



ICM

JUNE 2018

CONTEMPORARY STRATEGIC MANAGEMENT – PRE-ISSUED CASE STUDY & GUIDELINES

The following provides details on a case study involving **APPLE**. Candidates should read this case study carefully in preparation for the examination.

Note: A copy of this case study will be available in the examination. Therefore, you will NOT be allowed to take this case study into the examination room. Candidates are allowed to take into the examination a maximum of two pages/four sides A4 of draft working notes which should be handed in and attached to the answer script.

DRAFT WORKING NOTES GUIDANCE [15 marks] – to be handed in with answer script.

Researching, preparing and understanding the case study and compiling these notes provides the essential case preparation necessary for all candidates to be successful.

The draft working notes (maximum of two pages/four sides A4) should be handed in and attached to the answer script. They should be word-processed (min. word size 12 pt) and contain key headings and areas relating to the strategic analysis of **APPLE** and should provide the analysis underpinning required to answer the examination questions.

The notes will be assessed as follows:

- Evidence of a good level of secondary research and understanding of the case [6 marks]
- Outline of FOUR strategic models relevant to the case analysis [6 marks]
- Report structure and readability. [3 marks]

N.B. Whilst it is hoped that all, or most, information required to analyse and evaluate this case study is contained in the case, it is recognised that this might not always be the situation as information relating to most companies is sometimes changing on a daily basis. It is suggested that secondary information (facts, figures, etc.) contained in this case should be utilised first. If the student still considers there is an absence of information in a particular area then it is quite reasonable for material external to the case to be gathered and utilised. External sources mentioned in the report should, of course, be referenced.



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CONTEMPORARY STRATEGIC MANAGEMENT
CASE STUDY – APPLE INC

INTRODUCTION

Apple Inc. is an American multinational technology company headquartered in Cupertino, California that designs, develops, and sells consumer electronics, computer software, and online services. The company's hardware products include the iPhone smartphone, the iPad tablet computer, the Mac personal computer, the iPod portable media player, the Apple Watch smartwatch, the Apple TV digital media player, and the HomePod smart speaker.

Apple is the world's largest information technology company by revenue and the world's third-largest mobile phone manufacturer after Samsung and Huawei. In February 2015, Apple became the first U.S. company to be valued at over US\$700 billion. The company employs 123,000 full-time employees as of September 2017 and maintains 499 retail stores in 22 countries as of December 2017. It operates the iTunes Store, which is the world's largest music retailer. As of January 2016, more than one billion Apple products are actively in use worldwide.

Apple's worldwide annual revenue was \$229 billion for the 2017 fiscal year. The company enjoys a high level of brand loyalty and has been repeatedly ranked as the world's most valuable brand. However, it receives significant criticism regarding the labour practices of its contractors, its environmental and business practices, including anti-competitive behaviour, as well as the origins of source materials.

HISTORY

Apple was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne in April 1976 to develop and sell Wozniak's Apple I personal computer. It was incorporated as Apple Computer, Inc. in January 1977, and sales of its computers, including the Apple II, saw significant momentum and revenue growth for the company. Within a few years, Jobs and Wozniak had hired a staff of computer designers and had a production line. Apple went public in 1980 to instant financial success. Over the next few years, Apple shipped new computers featuring innovative graphical user interfaces, and Apple's marketing commercials for its products received widespread critical acclaim. However, the high price tag of its products and limited software titles caused problems, as did power struggles between executives at the company. Jobs resigned from Apple and created his own company, NeXT.

As the market for personal computers increased, Apple's computers saw diminishing sales due to lower-priced products from competitors, in particular those offered with the Microsoft Windows operating system. More executive job shuffles happened at Apple until then-CEO Gil Amelio in 1997 decided to buy NeXT to bring Jobs back. Jobs regained position as CEO, and began a process to rebuild Apple's status, which included opening Apple's own retail stores in 2001, making numerous acquisitions of software companies to create a portfolio of software titles, and changing some of the hardware used in its computers. It again saw success and returned to profitability. In January 2007, Jobs announced that Apple Computer, Inc. would be renamed Apple Inc. to reflect its shifted focus toward consumer electronics. He also announced the iPhone, which saw critical acclaim and significant financial success. In August 2011, Jobs resigned as CEO due to health complications, and Tim Cook became the new CEO. Two months later, Jobs died, marking the end of an era for the company.

