughtery, 2011). From that point on, the company did very well. Jobs and Apple began introducing new, innovative products one at a time; the iPod was unveiled in 2001 and the iPhone in 2007(Doughtery, 2011). In 2008, the iTunes store sold more music than Wal-Mart (who was the leading music provider up to that point) and then the innovation continued with the introduction of the iPad in 2010 (Doughtery, 2011). The growth of Apple, Inc's music sales was in direct correlation to the fact that iPods sold 275 million worldwide between 2001 and 2010(Doughtery, 2011). Jobs was consistently rated the no. 1 CEO due to the value he added to Apple by coming up with these new products and, at this time, Apple, Inc. is considered the world's best company by many magazines (Doughtery, 2011).

Apple Inc.'s Executive Management Team

Apple, Inc. has experienced several changes in the executives that run the company in the last couple of years. Unfortunately, the company experienced the death of Founder and CEO, Steve Jobs. This left the company looking for new leadership and direction. Recently, the company named Tim Cook as the new CEO of Apple, Inc. According to www.apple.com, Cook was named acting CEO and member of the Board of Directors in August of 2011 (2012).

Appointing Cook as CEO seems to be a strategic and logical decision as Cook was previously the COO for Apple and was responsible for sales and operations worldwide, which includes being responsible for the management of "Apple's supply chain, sales activities, and service and support in all markets" (Apple, Inc., 2012). All of this experience should prove to serve him well in his new position. In addition to this experience with Apple, Inc., he also used to head Apple's Macintosh division and was a key player in the continued development of "strategic seller and supplier relationships" (Apple, Inc., 2012). Before coming to Apple, Inc., Cook gained experience working for other computer companies (Compaq and IBM) (Apple, Inc., 2012). This experience in such previous roles has proven Cook to be a flexible, capable leader
for this company. Cook's education has served him well. He has been able to use his M.B.A. from Duke University and his Bachelor of Science in Industrial Engineering from Auburn University to good use (Apple, Inc., 2012).

Cook has a supporting cast of Vice Presidents that should be able to help him continue with success at Apple, Inc. Eddy Cue, the Senior Vice President of Internet Software and Services, is a twenty-three year veteran of Apple and was a major part in creating Apple's online store and the iTunes store (Apple, Inc., 2012). Craig Federighi, the Senior Vice President of Software Engineering, brings years of experience from working under Jobs at Apple and NeXT (Apple, Inc., 2012). Jonathon Ive, the Senior Vice President of Industrial Design, is known as "the driving force behind the look and feel of Apple's innovative products" as he is the man that has lead the design team for the company since 1996 (Apple, Inc., 2012). Bob Mansfield, the Senior Vice President of Technologies, has been responsible for overseeing several breakthroughs in regards to Mac products since 1999 (Apple, Inc., 2012). Peter Oppenheimer, the Senior Vice President and Chief Financial Officer, has been using his financial background and education to Apple as a controller then the CFO since 1996 (Apple, Inc., 2012). Dan Riccio, the Senior Vice President of Hardware Engineering has been with Apple since 1998 and is responsible for leading the engineering teams that develop the Mac, iPhone, iPad, and iPod products (Apple, Inc., 2012). Phillip W. Schiller, the Vice President of Worldwide Marketing, has twenty-fives of marketing management, the majority of which has spent with Apple over thecourse of his two different stints with the company (Apple., Inc., 2012). Bruce Sewell, the Senior Vice President and General Counsel, brings his over twenty-five years of legal experience in the technology realm to his position in which he handles all legal matters for Apple, Inc. (Apple, Inc., 2012). Jeff Williams, the Senior Vice President of Operations brings over twenty-five years of operational and engineering experience to his position where he is responsible for the quality control and supply chain management (Apple, Inc., 2012). With more than two centuries worth of experience in the industry combined when it comes to their top executives, it is now wonder that Apple, Inc. continues to be an extremely successful company.

While Apple, Inc. has lost a visionary and innovative genius with the loss of Steve Jobs, Tim Cook is a worthy individual to be named CEO of this company. In his first quarter alone, Cook saw Apple post revenue of $36 billion and a quarterly net profit of $8.2 billion as compared to the previous year at the same time when the company posted revenue of $28.3 billion and a net profit of $6.6 billion (refer to exhibit 1) (Apple, Inc., 2012). His education, work experience, and supporting cast empower him with the tools to keep moving Apple, Inc. forward.

Apple, Inc.'s Vision

As found on the company's website, Apple, Inc.'s vision is the following: "Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings"(Apple, Inc., 2012).

Apple, Inc.'s Mission

As found on the company's website, Apple, Inc.'s mission is the following:

> Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store, and is defining the future of mobile media and computing devices with iPad((Apple, Inc., 2012).

Apple, Inc.'s Values

As found on the company's website, Apple, Inc.'s values are as follows:

- We believe that we're on the face of the Earth to make great products.
- We believe in the simple, not the complex.
- We believe that we need to own and control the primary technologies behind the products we make.
- We participate only in markets where we can make a significant contribution.
- We believe in saying no to thousands of projects so that we can really focus on the few that are truly important and meaningful to us.
- We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot.
- We don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and courage to change. (Apple, Inc., 2012).

Apple, Inc.'s Business Strategy and Goals

As seen in the company's vision, mission, and values, Apple In. has a clear strategy and set of goals. Apple, Inc. defined their strategy and goals in their last annual report as the following:

> The Company is committed to bringing the best user experience to its customers through its innovative hardware, software, peripherals, and services. The Company'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. The company believes continual investment in research and development and marketing and advertising is critical to the development and sale of innovative products and technologies. As part of its strategy, the Company 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 iBook store 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. In January 2011, the Company opened the Mac App Store to allow customers to easily discover, download and install applications for their Macs. The company also supports a

> community for the development of third-party software and hardware products and digital content that complement the Company's offerings. The Company'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's Annual Report, 2011).

Now that Apple Inc.'s strategy and goals have been shown, a look at what effects the decisions of the executive staff in regards to the general environment is needed.

Apple, Inc.'s General Environment

There are many factors associated with the general environment of a company. The following are details of certain segments that have a profound effect of Apple, Inc. as a whole:

Technological segment

In the computer hardware industry, technology is the top factor that influences the success of a company. The innovation of technical progress provides better, faster and cheaper electronic products every year as it also creates a market segment as new products and markets are created. Therefore, the innovation in technology makes the industry fiercer as a whole each and every year. According to the Gartner website, worldwide demand of the PC market is declining 0.1 percent from the second quarter of 2011 (refer to exhibit 2) (2012). In the U.S., PC shipments totaled 15.9 million units in the second quarter of 2012, which was a decline of 5.7 percent from the same period last year (refer to exhibit 3) (Gartner, 2012).In the IDC press release, the worldwide tablet shipments for the second quarter of 2012 are estimated at 25 million units, an increase of 66.2 percent from 15 million units in the second quarter of 2011 (IDC group, 2012). This large increase reflects consumers shifting their interest to smart phones and tablets from
PCs. Global tablet sales will reach 232 million units in 2016, according to the last Tablet Technology and Markets report from Future Source Consulting (eMarketer, 2012).
Threat: New products from rival firms could lead to Apple products being less in demand. Acer and ASUS are starting to unveil mini notebooks and might move quickly into the high-end tablet market. Technological change occurs very fast and if Apple cannot keep up with changes in technology, Apple will be left behind their rivals.

Demographic segment:

Home access to the internet has increased dramatically over the last decade, along with the dramatic increase in the use of computers, tablets, cell phones, and electronic books. The United States population from 2012 census data was estimated at 314,440,891, while more than 110 million people in the U.S. owned some type of smartphone in June 2012 and 43.2 million U.S. consumers ages 18 to 34 logged on to the mobile web this year alone. The U.S. tablet users are estimated to reach 89.5 million (an increase 35.6 percent) in 2014 (eMarketer, June 2012). The number of younger people accessing the internet by phone is increasing drastically. In 2010, almost six out of ten children ages 3- 17 used the internet at home, an increase of 22 percent in 1997 to 57 percent in 2010 (Child Trends, 2012).

According to New Media Trend Watch USA's "demographic profile of U.S. smartphone users who have used a QR code, February 2011," the gender ratio is 51% male and 49% female; the age ratio is 39% from 18 to 34, 48% from 35 to 54, and 13% above 55; the household income ratio is 6% for less than $25K, 23% from $25K to $50K, and 71% for more than $50K; the education level ratio is 11% high school, 26% College or associate and 63% University (eMarketer, April 2011).

Opportunity: The increasing use in internet access, especially with smartphones and tablets, will lead to an increase in demand for the devices. Apple could be expanding its sales through these opportunities and maintain its leader position.

Socio-cultural segment:

The socio-cultural factor is important to companies that develop worldwide because culture could be restrictive to companies' profitability. It is not easy to adapt to the different cultures and be successful with the international segment. Apple faces difficulty when it comes to selling their products in the Asian market because the 3G & 4G technology have not been popular there yet (Worstall, 2012). Furthermore, the habit of trading in cash in Asia is still a problem for a high initial cost of the computer industry. People in China would like to see stuff when they purchase it, somehow they do not prefer to accept credit card transactions (Worstall, 2012).

Apple, Inc.'s Industry

According to the Apple Inc. annual report, Apple is engaged in "designing, manufacturing and marketing mobile communication and media devices, personal computers, and portable digital music players and sells a variety of related software, services" (2011). The company had been previously known as Apple Computer Inc.; however, Apple Inc. removed the word "Computer" in 2007 to reflect the company's focus towards consumer electronics and digital distribution (Apple, Inc., 2012). Apple Inc. now is in the computer hardware, computer software, consumer electronics, and digital distribution industries (Apple, Inc., 2012). In these industries, the key factor is undoubtedly technology. The popularity of technological innovation can help a top company by creating competitive advantages, but also bring more competitors to the market. Most of the products in the industry are based on technological innovation. Companies in these industries have to introduce new products or services frequently due to there being numerous active competitors. Besides leadership that can address the strategy which creates the competitive advantage of a company, investing in research and development (R&D) is also very important. The product life-circle in these industries is shorter than any products from other industries (Gross, 2012). One product can be out-of-date in less than one year without an improvement from technology (Gross, 2012). All that facts show that technological innovation is a key aspect of the industries that Apple, Inc. is in.

Due to the constant growth of technology, the industries that Apple is in are some of the most unpredictable industries nowadays. Before 2007, there was no touch screen phone that people could use by hand and Apple, with its technology, changed the definition of a smartphone with the introduction of their first iPhone (Copeland, 2010). Furthermore, Sony had created the first portable music player in 1979 and then more than eleven years later, the Japanese company changed the music industry again by introducing a Discman in 1990 (Bertolucci, 2009). A mere eleven years after the introduction of the Discman, Apple made a big change in the industry with the first generation of iPods (Bertolucci, 2009). It shows that through technology, an industry can change very quickly and no one can know what will be the next level of technology or the next great technological breakthrough.

In these industries, several different strategic groups exist. Due to the popularity of technology and the supply chain, most of the products in the industry can be provided globally; therefore, price is the most frequent aspect to analyze strategic group in the industry (Hess, 2006). Besides price, technology companies can define their core value by targeting different levels of customers, such as consumer or business customers (Hess, 2006). They also can develop their strategy based on their core product, such as digital or physical asset (Hess, 2006).Following a

strategic group analysis, Apple targets to consumers in the high-tech market, providing both digital and physical assets (*Fast Company*, 2011). The company defines itself as a high class technology company by setting a premium price to most other competitive products (Apple, Inc., 2012). This high-tech company not only sells hardware, but also develops its own software to support its line of products (AppleInsiderstaff, 2007). In short, Apple Inc.'s strategy in the industry is clearly well-defined and this helps the company stand out from other competitors.

The Target Market/Customers

There is no point to having great products if there is no target market for those products. Apple, Inc. focuses on marketing to people with a few different characteristics. Middle and upper class income people are a primary focus for Apple because these demographics are usually willing to pay slightly more for "a better user experience" because $500 for a laptop is not a stretch for them (www.patentlyapple.com, 2010). Obviously, technological innovators like Apple are going to focus on people who like to have fun with technology; Apple's extensive line of entry level devices and tools is beginning to appeal to people of all ages and not just the coveted 18 to 34 year old demographic that seems to be thoroughly enthralled by the company and its products (www.patentlyapple.com, 2010). Thanks to iPods and iTunes (and their impressive compatibility with all other Apple products), Apple is able to target music enthusiasts from a large age demographic (www.patenltyapple.com, 2010). Additionally, thanks to their cutting-edge technology, Apple is also able to target professionals that work in media and design (www.patentlyapple.com, 2010). While Apple's prices are generally higher (a new iPhone could be $800 or a new iPad almost $2000), they are able to appeal to people of all ages and demographics due to their reputation of impressive technological breakthroughs, while still managing to focus on targeting the customers that were just discussed.

