

A Strategic Analysis of Apple

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EXECUTIVE SUMMARY

This study has been undertaken in order to discuss about the international business strategy undertaken by Apple for carrying out their operations in UK. The study is also going to identify the issues that business has faced while carrying out their operations by undergoing external and internal analysis. The issues identified after undergoing the research were price competition of Apple and the sustainable development of Apple. It is very important for the business to understand the culture of UK for undertaking the operation in a suitable manner. There is a need for attracting larger number of local consumers for expanding Apple operation in UK. In order to be sustainable it is important for Apple to build the gap of price between UK and other countries, like US. For Apple it is important to enhance the satisfaction and loyalty of consumer. It is significant for Apple to undergo appropriate investment concerning accessories of their products and services. Business is seen to appropriately place their functioning within the market of UK. They have been continuously pushing lower cost to products while sustaining retail price within the market of UK.

HISTORICAL ANALYSIS

Apple is seen to be an America multinational technology enterprise that is headquartered within Cupertino, California. Business is effective in undertaking designing, developing and selling of consumer electronics, software of computer and online services (De Wit and Meyer, 2010). There are different hardware products that are being offered by organization and it includes iPhone Smartphone, iPad tablet computer, Mac personal computer etc. The company was founded in the year 1976 by Steve Jobs for developing and selling personal computers and business had a shifted focus towards consumer electronics. Apple is world's largest information technology enterprise in terms of their total assets and business is also seen to be world's second largest manufacturing of mobile phones (Hill and Jain, 2000). Organization has got their UK headquarters at Stockley Park that is in the outskirts of London. It has been identified that Apple business was able to make billions of pounds of profit in UK.

Within this particular report discussion has been laid down concerning the international strategies beginning adopted by Apple while undergoing their functioning within UK. The study

has also undergone other different aspects in their research such as identification of key strategic issues, future strategic options, strategy evaluation and selection and justification of recommendations and action plan.

STRATEGIC ANALYSIS

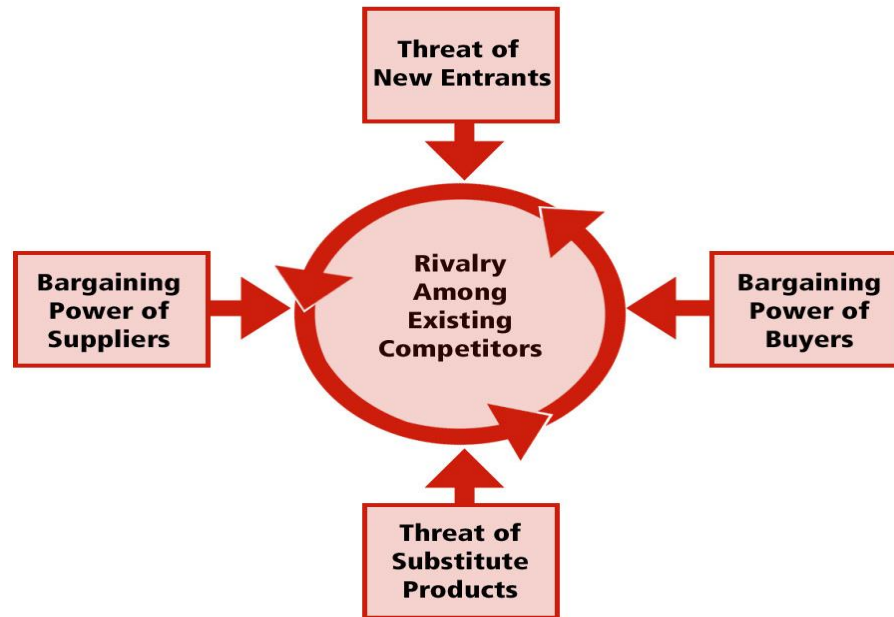
External Analysis and Market Based View

PESTEL	Analysis	Strategic Implications
Political	<ul style="list-style-type: none"> • UK is seen to be a democratic economy that has got a stable governance system. • Country has been maintaining stronger influence through their laws and customs. • UK has been holding a stronger and enviable position within the global politics (Grant, 2015). 	Political aspect of UK has been favourable for Apple business to expand their electronics business in an appropriate manner.
Economic	<ul style="list-style-type: none"> • UK is seen to be a global economic power and is seen to be a highly developed economy. • World Bank showed that UK is seventh best country for undertaking the aspect of investment in business (Douglas.et.al., 2001). 	Apple is carrying out different investment activities for spreading their operations in UK by coming up with more stores.
Social	<ul style="list-style-type: none"> • Living standard of UK citizens could be compared with first world countries. • Demographically it has been observed that country has got an ageing population. 	In UK business has been looking after the requirements of citizens and as per their needs and wants appropriate strategic decision is carried out.

