



Company Overview

Mission Statement

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 Computer's mission statement exhibits a single core value: superiority. By being the best, they clearly aim to outperform their competitors. No matter what the changes in the industry bring, Apple's commitment to providing innovative products remains constant. Apple's core purpose centers on providing a meaningful computing experience to its targeted clients. This correlates with their mission statement to provide world class computing products for everyday consumers.

Company's Culture

Founded in 1976, Apple has the distinction of being one of the first technology companies to come into existence with the sole pursuit of serving individual consumers rather than large computers. As the first company to market the personal computer, Apple followed their core purpose clear from the start: make computers accessible for the average consumer.

Apple has strong market orientation because it makes decisions based on what it believes the customer needs. Apple has achieved wild success because it was able to guess what the customer will want before a market exists for it. This ability to innovate has been clearly demonstrated in the development of the iPad.

SMART Objectives

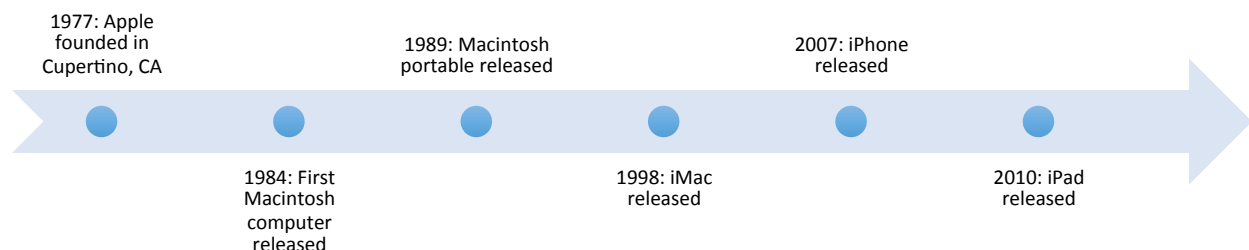
Goal 1: *Apple* will increase its revenue by breaking into the high-level watch market and take a 15% market share by 2016. This is a **specific** goal because it defines a new market where Apple has taken the time to innovate in a specific way. To date, there have been no wildly successful smart watches. Apple aims to set the standard. This is a **measurable** goal because sales figures are required to be reported for all American corporations. Apple already has an advanced sales metrics analytics system in place to report to its stockholders. As one of the world's most popular companies, the results of their efforts will be closely watched by tech aficionados around the world. This goal is **attainable** because Apple has a well-developed distribution system with its retail stores and online store. Apple's popular following defines trends in consumer electronics as well as in the culture. Now that the company is making the attempt to access the fashion interests of its large following, it can begin to accessorize its product line in a way that makes personal computing functions even more convenient. This goal is **relevant** because it sets a high standard of growth for an area where the company has recently invested a large quantity of its resources. The goal is **time-bound** since they have a limited date to achieve the market share by 2016. Otherwise, their lack of success will be clear.

Goal 2: *Apple* will increase its annual sales of the iPhone by 10% by the end of 2014. This is a **specific** goal because it addressed an area where Apple has just launched a series of new hardware updates and attaches a specific figure to its growth objective. This is a **measurable** goal because Apple keeps track of its annual sales reports. It will be easy to compare 2014 growth with 2013 growth. This goal is **attainable** because people are lining up all over the world outside of Apple stores to get the iPhone 6 and iPhone 6S. The large screen size will rival that of the Samsung Galaxy S while the new features allowing iPhone

users to answer their phone with their computers will take communication between gadgets to a whole new level. This goal is **relevant** as Apple continues to face heavy competition from Asian developers in the smartphone market. If Apple does not continue to innovate its smartphone product line and reassert its dominance, it could quickly become lost in the crowd. This goal is clearly **time-bound** as it sets the deadline for growth measurement just after the Christmas holiday season.