Apple, Inc.'s Suppliers

Besides popular products, Apple Inc. has been known worldwide as being superior when it comes to supply chain management. In the annual Supply Chain Top 25 report in 2010, ARM research ranked Apple Inc. a top place in a list of retail and manufacturing heavyweights (refer to exhibit 4)(Wailgum, 2010). Apple Inc. scored 8.21, which was significantly higher than the second place, Proctor & Gamble(P&G), which scored a 5.91(Wailgum, 2010). The key factor of Apple's supply chain is effectiveness. The company's unparalleled demand-shaping capability lets its supply chain record spectacular results without sweating costs like everyone else, according to ARM research in 2007(Wailgum, 2010). Also according to AMR, Apple "dominates because it consistently brings both operational and innovation excellence to bear in some of the most competitive markets in the world. From a supply chain perspective, the company's ability to ramp volumes both in hardware and software while redefining what a mobile telephone is supposed to be has been impressive" (Wailgum, 2010). In order to archive an effectively supply system, Apple Inc. has contracts with many different suppliers in the world. In the Apple Supplier Responsibility report in 2012, Apple, Inc. release that it has 229 audits that connect with the company, more than100 of these are in manufacturing, which the company never had before 2012 (Apple, Inc., 2012). Most of their important manufacturers are in China for low cost purposes. Their LCD panel suppliers are from Korea, which is explained as a quality control issue (Wailgum, 2010). All of this shows that the Apple, Inc. supply chain is very active, effective, and efficient.

Issues with the Supply Chain

While Apple Inc. has been receiving praises for its supply chain, there are issues with the high-tech company's system. Working conditions in Apple's manufacturing locations is the first issue in the company's supply chain. Apple's largest assembling partner, Foxconn has been reported as having low working conditions (Cho, 2012). In Foxconn factories, their source of workers should be a topic for further discussion and consideration. According to a report in 2010, there were 900,000 plus employees in these factories and many of them were students that aged in range from 16 to 18 that were forced to work on the line for up to 2 years (Chan, 2010). Also, the Chinese factories have many workers who are pressured to work overtime on a regular basis (Cho, 2012). From the same article, there is a survey showing that 73.3 percent of employees work 10 hours or more a day; the average overtime is 83.2 hours a month—an obvious breach of the official labor laws, which limit monthly overtime to 36 hours a month (Chan, 2010). As a result, twenty workers attempted suicide, fourteen of them succeeding in their attempts, in recent history (Kan, 2012). At another Apple component supplier, Foxlink, a Chinese man committed suicide by jumping out of the sixth floor on Sep. 29, 2012 (Kan, 2012). These are significant alerts to the working conditions in Foxconn factories and other factories of Apple Inc.'s suppliers.

The second issue of Apple Inc.'s supply chain is related to the relationship between the company and its suppliers. According to Jessica E. Lessinand IanSherr in The Wall Street Journal, the high-tech company cannot archive the expectation number of sales by the end of 2012 due to an insufficient supply chain (2012). Apple's suppliers do not have the capacity to produce enough parts for the current product demand. Although Apple, Inc. has many suppliers all around the world, when the supply chain is assessed piece by piece, it is found that some components (which are very important to the company products) are chips and LCD Panels (Lessin, 2012). Samsung, the largest LCD screens supplier of Apple, Inc., has plans to stop providing their products to Apple, as revealed in The Korea Times, because the Korean company no longer finds it beneficial to continue cooperating with Apple (Cho, 2012). Because of this, Apple will be left with only two suppliers of LCD screens that both have a severe lack of experience; these suppliers, LGD and AUO, will be all Apple has to support their current and new products (Cohan, 2012). This will lead to an insufficient number of products to meet the market demand and cause a big loss of sales for Apple during the holiday season. A lack of control by Apple in regards to its assembly manufacturers also causes a delay in delivery to already customers that have already placed their orders as recently as October of 2012 (Cohan, 2012). The company's customers have been told to wait about a month for item delivery due to problems with Foxconn's worker riot (Cohan, 2012). Things are going downhill in regards to Apple's supply chain, therefore, the high-tech company should take action if it want to continue to maintain its previous success levels.

Apple, Inc.'s Competitors' Comparison

As a company of research and development that produces high-tech products, Apple has many strong opponents in the world, such as: Google, Microsoft, HP, and Amazon. Apple is not the company with the most seniority in the IT industry history, so it begs to question how the company managed to produce products that beat all the opponents. Apple, Inc. has quickly become a legend. Apple treats innovation as the source of the survival and development of a business at the beginning stage, and Apple has successfully penetrated this idea into the corporate culture (refer to exhibit 4) (*Tim Cook*, 2012). It is precisely this idea that makes Apple's products so unique. Apple is synonymous with innovation in the public mind; formal innovation is what has lead Apple to always guide the trend from 1984 with the introduction of the revolutionary Macintosh computer to 2012

when the iPhone5 came out (Cohan, 2012). Apple has a grasp on the requirements of consumer products while, at the same time, the production of the products is an impeccable, luxurious, technologically sound dream with the requirements to become fashionable products as well; all this combines to make people willing to pick Apple products rather than other similar products when it comes to making purchases (Barrett, 2012). The correct Apple product positioning, along with target market and consumer satisfaction, help Apple products to have a really good reputation in general. Apple's almost dizzying speed of new product releases has literally left other companies far behind in the market.

Why Apple Will Win

The iPhone, iPad, and all the other I-products will keep leading the world's media product wants. Apple is the No.1 wealthiest company in the world now(at least in regards to the fact that they get the most cash on hand show in their balance sheet) (Apple, Inc., 2012). These products have helped to create an Apple empire in the history of business. Apple, Inc. grows faster than any other company. The rate of their revenue increase is over 50% in the most recent three to four years; sometimes the revenue increases even double this number (Apple, Inc., 2012). Apple's previous CEO, Steve Jobs, nor Apple's current CEO, Tim Cook, has not done anything wrong to slowdown this amazing growth.

Apple just keeps hitting new records. The third quarter of 2010 saw the company hit 15.7 billion in revenue; a mere year later, that revenue almost doubled when it reached 28.57 for the same quarter (Fast Company, 2011). This is exceptionally impressive in regards to a revenue increase during a non-holiday season. Meanwhile, Apple Inc.'s cash reserves managed to total more than the entire net worth of many small countries, as well as the U.S. Treasury's (Fast Company, 2011).All the Apple products did well in sales in regards to their own markets (refer to exhibit 5).

Horizontal Approach (hardware)

PC: Apple Mac VS HP

In the personal computer market, Apple did not perform as well as its other products. As seen in the first quarter of 2012, "the research company Canalys reported HP shipped 40,000 more client PCs than Apple in the first three months of the year. Apple had passed up HP in regards to sales of products in the fourth quarter of 2011, but 15.43 million were Apple iPads and only 5.2 million were Macs (Fast Company, 2011). If tablets do not count as PCs, HP will be the sales champion in PC market.

Computer Pricing is the main problem when it comes to the Apple Mac's difficult quest to beat HP. For just $350, you could get a laptop with a DVD/CD-RW drive, 4GB DDR3 SDRAM a 17.3-inch widescreen display, 500GB hard drive and built-in webcam from HP (Kan, 2012). These are all the basic features for people that just want to surf online and check e-mail; it is difficult to get a person to spend $1,000 to purchase a Mac that does the same thing as this significantly cheaper HP (Kan, 2012).Despite the significantly higher price, Apple's desktop computers were rated at a "better-than-average" score in seven of nine different categories and readers were "very satisfied" with the overall reliability of Macs themselves; Apple received high scores on two different measures regarding customer service and Mac Book notebook computers received high marks as well, with a "better-than-average" score in six different categories (Fast Company, 2011). The high cost leads many customers to choose other, more cost-effective computers.

It has been said that the "IPAD changes everything" as it becomes a new area of the computer industry; Apple CEO, Tim Cook, said he believed "that there will come a day that the tablet market and units sold is larger than the PC market"(Copeland, 2010).

Financial Comparison

When looking the stock price in recent five years (refer to exhibit 5), it can easily be seen that Apple performed much better than HP (Worstall, 2012). Using the simple moving average index, it can be seen that Apple's stock increased 361. 25 percent from 2007 to 2012, but HP's stock actually went down 72.68 percent in this same time period (Worstall, 2012). From 2010 to 2011, HP's return on sales decreased 1.4 percent and their market capitalization shrank by $44,710 million (Worstall, 2012).

Tablet: iPad VS Amazon Kindle Fire

Apple tablets are top in customer satisfaction, followed by Amazon's Kindle Fire, but Samsung tablets are related below the industry average, as found in a J.D. Power survey (refer to exhibit 6) (TWICE, October 2012). Arguably, "Amazon Prime, the $79-a-year subscription service that gives customers free two-day shipping and access to movies and TV shows, creates Amazon addicts: In the year before a customer joins, he spends $400 a year, on average; in the year after, $900. Prime growth exceeds 50% annually" (TWICE, October 2012). While the PC market may be gasping for air, the market for new tablet hardware is growing more intense.

In the latest challenge to Apple's dominance in the fast-growing market for tablet computers, the New York Times reported in early November of 2012 that Amazon is preparing a larger version of its pint-size Kindle Fire tablet computer (the Kindle Fire now has a 7-inch screen and a starting price of $199) (Moscaritolo, 2012). Apple, meanwhile, is preparing a version of its iPad tablet computer with a 7.85-inch screen and a cut-rate price tag, Nick Winfield and Nick Bilton reported for the Times (Moscaritolo, 2012).

Apple already faces fresh challenges from Google, which began shipping the Nexus 7 tablet this month, and Microsoft, which unveiled a pair of tablet computers they named "Surfaced" last month (*How Tim Cook,* 2012).So far, at least, Apple has managed to vanquish all challengers. Research in Motion's Playbook, Hewlett-Packard's Touchpad, and Dell's Streak line of tablets have all struggled as sales of Apple's iPad continue to surge (Moscaritolo, 2012).

Apple has created a differentiated core is an effective combination of products and services. This differentiated combination mode has been a miracle for Apple, Inc. in recent years, as it is typically reflected in the combination of two: IPod + ITunes or IPhone + App Store (Moscaritolo, 2012). These two models also help Apple iPad when it comes to the decision of purchasing it or the Kindle fire.

IPOD + ITUNES Combination

Apple's iPod and iTunes are two different products that came out in January and October 2001 respectively (Einstein, 2012). The iPod experienced a series of innovative upgrades since its inception, as many as dozens of different versions of the development have been unveiled from then until the 2008 3 Series (Einstein, 2012). Its unique fashion design in appearance is completely different from other types of MP3 players (Einstein, 2012). Price differentiation is reflected in the global uniform pricing and never for sale; advertising investment for enterprises to create a good market image and brand of long-term high-cost attractive, and so on, these innovation, differentiation, global sales of the iPod player slightly increased from 50 million per year on the basis of 2006 cumulative sales of over 160 million U.S. dollars (Einstein, 2012).

The iTunes online music store is a powerful music manager of software, the key additional feature that consumers value. The iTunes online store sells digital music for $ 0.99 a song to make it, from the outset, distinguished from other music CD sales based retailers (Cohan, 2012). Just in two years since the beginning of 2006 to the end of 2008, a record five billion songs were sold

(Cohan, 2012). Not long after that, it was decided that iTunes was to enter the fields of film, television, games (Cohan, 2012).

In statistics found by the market research firm NPD Group, iTunes ranked first in the first half of 2008 (Einstein, 2012). The iTunes leading both strong, driven from the player market iPod also comes from the nation's first network of the iTunes music retailer status. Approximately 2900 people went through the network to purchase legitimate digital music products in 2007; that same year, 48% of young people no longer bought CDs and with this change in trend, the rapid rise of digital music has weakened the status of the traditional music retailers (Einstein, 2012). Although the competitors who have established online music stores exhibit low prices in an attempt to attract users, the continuous improvement of the software features a huge music library of more than 800 million songs, give up copyright protection technology, and other measures in a timely manner, which still makes iTunes to keep the most popular the online music store position (Einstein, 2012).

Smartphones

Apple iPhone VS Google phone

Google powered 12.5 billion of 19.5 billion total searches in the U.S. in August 2011, according to comScore (Simonsen, 2012). Google's dominant position in search is the platform that lets it aggressively target mobile, social, local, and other new frontiers. An analyst from financial research firm Global Equities Research has some bad news for Microsoft (MSFT) and Research (RIMM) (Simonsen, 2012). In an interview with *e-Week*, Trip Chowdhry predicted that Apple (AAPL) and Google(GOOG) will control 98% of the mobile market by the end of 2012 (IDC, 2012).Chowdhry went on to say that there "will not be any third spot left…Nokia, Microsoft and RIM will struggle in the remaining 2 percent of the market." Research firm IDC in August of 2012 found that Google and Apple controlled 85% of the global market, however Chowdhry defended his bold prediction (IDC, 2012).

The global telecommunications industry has become a core industry in regards to the world economy since the mid-1980s; the mobile phone industry has unquestionably become the most important sector of the telecommunications industry (Hess, 2006).As two of the leading companies in the mobile industry, Apple and Google each want to win the final game, and which mobile platform (iOS or android) will attract more customers' eyes will be the key to success (Simonsen, 2012).

January 9, 2007, Apple introduced the smart phone known as the iPhone (Apple, Inc., 2012). Since that time, Apple has introduced, in the design of the iPhone, a multi-touch touch screen, gravity sensor, electronic compass with GPS, and a camera, as well as a unique interface design (Simonsen, 2012). These phone features put the iPhone far ahead of other brands of phones on the operator interface at the time. The fiscal year of 2007 saw the first quarter to third quarter of sales leap from 270,000 to 1,120,000; this leap was a sales growth rate of an extremely high 314.44% (Simonsen, 2012).

The launch of the iPhone helped Apple achieve success in personal phone innovation. The success of the iPod plus iTunes, lead Apple to see the enormous potential of the terminal content services market. In order to innovate strategically, Apple began the transition from a manufacture of just consumer electronics to a provider of terminal-based content (Hess, 2006).Google, Inc. is an American multinational technology company that is committed to the field of Internet search, cloud computing, and advertising technology (Simonsen, 2012).Google has developed a large number of Internet-based products and service, but the company's main profits are from Ad Words and other advertising services (Simonsen, 2012). After the acquisition of Motorola, Google designed and released a phone that has since been a challenger to Apple's iPhone

series (Simonsen, 2012).