Technology	<ul style="list-style-type: none"> • UK is highly known for their scientific expertise and cutting edge research and development. • Country has got stringent legislation for protecting intellectual property rights (Gawer and Cusumano, 2008). 	Apple business is highly benefited by the way appropriate research has been undertaken in UK for understanding consumer behaviour concerning their products.
Environmental	<ul style="list-style-type: none"> • UK is seen to have a strong participant concerning global policies, particularly with respect to environment, reduction in emission and sustainable energy source. 	Apple has been framing their environment policy as per the rules and regulations of UK government.
Legal	<ul style="list-style-type: none"> • Within UK it has been observed that there is appropriate legal system that is organised, efficient and transparent (Kotler and Pfoertsch, 2007). • Legislation system of UK is highly favourable for undertaking business activities, primarily in relation to investor trust and confidence. 	Apple organisation is highly benefited in the working as they are able to form the objective that is completely based upon the transparent legal policies of the economy.

Industry Market Analysis

The industry market analysis can be undertaken using Porter's five force model. It is going to determine about the level of intensity with respect to competition and attraction.



- *Bargaining power of suppliers:* This aspect of Apple business in UK is completely based upon the development that they undertake in their activities. It is also seen to be based upon the services they have been offering worldwide while undertaking their operations (Hitt.et.al., 2012).
- *Bargaining power of buyers:* Apple UK has built a very strong brand loyalty among their consumer. It has been identified that Apple is able to channelize this aspect to be their main source of profits.
- *Competitive Rivalry within the Industry:* In this regard it has been observed that many of the companies and manufacturers has been trying to hit the market share, but Apple invest a lot on its Research and Development programs (R&D) to be always the leader in uniqueness and innovation (Prater.et.al., 2001).
- *The threat of substitute products or services:* With respect to this factor it has been offered by that Apple has laid down continuous improvement in quality of their products.
- *The threat of new entrants:* Apple organization is seen to have a very dominant place within UK Electronics Industry. Business has been laying down very strong competition to other companies within the industry (Rothaermel, 2015).

Internal Analysis and Resource Based View

SWOT	Analysis
Strength	Strong brand image, High profit margins and Effective innovation process (Sawhney and Zabin, 2001)
Weakness	Limited distribution network, High selling prices, Sales limited mainly to high-end market
Opportunities	Distribution network expansion, Rising demand for tablets and Smartphone's, Creation of new product lines
Threats	Aggressive competition, Imitation, Rising labor cost in countries where Apple plants are located (Wheelen and Hunger, 2011)

Identification of Core Competencies

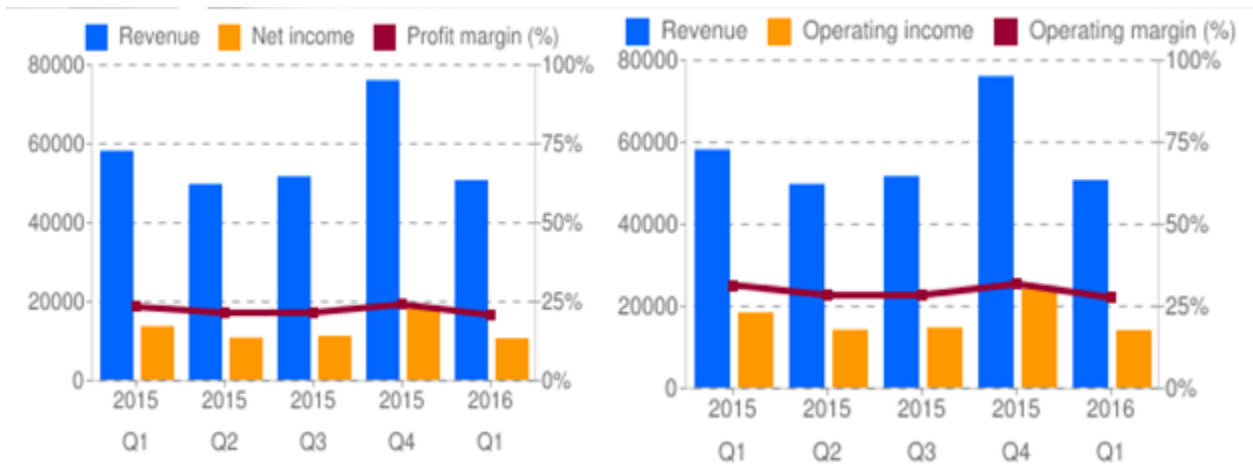
<i>Core competencies</i>	<i>Discussions</i>
<i>Reputation</i>	<ul style="list-style-type: none"> • Apple has built their reputation based upon quality of the products and service that have been offered by them in the UK market. • Apples reputation with respect to their innovation is now seen to be their greatest liability.
<i>Innovation</i>	<ul style="list-style-type: none"> • It has been observed that Apple has initiated continuous practice of being innovative in their functioning, by coming up with high end brand quality products for the purpose of sale (Rothaermel, 2015).
<i>Strategic Assets</i>	<ul style="list-style-type: none"> • Business has got high end loyal consumers

