Analysis of Apple Inc. business Strategic Unit (iPad unit)
Introduction
Apple is an American-based multinational company that deals in the sell and design of personal computers, computer software plus a range of hand-held gadgets. Apple Inc. is best known for its hardware products branded as Macintosh. Started in 1976 by Steve Jobs, Apple has grown to become one of the current day’s iconic designers of consumer electronics. Although Apple deals in a wide range of products, the company treats every product line in a unique way. Each product of Apple is treated as a standalone business unit. This report singles out the Ipad product of Apple Company and analyses this business unit in terms of its strategic competitive position, its external environment and the value addition proponent of its strategic position. This report is based on the UK market.

1. Strategic position of Apple Inc
1.1 Competitive strategic position
Nilsson and Rapp (2005) state that when a firm is able to sustain profits that are above its average expected income then the firm can be termed to have gained a competitive advantage over its competitors. Competitive advantage is the ability of a company to identify and come up with a difference in the way it operates: a difference that competitors may never find easy to emulate (Nilsson and Rapp, 2005). A business’s strategic competitive position can be explicitly analyzed using Bowman’s strategic clock (Thomson and Baden-Fuller, 2010). The strategic clock enables business managers and all other business stakeholders to think and act strategically in an effort to ensure that they attain the desirable differential advantage. Strategic clock model is based upon the two concepts of price and perceived product value. Strategic clock is divided into four quadrants and eight different intervals. The eight strategies include no frills, low cost, hybrid, differentiation, focused differentiation and high price low value strategies (Appendix 1).
Apple introduced the iPads into the market to act as a more portable version of their range of personal computers; an intermediate mediate between laptops and Smartphones. Apple first introduced the iPads into the market in the year 2010. Being the first product of that kind to enter the market, the company had to device a well thought-out market entry strategy. Apple first adopted the differentiation strategy. Apple had to give the impression or rather, had to create the perception of adding value without the need of charging premium prices. According to Capon (2008), differentiation strategy is a clever way for a business to establish a strong market share especially because consumers perceive quality of a product or service relative to the fair pricing.

One of the marketing features adopted by the company in their Ipad marketing campaigns was that the Ipad possessed its own line of applications which could be bought and directly installed into it. And that the iPads had an already built in App store. This market entry strategy worked well for the company and after ensuring that they had secured a considerable market share, they developed the focused differentiation strategy. Focused differentiation strategy according to Finlay (2000), is a strategy targeted at identifying and capturing new market segments. With the focused differentiation strategy, Apple introduced the second generation iPad in 2011 (Apple, 2012). The second generation iPad (iPad2) was 33 percent thinner and 15 percent lighter than the preceding generation. Based on the same strategy, Apple introduced the third generation iPad in March 2012. The new iPad is a dual core A5X, features a quad-core processor and a 1536 pixels camera (Apple, 2012). Through the added product value, Apple also increased the prices of their iPads. The addition of product value justified the company’s introduction of premium prices.

Since this strategy is accompanied by reorganization of marketing strategies including the market segments, Apple restructured their market segments to target individuals of ages between 25 to
45 years. This age bracket consists of the financially able and technology-oriented persons who can comfortably afford the improved iPads regardless of the premium prices.

1.2 Strategic group mapping
Strategic group mapping is a way for firms that share similar business environments to identify their unique selling proposition and stay on top of the other market players (Harrison and John, 2010).

The consumer markets can be basically divided into three categories. These are: the low end markets which are marked by low income buyers; the mid-end market characterized by mid-income level of clients; and the high-end market which consists of the high earners characterized by high purchasing power (Aaker and McLoughlin, 2010). Based on this description, it can be rightly observed that Apple has adopted the high value high price marketing strategy which attracts the high-end segment of the consumer market.
2. External drivers of change affecting Apple’s Strategic Business Unit

2.1 PEST Analysis

The key drivers of change are the likely factors that affect the normal business operations of an organization and which the organization has very limited control over (Hambrick and Fredrickson, 2004). These are basically the forces of politics, economics, socio-culture, technology, legalities and environment (Porter, 2006).