In an unexpected move, Google announced that they had signed an acquisition agreement with Motorola. According to this agreement, Google was to pay $40 per share of Motorola Mobility stock—a total of $12.5 billion in cash (Simonsen, 2012). What is the effect of this acquisition? This acquisition allowed Google to launch the Android phone rather early on, but the company is yet to set foot into the hardware industry (Simonsen, 2012). Instead, Google provides the software for companies like HTC and Samsung (Simonsen, 2012). At this point, Google is not a hardware vendor. Unfortunately, Google did get itself into a legal battle (which it lost) with Apple, Inc. due to the Android operating system that it created to be used in the HTC and Samsung phones due to this system's similarity to the iPhone's system itself (Simonsen, 2012). Google's acquisition of Motorola Mobility should eventually lead to the logical production of mobile phones. Google's latest version of the Android software will be used in the first Motorola phone that is released since the acquisition; this "super phone" will not be done overnight because it will be a combination of hardware and software that the company wants to be sure is paired perfectly (Simonsen, 2012).

Vertical approach (software): Operating system VS Microsoft

Apple has had some great success when it comes to its computer operating system. The main rival for Apple, Inc. in the computer software world is Microsoft (Kan, 2012). However, when Apple's computer, tablet, and smartphone operating system's are combined in usage, Apple, Inc. really is far above the competition. This complex domination can be explained as follows:

> According to the latest monthly totals from web metrics firm Net Applications, global usage of Apple's (AAPL) Mac OS X platform overtook that of Microsoft's (MSFT) Windows Vista in the month of August. The Cupertino-based company's operating system accounted for 7.13% of worldwide usage while Vista fell to 6.15%. The latest version of OS X, known as Mountain Lion, has seen extremely fast adoption and already has a worldwide usage share of 1.34%. In the same month, Windows 7 finally surpassed Windows XP to become the most popular operating system in the world. The firm also found that Apple's iPad and iPhone accounted for 3.37% and 2.42% of Web traffic respectively, while the Android operating system made up only 1.71% of traffic (Kan, 2012).

Apple's MAC OS X system also has a really good performance in mobile technology area. WINDOWS MOBILE (WM), the SYMBIAN and the PALM smart phone operating systems are designs that feature low phone CPU and various memory issues due to unresolved defects such as the WM system is too complex, the SYMBIAN system is slow, and the PALM system is not stable (Dan, 2012). Apple's iPhone directly uses the interface optimized desktop computer operating system MAC OS X, which enables the smartphone to exhibit all of the advantages of the MAC OS X operating system: running quickly, beautiful interface, and easy to operate (Dan, 2012). Unlike other smart phone systems to streamline the office, the iPhone's fully functional e-mail software and SAFARI Web browser accounted for more than 70% of the mobile Internet browser market (Dan, 2012).

Advertisements

Apple, Inc. has become well-known for its advertisements in the past couple decades. Their ads have been designed to reflect the company's business plan of targeting creative individuals to market their products to through various campaigns like the infamous "1984 Super Bowl commercial, the 1990sThink Different Campaign, and the iPod people of the 2000s campaign" (Nudd, 2011).

Regarding its advertising budget, Apple (AAPL) spent a lot of money for advertising over the past several years. In the 2009 fiscal year, the company spent US $501 million, which was up from US $486 million in 2008 and US $467 million in 2007 (Nudd, 2011).While this may seem like an overabundance of money spent on advertising, Apple's budget was comparatively less when compared with the US $1.4 billion spent by Microsoft (MSFT) in 2009 (Nudd, 2011). In fact, as a percentage of revenue, Apple had actually been decreasing its ad spending every year, from nearly 5% in 2001 to 1.37% in 2009 (Nudd, 2011). This amount is less than half of the 3.6% of revenue that Research in Motion (RIMM) spends just on advertising Blackberries (Nudd, 2011).

Apple, Inc.'s Competitive Positioning

Apple has been a leader in innovation for a long time. They may not be the first to introduce the product, but many times they are the first to lower the price and mass produce the product. Once they have taken the product to this new level, they then raise prices and watch the business roll in (Worstall, 2012). It is after this that their competitors try to mimic them in many ways. Take for instance, the iPod; the main feature here was memory (Worstall, 2012). Apple gave a person the ability to put his/her entire music library on a single device no bigger than your palm. In 2001, the iPod could hold 1,000 CD-quality songs into an ultra-portable, 6.5 ounce design that fits into someone's pocket (Gross, 2012). It was also different because it had the Auto-Sync, which automatically downloads iTunes songs and playlists into an iPod and keeps them up to date whenever someone simply plugs his/her iPod into his/her Macintosh computer. iPod's built-in Fire Wire port allows the customer to download an entire CD into iPod in under 10 seconds and 1,000 songs in less than 10 minutes (Gross, 2012). At the time of introduction, this unprecedented speed was 30 times faster than USB-based players (Gross, 2012). Apple made the iPod easier to use than other mp3 players at the time as well (Gross, 2012).

The suggested retail price of the iPod on November 10, 2001, when it was introduced, was $399 dollars (Gross, 2012). In 1998, the Mp3 player was introduced, earlier than the iPod. The MPMAN was $250 and had only 32 MB of memory (Gross, 2012). But the year that the iPod came out, for $799 you could get the holy grail of Mp3 players at the time which could only hold 100 CD's (Gross, 2012). So, the iPod was a much better deal at 1000 songs for only $399. The iPod was literally half the price of its biggest memory competition for ten times as many songs. Once Apple introduced this product, they became the leader in sales when it came to portable music devices (Gross, 20120. As a company, Apple likes to market toward hi- tech people that want a great product no matter what the cost (Apple, Inc., 2012). The sleek white design of the first iPod won over consumers (Gross, 2012). Now Apple is the leader in music players (Gross, 2012). Since the introduction of the iPod, they have introduced the shuffle, nano, iPod touch, and other products that tailor to that niche market that the company tends to focus on (Apple, Inc., 2012).

However, the iPod was not the only product that Apple revolutionized. They were the first to revolutionize the computer. They may not have been first to introduce the computer, but they were the first to mass produce them and really take them to the next level. With their Macintosh 2, their sales went from 35,000 to 78,000 units by 1980 (Santa Clara Historical Society, 2012). Suddenly people saw that their computers were not only better, but they looked better as well. The Apple 2 differed from its major rivals, the TRS-80 and Commodore PET, because it came with character cell based color graphics and an open architecture (Nudd, 2012). Another reason Apple 2 was better is that it gave users a compatibility with the office (Nudd, 2012).

The iPad was also revolutionary in its own right. The availability of applications on the device drew many consumers (Copeland, 2012). Its portability makes it better than a laptop in many ways; additionally, the iPad has the capability of the consumer placing it into a keyboard setup that

will let you type with a keyboard on your iPad just like the consumer could on a laptop (Copeland, 2012). Apple was not the first to make the tablet, but they were just the first to make it great and affordable (Copeland, 2012). A total of 300,000 iPads were sold on their first day of availability (Copeland, 2012). By May 3, 2010, very shortly after the products release, Apple had sold a million iPads; this was in half the time it took Apple to sell the same number of original iPhones (Copeland, 2012). TheiPads and all of Apple's computing products use the same operating system which is virtually virus free and easier, much straight forward to use than other operating systems (Copeland, 2012). Many consumers buy Apple products for that very reason alone. They want a product that is easy to use. That is how Apple is able to keep the stable demand for their products, by using a focused strategy that markets to this niche: Hi-tech people that like a top of the line product that is also easy to use and straight forward (Copeland, 2012).

The iPhone was introduced in 2007 at a Macworld Expo by Steve Jobs (Barrett, 2012). During his address, he pretended to introduce three devices: a new cell phone, an internet communicator and a widescreen iPod (Barrett, 2012). After the audience cheered for each new device, jobs then admitted that only one product was able to do all of these functions, plus a number of other great innovations (Barrett, 2012). For example, it could play movies and music, edit photos and could send and receive text messages(Barrett, 2012). Apple, Inc. was revolutionary in their iPhone. Apple sold 6.1 million original iPhone units over five quarters after its inception (*Fast Company*, 2011). The two initial models, a 4GB model priced at $499 and an 8 GB model for $599 went on sale June 29,2007 at 6:00Pm local time, while hundreds of customers lined up outside the stores nationwide; people wanted to be the first to get the phone that could do everything (*Fast Company,* 2011). Now an Apple iPhone has more technology and computing power in it than the first Apollo space ship (*Fast Company,* 2011).

Apple is successful with their marketing. According to Technology news, it is believed that Apple's strongest competitive advantage is its marketing strategy: "The Company simply seems to understand what will get people excited about its products, and then it executes on that vision" (Enderle, 2004). Instead of talking about product features or technology, Apple is showing that they care about their consumers' lifestyles (Enderle, 2004). They advertise their products in a way that offers a better life to customers and makes the trend of aesthetics and lifestyle appeal important (Enderle, 2004). Apple's products were launched with these attributes and outstanding functionality.

Apple is a unique electronic manufacturer because they have an approach of product launches that is more similar to fast moving consumer goods companies with new products every six month or a year. When a product is launched, that product will be supported by an advertising campaign, and the result is to generate a large amount of sales (Worstall, 2012). This approach makes people excited about Apple's products and keeps Apple as a leader of technology industry.

Apple's Retail Strategy

While other PC manufacturing brands are competing for shelf space, promotion, position, etc. at retail stores, Apple invests heavily in their brilliant retail strategy. Apple has 325 stores in 11 countries, 87 of those stores are outside the U.S (Bajarin, 2011). Apple is aware of the importance of interacting with customers to understand their needs. While the rest of the PC industry is struggling with differentiation and depends on software providers to improve their products, Apple has a strong competitive advantage because they manufacture both software and hardware (Bajarin, 2011). According to Ron Wayne, a senior analyst in competitive analysis at IHS," Apple takes a vertically integrated approach to its products, from the operating system to the user interface, to the hardware design, down to the selection of individual parts used in the device" (Wayne, 2011).

Apple, Inc.'s Organizational Structure

Apple organizational structure is one of the key factors which make it very successful. Under Apple, Inc.'s CEO, there are eleven executives of departments which will work directly under the company's top leader (Apple, Inc., 2012). Apple's CEO has power to control all of departments that are headed by the Senior Vice Presidents of CFO, COO, Legal, Design, iOS software, Operations, Retail, Software Engineering, Product Marketing, and Global Communication (Apple, Inc., 2012). Simplicity is a key of the company's structure approach. Top executives' responsibility is straight forward to departments without any matrix relationship. Apple, Inc.'s approach of structure clearly engages in centralized decision-making (Bajarin, 2011). The CEO and board of directors of Apple, Inc. "glue" all the decisions together and their decisions will go straight down the line to every employee of the company (Lashinsky, 2011). Says one former insider from the days of Steve Jobs' leadership: "You can ask anyone in the company what Steve wants and you'll get an answer, even if 90% of them have never met Steve." (Lashinsky, 2011). Also, any corporation itself will find difficulty when it needs an immediate change decision related to products and services. Apple, Inc. is different. Through the straight approach, any decision from the top executives of Apple, Inc. is instantaneous. It helps Apple quickly grab any opportunities if the board of director identifies any missing obvious ideas of the company products.

Financial Analysis of Apple, Inc.

Growth Ratio

Apple's financial performance has continued to strengthen over the second quarter of 2012. The revenue increased by 23% from $28.6 billion to $35 billion over the year-ago quarter. (Morningstar, 2012)Apple came in third place behind Dell, Inc. and Hewlett-Packard Co. in the US pc market with 12 percent market share. In the tablet market and smart phone market, Apple is the leader in market share and in volume with 29% market share in the smartphone market and 61.5 % market share in tablet market. (Refer exhibit 3) (Gartner, 2012).

Valuation and Financial Strength ratio

Apple Inc. currently has the lower Price-to-Earnings ratio of 14.5 compared to the industry standard of 15.7 and the S&P 500 average of 15.3 (Gartner, 2012). This indicates that Apple is less of a "risky" investment than other companies in the computer hardware industry and other firms in the market value weighted index. Furthermore, Apple has a current ratio of 1.6, which is equal with the industry and higher than S&P 500 ratio of 1.3 (Gartner, 2012). The current ratio indicates Apple's assets that can be converted into cash are good enough to cover its short-term obligation. The Quick ratio of 1.5 will be a support indicator to prove Apple's liquidity because the quick ratio also tells the ability of terminating a company short-term obligation by its current assets exclusion of inventory (Morningstar, 2012). The long term debt to equity ratio shows that Apple is not carry any long-term debt, that means Apple has a proportionate equity base and the ability of mobilized capital in need (refer to exhibit 8).

Profitability Ratios

Apple's gross profit margin ratio of 44.11 is higher than the industry average of 43.5 and the S&P 500 of 39.41 (Morningstar, 2012). The fact is Apple owns several retail stores which help Apple allocate its selling and administration expense effectively and cut off the discount fee to wholesalers or distributors. Moreover, Apple's product is following the premium pricing strategy that could be a factor in the higher gross profit margin ratio. The net profit ratio of Apple, Inc. is 26.97, representing the same with the industry average ratio of 26.38 (Morningstar, 2012). Apple

spends 2.5 % on R&D expenditures because of their blue ocean strategy, and this could "postpone" their net profit margin to be the same with the industry (refer to exhibit 9)(Morningstar, 2012).