from UK who has been purchasing product of Apple.

- It has been observed that Apple has got strong position within the UK market.

Financial Resources and Capabilities

Apple business has showed their financial results of second quarter concerning their fiscal year 2016. In comparison to quarter 2 2015 it has been observed that unit sales and revenue of the business is seen to be down across the board. Apple overall revenue was seen to be around \$50.6 billion that is down by 12.8% on the basis of \$58 billion made in the quarter of 2015. Business has made their net income to be around \$10.5 billion and it was seen to be down by 22.8% as firm as posted around \$13.6 billion income in their last year operations (Ferreira, 2016). The iPhone sale of the company was seen to be down for the period of 2015 in relation to unit sales and revenues. In the period of 2016 Apple has carried out sale of 51.2 million iPhone in the quarter of 2016 in comparison to 61.2 million during 2015. It is seen to be the first ever drop that business has faced in year on year sale that business has achieved through their functioning.



Apple has laid down very good example for developing appropriate design for their products and many of the enterprise are striving hard in order to develop their capability as of Apple design. There is no doubt that organization is able to build appropriate strategic capability

in relation to their design (Dellana and West, 2016). Apple Company is seen to be a most innovated organization since the period of 2016 with the development of different products such as iPhone, iMac and iPad. The core competencies of the business are skills and capabilities that make them unique and have been laying down competitive advantage over their competitors within the market.

Organizational Analysis and Organization Based View

Mission and Objectives Analysis

Mission of Apple

The main mission of Apple in the present era is concerning Apple designs Mac to be one of best personal computer to be sold out in the market of UK. It is going to be equipped with other aspects that business is laying down consideration over that are OS X, iLife, iWork and professional software. Apple is also seen to be leading in the digital music revolution with respect to their iPods and iTunes through online store (Hitt.et.al., 2012). Business has also brought revolution in the mobile phone segment by revolutionary iPhone and app store and has been defining their future mobile media ad computing device iPad while undertaking their activities in UK.

Objectives of apple

- Business has continued their groundbreaking products. Apple has build their own name by trend setting in the market of UK as it has been observed that one of their products introduced in the market are exciting to be used by citizens of UK.
- Apple has also tried to be innovative and have been dictating the movement of future technology (Grant, 2015).
- Organization is trying to make their products available through different possible retail channels.
- It has been identified that Business use to enter and sustain premium price in order to attain higher market share.
- Company is always seen to be build hype and anticipation in the market of UK with respect to their upcoming products.

Stakeholder Analysis

The stakeholder analysis can be undertaken with the help of stakeholder matrix. Apple business power interest matrix for stakeholder is as follows:

HIGH POWER	Keep satisfied	Key players
	<ul style="list-style-type: none"> • Consumers 	<ul style="list-style-type: none"> • Inventors • Employees of Suppliers and Distributors
LOW POWER	Minimal effort	Keep informed
	-	<ul style="list-style-type: none"> • Apple employees
	LOW INTEREST	HIGH INTEREST

Stakeholder	Strategic Implications
Consumers	For Apple it is crucial for having a strong consumer and base. It can be made possible through continuous innovation in products.
Apple employees	Apple is able to maintain appropriate relation with their employees since the beginning of their operations (Kotler and Pfoertsch, 2007). For business it is important to ensure that employees are engaged and involved in business activities for ensuring that they do not lose their skilled officials to other enterprise.
Inventors	Proper resources need to be provided to the inventors carrying out development of software concerning Mac OS X and iOS platforms.
Employees of Suppliers and Distributors	Apple requires to assure that their entire supplier meet the highest standard concerning their product and services (Hitt.et.al., 2012).