History & Key People

Name	Year	Title	What they bring to the company
Steve Jobs	1977-1985, 1997-2011	Founder	Creative genius who merges style with functionality
Tim Cook	1998-present	CEO	Focus on protecting the environment. Values people, strategy, and execution.



Key Collaborators

AT&T	208 South Akard St., Dallas, TX, 75202 USA
Foxconn	No. 2, 2nd Donghuan Road, 10 Yousong Industrial District, Longua, Baoan, Shenzhen City, Guangdong Province, 518109, China
Intel	2200 Mission College Blvd., Santa Clara, CA, 95054 USA

Company Analysis

Competitive Advantage

At *Apple*, the goal of the company is to offer a limited amount of products at the high end level, focus on gaining high profits, and draw a strong following where people crave Apple products. Their competitive advantage shines through in their ability to develop high end software, hardware, and service products that interact within a well-developed ecosystem.

Customer excellence represents an important aspect of Apple's strategy of putting the customer first. The company has turned shopping for a computer into a transportation into a new realm. At the Apple Store, you find yourself surrounded by suspended images of the latest Apps and iPads. Everything for sale can be touched and tested in a clean layout of wooden tables and flanked by the ubiquitous Genius Bar. Apple

provides value through **product excellence**. Apple does not carry a large number of computer, iPhone, and iPad models. As they have grown, they have even focused on doing less with more resources. What they do carry is virtually guaranteed to meet the needs of its client base. Apple associates are knowledgeable about the specifications of their products and capable of translating technical specifications to the real world needs of customers. Apple excels in **operational excellence**. This standard exists through the development of dependable partners like Foxconn who ensure that the production process goes smoothly. Finally, Apple's **locational excellence** allows it to sell its products to anyone in America no matter where they are or at one of the previously mentioned 425 retail stores. With stores also placed abroad, often in the center of a city or commercial center, the experience combines prime real estate with a chic experience. Even online, the process is polished to allow the consumer to see exactly what they are buying in a way that makes them feel reassured about what they are purchasing.

Marketing Objectives

Apple's **target markets** include students, educators, creative professionals and consumers around the world. With this broad approach, Apple has managed to develop a large global following that attains a sustained demand.

Apple **positions** itself as the "Willy Wonka chocolate factory" of consumer electronics coupled with an appeal more often engendered in luxury cars such as Lexus. Its halo effect of large press coverage lends a certain mystique when products are finally announced at highly anticipated press releases. The company's ability to closely guard its product development process lends it an additional competitive edge others only dream of attaining. **Product:** Apple sells consumer electronic equipment. They have always focused on personal computers. The iMac, MacBook Pro, and MacBook Air, and Mac Mini headline these available options. Today, the technical specifications maintain even when purchasing a laptop for a choice based on daily activity needs rather computer processing needs. For video producers, the Mac Pro offers powerful desktop processing. Apple continues to develop its iPad generations and iPhone models to stay ahead of competition. With iOS 8, iTunes, and Mac OS X Yosemite, the company offers sophisticated software capabilities custom built to run with their hardware products. **Price:** Apple focuses on high-end products. Even when they have attempted to diversify their market with cheaper iPods and iPhones, the result has been tepid. Macs start around \$1,000, iPads start at \$500, and iPhones start at \$199. There is not very much differentiation here. Quality comes at a price.