Management Effectiveness

Apple's inventory turnover of 82.7 is higher than the industry average of 81.3 and the S&P 500 of 12.1 because of its strong sales (Morningstar, 2012). Apple has the power of making people excited about their new launching product. Apple is one of the firms that is efficient at using their assets in generating sales with the high assets turnover of 1.1 regarding their pricing strategy and high profit margin (refer to exhibit 10)(Morningstar, 2012).

Balance Sheet and Summary

Examination of the balance sheet shows Apple to be fairly strong financially. Apple's balance sheet is very liquid as many of its assets can be readily converted to cash; Apple's cash and cash equivalent increased by $110 billion (Apple, Inc., 2012). Apple holds over 60% of its assets in cash and market securities (Apple, Inc, 2012). To a technology company like Apple, liquidity is important because Apple is able to react quickly to opportunities and market changes. Apple declared to pay their dividends$2.65/share or $ 2.5billion/ quarter; they last offered a dividend in 1995 (Yoffie, 2012). Apple will also repurchase $10 billion of its shares over three years (Yoffie, 2012). Stock repurchases will help Apple inflate their earnings per share because it will reduce the number of shares that are outstanding (Yoffie, 2012). Apple is one of the most profitable companies in the world as it has a strong financial position and is managed effectively and efficiently (refer exhibit 14) (Yoffie, 2012).The company's balance sheet can also be found at the end of this report.

TOWS Analysis of Apple, Inc.

Like any other company, Apple, Inc. does have threats, opportunities, weaknesses, and strengths. A further analysis of the company from a firm's point of view by evaluating their strengths and weaknesses and then an industry point of view by evaluating their threats and opportunities will help to better understand the company as a whole.

Strengths:

Apple's financial position

Apple has a strong financial position with total assets of 162.90 billion (Yoffie, 2012). Apple has become number one in worldwide capital market. Apple is the company that holds the largest cash in hand up to $116 billion (Yoffie, 2012). We can examine more closely Apple's key ratio in exhibit 12 in order to more clearly see that Apple does not have any capital debt. They are strong enough to invest more in R&D to maintain their leading position and their gross profit margin is an impressive 46 % (Yoffie, 2012).

Product differentiation

Apple's strength is in its differentiated products. Apple's computer operating system is highly secured and is not subject to viruses and hackers which tend to affect the Windows software of Microsoft (Kan, 2012). Furthermore, Apple's products are designed to address the concerns about consumers' lifestyles which make the graphic system and design of Apple's products superior to their rivals' products in the same market segment (Nudd, 2011). While Apple Inc.'s software is different from other competitors, its products' hardware is also in the upper class. All Apple's products are made of high quality material, such as aluminum, combined with comfortable designs

(Nudd, 2011). All of these features in their vast array of products make customers feel that they have a valuable product when they have an Apple, Inc. product.

Apple Marketing- Brand Name and Image

Apple is very successful with their marketing techniques. According to Technology news, it is believed that Apple's strongest competitive advantage is its marketing strategy: "The Company simply seems to understand what will get people excited about its products, and then it executes on that vision" (Enderle, 2004). Instead of talking about product features or technology, Apple is showing that they care about their consumers' lifestyles. They advertise their products to offer the better life to customers and make the trend of aesthetics and lifestyle appeal important. All of Apple's products were launched with these attributes and outstanding functionality.

Apple is a unique electronic manufacturer because they have an approach of product launches that is more similar to fast moving consumer goods companies with new products every six months or at least once a year. When a new product is launched, that product is supported by an advertising campaign, and the end result is to generate a large amount of sales. This approach makes people excited about Apple's products and keeps Apple as a leader in the technology industry.

Apple's Retail Strategy

While other PC manufacturing brands are competing for shelf space, promotion, position, etc. at retail stores, Apple invests heavily in their brilliant retail strategy. Apple currently has over 300 stores in 11 countries, 87 of those stores are outside the U.S. at this time (Bajarin, 2011). Apple is aware of the importance of interacting with customers in order to fully understand their needs.

Apple has their own retail stores so they also have direct conversations with their customers and potential customers. In fact, customers come into the stores to experience Apple's products and give feedbacks or their expectations and what they do or do not like about products (Bajarin, 2011). This information is invaluable for Apple to stay ahead the competition of adapting and evolving consumer needs. As a result, Apple's retail stores hosted 71.1 million visitors in one single quarter this year; this overwhelming statistic was an increase of 51% over the same period last year (Bajarin, 2011). In addition, Apple's retail stores brought in $3.19 billion in the quarter, which is a new Q2 record and a 90% increase in the same period last year (Bajarin, 2011).

Manufacturing both hardware and software

While the rest of the PC industry is struggling with differentiation and depends on software providers to improve their products, Apple has a strong competitive advantage because they manufacture both software and hardware. According to Wayne, a senior analyst in competitive analysis at IHS, "Apple takes a vertically integrated approach to its products, from the operating system to the user interface, to the hardware design, down to the selection of individual parts used in the device" (Wayne, 2011). Manufacturing both hardware and software also helps Apple control the compatibility between two aspects of a product. Therefore, the high tech company can provide the best overall experience to its customers.

Digital Asset Management

Apple displayed smart strategy when they invested in digital asset management. Apple became one of the biggest digital retailers in the world with 100 million consumer credit accounts through iTunes (Lessin, 2012). Consumer psychology told us that when a consumer sets up an account and gives credit card information that means those customers will make purchases in the

future (Lessin, 2012).It also keeps customer using Apple's products because once they purchase digital contents, they can have it in every other smart product of Apple. This is one of Apple's strength, and it helps not only increase sales in the digital market but also keep Apple Inc.'s customers continuing use of their future products.

Weaknesses

Executive changing

In October 5th, 2011, Apple Inc.'s genius executive, who created a successful decade for the company, Steve Jobs passed away (Apple, Inc., 2012). Tim Cook, who had been a senior vice president for worldwide operations of Apple,Inc., was made CEO of Apple after Steve Jobs (Apple, Inc., 2012). The changing is necessary, but Tim Cook is a master in operational field, especially mastering in supply chain and reducing its cost while Apple Inc. is well-known by innovative products (*How Tim Cook*, 2012). The concern is reasonable when Tim Cook made the new version of the iPhone, the iPhone 5, available to sell in 22 countries after the first week debut, which is the most aggressive launch schedule to date, it failed in the customer's experience (Gross, 2012). Scratches, screen issues, leaking light, a failed mapping are some complaints of the iPhone 5 users (Gross, 2012). All of these issues make the new iPhone 5 one of the worst experienced products made by Apple ever (Gross, 2012).

Protective strategy

After successful period since the iPhone, the iPod, the iPad, were introduced, Apple seems to have decided to play a safer strategy. Instead of focusing more on innovation, top executives of Apple, Inc. keep their customers satisfied by introducing more and more similar products (Bajarin, 2011). The iPhone 4s, the new iPad in 2011 and the iPhone 5 in 2012 have few differences and not much innovation in comparison to their previous versions, which were all very successful (*Tim Cook,* 2012). Apple Inc. still has been succeeding with that strategy, but the lesson from the previous number one technology company, which was Microsoft, indicates risks. Microsoft Corp. has fallen because they played a safe strategy when they were in the peak of the industry, by keeping every product the same instead of focusing more on innovation since they are a technology company (*Tim Cook*, 2012).

Product information security

Unlike the time when the iPhone 3, 3GS, 4, 4S were introduced, people now can easily get the new Apple products' information, including designs and features, before these products actually are launched (*How Tim Cook*, 2012). This decreases curiosity and excitement from Apple's customers for new products, which are two successful factors of Apple, Inc.'s marketing campaigns previously.

Threats

Rising of Google Android and other operating system

After the first Android smartphone was introduced in October 2008, Google's operating system has become more and more popular. By the end of 2010, Android had become the leading smartphone platform in the world (Simonsen, 2012). Different designs, cheaper prices, and easy modifications are some features that make customers prefer the Android to iOS devices (Simonsen, 2012). In other realms of technology, the giant of the technology industry, Microsoft, has also shown some recent ambition by introducing new operating systems such as Windows 8, Windows RT, and Windows phone 8 while spending big money in marketing in order to capture more of a market share in the industry (Simonsen, 2012). According to Andy Rubin,

father of the Android, there are 900,000 Android devices that are being activated each and every day (Simonsen, 2012). Additionally, Microsoft has been spending big money on its marketing campaign to promote their new operating system, approximately 1.5-1.8 billion U.S dollars (Einstein, 2012). All of this shows that Apple's smart products will be faced with very strong competitive in their market.

Technology innovation

Technology innovation is not only an opportunity, but also a threat for Apple, Inc. Although Apple gained competitive advantages through technological innovation, the company also has been faced with more innovative competitors. Samsung has used that advantage and become one of the strongest competitors of Apple,Inc at this time (Simonsen, 2012). The growing of technology provides more chances to companies to join the high-tech market and shorten the life-cycle of a technological product.

Supply system

Apple, Inc.'s supply chain may be considered one of the best supply models in the world. However, when the technology company has become bigger, it has been traditionally faced with more problems in its supply system. Apple, Inc.'s final assembly partner in China,Foxconn, has been reported to have bad working conditions and this can cause Apple's reputation to diminish (Cho, 2012). Because of large orders, Apple also has to expand its number of partners in supplying parts and that causes Apple to have more difficulty when it comes to controlling quality management (Cho, 2012). For example, Apple has at least three partners in providing LCD panels for its products and users have more recently reported some malfunctions in appearance in the company's devices, which had never happened before (Cho, 2012).

Opportunities

Uncovered Markets

Apple targets the educational market and it seems to forget the bigger market of the business segment. Businessmen, large enterprises, and government organizations are the main customers in that market segment. They have a higher income, which means that they are more likely to pay more for technology products and also have higher expectations when it comes to security and compatibility. It's time for Apple to expand their market more into the business segment and corporate field in order to capture even more profit.

Loyal Customers

Apple, Inc. has built a different experience for its customer, which has brought them more loyal customers. According to a survey of Goldman Sachs in May 2012, 88 percent of iOS users who own Apple's tablets or smart devices will stick with the same brand for their next device (Elmer-Dewitt, 2012). On top of that, 21 percent of them will purchase Apple's devices no matter the price of the products (Elmer-Dewitt, 2012). That shows how loyal Apple's customers are and that the company will have a great profit just by only retaining these loyal customers.

Strategy for Apple

By analyzing the TOWS of Apple, Inc., there are several strategies that top executives of the company should apply to keep its position in the market. These strategies are as follows:

- Maintain loyal customers by focusing on customer service and improving the customer experience. Apple, Inc. can do this by investing in training its employees, building a better system for its users, and also promoting more efficient policies for its customers.
- Maintain a high quality of product. This is one of the main reasons why customers choose Apple's product. Therefore, the company has to maintain product quality while expanding its supply chain by taking more control on quality management and delivery time.
- Develop products with both hardware and software which satisfy the business customer. In order to capture customers in the business segment, Apple products should meet some core standard such as high security, compatible systems, and effective working condition.
- Develop new products. Apple Inc. should develop new product lines to satisfy new demands and also avoid a price-war which is a certain effect of a highly competitive industry.
- Re-value top leadership. This has been unsuccessful in the past when Apple, Inc. changed its leader. This shows that the company needs to re-value its leadership more frequently in order to avoid failures in strategy from its top executives.

This TOWS evaluation and the reasoning for these strategy suggestions can be summed up by the following:

TOWS analysis	**Weaknesses** • Executive changing • Protective strategy • Product security	**Strengths** • Financial • Differentiation • Marketing- Brand name and image • Retail Strategy • Manufacturing hardware & software • Digital Asset
Opportunities • Uncover market • Loyal customer	• Develop high quality product	• Develop product for business segment • Focus on customer service and retail store • Improve customer experience • Develop new products
Threatens • Android & others • Tech-Innovation • Supply system	• Re-value top management • Develop new products	• Produce high quality product • Focus on quality management • Focus on R&D

Apple, Inc.'s Strategy

With the blue ocean strategy, Apple can continue success as a market innovator. Apple is applying its blue ocean strategy successfully; Apple creates the need for its new innovation and delivers its new created products into the market quickly (Bajarin, 2011). In 2003, Apple started entering the music distribution with iTunes and the iPod (Santa Clara Historical Society, 2012). People could download (legally) high quality songs for a cheap price on iTunes online service and load them on their iPods quickly for enjoyment. Apple's vision under Jobs' era was looking forward

to create the new market and new demand for different products that go beyond the bound of the existing products (*Tim Cook*, 2012). Apple's vision under Cook is balancing between maintaining their core successful products and services and creating the new demand (*Tim Cook,* 2012). Tim Cook has been expanding Apple's market share with their current products internationally and also create a new demand with iCloud and Siri (Meyer, 2012).

Expanding Apple's Market Geography

Apple's strategy in 2012 is to expand their market share in China, India, and developing countries (Meyer, 2012). In the past, Apple estimated more than a million iPhones had been sold in the "grey market", in which consumers bought iPhones from authorized resellers and used them on unsanctioned mobile networks in Asian countries (Yoffie, 2012).One estimate suggested that Apple could lose $1 billion over three years from the loss of service –share revenue in the "grey market" (Yoffie, 2012).On the other side of the world, Asian and new developing markets are just beginning to boom — and the potential is truly staggering: hundreds of millions of possible new consumers. The rise of a middle class in Asian countries, including India and China, will be an opportunity to expand the market share for Apple, Inc (Yoffie, 2012). Chinese consumers were willing to buy iPhones for higher prices in the States after the new version first came out even it did approach $1,000(verses $699.99 without AT&T contract) (Yoffie, 2012).