1976–84: Founding and incorporation

In 1976, Steve Jobs co-founded the company in the garage of his childhood home in Los Altos, California. Apple's first product, the Apple I, invented by Apple co-founder Steve Wozniak, was sold as an assembled circuit board and lacked basic features such as a keyboard, monitor, and case. The owner of this unit added a keyboard and wooden case. The Apple II, introduced in 1977, was a major technological advancement over its predecessor. By the end of the 1970s, Apple had a staff of computer designers and a production line. The company introduced the Apple III in May 1980 in an attempt to compete with IBM and Microsoft in the business and corporate computing market. Jobs was immediately convinced that all future computers would use a graphical user interface (GUI), and development of a GUI began for the Apple Lisa.

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In 1982, however, he was pushed from the Lisa team due to infighting. Jobs took over Jef Raskin's low-cost-computer project, the Macintosh. A race broke out between the Lisa team and the Macintosh team over which product would ship first. Lisa won the race in 1983 and became the first personal computer sold to the public with a GUI, but was a commercial failure due to its high price tag and limited software titles.

In December 1980, Apple went public at \$22 per share, generating more capital than any IPO since Ford Motor Company in 1956 and immediately creating 300 millionaires.

1984–91: Success with Macintosh

The Macintosh, released in 1984, was the first mass-market personal computer that featured an integral graphical user interface and mouse. In 1984 Apple launched the Macintosh, the first personal computer to be sold without a programming language. Its debut was signified by "1984", a \$1.5 million television commercial directed by Ridley Scott that aired during the third quarter of Super Bowl XVIII on January 22, 1984. The commercial is now hailed as a watershed event for Apple's success and was called a "masterpiece" by CNN and one of the greatest commercials of all time by TV Guide. The Macintosh initially sold well, but follow-up sales were not strong due to its high price and limited range of software titles. The machine's fortunes changed with the introduction of the LaserWriter, the first PostScript laser printer to be sold at a reasonable price, and PageMaker, an early desktop publishing package. It has been suggested that the combination of these three products was responsible for the creation of the desktop publishing market. The Macintosh was particularly powerful in the desktop publishing market due to its advanced graphics capabilities, which had necessarily been built in to create the intuitive Macintosh GUI.

In 1985, a power struggle developed between Jobs and CEO John Sculley, who had been hired two years earlier. The Apple board of directors instructed Sculley to "contain" Jobs and limit his ability to launch expensive forays into untested products. Rather than submit to Sculley's direction, Jobs attempted to oust him from his leadership role at Apple. Sculley found out that Jobs had been attempting to organise a coup and called a board meeting at which Apple's board of directors sided with Sculley and removed Jobs from his managerial duties. Jobs resigned from Apple and founded NeXT Inc. the same year. Wozniak also left Apple in 1985 to pursue other ventures, stating that the company had "been going in the wrong direction for the last five years".

The Macintosh Portable, released in 1989, was Apple's first battery-powered portable Macintosh personal computer. Jobs had argued the company should produce products aimed at the consumer market and aimed for a \$1,000 price for the Macintosh, which they were unable to meet. Newer models selling at higher price points offered higher profit margin, and appeared to have no effect on total sales as power users snapped up every increase in power. Although some worried about pricing themselves out of the market, the high-right policy was in full force by the mid-1980s, notably due to Jean-Louis Gassée's mantra of "fifty-five or die", referring to the 55% profit margins of the Macintosh II.

This policy began to backfire in the last years of the decade as new desktop publishing programs appeared on PC clones that offered some or much of the same functionality of the Macintosh but at far lower price points. The company lost its monopoly in this market, and had already estranged many of its original consumer customer base who could no longer afford their high-priced products. The Christmas season of 1989 was the first in the company's history that saw declining sales, and led to a 20% drop in Apple's stock price. Gassée's objections were overruled, and he was forced from the company in 1990. Later that year, Apple introduced three lower cost models, the Macintosh Classic, Macintosh LC and Macintosh IIsx, all of which saw significant sales due to pent up demand.

In 1991, Apple introduced the PowerBook, replacing the "luggable" Macintosh Portable with a design that set the current shape for almost all modern laptops. The same year, Apple introduced System 7, a major upgrade to the operating system which added colour to the interface and introduced new networking capabilities. It remained the architectural basis for the Classic Mac OS.

1991–97: Decline and restructuring

The success of Apple's lower-cost consumer models, especially the LC, also led to cannibalisation of their higher priced machines. To address this, management introduced several new brands, selling largely identical machines at different price points aimed at different markets. These were the high-end Quadra, the mid-range Centris line, and the ill-fated Performa series. This led to significant market confusion, as customers did not understand the difference between models.

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Throughout this period, Microsoft continued to gain market share with Windows by focusing on delivering software to cheap commodity personal computers, while Apple was delivering a richly engineered but expensive experience. At this time a series of major product flops and missed deadlines sullied Apple's reputation, and Sculley was replaced as CEO by Michael Spindler.