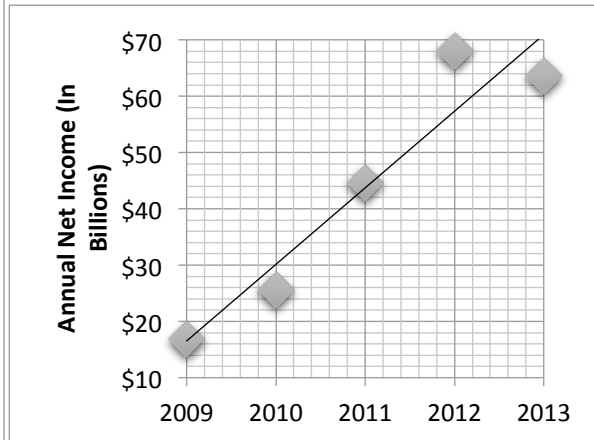
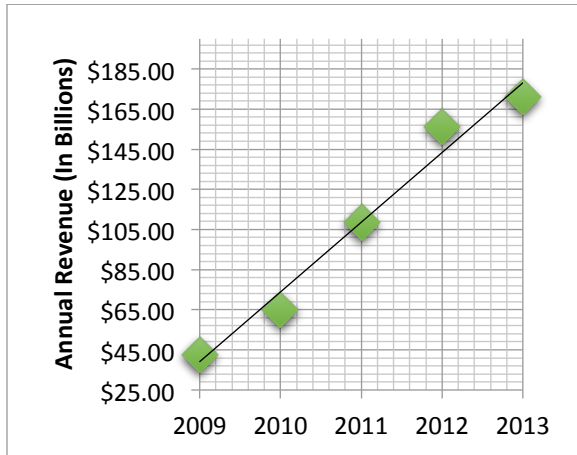
Place: Apple has hundreds of stores in the US and has placed its stores abroad in Australia, Brazil, Canada, China, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Spain, Sweden, Turkey, and the United Kingdom. Many store location are positioned in prominent locations to appear more conspicuous. **Promotion:** Apple rarely offers discounts on its products. Retailers such as Best Buy do occasionally offer better deals than the Apple Store itself. From time to time, Apple does compete with Black Friday sales and other major shopping events by offering free shipping.

International Involvement

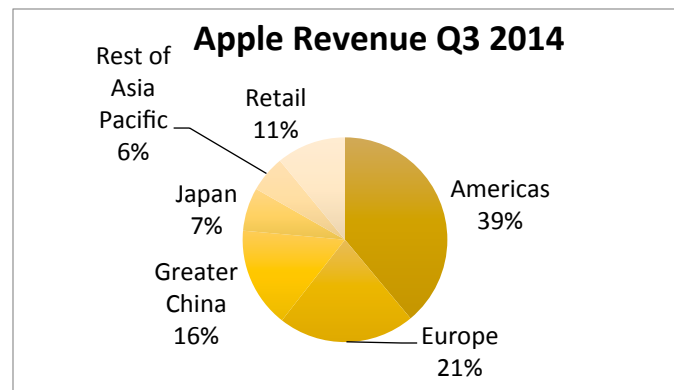
Apple is an international company. Sales figures for the third quarter of 2014 are already available. Operating in 14 countries outside the US, Apple is motivated to pay attention to client needs abroad, but its focus on high end products firmly plants its home market in the US as a country with generous consumer spending. Apple's revenue growth increased the most in China over the past year where it grew by 28%. All other regions experience 6% growth or less. Q3 revenue was \$37,432 million.

Performance Metrics

DSG Annual Revenue and Net Income



iPhone	\$19,751
iPad	\$5,889
Mac	\$5,540
iPod	\$442
Software	\$4,485
Accessory	\$1,325



As the figures above clearly show, 2012 was a banner year for Apple. As no small coincidence, this is the year after the iPad debuted and shows Apple's ability to achieve wild success when entering a new market. Apple has maintained effective client demand and enjoys a net income increase of Based on the above performance trends, DSG has continued to employ effective marketing strategies to continue their profitability as a company with a current net income increase of 6% over last years figures.