The growth of 3G and 4G technology in Asia also leads to the growth in consumers' purchases of smartphones and tablets. With this opportunity of increasing sales in the Asian market, Apple's strategy will focus on market access in the developing world more than ground- breaking innovation. However, Apple will be facing challenges, in regards to competition, which include culture and language barriers. Siri, on the iPhone 4, allows users to use their voice to send messages, schedule meetings, and place phone calls, but it does not work well in other languages or with non-American accents (Lowensohn, 2012).

The retail locations are a key arm of Apple's strategy of expansion through the locations around the world. Apple has forty store openings planned for 2012 and is spending $900 million on new stores in Germany, Spain, France, Australia, Canada and China (Kahn, 2012). If Apple can keep up its innovative product pipeline, it should prove easy to obtain sales growth internationally.

<u>iCloud and Siri: Apple's strategy for next decade</u>

iCloud is Apple's strategy for the next decade. The iCould feature allows consumers to link and integrate all of their ecosystem devices (Meyer, 2012). To Apple, iCloud is more than just a service; it is a convenient "product" for consumers and it could easily become part of the user's everyday life (Meyer, 2012).iCloud is Apple's strategy to compete with Google+ and Amazon's software on the Kindle Fire with the listing competitive characteristic (see exhibit 13) (Meyer, 2012).

Siri is the personal intelligent voice assistant which has been applied on iPhones starting with the iPhone 4s (Lowensohn, 2012). Apple believes that Siri could eventually replace the physical keyboard, mouse or multi-touch screen which has become a part of smartphone users lives (Lowensohn, 2012). Apple, Inc., in cooperation with Yelp, Inc., created the powerful Siri feature as a key tool in quickly finding routine information for Apple's new map service. The aim of the relationship between Apple and Yelp is to compete with Google and other traditional search engines (Lowensohn, 2012). That serves the interests of Apple, which sees an opportunity to muscle in on its rival's core business and build related advertising revenue.

The Changing of Leadership and Apple's Future:

Steve Jobs was a legend as CEO of Apple, Inc. Jobs lead Apple to become the most profitable company in the world when it was on the verge of bankruptcy. Apple posted a **$25,922** million profit in 2011 fiscal year, reversing the loss of $1 billion in 1997, a year before Jobs took back over at Apple (Apple, Inc., 2012) The new CEO, Tim Cook, had more pressures and challenges when he took over Jobs' place to maintain Apple's top position in the technological perspective.

Apple, under the Jobs era, was following the blue ocean strategy successfully and "simply seems to understand what will get people excited about its products" (*How Tim Cook*, 2012).Steve Jobs was more focused on innovation and the quality of product. Tim Cook is different; he is more focused on protecting the already existing Business Model which Jobs left behind and tries to take all possible steps to protect it from intruders (*How Tim Cook*, 2012).

People wondered about the future of Apple without Jobs. It has been a year from the point that Jobs left and Tim Cook has proven that Apple's operation is effective with expansions in sales volumes and market shares despite not producing enough product at all times to meet the demand of the customers.

Exhibits

Exhibit 1: Unaudited Condensed Consolidated Statements of Operations:

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended		Nine Months Ended	
	June 30, 2012	June 25, 2011	June 30, 2012	June 25, 2011
Net sales	$ 35,023	$ 28,571	$ 120,542	$ 79,979
Cost of sales [1]	20,029	16,649	66,281	47,541
Gross margin	14,994	11,922	54,261	32,438
Operating expenses:				
Research and development [1]	876	628	2,475	1,784
Selling, general and administrative [1]	2,545	1,915	7,489	5,574
Total operating expenses	3,421	2,543	9,964	7,358
Operating income	11,573	9,379	44,297	25,080
Other income and expense	288	172	573	334
Income before provision for income taxes	11,861	9,551	44,870	25,414
Provision for income taxes	3,037	2,243	11,360	6,115
Net income	$ 8,824	$ 7,308	$ 33,510	$ 19,299
Earnings per common share:				
Basic	$ 9.42	$ 7.89	$ 35.89	$ 20.91
Diluted	$ 9.32	$ 7.79	$ 35.48	$ 20.63
Shares used in computing earnings per share:				
Basic	936,596	926,108	933,672	922,917
Diluted	947,059	937,810	944,440	935,688
[1] Includes stock-based compensation expense as follows:				
Cost of sales	$ 70	$ 52	$ 196	$ 155
Research and development	$ 172	$ 119	$ 500	$ 336
Selling, general and administrative	$ 206	$ 113	$ 596	$ 379

Source: (www.apple.com, June 2012).

Exhibit 2: Preliminary Worldwide PC vendor Unit Shipment Estimates for 2Q12 (Units)

Preliminary Worldwide PC Vendor Unit Shipment Estimates for 2Q12 (Units)

Company	2Q12 Shipments	2Q12 Market Share (%)	2Q11 Shipments	2Q11 Market Share (%)	2Q12-2Q11 Growth (%)
HP	13,036,548	14.9	14,838,734	16.9	-12.1
Lenovo	12,820,301	14.7	11,160,303	12.7	14.9
Acer Group	9,646,383	11.0	9,315,341	10.6	3.6
Dell	9,349,212	10.7	10,570,007	12.1	-11.5
ASUS	6,120,957	7.0	4,416,125	5.0	38.6
Others	36,495,872	41.7	37,256,607	42.6	-2.0
Total	**87,469,273**	**100.0**	**87,557,116**	**100.0**	**-0.1**

Source: (Gartner, 2012)

Exhibit 3: Preliminary U.S. PC Vendor Unit Shipment Estimates for 2Q12 (Units)

Preliminary U.S. PC Vendor Unit Shipment Estimates for 2Q12 (Units)

Company	2Q12 Shipments	2Q12 Market Share (%)	2Q11 Shipments	2Q11 Market Share (%)	2Q12-2Q11 Growth (%)
HP	3,976,017	25.0	4,552,333	27.0	-12.7
Dell	3,458,736	21.7	3,821,759	22.6	-9.5
Apple	1,910,000	12.0	1,830,866	10.8	4.3
Acer Group	1,348,993	8.5	1,570,073	9.3	-14.1
Toshiba	1,302,000	8.2	1,616,400	9.6	-19.5
Others	3,911,343	24.6	3,483,421	20.6	12.3
Total	**15,907,088**	**100.0**	**16,874,852**	**100.0**	**-5.7**

Source: (Gartner, 2012)

Exhibit 4: Apple Campaign In Different Years

Exhibit 3: Apple Campaign in Different Years

Sl No	Year	Campaign	Result
1	1984	"Orwell" ad.	• Considered by many advertisers to be "the greatest ad of all time." • Around 1986, Macintosh held 16% of market share.
2	late 1990s,		Macs had slipped to 11% market share.
3	1998	"Think Different"	• Featured beautiful black-and-white photographs of luminaries like Mahatma Gandhi, Albert Einstein, and Amelia Earhart. • The campaign cost $100 million. • Why Gandhi, Einstein, and Earhart were being used to advertise Macintosh, when none of these personalities used computers. • Market researchers celebrated increasing sales after this ad.
4	2002	"Switch" or "Real People"	• Featured real-life converts to Mac who lauded the ease and simplicity of Macs, compared to their previous frustrations on a PC.
5	May 2006	Get a MAc	• Market share grew by 42%, Apple had record sales and the campaign was culturally influential
6	October 2009	Why You'll Love a Mac	• Focus more on the claim that a Mac is a better computer, "designed and built to be as reliable as it is beautiful."

Sources: Compilation from different sources

Exhibit 5: The AMR Supply Chain Top 25 for 2010

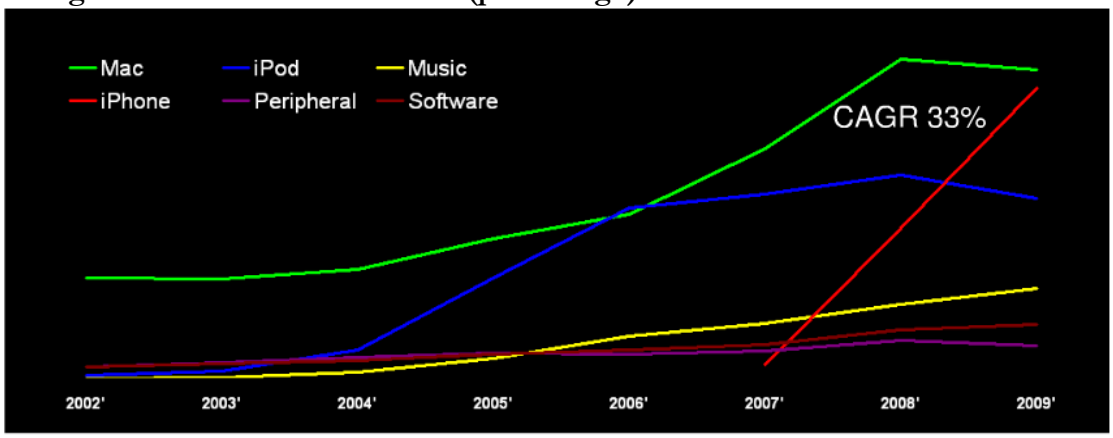
1.0 The AMR Supply Chain Top 25 for 2010

Figure 1. The AMR Supply Chain Top 25 for 2010

	Company	Peer Opinion[1] (154 Voters) (25%)	AMR Opinion[1] (27 Voters) (25%)	3-Year Weighted ROA[2] (25%)	Inventory Turns[3] (15%)	3-Year Weighted Revenue Growth[4] (10%)	Composite Score[5]
1	Apple	2787	508	11.7%	60.7	21.7%	**8.21**
2	Procter & Gamble	2416	567	9.0%	4.9	3.5%	**5.91**
3	Cisco Systems	1678	501	11.4%	11.8	4.2%	**5.43**
4	Wal-Mart Stores	2567	365	8.2%	8.7	4.3%	**5.18**
5	Dell	2049	273	7.1%	47.4	-5.4%	**5.06**
6	PepsiCo	1244	396	15.0%	7.4	5.3%	**4.91**
7	Samsung	1111	408	10.2%	17.8	17.6%	**4.90**
8	IBM	1566	300	11.3%	19.8	-0.7%	**4.52**
9	Research In Motion	299	89	23.7%	13.7	62.4%	**4.49**
10	Amazon.com	1369	215	7.1%	11.9	30.4%	**4.13**
11	McDonald's	506	90	13.7%	134.6	1.1%	**3.97**
12	Microsoft	383	151	21.1%	12.2	6.9%	**3.92**
13	The Coca-Cola Company	1154	220	14.1%	4.7	5.7%	**3.89**

Source: Gartner (June 2010)

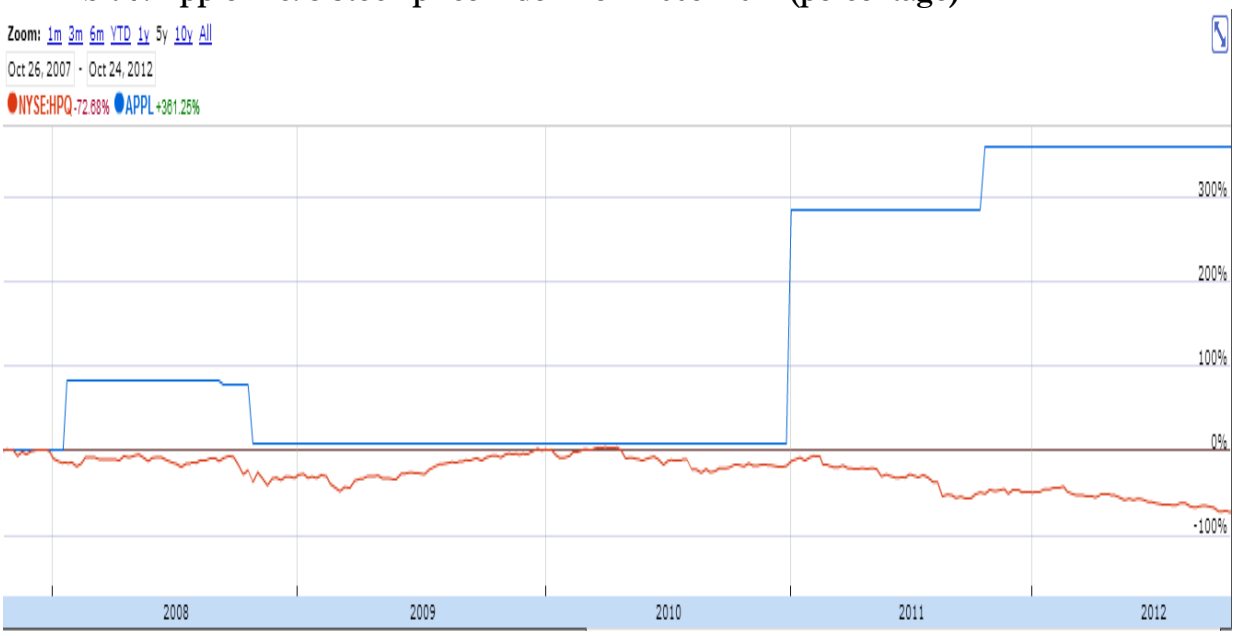
Exhibit 6: Apple Inc., Selected Revenue Information, 2002-2009 (in millions of dollars), and the growth ratios from 2002-2009 (percentage)