In 1994 Apple allied with IBM and Motorola in the AIM alliance with the goal of creating a new computing platform (the PowerPC Reference Platform), which would use IBM and Motorola hardware coupled with Apple software. The AIM alliance hoped that PReP's performance and Apple's software would leave the PC far behind and thus counter Microsoft. The same year, Apple introduced the Power Macintosh, the first of many Apple computers to use Motorola's PowerPC processor.

In 1996 Spindler was replaced by Gil Amelio as CEO. Amelio made numerous changes at Apple, including extensive layoffs and cost cuts. After numerous failed attempts to improve Mac OS, first with the Taligent project and later with Copland and Gershwin, Amelio chose to purchase NeXT and its NeXTSTEP operating system and bring Steve Jobs back to Apple.

1997–2007: Return to profitability

The NeXT deal was finalised in February 1997 bringing Jobs back to Apple as an advisor. In July that year Amelio was ousted by the board of directors after overseeing a three-year record-low stock price and crippling financial losses. Jobs acted as the interim CEO and began restructuring the company's product line; it was during this period that he identified the design talent of Jonathan Ive, and the pair worked collaboratively to rebuild Apple's status.

In August 1998, Apple introduced a new all-in-one computer reminiscent of the Macintosh 128K: the iMac. The iMac design team was led by Ive, who would later design the iPod and the iPhone. The iMac featured modern technology and a unique design, and sold almost 800,000 units in its first five months. In May 2001, Apple opened its first official eponymous retail stores in Virginia and California. October of the same year saw Apple debut the iPod portable digital audio player. The product, which was first sold on November 10, 2001, was phenomenally successful with over 100 million units sold within six years. In 2003, Apple's iTunes Store was introduced. The service offered online music downloads for \$0.99 a song and integration with the iPod. The iTunes Store quickly became the market leader in online music services, with over five billion downloads by June 19, 2008. Two years later, the iTunes Store was the world's largest music retailer.

By August 2006 Apple made the transition to Intel chips for the entire Mac product line – over one year sooner than previously announced. The Power Mac, iBook and PowerBook brands were retired during the transition; the Mac Pro, MacBook, and MacBook Pro became their respective successors. Apple's success during this period was evident in its stock price. Between early 2003 and 2006, the price of Apple's stock increased more than tenfold, from around \$6 per share (split-adjusted) to over \$80. In January 2006, Apple's market cap surpassed that of Dell. Nine years prior, Dell's CEO Michael Dell had said that if he ran Apple he would "shut it down and give the money back to the shareholders". Although Apple's market share in computers had grown, it remained far behind competitors using Microsoft Windows, accounting for about 8% of desktops and laptops in the US. Since 2001, Apple's design team had progressively abandoned the use of translucent coloured plastics first used in the iMac G3. This design change began with the titanium-made PowerBook and was followed by the iBook's white polycarbonate structure and the flat-panel iMac.

2007–11: Success with mobile devices

During his keynote speech at the Macworld Expo on January 9, 2007, Jobs announced that Apple Computer, Inc. would thereafter be known as "Apple Inc.", because the company had shifted its emphasis from computers to consumer electronics. This event also saw the announcement of the iPhone and the Apple TV. The company sold 270,000 iPhone units during the first 30 hours of sales and the device was called "a game changer for the industry". Apple would achieve widespread success with its iPhone, iPod Touch and iPad products, which introduced innovations in mobile phones, portable music players and personal computers respectively. In an article posted on Apple's website on February 6, 2007, Jobs wrote that Apple would be willing to sell music on the iTunes Store without digital rights management (DRM), thereby allowing tracks to be played on third-party players, if record labels would agree to drop the technology. April 2007 saw Apple and EMI jointly announced the removal of DRM technology from EMI's catalogue in the iTunes Store. Other record labels eventually followed suit and Apple published a press release in January 2009 to announce the corresponding changes to the iTunes Store.

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On January 14, 2009, Jobs announced in an internal memo that he would be taking a six-month medical leave of absence from Apple until the end of June 2009 and would spend the time focusing on his health. In the email, Jobs stated that “the curiosity over my personal health continues to be a distraction not only for me and my family, but everyone else at Apple as well”, and explained that the break would allow the company “to focus on delivering extraordinary products”. Despite Jobs’s absence, Apple recorded its best non-holiday quarter (Q1 FY 2009) during the recession with revenue of \$8.16 billion and profit of \$1.21 billion.