Competitive Forces

Competitive Forces Analysis	Industry Characteristics	Unfavorable (-5) Neutral (0) Favorable (+5)
Threat of New Entrants	<ul style="list-style-type: none"> - The industry CAGR rests at 17.6% over the next four years in the Asia-Pacific Region - High barriers to creating meaningful market share - Significant patent claims and restrictions in product 	· 1

	development	
Power of Buyers	<ul style="list-style-type: none"> - 1.75 billion smartphone users worldwide by the end of 2014. 2 billion personal computer users by 2015. With more customers, buying power decreases - Google, Apple, Microsoft, and Samsung are established name brands recognized around the world. - Switching cost is high because new hardware often requires the purchase of new software 	· 3
Power of Suppliers	<ul style="list-style-type: none"> - Manufacturers depend on industry demand for revenue. - Very strong product demand in smartphones. - Switching cost is high because of economies of scale and the transfer process of sending product blueprints to alternative facilities 	· 2
Threat of Substitutes	<ul style="list-style-type: none"> - Retail stores <i>e.g.</i> Walmart purchase in bulk and then offer massive discounts on products - Many pirated products coming out of China - The alternative Android platform is easily installed in third party consumer products 	· -1
Competitive Rivalry	<ul style="list-style-type: none"> - Competitors are innovating on an annual basis with massive investment in R&D - Identical products selection for many name brands - Price competition important in emerging markets, but offset by strong quality differentiation 	· -3

The consumer electronics market has a high CAGR in the Asia-Pacific region over the next few years, but the American and European markets are largely saturated. With a consumer electronics market set to reach \$289 billion by the end of 2014, large players are already positioned to cash in on opportunities for major revenue acquisition. Buyer power is low in terms of motivating lower prices, but consumers remain demanding in their expectations as quality continues to improve. Indeed, constant innovation turns into a double-edge sword for some companies as Apple discovered with their antenna glitch for left-handed users of the iPhone 4. Economic trends do not necessarily require competitive pricing if the product quality is high as consumers will often reach for the best as demonstrated in Apple's revenue renaissance since 2011. However, the consumer electronics market is sensitive to the economy as some products such as tablets and perhaps even watches in the future are considered luxury items. Smartphones, however, may already be regarded as ubiquitous. Strong competition from Samsung leaves all other companies behind. Companies wishing to compete with the South Korean conglomerate face a company with talented engineers in product development, a respectable software alliance with Google for Android, and an unrivaled in-house production supply line. Other companies are forced to look for niche distinguishments such as emerging markets in order to gain market share.

PEST ANALYSIS	Current Events & Trends	Unfavorable (-5) Neutral (0) Favorable (+5)
Political/Regulatory/Legal	<ul style="list-style-type: none"> · Major concerns of consumer privacy among advertisers and the government · Concerns for identity theft · Google glass offers a new level of distraction 	-3

	for consumers that could make life more dangerous as people get distracted	
Economic	<ul style="list-style-type: none"> · Sustained demand for product updates · Strong demand for new markets implementing existing technology · Stable supply by manufacturers 	5
Social/ Cultural/ Demographic	<ul style="list-style-type: none"> · Smartphones already considered essential · Technology is becoming a fashion statement · People around the world are willing to reach for these new gadgets · CEO Cook appears to have weathered the first few new years of maintaining the Apple mystique 	2
Technology	<ul style="list-style-type: none"> · Introduction of Apple Watch · Computer processors getting smaller and faster · The advancements mean companies have the capacity to precisely measure consumer health 	3

Trade Associations

Apple maintains certain affiliations with trade associations to promote and protect its brand. In 2002, it entered in an agreement with 1394 trade association to permit Apple’s Firewire logo to be displayed on computer peripherals around the world on 100 million digital devices. However, in politics, Apple puts its shareholder value at risk by electing not to disclose its trade association memberships. Apple maintains a membership with the Retail Industry Leaders Association as well as the American Electronics Association.

Implications for Future Strategies

Based on the Apple PEST analysis, future growth factors look positive for the company. The company does face some challenges in making sure its products are secure for consumers. With the recent introduction of Apple Pay, which allows users to pay for products using their iPhone, security is more important than ever before. Apple must take active steps to maintain customer security as a top priority. Economically, Apple is at the forefront of economic demand in the United States and steadily growing its revenue in China, mostly thanks to its iPhone product.