2.1.1 Political and legal drivers

According to Lei and Slocum (2010), politics have a great impact on the overall business practices within a country/nation. A political influence on any business operation could either result in the creation of a conducive business environment or it could jeopardize all business activities. The influences of politics on businesses within a nation are subject to the national government’s pre-stated business policies and regulations (Harrison and John, 2010). Government regulations on issues such as taxation have great impact on business operations. Recently, the UK government imposed a 20% raise of VAT. This basically resulted to a tax burden on the UK populace who form the basis of this region’s consumer markets (BBC News Business, 2011). An increment on VAT reduces the consumers’ purchasing power and consequently discourages them from spending. Reduced spending by consumers is an unhealthy condition for a business organization like Apple.

2.1.2 Economic factors

Problems in the global financial systems as a result of incidences such as the European credit crunch and the recent global financial meltdown have had adverse effects on all businesses within and out of UK. The financial crises basically resulted to reduced purchasing powers. People resorted to the purchase of basic necessities and therefore, products that were perceived
as “non essential’ were avoided (Berglof, 2011). The price of Apple’s iPad relative to the prices of other hand-held gadgets such as the Smartphones is considerably high. Therefore, this means that with the highly reduced purchasing power, consumers would definitely opt for substitutes with lower prices. As much as this could be the current global economic situation, an optimistic view holds that the global economy is gradually finding its footing and all business activities are set to go back to normal.

2.1.3 Socio-cultural factors

A socio-cultural environment entails the immediate societal and cultural influences over which a business unit has very limited control (Thornton, Domingo and Urbano, 2011). Socio-cultural influence on business includes aspects of, religious observations, cultural practices, people’s attitudes and preferences amongst many other dimensions. According to Jackson and Schuler (1995), businesses are forced to assimilate to the demands of their socio-cultural environment due to a process termed as isomorphism. Isomorphism is whereby businesses gradually dissolve to illustrate similar practices that subject to the demands of their immediate environment (Jackson and Schuler, 1995).

For example, the UK consumers are known to shop based on individual decisions without any external influence or pressure (Bergloff, 2011). This means that there is great need for customized business services in the UK. Also, there is a current tendency towards the consumption of high-end products marked by current state of the art and technology. Such an environment is very suitable for the prosperity of technology-driven products like the Apple iPad.
2.1.4 Technology

Currently, there is a high consumption of technology in the UK. The internet together with the advent of virtual communities has transformed the entire UK into a global village (Barrow, 2011). Businesses have actually been made to adopt the e-strategy whereby various aspects of B2C and B2B business activities have gone online (Mina, Connell and Hughes, 2009). Companies have not only adopted technology in their marketing systems but also in their overall production processes. The entire process of designing and finally availing the iPad into the global markets was technology-inspired. The entire value chain of Apple Company; from the procurement of raw materials, warehousing, management of business logistics to the eventual distribution of finished products make wide use of technology (Ideavist, 2011). Apple currently engages in online marketing and sales activities which have afforded the company considerable financial gains. Some of the online marketing tools adopted by Apple Company to promote their iPad brand are the social networks. Social networks present an avenue for B2B and even B2C business interactions and are meant to inform obtain feedback from consumers.

2.1.5 Legal factors

Legal factors touching on the operations of a business refers to aspects of government legislation and policies that affect or rather regulate business practices in a country. The most basic aspect of government legislation includes aspects of taxation and issuance of business certification. Legal measures implemented by a government are meant to put checks and balances on all business activities in a region. For example, the UK government recently eliminated legislative barriers that hindered companies from forming mergers amongst themselves (Businesslink.com, 2011).
2.1.6 Environment

People and businesses are gradually becoming sensitive to issues of environmental conservation. Consumers are slowly finding it noble to engage in the consumption of green products (Chen and Ching-Hsun, 2012). According to Grant (2008) businesses that show elements of environmental concern are preferred by UK consumers to those that show very little care for the environment. Apple Company introduced the disposal bags for the disposition of their used and obsolete gadgets. The company proceeds to recycle some of the waste although most of it is disposed of (Ideavist, 2011).

2.2 Five Forces Model

Five forces model is an analysis of an enterprise’s different sources of business threats i.e. Threat from new market entrants, competitors, bargaining power of buyers and suppliers and the threat from substitute products (Porter, 2006).