	For Apple it is crucial for understanding the importance of making and meeting of commitment for delivering high quality products and services.
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Corporate Analysis

In the previous section it has been discussed that main corporate strategy of Apple is to come up with ground breaking products and for achieving the aspect business need to build string team culture along with significant research and development. In order to have continuous success of delivering best products to the consumer, it is crucial for Apple to study the market for identifying the needs of consumer (Gawer and Cusumano, 2008). The improvement can be brought down by current products by undergoing consumer feedback in a significant manner. Business is seen to appropriately place their functioning within the market of UK. It has been identified that Apple has placed their products in different retail stores of UK that have been displaying electronic devices and different e-commerce websites. Further, research showed that business has been strategically pricing their different product at top of the market base. They have been continuously pushing lower cost to products while sustaining retail price within the market of UK (Wheelen and Hunger, 2011). Apple is always seen to be a trend setter and have been entering into new product market before any competition and have been delivering products that has got unreachable standard concerning quality.

Internationalization Analysis

Continent	Analysis
Europe	It has been announced by Apple that they are planning to expand their activities in its European headquarters in Cork, Ireland and it would also be including construction of new building that is going to add 1000 jobs.
America's	Over the years it has been observed that Apple has lay down incredible job growth and have created new industries. Business products and innovation is able to create almost millions of job in America (Rothaermel, 2015). Apple was able to support to their enginee4rs and

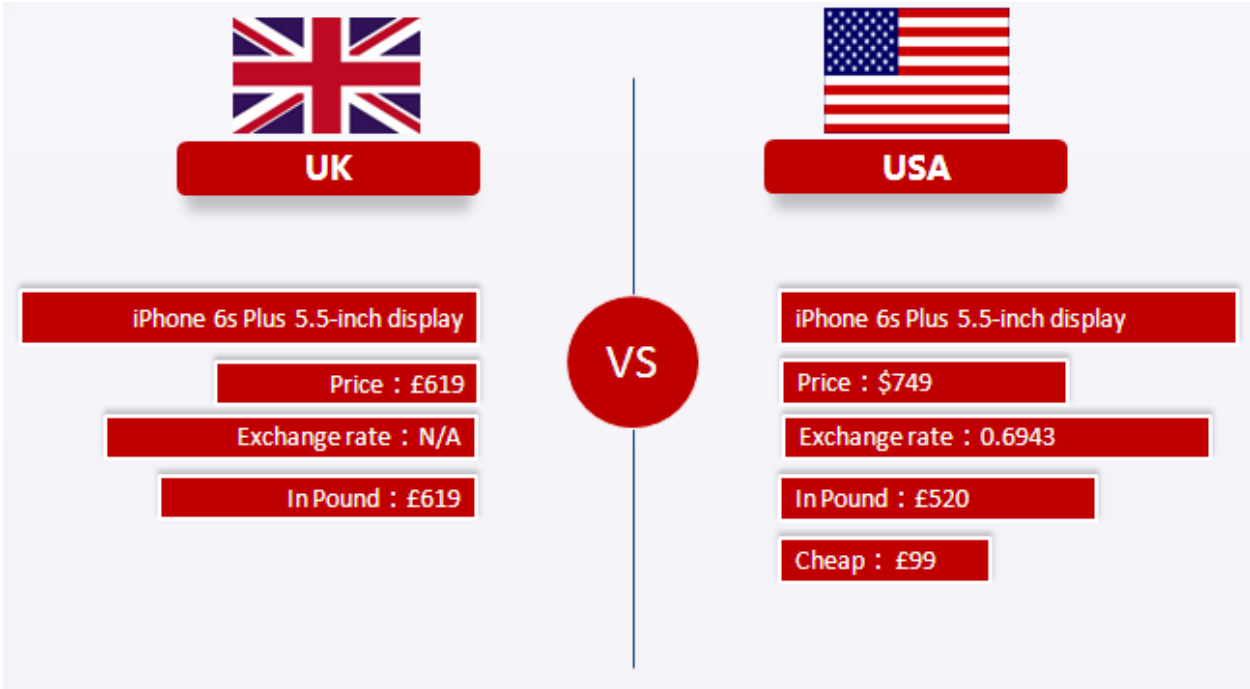
	retail employees to supplier manufacturer and app developers.
Asia	Apple is planning to lay down hiring binge in Asia. This is going to ass several numbers of engineers and supply chain managers for carrying out operations in Shanghai and Taipei, so that they are able to accelerate release of their products. It has been identified that Apple has undergone an accumulation of 600 engineers and operation employees in China and even greater in Taiwan for giving tougher competition to rival Smartphone such as HTC.