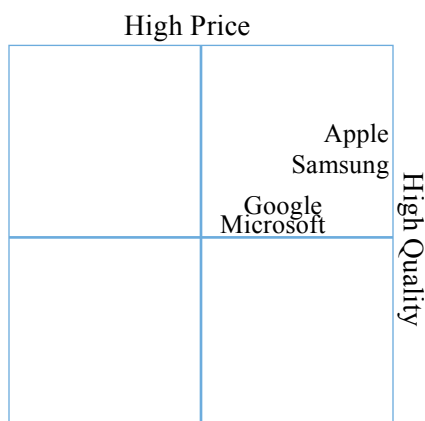
Competitor Analysis

Competitor Analysis	Apple	Google	Microsoft	Samsung
Target Markets	Students Educators Creative Professionals Intl. Consumers	Business Advertisers Students	Students Business Advertisers Educators	Intl. Consumers Students Younger Markets Professionals
Positioning	Product	Organize World’s	MS Office Suite,	Massive development

	Ecosystem	Information	Entertainment	infrastructure
Product	Tablets Computers Smartphones Watches	Advertising Computers Google Glass	Tablets Computers Smartphones	Smartphones Computers Tablets
Price	\$199-±\$4,000	\$199-\$1,500	\$379-±\$10,000	\$80-\$4,000
Place	425 retail stores in US, 14 countries around the world, positioned in city centers and malls, Apple Online Store	Exclusively Online	116 retail stores in US & Canada, Online Store, No international presence	Exclusively Online, sells largely through retailers
Promotion	Free Black Friday Shipping, Student Discounts	None	Free Shipping. Free Returns	Samsung Sideline Promotion, Trade in old phone for Fashion Dollars
Performance	Competitive Advantage: Makes products communicate, fashionable Profit: \$37,04B in '13 (MarketWatch)	Competitive Advantage: Profit: Knows customers better than anyone Profit: \$12,21B '13 (MarketWatch)	Competitive Advantage: Strong software products and Organization Profit: \$22,07B '13 (MarketWatch)	Competitive Advantage: Quickly develops products, Alliance with Google Android Profit: \$20,6B (BGR)

Consumer electronics are a major growth area for tech companies. With other companies threatening to enter in on new segments, no position should be regarded as safe and secure. However, Apple has worked hard to position itself as a leader when it comes to performance metrics. Their focus on high end products has set them apart from their competitors as average citizens seek to obtain the best.

Perceptual Map of Consumer Electronics Companies

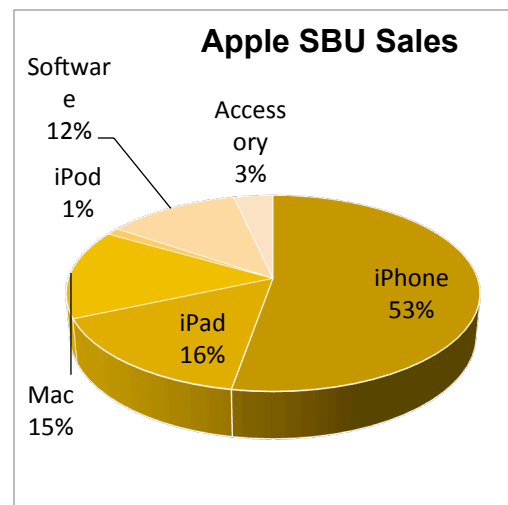
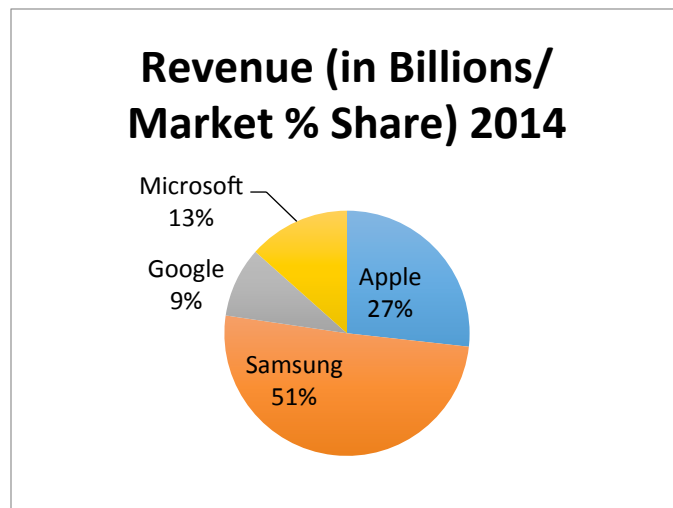