After years of speculation and multiple rumoured “leaks”, Apple unveiled a large screen, tablet-like media device known as the iPad on January 27, 2010. The iPad ran the same touch-based operating system as the iPhone, and many iPhone apps were compatible with the iPad. This gave the iPad a large app catalogue on launch, despite very little development time before the release. In June 2010, Apple released the iPhone 4, which introduced video calling, multitasking, and a new uninsulated stainless steel design that acted as the phone’s antenna. Later that year, Apple again refreshed its iPod line of MP3 players by introducing a multi-touch iPod Nano, an iPod Touch with FaceTime, and an iPod Shuffle that brought back the buttons of earlier generations. Additionally, on October 20, Apple updated the MacBook Air laptop, iLife suite of applications, and unveiled Mac OS X Lion, the last version with the name Mac OS X. October 2010 saw Apple shares hit an all-time high, eclipsing \$300.

January 2011 saw Jobs announce in an internal Apple memo that he would take another medical leave of absence for an indefinite period to allow him to focus on his health. Chief Operating Officer Tim Cook assumed Jobs’ day-to-day operations at Apple, although Jobs would still remain “involved in major strategic decisions”. Apple became the most valuable consumer-facing brand in the world. In June 2011, Jobs surprisingly took the stage and unveiled iCloud, an online storage and syncing service for music, photos, files and software which replaced MobileMe, Apple’s previous attempt at content syncing. This would be the last product launch Jobs would attend before his death. It has been argued that Apple has achieved such efficiency in its supply chain that the company operates as a monopsony (one buyer, many sellers) and can dictate terms to its suppliers. In July 2011, due to the American debt-ceiling crisis, Apple’s financial reserves were briefly larger than those of the U.S. Government.

On August 24, 2011, Jobs resigned his position as CEO of Apple. He was replaced by Cook and Jobs became Apple’s chairman. Prior to this, Apple did not have a chairman and instead had two co-lead directors, Andrea Jung and Arthur Levinson, who continued with those titles until Levinson became Chairman of the Board in November.

2011–present: Post-Steve Jobs era; Tim Cook leadership

On October 5, 2011, Steve Jobs died, marking the end of an era for Apple. The first major product announcement by Apple following Jobs’s passing occurred on January 19, 2012, when Apple’s Phil Schiller introduced iBooks Textbooks for iOS and iBook Author for Mac OS X in New York City. Jobs had stated in his biography that he wanted to reinvent the textbook industry and education.

From 2011 to 2012, Apple released the iPhone 4S and iPhone 5, which featured improved cameras, an intelligent software assistant named Siri, and cloud-sourced data with iCloud; the third and fourth generation iPads, which featured Retina displays; and the iPad Mini, which featured a 7.9-inch screen in contrast to the iPad’s 9.7-inch screen. These launches were successful, with the iPhone 5 (released September 21, 2012) becoming Apple’s biggest iPhone launch with over two million pre-orders and sales of three million iPads in three days following the launch of the iPad Mini and fourth generation iPad (released November 3, 2012). On August 20, 2012, Apple’s rising stock price increased the company’s market capitalization to a world-record \$624 billion. This beat the non-inflation-adjusted record for market capitalization set by Microsoft in 1999. The company made several high-profile hiring decisions in 2013. On July 2, 2013, Apple recruited Paul Deneve, Belgian President and CEO of Yves Saint Laurent as a vice president reporting directly to Tim Cook.

Alongside Google vice-president Vint Cerf and AT&T CEO Randall Stephenson, Cook attended a closed-door summit held by President Obama on August 8, 2013, in regard to government surveillance and the Internet in the wake of the Edward Snowden NSA incident. In the first quarter of 2014, Apple reported sales of 51 million iPhones and 26 million iPads, becoming all-time quarterly sales records. It also experienced a significant year-over-year increase in Mac sales. This was contrasted with a significant drop in iPod sales. In January 2016, it was announced that one billion Apple devices are in active use worldwide.

In 2016, Forbes released their list of companies ranked on revenue generation. In the trailing fiscal year, Apple appeared on the list as the top tech company. It ranked third, overall, with \$233 billion in revenue. In June 2017, Apple announced the HomePod, its smart speaker aimed to compete against Sonos and Amazon Echo. Towards the end of the year TechCrunch reported that Apple was acquiring Shazam, a company specialising in music, TV, film and advertising recognition. The acquisition was confirmed a few days later, reportedly costing Apple \$400 million, with media reports noting that the purchase looked like a move by Apple to get data and tools to bolster its Apple Music streaming service.