Year	2002'	2003'	2004'	2005'	2006'	2007'	2008'	2009'
Revenue	5,742	6,207	8,279	13,931	19,315	24,578	37,491	42,905
Growth		8%	33%	68%	39%	27%	53%	14%

Source: http://wenku.baidu.com/

Exhibit 7: Apple Inc.'s Stock price index from 2008 -2012 (percentage)



Source: Google Finance, 2012

Exhibit 8: Hewett-Packard's Financial Information from 2004-2011 (in millions dollars)

	2004	2006	2008	2009	2010	2011
Hewlett-Packard						
Total revenues	79,905	91,658	118,364	114,552	126,033	127,245
Cost of sales	60,621	69,178	89,370	87,163	95,654	96,675
R&D	3,563	3,591	3,543	2,819	2,959	3,231
SG&A	10,496	11,266	13,326	11,648	12,718	13,424
Net income	3,497	6,198	8,332	7,660	8,761	7,074
Total assets	76,138	81,981	113,331	114,799	124,503	129,517
Total liabilities	38,574	43,837	74,389	74,035	83,722	90,513
Total shareholders' equity	37,564	38,144	38,942	40,517	40,781	38,625
Gross margin	23.9%	24.3%	24.2%	23.6%	22.9%	22.8%
R&D/sales	4.5%	3.9%	3.0%	2.5%	2.4%	2.5%
SG&A/sales	13.1%	12.3%	11.3%	10.2%	10.1%	10.5%
Return on sales	4.4%	6.8%	7.0%	6.7%	7.0%	5.6%
Market capitalization	60,011	109,914	87,433	120,972	98,080	53,370

Source: Harvard case "Apple In.c 2012" David B. Yoffie, Penelope Rossano

Exhibit 9: Apple's Inc.'s Valuation and Financial Strength ratio in 2012

FINANCIAL CONDITION	COMPANY	INDUSTRY	S&P 500
Debt/Equity Ratio	0	0.02	0.87
Current Ratio	1.6	1.6	1.3
Quick Ratio	1.5	1.5	0.8
Interest Coverage	NA	0.6	29.6
Leverage Ratio	1.5	1.6	3
Book Value/Share	119.23	116.16	26.61

Source: www.forbes.com.

Exhibit 10: Apple's Inc.'s Profitability Ratios in 2012

PROFIT MARGINS %	COMPANY	INDUSTRY	S&P 500
Gross Margin	44.11	43.5	39.41
Pre-Tax Margin	36.06	35.25	17.39
Net Profit Margin	26.97	26.38	12.73
5Yr Gross Margin (5-Year Avg.)	38.8	38.3	39.2
5Yr Pre Tax Margin (5-Year Avg.)	28.3	27.7	15.7
5Yr Net Profit Margin (5-Year Avg.)	20.8	20.4	11.3

Financial data in USD

Source: www.forbes.com.

Exhibit 11 Apple's Inc.'s Management Effectiveness in 2012

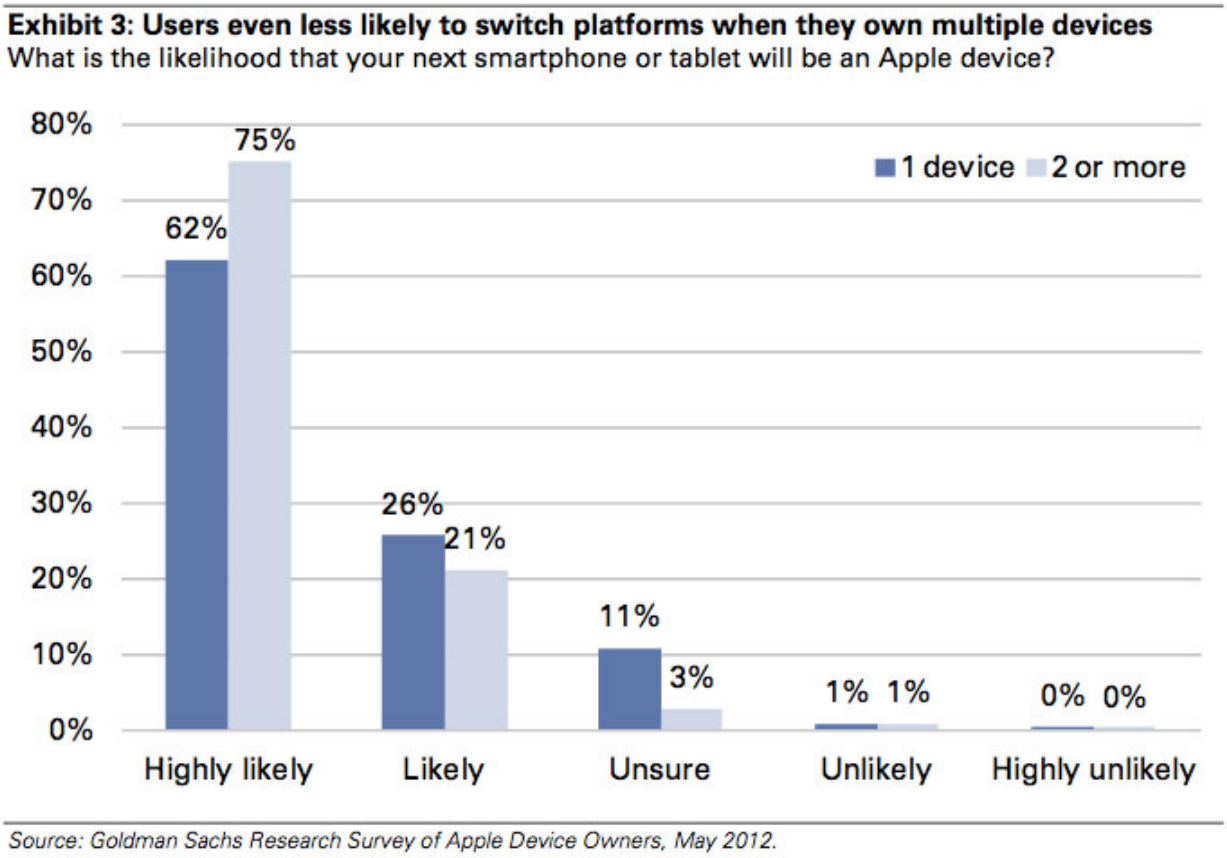
INDUSTRY: Personal Computer Systems

MANAGEMENT EFFICIENCY	COMPANY	INDUSTRY	S&P 500
Income/Employee	664,454	647,279	137,427
Revenue/Employee	2.46 Mil	2.41 Mil	1.11 Mil
Receivable Turnover	21.6	21.3	15.2
Inventory Turnover	82.7	81.3	12.1
Asset Turnover	1.1	1.1	0.8

Financial data in USD

Source: www.forbes.com.

Exhibit 12: Users even less likely to switch platforms when they own multiple devices. What is the likelihood that your next smartphone or table will be an Apple device?



Source: Goldman Sachs Research Survey of Apple Device Owners, May 2012

Exhibit 13: The Listing of Comparison among Apple iCloud, Google Music, and Amazon Cloud Drive

	Apple iCloud	Google Music	Amazon Cloud Drive
Storage	unlimited iTunes purchases, maximum of 25k songs not bought on iTunes	20,000 songs, roughly 10 times as much storage as the other services while in beta	5GB, unlimited for Amazon Mp3 purchases
Pricing	$24.99 per year for iTunes Match, for music not bought on iTunes	unknown	$1 per Gigabyte per year, free extra 20 Gigabytes with first mp3 purchase
Online Store	yes	no	yes
Web Streaming	no	yes	yes
Offline	yes, but only to authorized devices, which are limited to 10	yes, recently played songs are cached, songs can be selected	yes, downloads to other computer systems and devices
Accounts	iTunes	Google	Amazon
Country Restriction	No	US-only	Yes, US, UK, many other European countries
File Restrictions	media files, documents	only music	media files, documents
Standalone software	iTunes, for PC and Mac	Music Manager, for PC and Mac	PC, Mac
Mobile Devices	iOS devices	Android	Android phones, iOS with workaround
Import	yes, iTunes	yes, Windows Media Player, iTunes, folder	yes, Windows Media Player, iTunes, folder

apple icloud google music amazon cloud

Source: Ghacks, 2011

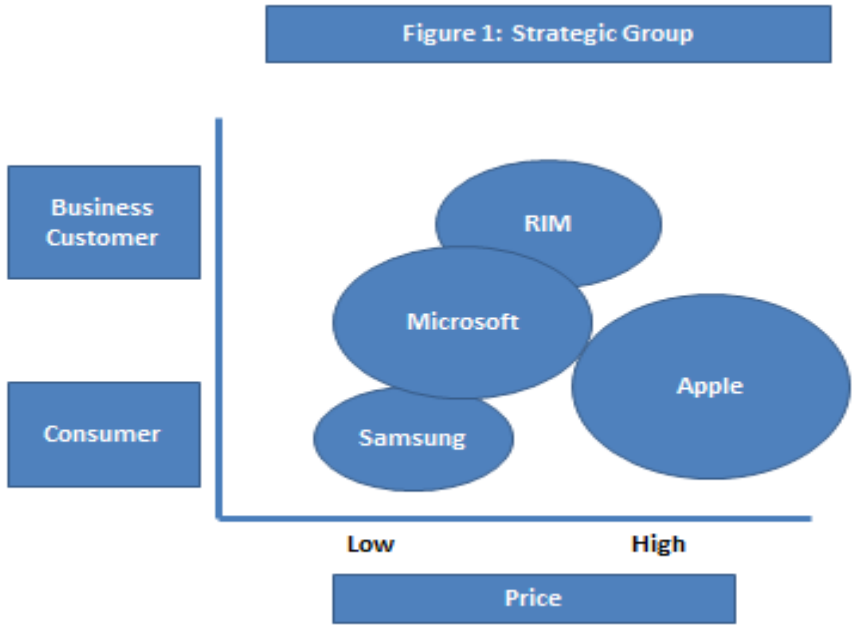
Exhibit 14: Apple Inc., selected Financial Information, 1991-2012 (in million of dollars, except for number of employees ad stock-related data)

Exhibit 1a Apple Inc., Selected Financial Information, 1991–2012 (in millions of dollars, except for number of employees and stock-related data)[a]

	1991	1996	1998	2000	2002	2004	2006	2008	2010	2011	March 2011–March 2012
Net sales	6,309	9,833	5,941	7,983	5,742	8,279	19,315	37,491	65,225	108,249	142,360
Cost of sales	3,314	8,865	4,462	5,817	4,139	6,022	13,717	24,292	39,541	64,431	79,791
Research and development	583	604	303	380	446	491	712	1,109	1,782	2,429	2,872
Selling, general, and administrative	1,740	1,568	908	1,256	1,109	1,430	2,433	3,761	7,299	10,028	11,756
Operating income (loss)	671	-1,204	268	530	48	336	2,453	8,327	18,385	33,790	50,813
Net income (loss)	310	-816	309	786	65	266	1,989	6,119	14,013	25,922	38,617
Total cash and short-term investments	893	1,745	2,300	4,027	4,337	5,464	10,110	22,111	25,620	25,952	28,538
Accounts receivable, net	907	1,496	955	953	707	1,050	2,845	4,704	9,924	11,717	13,769
Inventories	672	662	78	33	45	101	270	509	1,051	776	1,102
Net property, plant, and equipment	448	598	348	419	621	707	1,281	2,455	4,768	7,777	8,847
Total assets	3,494	5,364	4,289	6,803	6,298	8,050	17,205	36,171	75,183	116,371	150,934
Total liabilities	1,727	3,306	2,647	2,696	2,203	2,974	7,221	13,874	27,392	39,756	48,436
Total shareholders' equity	1,767	2,058	1,642	4,107	4,095	5,076	9,984	22,297	47,791	76,615	102,498
Cash dividends paid	57	14	--	--	--	--	--	--	--	--	--
Number of employees	14,432	10,896	9,663	8,568	10,211	11,695	17,787	32,000	46,600	60,400	63,300
International sales/sales	45%	52%	45%	46%	43%	41%	41%	44%	56%	61%	61%
Gross margin	47%	10%	25%	27%	28%	27%	29%	35%	39%	41%	44%
R&D/sales	9%	6%	5%	5%	8%	6%	4%	3%	3%	2%	2%
SG&A/sales	28%	16%	15%	16%	19%	17%	13%	10%	9%	7%	6%
Return on sales	5%	NA	5%	10%	1%	3%	10%	16%	22%	24%	27%
Return on assets	13%	NA	4%	6%	1%	3%	11%	17%	19%	22%	26%
Return on equity	19%	NA	22%	22%	2%	6%	23%	33%	35%	42%	47%
Stock price low	$10.28	$4.22	$3.28	$7.00	$6.80	$10.64	$50.57	$82.58	$190.25	$315.32	$363.57
Stock price high	$18.19	$8.75	$10.75	$36.05	$13.06	$34.22	$91.63	$188.75	$325.10	$422.24	$617.62
P/E ratio at period-end	21.9	NA	19.5	6.8	78.2	58.5.	25.6	8.2	14.7	10.4	14.4
Market value at period-end	6,649.9	2,598.5	5,539.7	4,996.2	5,146.4	25,892.5	72,900.8	75,870.6	295,455.3	376,357.2	558,939.5