As shown above, Apple consistently offers the best products, sold at a premium price. None of these companies are particularly weak, and even though Microsoft has lost much of its market share during the 2000s through Apple's meteoric market growth. Google's concept of leaving all of its software products on a cloud online has not quite taken off yet, but it would be unwise to write off their growth potential. Samsung offers a very competitive product that matches well with the iPhone series and is often lower priced.

Industry & SBU Overview

Consumer electronics providers operate in a global industry with a constantly resetting standard of quality. As technology develops, companies are forced to annually update their product lines. 2014 industry revenue was \$211.3 billion. Meanwhile, Apple's overall revenue growth rests at 5.2% thanks to innovative product updates. Companies look to make a profit by selling personal handheld devices, which amounts to selling increasingly smaller and more sophisticated versions of the computer also capable of connecting to the Internet and acting as communications devices. The main product demand segments are personal computers, smartphones, and tablets. Competitors work gain market share by offering low prices and interfaces that are easy to navigate along with great graphics presentations. As technology becomes increasingly ubiquitous in daily life, companies will search for new ways to integrate their software capabilities with new products such as smart watches and clothes that automatically recharge our smartphones. Although the entry barrier is high, the competition to continue innovation shows no signs of slowing down.

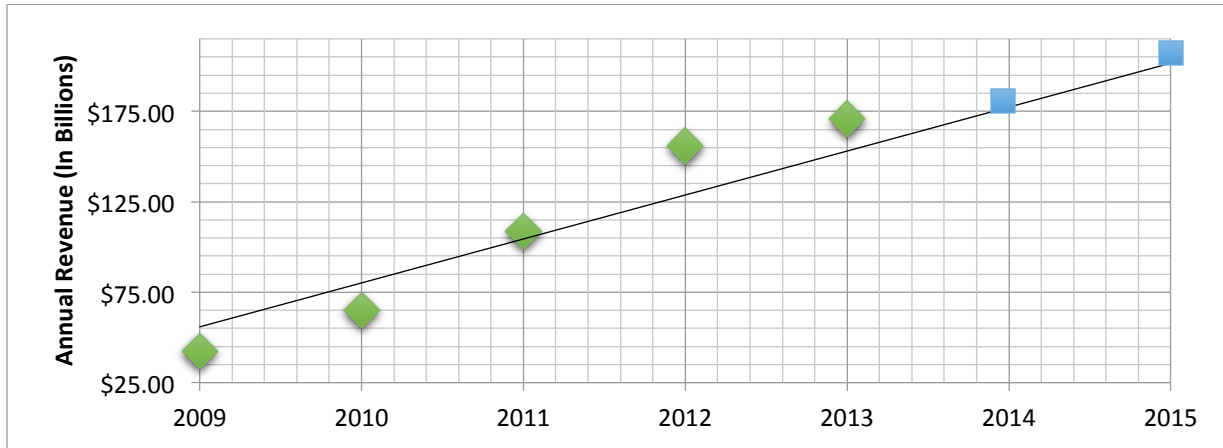
Apple's SBU categories currently include smartphones, personal computers, tablets, software, and accessories, all which fall under the category of hardline products. In accordance with its SMART goals to improve company performance, Apple will increase its revenue by breaking into the high-level watch market and take a 15% market share by 2016. This will effectively allow Apple to create a new high-tech luxury watch market for itself. Secondly, will increase its annual sales of the iPhone by 10% by the end of 2014. This will align with its growth objectives stemming from the release of the iPhone 6.