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PRODUCTS:

Mac – Macs currently in production:

- iMac: Consumer all-in-one desktop computer, introduced in 1998
- Mac Mini: Consumer sub-desktop computer, introduced in 2005
- MacBook: Consumer ultra-thin, ultra-portable notebook, introduced in 2006 and relaunched in 2015
- MacBook Pro: Professional notebook, introduced in 2006
- Mac Pro: Workstation desktop computer, introduced in 2006
- MacBook Air: Consumer ultra-thin, ultra-portable notebook, introduced in 2008

iPod

In 2001, Apple introduced the iPod digital music player. Several updated models have since been introduced, and the iPod brand is now the market leader in portable music players by a significant margin. More than 350 million units have shipped as of September 2012. Apple has partnered with Nike to offer the Nike+iPod Sports Kit, enabling runners to synchronise and monitor their runs with iTunes and the Nike+ website. In late July 2017, Apple discontinued its iPod Nano and iPod Shuffle models, leaving only the iPod Touch available for purchase.

iPhone

At the Macworld Conference & Expo in January 2007, Steve Jobs introduced the long-anticipated iPhone, a convergence of an Internet-enabled smartphone and iPod. The first-generation iPhone was released on June 29, 2007, for \$499 (4 GB) and \$599 (8 GB) with an AT&T contract. A second version, the iPhone 3G, was released on July 11, 2008, with a reduced price of \$199 for the 8 GB version and \$299 for the 16 GB version. This particular version added support for 3G networking and assisted GPS navigation. The flat silver back and large antenna square of the original model were eliminated in favour of a glossy, curved black or white back.

October 2011 saw Apple unveil the iPhone 4S. It features the Apple A5 processor and Siri voice assistant technology, the latter of which Apple had acquired in 2010. It also featured an updated 8MP camera with new optics. On September 12, 2012, Apple introduced the iPhone 5. In a March 2014 interview, Apple designer Jonathan Ive used the iPhone as an example of Apple's ethos of creating high-quality, life-changing products. He explained that the phones are comparatively expensive due to the intensive effort that is used to make them. "We don't take so long and make the way we make for fiscal reasons ... Quite the reverse. The body is made from a single piece of machined aluminium ... The whole thing is polished first to a mirror finish and then is very finely textured, except for the Apple logo. The chamfers [smoothed-off edges] are cut with diamond-tipped cutters. The cutters don't usually last very long, so we had to figure out a way of mass-manufacturing long-lasting ones. The camera cover is sapphire crystal. Look at the details around the SIM-card slot. It's extraordinary!"

September 2014 saw Apple introduced the iPhone 6 and a year later the company introduced the iPhone 7 and the iPhone 7 Plus, which featured improved system and graphics performance and added water resistance. In September 2017 Apple then introduced the iPhone 8 and iPhone 8 Plus.

iPad

Apple introduced their much-anticipated media tablet, the iPad in 2010. It offered multi-touch interaction with multimedia formats including newspapers, e-books, photos, videos, music, word processing documents, video games, and most existing iPhone apps using a 9.7-inch screen. The iPad 2, which had a faster processor and a camera on the front and back was introduced in 2011. The third-generation iPad was released in March 2012, and marketed as "the new iPad". October 2012 saw Apple's fourth-generation iPad released and marketed as the "iPad with Retina display". The iPad Air 2 was unveiled in October 2014. It added better graphics and central processing and a camera burst mode as well as minor updates. The iPad Mini 3 was unveiled at the same time. Since its launch, iPad users have downloaded over three billion apps. In September 2015 Apple announced the iPad Pro, an iPad with a 12.9-inch display that supports two new accessories, the Smart Keyboard and Apple Pencil.

Apple Watch

The original Apple Watch smartwatch was announced by Tim Cook in 2014 and released in 2015. The second generation of Apple Watch, Apple Watch Series 2, was released in September 2016 featuring greater water resistance, a faster processor, and brighter display. Apple soon after introduced Apple Watch Series 3 featuring LTE cellular connectivity.

Apple TV

The Apple TV originally incorporated a 40 GB hard drive for storage, included outputs for HDMI and component video, and played video at a maximum resolution of 720p. On May 30, 2007, a 160 GB hard disk drive was released alongside the existing 40 GB model. September 2009 saw the company discontinue the original 40 GB Apple TV and then, in 2010, Apple released a completely redesigned Apple TV. The new device is ¼ the size, runs quieter, and replaces the need for a hard drive with media streaming from any iTunes library on the network along with 8 GB of flash memory to cache media downloaded. It has HDMI out as the only video out source. Features include access to the iTunes Store to rent movies and TV shows (purchasing has been discontinued), streaming from internet video sources, including YouTube and Netflix, and media streaming from an iTunes library. Apple also reduced the price of the device to \$99. In September 2017 Apple released a new 4K Apple TV with the same form factor as the 4th Generation model. The 4K model is powered by the A10X SoC designed in-house that also powers their second-generation iPad Pro.