2.2.1 Threat of new entrants

Being a technology-intensive business field and with the accessibility of technology, the company is faced with the threat of new entrants. The field has little restrictive and bureaucratic measures of entry (Barrow, 2011). This means that gaining entry is never a Problem. The only hurdle for new entrants is establishing a considerable market share. Apple’s iPad brand is currently enjoying a large market share due to its consideration as a reliable and authentic quality. This is majorly due to Apple’s prominent market presence brought about by years of being in business.
2.2.2 Threat of substitutes

The presence of cheaper tablet computers mostly from Mainland China poses a big threat to Apple’s iPad. A number of other prominent producers such as Microsoft also hold a lot of threat to Apple’s iPad business unit. Microsoft’s tablet computers are seen by consumers as a strong and reliable brand that can equally match Apple’s iPad.

2.2.3 Bargaining power of suppliers

The stiff competition in the PC field coupled with the big number of new market entrants, suppliers of raw materials possesses a high bargaining power over the manufacturers. Apple’s iPad business segment wholly relies on suppliers for raw materials and this puts them in a compromising business situation since these suppliers have the ability to dictate business activities.

2.2.4 Bargaining power of buyers

The presence of cheaper tablet computers and a number of prominent substitutes such as Microsoft tablet pc gives the buyers a higher bargaining edge over the manufacturers. The ability of consumers to quickly switch over for substitute products affords them (buyers) a higher bargaining power (Thomson and Baden-fuller, 2010).

2.2.5 Competitive rivalry

Apple’s iPads face stiff competition from prominent market players such as Android tablet computers, Microsoft and many other manufacturers from mainland China.
3. Value adding activities of Apple’s iPad business unit

3.1 Resource analysis of Apple, iPad business unit

Technology, energy manpower, capital, raw materials, and other resources are the prerequisites for an enterprise to favorably participate in a competitive market. These are basically the decisive factors. According to Apple (2012), the company has a stable source of raw material, functional logistics providers and wide market coverage. Being a multinational corporation, Apple exhibits prominent financial and capital backing. The company also ensures that it stays up-to-date with technology thanks to its R&D team (Apple, 2012). These are the core business competence of Apple’s iPad business unit. In terms of capital, Apple owns a number of other business units which basically puts the company at a very stable financial position. The financial stability has provided the company with enough working capital and has consequently enabled them to open a number of store outlets within the UK and in many other foreign countries. The company has the ability to attract a large human resource base and especially due to its flat management structure. As of end of year 2011, Apple had approximately 60,000 full time employees and close to 3,000 temporary full-time employees (Apple, 2012). The flat management structure implies that employees and their seniors relate at a more personal level thus improving employees’ general work output. As of last year 2011, the Company had 364 retail outlets spread out in close to fifteen countries plus an online store for the e-business sector (Apple, 2012). In terms of world capitalization, the Company is the world’s largest publicly traded company. Apple leads the world in terms of technology; away over prominent competitors such as Microsoft (BBC New Business, 2011). Apple’s iPad business unit has set up a research and development team that ensures that the company stays head-to-head with current technological trends. Apple’s iPad business unit has adopted current technology in their supply chain management practices. The company has adopted advanced information technology and
programs for example the Collaborative Planning, Forecasting and Replenishment (CPFR) and even the continuous replenishment programs (Wong et al, 2011). This has been targeted towards the achievement of effective information flow between the business unit and its respective suppliers. Through CPFR, Apple ensures that there is joint visibility and replenishment of goods since inventory is managed jointly throughout the company’s supply chain. Use of CPFR permits promptness in updating all upcoming requisites and inventories (Williamson et al., 2004).

3.2 Value Chain analysis of Apple’s iPad business unit

The core business practice of this business unit is the manufacture, supply and sale of iPad. Apple’s iPad business unit can simply be broken down into two main categories. These are: the primary activities and the secondary activities. The primary activities consist of the company’s infrastructure, procurement process, HRM and technology. The secondary components include supply of raw materials (in-bound logistics), manufacture of iPads (operations), sales and marketing of the finished products and finally the services offered by Apple Company iPad business unit.