Forecast

With the estimated growth of the industry's CAGR most strongly positioned in the Asia-Pacific region, the current forecast suggests Apple should focus its efforts in smartphone sales on Asia above all other areas. Apple, however, appears to be hedging its bets that it can find a new market with the introduction of its watch, a product that will almost certainly have a limited appeal outside of America and Europe. If Apple wishes to complete its SMART goals, it will have to succeed simultaneously in multiple regions.

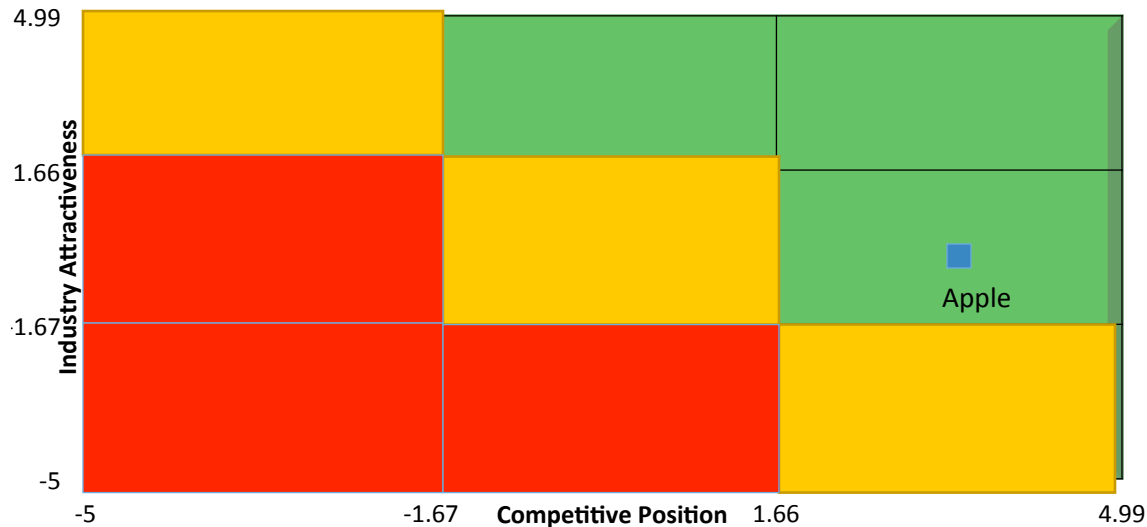
Strengths	Weaknesses
Strong Product Ecosystem Dominant home market position through the halo effect Ubiquitous brand image	Frequent product updates force users to constantly upgrade High price limits
Opportunities	Threats
Apple Watch market creation Growing Asian market	Competition from Samsung Low customization options on product interface



Apple Situational Overview

The consumer electronics industry has been working to move beyond the global economic crisis, which hit the country in 2007. This has resulted in tepid annual growth rates as indicated on the graph below. For Apple to stay competitive, they must continue to project their mystique and back it up with strong product updates. The competitive analysis shows that many of companies are offering similar products with minimal differentiation. A **strength** in Apple's recent release of its latest iPhone product coupled with new software allowing high levels of integration with desktop computers should set it apart from competitors. People are expecting stronger product integration than ever before and Apple appears poised to back those expectations up with results. A **weakness** is Apple's inability to offer solid products at lower prices. The iPhone 4c, in spite of its attempt to reach more thrifty consumers was met with a weak sales response. Apple **opportunities** rest significantly with its new watch. This development could set a major trend for consumer electronics. As it stands, Apple is the first major player to promote such a sophisticated offering. The major **threat** for Apple comes from Samsung. The two companies are realistically in a battle of two in the smartphone industry, and Samsung has a geographic advantage for the remaining market share frontier in Asia.