Software

Apple develops its own operating systems to run on its devices, including macOS for Mac personal computers, iOS for its iPhone, iPad and iPod Touch smartphones and tablets, watchOS for its Apple Watch smartwatches, and tvOS for its Apple TV digital media player. Apple also offers online services with iCloud, which provides cloud storage and synchronisation for a wide range of user data, including documents, photos, music, device backups, and application data, and Apple Music, its music and video streaming service.

CORPORATE IDENTITY

Logo

According to Steve Jobs, the company's name was inspired by his visit to an apple farm while on a fruitarian diet. Jobs thought the name "Apple" was "fun, spirited and not intimidating". Steve Jobs and Steve Wozniak were Beatles fans, but Apple Inc. had name and logo trademark issues with Apple Corps Ltd., a multimedia company started by the Beatles in 1967. This resulted in a series of lawsuits and tension between the two companies. These issues ended with the settling of their most recent lawsuit in 2007.

MARKETING

Advertising

Apple's first slogan, "Byte into an Apple", was coined in the late 1970s. From 1997 to 2002, the slogan "Think Different" was used in advertising campaigns, and is still closely associated with Apple. The company also has slogans for specific product lines – for example, "iThink, therefore iMac" was used in 1998 to promote the iMac, and "Say hello to iPhone" has been used in iPhone advertisements. "Hello" was also used to introduce the original Macintosh, Newton, iMac ("hello (again)"), and iPod. From the introduction of the Macintosh in 1984 with the 1984 Super Bowl commercial to the more modern 'Get a Mac' adverts, Apple has been recognised for its efforts towards effective advertising and marketing for its products. However, claims made by later campaigns were criticised, particularly the 2005 Power Mac ads. Apple's product commercials gained a lot of attention as a result of their eye-popping graphics and catchy tunes. Musicians who benefited from an improved profile as a result of their songs being included on Apple commercials include Canadian singer Feist with the song "1234" and Yael Naïm with the song "New Soul". Apple owns a YouTube channel where they release advertisements, tips, and introductions to their devices.

Brand loyalty

"The scenes I witnessed at the opening of the new Apple store in London's Covent Garden were more like an evangelical prayer meeting than a chance to buy a phone or a laptop." Alex Riley, writing for the BBC.

Apple customers gained a reputation for devotion and loyalty early in the company's history. BYTE in 1984 stated that: 'There are two kinds of people in the world: people who say Apple isn't just a company, it's a cause; and people who say Apple isn't a cause, it's just a company. Both groups are right. Nature has suspended the principle of non-contradiction where Apple is concerned. Apple is more than just a company because its founding has some of the qualities of myth ... Apple is two guys in a garage undertaking the mission of bringing computing power, once reserved for big corporations, to ordinary individuals with ordinary budgets. The company's growth from two guys to a billion-dollar corporation exemplifies the American Dream. Even as a large corporation, Apple plays David to IBM's Goliath, and thus has the sympathetic role in that myth.'

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The high level of brand loyalty has been criticised and ridiculed, applying the epithet “Apple fanboy” and mocking the lengthy lines before a product launch. An internal memo leaked in 2015 suggested the company planned to discourage long lines and direct customers to purchase its products on its website. Fortune magazine named Apple the most admired company in the United States in 2008, and in the world from 2008 to 2012. On September 30, 2013, Apple surpassed Coca-Cola to become the world’s most valuable brand in the Omnicom Group’s “Best Global Brands” report. Boston Consulting Group has ranked Apple as the world’s most innovative brand every year since 2005. The New York Times in 1985 stated that “Apple above all else is a marketing company”. John Sculley agreed, telling The Guardian newspaper in 1997 that “People talk about technology, but Apple was a marketing company. It was the marketing company of the decade.” Research in 2002 by NetRatings indicate that the average Apple consumer was usually more affluent and better educated than other PC company consumers. The research indicated that this correlation could stem from the fact that on average Apple Inc. products were more expensive than other PC products.

In response to a query about the devotion of loyal Apple consumers, Jonathan Ive responded: “What people are responding to is much bigger than the object. They are responding to something rare – a group of people who do more than simply make something work, they make the very best products they possibly can. It’s a demonstration against thoughtlessness and carelessness”.

STRUCTURE AND MANAGEMENT ISSUES

OPERATIONS

Headquarters

Apple Inc.’s world corporate headquarters are located in the middle of Silicon Valley, at Cupertino, California. This Apple campus has six buildings that total 850,000 square feet (79,000 m²) and was built in 1993 by Sobrato Development Cos.

Apple has a satellite campus in neighbouring Sunnyvale, California, where it houses a testing and research laboratory. An AppleInsider published article in March 2014 claimed that Apple has a tucked away top-secret facility where it is developing the SG5 electric vehicle project codenamed “Titan” under the shell company name SixtyEight Research.