IDENTIFICATION OF KEY STRATEGIC ISSUES

Issue 1: The price competition of Apple

In this regard it is crucial for apple to undergo two options that are Retail-tainment enhancing experience of consumer using Theme marketing (Peter Rabbit). Another aspect is by increasing loyalty among the consumer and it could be done by retaining larger number of consumers within the business.

Issue 2: The sustainable development of Apple



The development is affect all due to increased VAT-20% within UK to be faced by Apple. This has laid down affect on the operations by decreasing revenue. This has increased value added service of the enterprise by undergoing activities in the form of free to cleanup and door-to-door service. In this regard it is important for Apple to enhance the experience of consumer by laying down time limited experience, provide some foods and questionnaire to be filled after experience.

FUTURE STRATEGIC OPTIONS

Issue 1: The price competition of Apple

Break the Price competition-option 1	Strategic evaluation and selection
Sustainable(√)	<ul style="list-style-type: none"> • Suitable to redesign of services cape and layout. • UK culture adaptation • Attract new customers' attention.
Acceptability(√)	<ul style="list-style-type: none"> • Low risk of redesign of Apple store • Attract local customers • Increasing profits will maximize shareholders wealth
Feasibility(√)	<ul style="list-style-type: none"> • Debt Coverage > Industry average→ low financial risk. • Leverage ratio < Industry→ low business risk. • Sufficient cash reserves

Break the Price competition-option 2	Strategic evaluation and selection
Sustainable(√)	<ul style="list-style-type: none"> • Opportunity: keep loyalty customers.

	<ul style="list-style-type: none"> • Risk: loss new customer.
Acceptability(X)	<ul style="list-style-type: none"> • Low risk of initial investment • High risk of profit reduction and minimum of shareholder's wealth.
Feasibility(X)	<ul style="list-style-type: none"> • Without too much initial investment • May reduce the market share and profitability.

Issue 2: The sustainable development of Apple

Keep sustainable development-option 1	Strategic evaluation and selection
Sustainable(√)	<ul style="list-style-type: none"> • Build the gap of price between UK and other countries, like US • Appeal local customers • Attain existing customers
Acceptability(X)	<ul style="list-style-type: none"> • Improve the customer satisfaction and loyalty • decrease gross profit margin in the short term and rise afterwards • Less dividends for shareholders
Feasibility(X)	<ul style="list-style-type: none"> • Further funds for accessories products or service

Keep sustainable development-option 2	Strategic evaluation and selection
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Sustainable(X)	<ul style="list-style-type: none"> • Provide more experience opportunities to people who tend to purchase • Lost potential customers
Acceptability(X)	<ul style="list-style-type: none"> • Low risk of initial funds • Rise gross profit margin in the short term but slight drop in the long term
Feasibility(√)	<ul style="list-style-type: none"> • Little new funds required • Time-limited background program designed by engineers

STRATEGY EVALUATION AND SELECTION

Issue 1: The price competition of Apple

Summary	Option 1	Option 2
Suitable	√	√
Acceptable	√	X
Feasible	√	X
Recommended	√	X

Issue 2: The sustainable development of Apple

Summary	Option 1	Option 2
Suitable	√	√
Acceptable	X	X
Feasible	X	√

Recommended	√	X
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JUSTIFICATION OF RECOMMENDATIONS AND ACTION PLAN

The price competition of Apple

For achieving the aspect covered in option 1 it is crucial for Apple to lay down appropriate service cap and design within UK. It is very important for the business to understand the culture of UK for undertaking the operation in a suitable manner. There is a need for attracting larger number of local consumers for expanding Apple operation in UK. In UK it is even significant for Apple to increase their profits while maximizing wealth of their shareholders. This will also help in increasing sufficient cash reserves within the business.

The sustainable development of Apple

In order to be sustainable it is important for Apple to build the gap of price between UK and other countries, like US. Then there is a need for appealing local consumer in a most appropriate manner and to attain existing customers. For Apple it is important to enhance the satisfaction and loyalty of consumer. This is seen to be crucial as it helps business to be sustainable with the market of UK. It is significant for Apple to undergo appropriate investment concerning accessories of their products and services.

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