Consumer Electronics Industry Attractiveness Matrix



Strategy	Cost/Benefits	Objectives	Stakeholders Impact
Market Development Apple could focus its efforts on continued market growth on the Asian continent by installing stores in China.	<ul style="list-style-type: none"> Tariffs and government restrictions Immediate market penetration 	<ul style="list-style-type: none"> Obtain international business Build brand mystique with the Apple experience Obtain new customers 	<ul style="list-style-type: none"> Stakeholders will gain more in the long run Diversified market share
Product Development Apple could focus on moving its new Apple Watch unit	<ul style="list-style-type: none"> High risk of failure Major revenue growth Trendsetter 	<ul style="list-style-type: none"> Define a new market Differentiate from competitors 	<ul style="list-style-type: none"> Increased wealth for shareholders More options for consumers
Market Penetration Apple should not compromise its price points, but focus on quality of product in penetration efforts abroad	<ul style="list-style-type: none"> Lower level customers may be missed Brand quality and reputation will increase 	<ul style="list-style-type: none"> Maintain high level standard Core value of being the best is maintained 	<ul style="list-style-type: none"> Potentially decrease wealth for shareholders Customers will have less purchase options
Diversification Apple could move its iPhone 4c and iPad mini concept into other areas	<ul style="list-style-type: none"> High cost for new research Compete with the Chromebook 	<ul style="list-style-type: none"> Create a low-end laptop less than \$1,000 	<ul style="list-style-type: none"> Stakeholders may not want to compromise core product integrity
Retrenchment Apple could eliminate	<ul style="list-style-type: none"> Loss of immediate inventory value 	<ul style="list-style-type: none"> Maintain high end expectations 	<ul style="list-style-type: none"> Reduced company value

low-end products that dilute the value of the high-performance brand association	<p>due to sales pricing</p> <ul style="list-style-type: none"> Brand quality and reputation will increase 	<ul style="list-style-type: none"> Offer customers only superior solutions 	<ul style="list-style-type: none"> Loss of halo effect Possible result in loss of customers
Divestiture/Liquidation Apple could get rid of its third-party in store accessories side products to focus on its brand name product turnover	<ul style="list-style-type: none"> Perception as elitist Increased revenue on accessories 	<ul style="list-style-type: none"> Control brand presentation Eliminate competition 	<ul style="list-style-type: none"> Could be perceived as a monopoly move Could result in loss of company value
Harvest Apple could deeply discount all second-generation products to move stock after new updates come out.	<ul style="list-style-type: none"> Possible drop in revenue as customers wait to buy second-generation Increased stock ability to move latest products 	<ul style="list-style-type: none"> Only carry newer versions of most profitable items Carry new items that customers want the most 	<ul style="list-style-type: none"> Company stock may rise through higher sales Reduces outstanding assets

Strategy Recommendations

After conducting the analysis, Apple should focus its efforts on appealing to as broad amount of consumers as it can. Apple should not shy away from building a high-quality product that fits the need of different consumers as this already fits in their mission statement (students, professionals). With large cash reserves, Apple can afford to diversify its product portfolio as long as it maintains its core values of excellence. This will make the company more profitable as it expands into Asia and works to appeal to customers in countries with lower GDPs than the US. People around the world are coming to expect to use smartphones more and more. CAGR over the next four years, in contrast to the past four, rests at 4,9% as the economy continues to improve. With international stores already developed, Apple should continue this trend to focus on giving consumers an impressive experience to couple with their impressive products. This will allow them to maintain their mystique. Overall, Apple is strongly positioned to succeed in this competitive industry. With strong brand name recognition, a notable competitive advantage, a cult following, and a dazzling product line, the company seems set to keep innovating and attracting consumers for years to come.

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