In 2006, Apple announced its intention to build a second campus in Cupertino about 1 mile (1.6 km) east of the current campus and next to Interstate 280. The new campus building has been designed by Norman Foster. The Cupertino City Council approved the proposed “spaceship” design campus in October 2013, after a 2011 presentation by Jobs detailing the architectural design of the new building and its environs. The new campus is planned to house up to 13,000 employees.

The company expanded its campuses in Austin, Texas concurrently with building Apple Park in Cupertino. Apple’s headquarters for Europe, the Middle East and Africa (EMEA) are located in Cork in the south of Ireland. The facility, which opened in 1980, was Apple’s first location outside of the United States. Apple Sales International, which deals with all of Apple’s international sales outside of the USA, is located at Apple’s campus in Cork along with Apple Distribution International, which similarly deals with Apple’s international distribution network. Its United Kingdom headquarters is at Stockley Park on the outskirts of London. February 2015 saw Apple open their new 180,000-square-foot headquarters in Herzliya, Israel, which accommodates approximately 800 employees. This opening was Apple’s third office located within Israel; the first, also in Herzliya, was obtained as part of the Anobit acquisition, and the other is a research centre in Haifa.

Stores

The first Apple Stores were originally opened at two locations in May 2001 by then-CEO Steve Jobs after years of attempting but failing store-within-a-store concepts. Seeing a need for improved retail presentation of the company’s products, he began an effort in 1997 to revamp the retail program to get an improved relationship to consumers. Jobs relaunched Apple’s online store in 1997 and opened the first two physical stores in 2001. Despite initial media speculation that Apple would fail, its stores were highly successful, bypassing the sales numbers of competing nearby stores and within three years reached US\$1 billion in annual sales, becoming the fastest retailer in history to do so. Over the years Apple has expanded the number of retail locations and its geographical coverage, with 499 stores across 22 countries worldwide as of end of year 2017.

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Many Apple Stores are located inside shopping malls, but Apple has built several stand-alone “flagship” stores in high-profile locations. It has been granted design patents and received architectural awards for its stores’ designs and construction, specifically for its use of glass staircases and cubes. The success of Apple Stores have had significant influence over other consumer electronics retailers, who have lost traffic, control and profits due to a perceived higher quality of service and products at Apple Stores. Apple’s notable brand loyalty among consumers causes long lines of hundreds of people at new Apple Store openings or product releases. Due to the popularity of the brand, Apple receives a large number of job applications, many of which come from young workers. Although Apple Store employees receive above-average pay, are offered money toward education and health care, and receive product discounts, there are limited or no paths of career advancement. A May 2016 report with an anonymous retail employee highlighted a hostile work environment with harassment from customers, intense internal criticism, and a lack of significant bonuses for securing major business contracts.

Manufacturing

The company’s manufacturing, procurement and logistics enable it to execute massive product launches without having to maintain large, profit-sapping inventories. During the Mac’s early history Apple generally refused to adopt prevailing industry standards for hardware, instead creating their own. Apple has since joined the industry standards groups to influence the future direction of technology standards such as USB, AGP, HyperTransport, Wi-Fi, NVMe, PCIe and others in its products. FireWire is an Apple-originated standard that was widely adopted across the industry after it was standardised as IEEE 1394 and is a legally mandated port in all Cable TV boxes in the United States.

Apple has gradually expanded its efforts in getting its products into the Indian market. India’s requirement that 30% of products sold be manufactured in the country was described as “really adds cost to getting product to market”. In October 2013, Indian Apple executives unveiled a plan for selling devices through instalment plans and store-within-a-store concepts, in an effort to expand further into the market. The news followed Cook’s acknowledgment of the country in July when sales results showed that iPhone sales in India grew 400% during the second quarter of 2013. In March 2016, The Times of India reported that Apple had sought permission from the Indian government to sell refurbished iPhones in the country. However, two months later, the application was rejected, citing official country policy. In May 2016, Apple opened an iOS app development centre in Bangalore and a maps development office for 4,000 staff in Hyderabad. In February 2017, Reuters reported in December 2017 that Apple and the Indian government were clashing over planned increases to import taxes for components used in mobile phone production, with Apple having engaged in talks with government officials to try to delay the plans, but the Indian government sticking to its policies of no exemptions to its “Made in India” initiative. The import tax increases went into effect a few days later, with Apple being hurt the most out of all phone manufacturers, having nine out of ten phones imported into the country, whereas main smartphone competitor Samsung produces almost all of its devices locally.