Source: Harvard case "Apple In.c 2012" David B. Yoffie, Penelope Rossano

Exhibit 15: Strategic Group Analysis



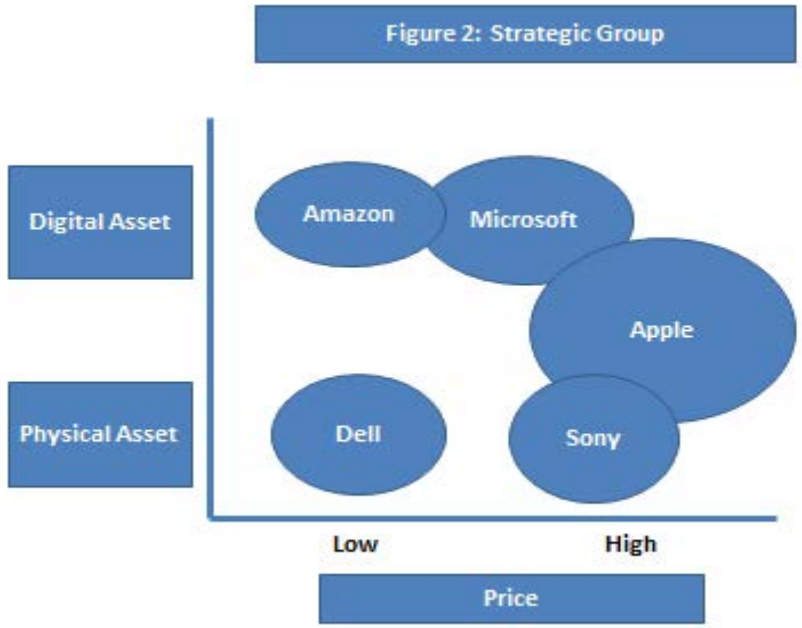


Exhibit 16: Apple's Competitor Selected Financial information, 2004-2011 (in millions of dollars)

Exhibit 6 Apple's Competitors: Selected Financial Information, 2004–2011 (in millions of dollars)

	2004	2006	2008	2009	2010	2011
Microsoft						
Total revenues	36,835	44,282	60,420	58,437	62,484	69,943
Cost of sales	6,596	7,650	11,598	12,155	12,395	15,577
R&D	7,735	6,584	8,164	9,010	8,714	9,043
SG&A	10,640	12,276	16,687	16,296	16,685	17,830
Net income	8,168	12,599	17,681	14,569	18,760	23,150
Total assets	94,368	69,597	72,793	77,888	86,113	108,704
Total liabilities	19,543	29,493	36,507	38,330	39,938	51,621
Total shareholders' equity	74,825	40,104	36,286	39,558	46,175	57,083
Gross margin	82.1%	82.7%	80.8%	79.2%	80.2%	77.7%
R&D/sales	21.0%	14.9%	13.5%	15.4%	13.9%	12.9%
SG&A/sales	28.9%	27.7%	27.6%	27.9%	26.7%	25.5%
Return on sales	22.2%	28.5%	29.3%	24.9%	30.0%	33.1%
Market capitalization[a]	313,046	233,097	256,302	227,477	223,608	227,009
Intel						
Total revenues	34,209	35,382	37,586	35,127	43,623	53,999
Cost of sales	14,301	17,164	16,742	15,566	15,132	20,242
R&D	4,778	5,873	5,722	5,653	6,576	8,350
SG&A	4,659	6,138	5,452	5,234	6,309	7,670
Net income	7,516	5,044	5,292	4,369	11,464	12,942
Total assets	48,143	48,368	50,472	53,095	63,186	71,119
Total liabilities	9,564	11,616	10,926	11,391	13,756	25,208
Total shareholders' equity	38,579	36,752	39,546	41,704	49,430	45,911
Gross margin	58.2%	51.5%	55.5%	55.7%	65.3%	62.5%
R&D/sales	14.0%	16.6%	15.2%	16.1%	15.1%	15.5%
SG&A/sales	13.6%	17.3%	14.5%	14.9%	14.5%	14.2%
Return on sales	22.0%	14.3%	14.1%	12.4%	26.3%	24.0%
Market capitalization	142,520	128,582	73,919	118,613	118,756	130,508
Hewlett-Packard						
Total revenues	79,905	91,658	118,364	114,552	126,033	127,245
Cost of sales	60,621	69,178	89,370	87,163	95,654	96,675
R&D	3,563	3,591	3,543	2,819	2,959	3,231
SG&A	10,496	11,266	13,326	11,648	12,718	13,424
Net income	3,497	6,198	8,332	7,660	8,761	7,074
Total assets	76,138	81,981	113,331	114,799	124,503	129,517
Total liabilities	38,574	43,837	74,389	74,035	83,722	90,513
Total shareholders' equity	37,564	38,144	38,942	40,517	40,781	38,625
Gross margin	23.9%	24.3%	24.2%	23.6%	22.9%	22.8%
R&D/sales	4.5%	3.9%	3.0%	2.5%	2.4%	2.5%
SG&A/sales	13.1%	12.3%	11.3%	10.2%	10.1%	10.5%
Return on sales	4.4%	6.8%	7.0%	6.7%	7.0%	5.6%
Market capitalization	60,011	109,914	87,433	120,972	98,080	53,370

Exhibit 6 (continued)

	2004	2006	2008	2009	2010	2011
Dell						
Total revenues	49,121	57,420	61,101	52,902	61,494	62,071
Cost of sales	40,103	47,904	49,998	43,404	50,041	48,211
R&D	460	498	665	624	661	856
SG&A	4,352	5,948	6,966	6,465	7,302	8,524
Net income	3,018	2,583	2,478	1,433	2,635	3,492
Total assets	23,215	25,635	26,500	33,652	38,599	44,533
Total liabilities	16,717	21,307	22,229	28,011	30,833	35,616
Total shareholders' equity	6,498	4,328	4,271	5,641	7,766	8,917
Gross margin	18.4%	16.6%	18.2%	18.0%	18.6%	22.3%
R&D/sales	0.9%	0.9%	1.1%	1.2%	1.1%	1.4%
SG&A/sales	8.9%	10.4%	11.4%	12.2%	11.9%	13.7%
Return on sales	6.1%	4.5%	4.1%	2.7%	4.3%	5.6%
Market capitalization[b]	103,272	52,270	15,964	28,233	26,850	32,714
Nokia						
Total revenues	36,362	50,908	62,779	50.739	52,584	47,860
Cost of sales	22,506	34,356	40,774	34,318	36,467	33,798
R&D	4,532	4,825	7,332	7,278	7,235	6,913
SG&A	3,931	4,927	6,828	6,144	6,060	6,064
Net income	3,952	5,331	4,937	1,103	2,290	-1,441
Total assets	28,064	28,000	49,003	44,244	48,435	44,822
Total liabilities	10,238	13,070	28,563	25,985	28,341	27,594
Total shareholders' equity	17,826	14,930	20,440	18,259	20,094	17,228
Gross margin	38.1%	32.5%	35.1%	32.4%	30.6%	29.4%
R&D/sales	12.5%	9.5%	11.7%	14.3%	13.8%	14.4%
SG&A/sales	10.8%	9.7%	10.9%	12.1%	11.5%	12.7%
Return on sales	9.1%	8.9%	7.6%	3.3%	3.5%	1.1%
Market capitalization	67,188	80,665	33,559	49,588	27,926	17,513
Samsung						
Total revenues	69,496	72,778	102,844	115,587	131,109	139,903
Cost of sales	44,898	50,921	76,109	80,206	87,050	95,087
R&D	--	--	--	6,263	7,715	8,462
SG&A	14,626	14,117	21,621	19,809	22,251	23,251
Net income	9,148	6,720	4,685	8,116	13,396	11,327
Total assets	58,508	68,990	89,283	95,116	113,862	131,958
Total liabilities	27,645	28,342	35,931	33,182	38,104	45,605
Total shareholders' equity	30,863	40,648	53,353	61,934	75,758	86,354
Gross margin	35.4%	30.0%	26.0%	30.6%	33.6%	32.0%
R&D/sales	--	--	--	5.4%	5.9%	6.0%
SG&A/sales	21.0%	19.4%	21.0%	17.1%	17.0%	16.6%
Return on sales	13.6%	8.1%	4.4%	7.5%	10.6%	9.0%
Market capitalization	54,468	61,792	49,763	86,355	101,065	143,707

Source: Created by casewriter using data from Capital IQ and Thomson Reuters Datastream, May 2012.

Note: All information is on a fiscal-year basis, unless noted otherwise. HP's fiscal year ends in October, Dell in January, Intel and Nokia in December, Microsoft in June, and RIM in February.

[a] Market capitalization figures for each company are based on the date the earnings were filed with the SEC.

[b] Dell's market capitalization figure for 2009 is from March 18, 2010, rather than the filing date.

Source: Harvard case "Apple In.c 2012" David B. Yoffie, Penelope Rossano

Exhibit 17: Comparison of Financial Strength among Google, Microsoft, and Apple

Apple financial Strength More Than That of Google and Microsoft Combined	
APPL	$462 billion
MSFT+GOOG	$257+$197=$454 billion
Microsoft	$257 billion
Google	$197 billion

Source: http://technorati.com/business/finance/article/apples-financial-strength-more-than-googles/

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The Innovative Success that is Apple, Inc.: The Case Analysis

Apple, Inc. started out as an idea of one man, Steve Jobs. It has been a successful company for several years now. The key factor for everything that Apple, Inc. does is technology. Technological innovation can help a top company create competitive advantages and bring more competitors to the market. Apple is a part of the computer hardware, computer software, consumer electronics, and digital distribution industries. Most of the products in these industries are based on technological innovation. Companies in each of these industries must introduce new products or services frequently in order to keep up with their active competitors. Beside leadership that can address the strategy which creates the competitive advantage of a company, investing in R&D is also very important. The life-circle of products in these industries is shorter than that of products from any other industries as a product that Apple or one of its competitors introduces could be out-of-date in less than a year. However, further improvements and developments can help these products have more staying power. It is no question that without constant technological innovations, a company cannot succeed in any of the industries in which Apple, Inc. is currently competing. The computer hardware, computer software, consumer electronics, and digital distribution industries are all highly competitive industries. Due to the constant advancements in technology, the industries in which Apple, Inc. competes are some of the most unpredictable industries nowadays. Before 2007, there were no touch screen phones; Apple, with its technology, changed the definition of a smartphone when they released their first iPhone. Furthermore, Sony created the first portable music player in 1979, and then more than eleven years later, the Japanese company changed the music industry again by introducing a Discman in 1990. A mere eleven years later, Apple made a big change in the industry with the first generation of the iPod. It goes to show that through technology, an industry can change very expeditiously and no one can be certain what will come next.

Key issues

Apple, Inc. has been a successful company for years now. However, the company faces issues just like any other company. How Apple responds to these issues is in conjunction to the strengths and weaknesses of the firm. The business-level strategy of Apple also has much to do with how the company approaches various situations. The diversity and organization of the firm itself helps to address any issues that may arise. Competing in high level competitive industries also requires Apple Inc. changing day by day in order to overcome its competitors.

Apple's strengths

Apple's financial position

Apple has a strong financial position with total assets of 162.90 billion. Apple has become the number one of worldwide capital market. Apple is the company that holds the largest cash in hand with up to $116 billion. It demonstrates that Apple, Inc. has an extremely strong financial position.

Product differentiation

Apple's strength is its differentiated products. Apple's computer operating system is highly secured and is not subject to viruses and hackers. Furthermore, Apple's products are designed to be concerned about the consumers' style life, which makes the graphic system and design of Apple's products superior to rivals' products in the same market segment. On the other hand, Apple's

products are made of high quality material, such as aluminum and this quality is combined with comfortable designs. All features make customers feel that they have a valuable product with when they have an Apple product.

Apple Marketing- Brand name and image

Apple is successful with their marketing. The company is showing that they do care about their consumers' lifestyles in their advertisements. They advertise that their products offer the "better life" to customers and make the trend of aesthetics and lifestyle appeal important. In addition, when a new product of Apple's is launched, it is supported by an advertising campaign and the result is to generate a large amount of sales. This approach makes people excited about Apple's products and keeps Apple as a leader of technology industry.

Apple's Retail Strategy

The current retail strategy of Apple allows the company to acknowledge the importance of interacting with customers; Apple invests heavily in their brilliant retail strategy. Apple has 325 stores in 11 countries, 87 of those stores are outside the U.S (Bajarin, 2011 n.p.). With that, they also have direct conversations with their customers and potential customers. Apple's customers come into the stores to experience Apple's products and give feedbacks or their expectations and what they do or do not like about the products. This information is invaluable for Apple if they wish to stay ahead of the competition when it comes to adapting to consumers' wants and needs. As a result, Apple's retail stores hosted over 70 million visitors in one quarter while the company boasted a sales total of $3.19 billion for the same quarter in early 2012.

Manufacturing both hardware and software

Apple has a strong competitive advantage because they manufacture both software and hardware. This allows the company more control over the total product as they create their products and operating systems for those products. Manufacturing both hardware and software also helps Apple control the compatibility between two aspects of a product. Thereby, the high tech company can provide the best experience to its customers.

Digital Asset Management

Investing in digital asset management helps Apple build a "friendly environment" around its products. It keeps customers using Apple's products because once they purchase digital contents; they can have that digital content transferred to every other smart product of Apple. This is one of Apple's strengths that helps not only increase sales in the digital market but also keep Apple, Inc.'s customers continuing using their future products.

