

## Case 14: Apple computer, inc.: maintaining the music business while introducing iPhone and apple TV

Apple Inc is a Multinational American corporation that is renowned for designing and marketing high end consumer electronic products such as personal computers, computer software, iPod, iPhone and the iPad. The corporation is also involved in the sale of music, games, eBooks, podcast and video files through iTunes. Apple Inc is a market leader in the production of revolutionary, high quality, innovative products. The company introduced apple TV in 2006, the iPhone in the year 2007 and the iPad in 2010. These products have been successful in the local and international market. Previously Apple Inc was predominantly involved in the production and sale of computer products. However, product diversification has enabled the corporation to shift focus from computers to production of a range of other innovative products.

### **Measuring a company's success**

In the period between, 2006 to 2007 apple inc received a 35% increase in total net sales from 7,115 (millions) US dollars to 9,608 (Million) US dollars (Ireland, Hoskisson & Hitt, 2009). The computer division which basically deals with portables such as the iMac and desktops recorded a 47% increase in total sales made and 44% increase in the unit sales (Ireland, Hoskisson & Hitt 2009). The iPod sales increased by 17% over the same period whereas the unit sales increased by 5%. Generally among all products the iPod recorded the lowest increase in returns. However, the returns were higher than those of the other products. The iPhone was introduced in 2007 and had a good reception in the market because 2,319,000 units were sold in the year of introduction (Ireland, Hoskisson & Hitt, 2009). The iPhone combined the roles of the iPod and a basic phone and provided internet access thereby leading to increased returns. Generally there was an increase in the sales of apple products on all segments during the period between 2006 and 2007 (Ireland, Hoskisson & Hitt, 2009)

. With the introduction of the iPhone the sales of the iPod were likely to drop as the iPhone performs most of the iPods roles.

### **Evaluation of Apples strategy**

Apples' diversification and strong marketing strategy has enabled the company become successful and profitable. Currently Macintosh (apples computer division) accounts for only 28% of the company's revenue whereas the iPhone accounts for about 40% of the total revenue (Morrison, 2009). Apple rigorously develops and improves software which are integrated into its hardware. This propels the sale of apples hardware as well as other retail categories. For example 82% of music sold in the US was through the iTunes store (Malhotra, 2007). Apple's products have revolutionised the way consumers use their products. Most of the products developed by apple have the same basic design and support. In addition to this they are able to perform functions performed by earlier products therefore most consumers know what to expect as they purchase new apple products. Apple Inc has developed brand loyalty among its customers. This has been made possible through opening up stores dealing exclusively in Apple products. The company has also established an online store which enables customers purchase and receive online support.

Apples performance in the future will be greatly influenced by the business environment. Environmental factors could be both internal and external (Malhotra, 2007). The external factors in

this case include technological, demographic, economic, cultural, international and legal factors (Malhotra, 2007). Apple faces high competition from rival companies involved in the production of phones, computers and multimedia gadgets such as Mp3 players. These companies are numerous and also produce high end innovative products. For example the smart phone market has become more competitive in 2010 owing to the introduction of high end windows and android based devices. For instance smartphones manufactured by Motorola, HTC and Sony Ericsson have threatened the dominance of the iPhone in the Smartphone market.

Apple Inc seems to have a poor pricing strategy because the company does not produce cheap devices for the consumers who cannot afford the expensive ones (Meyer, 2010). Other competitors have capitalised on this sector through production of cheaper devices which offer almost similar services. For example Apples Macbook is one of the most expensive laptops available in the market whereas competitors offer similar devices for a much more reduced price (Meyer, 2010). People today are also very sensitive to the corporate image of the company. Apple must continue to produce innovative products because that has been the benchmark of the company (Malhotra, 2007). For instance, consumers today require single devices that perform a number of roles which will reduce the need for multiple gadgets. The iPhone successfully combined the role played by the iPod with that played by general phones. In future the company must look forward to develop gadget that perform multiple roles. There is a high demand for cheap Smartphones especially in markets in the developing countries therefore Apple Inc should consider the manufacture of cheaper devices.

The economic environment can also greatly influence the performance of a company. An example is the recent global financial crisis which forced consumers to postpone spending due to decrease in purchasing power. Multinational companies such as Apple are greatly influenced by legal and political requirements. Legal and political requirements could make it difficult to offer the same products for the same price especially when selling products to the international markets. Regulation and certification of products by standardizing bodies in different regions could be extensive and time consuming. Apple Inc has also outsourced the production of some of the components of its products. An example is the production of chips by IBM (Malhotra, 2007). The corporation relies on third party patents and could be affected if found to have infringed property rights. Sales from international markets account for approximately 43% of Apple's total sales. Therefore, factors that affect other countries could have a direct influence on the company sales. Customers all round the globe have many products to choose from and there is demand for new and updated features.

## **Recommendations and conclusion**

The success of Apple Inc is attributed to the development of innovative products which have been widely accepted locally and internationally. The company must therefore strive to remain a market leader in the development and sale of these innovative products. The major weakness of the company is its pricing strategy because most of its products are expensive as compared to similar products from other competitors. The company does not produce low end devices for people who may not afford the expensive ones. The company has also focused in the production of personal devices such as the Macbook, iPhone and iPad leaving out production of products that could be used by companies, institutions and organisations. The company should in future exploit these avenues in order to gain a competitive advantage. The company should also consider use of other avenues of distribution of their products which will also aid in sale of its products in international markets. This should also be accompanied by adoption of more rigorous marketing strategies.