CONTROVERSIES

Apple’s products have been claimed by critics to combine stolen and/or purchased designs that it claims are its own original creations. Criticism of Apple includes unethical business practices such as anti-competitive behaviour, rash litigation, and dubious tax tactics, their production methods involving the use of sweatshop labour, customer service issues involving misleading warranties and insufficient data security, and concerns about environmental destruction. Additionally, it has been criticised for its alleged collaboration with U.S. surveillance program, PRISM.

Tax practices

Apple has created subsidiaries in low-tax places such as Ireland, the Netherlands, Luxembourg and the British Virgin Islands to cut the taxes it pays around the world. According to The New York Times, in the 1980s Apple was among the first tech companies to designate overseas salespeople in high-tax countries in a manner that allowed the company to sell on behalf of low-tax subsidiaries on other continents, sidestepping income taxes. In the late 1980s Apple was a pioneer of an accounting technique known as the “Double Irish with a Dutch sandwich”, which reduces taxes by routing profits through Irish subsidiaries and the Netherlands and then to the Caribbean.

It is a matter of public record that Apple Inc. is the single largest taxpayer to the Department of the Treasury of the United States of America with an effective tax rate of approximately 26% as of the Second Quarter of the Apple Fiscal Year 2016. In an interview with the German newspaper FAZ in October 2017, Tim Cook stated that Apple is the biggest taxpayer worldwide.

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In August 2016, after a three-year investigation by the EU's competition commissioner that concluded that Apple received "illegal state aid" from Ireland, the EU ordered Apple to pay 13 billion euros (\$14.5 billion), plus interest, in unpaid taxes. Specifically, the commissioner found that Apple had benefitted from Irish Department of Revenue tax rulings that allowed it to split the profits recorded by Apple Sales International internally between its Irish branch and a stateless "head office" entity lacking employees or premises (permitted under Irish law until 2013). The Chancellor of Austria, Christian Kern, put this decision into perspective by stating that "every Viennese cafe, every sausage stand pays more tax in Austria than a multinational corporation".

Litigation

Apple has been a participant in various legal proceedings and claims since it began operations. In particular, Apple is known for and promotes itself as actively and aggressively enforcing its intellectual property interests. Some litigation examples include Apple v. Samsung, Apple v. Microsoft, Motorola Mobility v. Apple Inc., and Apple Corps v. Apple Computer. Apple has also had to defend itself against charges on numerous occasions of violating intellectual property rights. Most have been dismissed in the courts as shell companies known as patent trolls, with no evidence of actual use of patents in question.

ENVIRONMENTAL ISSUES

Energy and resources

Following a Greenpeace protest, Apple released a statement in April 2012 committing to ending its use of coal and shifting to 100% renewable clean energy. By 2013 Apple was using 100% renewable energy to power their data centres. Overall, 75% of the company's power now comes from clean renewable sources.

As of 2016, Apple states that 100% of its U.S. operations run on renewable energy, 100% of Apple's data centres run on renewable energy and 93% of Apple's global operations run on renewable energy. In May 2015, Greenpeace evaluated the state of the Green Internet and commended Apple on their environmental practices saying, "Apple's commitment to renewable energy has helped set a new bar for the industry, illustrating in very concrete terms that a 100% renewable Internet is within its reach, and providing several models of intervention for other companies that want to build a sustainable Internet".

Toxins

In 2008 Apple became the first electronics manufacturer to fully eliminate all polyvinyl chloride (PVC) and brominated flame retardants (BFRs) in its complete product line. In November 2011, Apple was featured in Greenpeace's Guide to Greener Electronics, which ranks electronics manufacturers on sustainability, climate and energy policy, and how "green" their products are. The company ranked fourth of fifteen electronics companies. Greenpeace openly praises Apple's sustainability, noting that the company has exceeded its 70% global recycling goal.

Green bonds

In February 2016, Apple issued a US\$1.5 billion green bond (climate bond), the first ever of its kind by a U.S. tech company. The green bond proceeds are dedicated to the financing of environmental projects.

THE FUTURE OF THE COMPANY

The future of this successful company and its key players is likely to remain a little uncertain in such a competitive and global industry. Many of the key players in the technology and entertainment industry, like Apple, have survived and maintained market share by clever innovations to stay ahead of the rivals. Therefore, the Apple board will need to fully consider all of these key players and other stakeholders involved, including major governments, to continually monitor the ever-changing external environment whilst building future strategy around the core competences, experience and innovation that the company has built up over the last decade of success. It will not be easy as the industry is highly technical, complex and competitive. The future of Apple will almost certainly depend on senior management continuing to plan and implement relevant and effective strategies and so the strategic team at Apple must prepare a wide range of strategies for various future scenarios.

Reference Source: Wikipedia