Apple's weaknesses

Executive changing

Executive changing is considered to be Apple's weakness. The new CEO of Apple Inc., Tim Cook brings a good reputation in logistic with him to the position, but the high-tech company is well known for innovative products. The concerns that many have in regards to the new CEO are reasonable because when Tim Cook released the new version of iPhone, the iPhone 5, it was available to sell in 22 countries after the first week, which is the most aggressive launch schedule to date, but yet the product failed in regards to the customer's experience. Scratches, screen issues, leaking light, a failed mapping application were just some of complaints made by iPhone 5 users, making the new iPhone 5 one of the worst experienced products ever made by Apple.

Protective strategy

Apple, Inc. seems to be implementing a safer strategy now. Instead of focusing more on innovation, the top executives of Apple, Inc. are keeping their customers satisfied by introducing

more and more similar products. The company's just launched products have few differences in comparison to their previous versions, which were very successful. The lesson from the previous number one technology company, which was Microsoft, indicates risks when it comes to this type of strategy. Microsoft Corporation has fallen significantly over the years due to the fact that they played a safe strategy when they were in the peak of the industry. Microsoft chose to focus on new, similar products instead of technological innovation and this cost them because technology companies need to stay focused on the next great thing and not on an update of the last great thing.

Product information security

New Apple products and their information (including designs and features) can be found and viewed easily by potential customers nowadays long before they are actually launched into the market. This decreases the curiosity of potential customers and the excitement that Apple's loyal customers feel for new products. Curiosity and loyalty have been two keys to Apple's success thus far, so this easily accessible information could come back to hurt the company in the long run.

Apple's most recent successes start with the introduction of the iPod. The company is considered a first mover in regards to this product, but it is difficult for a first mover to sustain their competitive advantages. First movers always run the risk of imitators coming along and creating a better product for a lower price. In fact, some competitors even imitated creatively, like Dell and Gateway entered the mp3 market within one year of the iPod's introduction and offered close substitutes for the product (with similar quality and even lower prices). These other firms entered the market quite easily. So, this begs the question of how does Apple keep its sustainable competitive advantage?

We believe that the main reason behind Apple's success that is the compatibility of Apple's products. For instance, the iPod and iTunes were literally made for each other and in the years subsequent to their release, a series of improvements were made on the initial iPod concept that includes: the design of the product (getting smaller and thinner), the increasing memory, complementary software (iTunes, Apple store), product bundles with Nike, Disney, Motorola and Timex, and product diversification (e.g., iPod shuffle, iPod movie, iPod Nano, and iPad). These Apple value creating actions reflect really well on Apple's superior entrepreneurial alertness and recognition of new ways to enhance the value of Apple and its sustained competitive advantage. Innovation and reputation are two core keynotes that Apple uses to keep leading the market.

Apple : Possible joint ventures?

Apple could easily partake in a joint venture with a variety of companies in order to keep expanding their product line, revenue, and clientele. A joint venture with either HRS or AT&T could be extremely beneficial to the already wildly successful company.

HRS is a company that currently operates a global hotel portal for travelers of the business and leisure kind. The company features over 250,000 hotels in 180 countries that cover all different hotel categories. During a typical month, HRS' website will have 10 million visits. At this time, the company features the largest range of hotels available on the worldwide scale, which includes thousands of independent hotels and hundreds of chains.

AT&T is a leader in the telecommunications industry with millions of clients worldwide. The company is also currently a provider of Apple, Inc. products. This pairing could only further profits for both of these firms.

The simple explanation of why HRS and AT&T were chosen as possible joint ventures is as follows:

	Joint Venture with HRS (*)	**Joint Venture with AT&T**
Potential benefits:	Provides Apple with large customer group using Passbook Allows Apple to improve the Passbook application functions. Consistent with Apple's strategy of developing customer specialized satisfaction leverage into its end products. Passbook could become the core application for the future management of all digital reservations and tickets	Provides Apple with a large amount of American iPhone and iPad users. The customer feedback would help Apple better upgrade their system and product features. The 2 year contract bundle selling model is consistent with Apple's new product releases. Both of them gain competitive advantage, since Apple start the alliance with AT&T first.
Costs:	Apple needs to make the passbook function consistent with the HRS database.	The special model locked phone for AT&T. The sales profit dividend. The accounts receivable from AT&T.
Risks:	Any mistakes with Apple's passbook will lead to a loss in reputation and lead HRS to seek another partner.	AT&T may disclose key information on their technology with other mobile manufacturers somehow.
Should move ahead?	Yes, it is a really good opportunity for Apple passbook to be known and accepted worldwide	Yes, the profit weight is larger than the risk.

(*) HRS – The Hotel Portal

Apple's Strategy

We can describe Apple's strategy in terms of product differentiation and blue ocean strategy. Apple's business strategy is to design and to develop operating systems, hardware, application software, and services to deliver superior new products and solutions which are differentiated by their ease of use, seamless integration, and innovative industrial design. Apple focuses on revealing radical customer expectations and appealing designs to making its products different. Its differentiation is helpful in increasing brand loyalty and being awarded of the Apple Brand name in customers' minds.

With the blue ocean strategy, Apple continues to introduce groundbreaking new products timed perfectly to achieve first mover advantages. Then, Apple continually re-invents itself to enter new product categories and avoid being obsolete in regards to the competition of maturing product markets. In 2003, Apple was successful at identifying the emerging trends of enabling people to download legal music for a low price of $0.99 cents per song with iTunes. Apple was obtaining cooperation from "The Big 5" Music companies—BMG, EMI, Sony Entertainment, Universal, Warner; this cooperation allowed the iTunes Music Store online to offer over 200,000 songs at the sites introduction. The iPod was developed when the company was creating software for the growing market of personal digital devices. Apple is applying the blue strategy and always seeking to

create and capture new demand rather than just competing in the marketplace for traditional products.

Using the company's core competencies in different product markets helps Apple to diversify in product categories and to decrease the dependence on revenues from a single market. The business strategy of diversification allows Apple to share resources, activities, and technologies across product lines and geographical markets while obtaining intangible core competencies needed in order to build competitive advantages. Apple's valued retail stores, marketing campaign, manufacturing, and distribution play a critical role in supporting the company's differentiation strategy, powerfully linking the success of strategic chains together.

Marketing

Apple fully understand that all aspects of the customer experience are important; so their commercial campaign begins with a simple, aesthetic and differentiated product design to generate viral customer interests that lead consumers to select Apple products since comparisons occur in relation to other products. Apple is successful in creating excitement before the launch of Apple products by making their fast product life cycles every six months. These efforts have succeeded in making Apple products aspirational.

Apple's strategy is also ambitious when it comes to the pursuit of opportunities to create demand for its products in the global market. Apple's Strategy in 2012 is to expand into international markets when domestic markets mature and the new opportunities in consuming smart phone and tablet products due to the growth of technology and the economy. Apple will find challenges in many different cultures and societies, but high-tech products like the iPhone are more welcomed due to its reputation and the lack of availability of these products in the Asian market. Additionally, operating and selling beyond the home market can enhance the company's ability to compete with major rivals and bring knowledge into the organization to expand its pool of innovative ideas.

Recommendations

Apple's commitments and actions should be integrated and coordinated to exploit the company's core competencies, strengthen its competitive advantage, and maximize value. The analysis reveals that, to secure strategic success, it will remain important for Apple, Inc. to be fanatically protective of the Apple brand image and adequately invest in the company's competitive advantages in innovation and marketing. Some suggestions for achieving this include:

- Research and Development: Continually invest in research and development to stay ahead of and lead radical product and technology discoveries. Apple is following the blue ocean strategy, so the company's future is substantially dependent on its ability to continue to develop improvements in products and technology. In case Apple miscalculates or fails to produce commercially viable innovations to enter the market as a first-mover, the company should consider expanding its range of product offerings and intellectual property through licensing, acquisition of businesses or technologies, or joint development projects.

- Diversify product line: Enhancement of existing products in all areas such as computer hardware and peripherals, consumer electronics products, mobile communication devices, systems software, applications software, networking and communications software and solutions, and Internet services and solutions will maximize the value and the life of products.

-Target market: Apple also needs to define and reach the customer base more broadly and more deeply. Expanding the company's distribution network to effectively reach more of its targeted customers and provide them with a high-quality sales and post-sales support experience will serve to

increase market penetration. Building unbreakable customer bonds such as membership with gold, silver and etc. customers will secure long-term customer loyalty and perpetuate its devoted base of customers. The success of Apple's retail stores presents the company with a unique opportunity to "know" its customers' needs and expectations and provides a forum for floating ideas and generating attention.

- Global development: In terms of the global sector, Apple has begun to establish itself as a worldwide player. As the company expands its reach into different parts of the world beyond its current locations, major efforts should be made to study the preferences of customers in those regions to make sure that service offerings and marketing efforts are attuned to and targeted to address specific needs in those areas.
- Management team: Apple should develop the top management team and a succession strategy to reduce over dependence on one individual to advance the interests of the company. The biggest challenge Apple is facing is the legend of Steve Jobs. Apple reported increasing in sales volume and market share, but people question how much credit for Apple's recent financial success should go to Tim Cook and how much carries over from Jobs.

Apple is a diversified company. They not only are in the computer industry with their Macs, but the music industry with their iPod and iTunes product lines. Also, they are in the cell phone industry with their mobile phone products (iPhone series). Recently, Apple came out with the iPad, which is similar to a laptop but more mobile than one since it is tablet form. Apple is also in the retail industry with its stores. The first Apple retail store was announced on May 15, 2001, and opened just a few days later. Today, there are more than 300 Apple Stores can be found in various countries all around the world. Apple's diversity has made the company stronger, more profitable, and more valuable. Apple will probably continue to surprise us with more technological products, and will become even more diverse in the future.

As a company, Apple has empathy for their customers. They offer an array of valuable, superior products to fill various needs of their customers. Apple believes in dealing fairly with competitors while meeting their vendors and competitors over halfway. The company believes in quality customer service that solves customers' problems without compromising their ethics (Apple, Inc., 2012).

Apple, Inc. is known for setting aggressive goals and achieving them. The company believes that they have the opportunity to change the way that people live and work. It is seen as an adventure shared by the company and their customers (Apple, Inc., 2012).

A positive social contribution is what Apple, Inc. hopes to achieve through extending the human capability and making it easier for the customer to achieve more than the customer could alone. The goal of the company is to be an "economic, intellectual, and social asset" in every community in which it operates (Apple, Inc., 2012).

Apple, Inc. is an innovative success thanks to the company's vision. The company was built on innovation and has become famous for providing products that are "new and needed" (Apple, Inc., 2012). This type of innovation success comes with risks that the company has accepted in order to pursue their vision and maintain a profit. Apple believes in team work and individual greatness. The company believes that they are only as strong as their weakest link. Each and every employee can make a difference at Apple, Inc. and it is seen that individuals themselves determine the "character and strength" of Apple (Apple, Inc., 2012).

The company expects an individual performance above the standard in any of its industries. At the same time, teamwork is essential to Apple's success. Winning is a team effort. Victories and rewards should be shared by everyone (Apple, Inc., 2012). Apple, Inc. thrives on earning the respect

and loyalty of their customers through designing quality products. A key aspect of this is a good, strong management team (Apple, Inc., 2012).

As a company, Apple, Inc. is optimally organized. They use their organization centered on CEO Tim Cook's ability to create synergy. Apple does an amazing job getting the most out of its employees by empowering them. Their CEO and top management in general is creative and comes up with a lot of Apple's innovative ideas.

This is Apple's organizational chart when Steve Jobs was still CEO in 2011. Some of the main functions of the company included:

Marketing

Identifying the customer's needs and what products they like

General Counsel

Coordinates all of Apple's organizational departments

Industrial Design

Work on crafting the appearance of all Apple's products including the Macintosh computer line.

Device Engineering

Takes care of production tasks, hardware and software skills

Retail

Maintains business channels that Apple uses including Apple Store or iTunes

Software Engineering

Develop the operational system OS X and other Apple products like iWork etc.

(Apple, Inc., 2012).

Apple's Financial position:

Based on the given information of Apple's financial in the case, Apple, Inc. is financially healthy and strong. The company's growth has been extraordinary during the past five years. Apple is able to finance its operations by current liabilities only. Its financial structure is outstanding with 100 percent equity and does not have any long-term debt. Apple financial is very strong with cash and equivalent cash is about $ 110 trillion. That means the company is very financially independent and has a strong financial position to expand their business. Revenues and net income are increasing each year, and the revenue from March 2011 to March 2012 is $ 142, 360, compared with the fiscal year 2011 of $ 108, 249 (see exhibit 14).

Retained Earnings reached $95,641 billion in June 2012. Apple announced Apple pays a quarterly dividend of $2.65 per share. With the amount $ 110 trillion of cash and equivalent and the amount of $95,641 billion (2012) of retained earnings, the company can afford future acquisitions if any.

During the years, Apple has substantially improved in its key measures of profitability. In terms of ROA, ROE, and profit margins, Apple strengthened financially and now has better ratios than its competitors and the overall computer hardware industry. Apple's gross profit margin ratio of 44.11 is higher than the industry average of 43.5 and the S&P 500 of 39.41. Apple's assets turnover of 1.1 is equal to the industry average of 1.1 and higher than the S&P 500 of 0.8.

Furthermore, as per data given below in the table which is issue on February 2012, Apple's capital was around $462 billion while Microsoft and Google stood with $257 billion and $197 billion respectively. Apple's capital is higher in competition with the combined the capital of Microsoft and Google. It proves that Apple has a competitive advantage in financial position to expand their business and acquisition. (Refer the exhibit 17)