1. Primary activities

   i. Company infrastructure

   The infrastructural attribute of a company’s value chain aspects refers to the organizational structures, company corporate culture and the overall control systems. Apple main company is found in California in the United States. The company has approximately 194 retail outlets that are distributed to a number of countries globally. The company has close to 20,000 employees who are distributed throughout respective retail stores.

   ii. HRM
Apple Company boasts of a unique and non conventional organizational structure known as the “apple core structure”. The Apple core structure is all about the management of human resource whereby, the people at the top of the organizational chart manage those below them and those below manage their superiors. Through this structure, the company has managed to streamline interactions between the company management and employees.

iii. Technology

Apple iPad business unit has a research and development (R&D) team which ensures that the company is upbeat with the advancing technology (Apple, 2012). Technology is the essence of Apple and this implies that the company can never compromise on the quality of their technology.

iv. Raw materials supply (Procurement)

The procurement of raw materials is undertaken by Chinese manufacturers. The company basically supervises the entire procurement process and allocates necessary funding. The procurement process undergoes the Company’s strict accreditation process. The selected suppliers of raw materials must be able to deliver according to the company’s stringent demands on technology.

2. Secondary activities

i. Manufacture of iPads

The manufacture of Apple iPads together with all other Apple products is completely outsourced to foreign Chinese companies (Meyer, 2012). Apple’s major input is to oversee that the products are manufactured to the required and acceptable standards.
ii. Supply of finished iPads

Supply of finished products also termed as outbound logistics is done directly to the respective retail outlets. Apple has about 190 retail stores located in over fifteen countries/regions including the UK (Meyer, 2012). Apart from sales, the stores also perform actual marketing processes through local advertisements and other promotional activities.

iii. Marketing and sales of iPads

Apple has multiple subsidiaries which carry out actual sales and marketing activities. Advertisement by the subsidiaries is carried out through the company’s official website, TV ads and print media (Meyer, 2012). The company also carries out advertisement campaigns which involve the aggregation of various media sources. According to Apple (2012) the company is also greatly marketed by their absolutely loyal customers who endorse them to others. The Apple stores arrange the promotional activities with little influence from the head company.

iv. Services offered by the business unit

Apple iPad business unit ensures a regular update of their iPad software applications thus guarding these applications from being obsolete (Ideavist, 2011). All Apple iPad gadgets are provided with a whole year guarantee including free repair and maintenance for the duration of the guarantee.

4. Sustainability of Apple iPad business unit’s strategic position

As a market entry strategy Apple adopted the product differentiation strategy. This is a sure way for businesses to gain entry into fresh markets. The fair prices appealed to the customers who saw that they could afford quality at affordable prices. Differentiation strategy was meant to
afford the company a differential advantage over the other competitors. According to Sheth and Kellstadt (2002), competitive advantage is the way for a business to stay on top of the pack, maintain customer loyalty and sustain the prevailing market. With the introduction of the second generation iPads (iPad 2) in 2011, Apple adopted the focused differentiation strategy. The focused differentiation strategy accompanied the big improvements done on the iPad including reduced size and weight. Adoption of the focused differentiation strategy led Apple to resegment their market to specifically target the high-end shoppers. This was simply because these were the people who could afford the premium product prices that came as a result of improved product quality.

Apple iPad business unit has stores in various cities across the UK, and its network marketing system is very viable (Apple, 2012). The Company has acquired a stable customer base and a significant advantage compared to its competitors such as Microsoft and Google (Android). Based on Porter’s five forces analysis above, the consumer's overall bargaining power is relatively strong in the UK tablet computer market. As for the competition with other market players, Apple Inc. relies on its strong brand name, quality production and up-to-date technology to gain a competitive advantage over the whole market. Apart from the sound marketing and production strategies, Apple also enjoys a strong market presence due to their prominent brand name. Customers perceive the company in terms of quality production and reliability of services. Apple’s iPad business unit due to their strategic business operations holds a lot of business power in terms of human resource management, technology and the overall value chain management practices.
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1. Strategy clock analysis

- **High**
  - 4. Differentiation (First adopted by Apple iPad business unit)
  - 5. Focused Differentiation
    (Secondly applied by Apple)
  - 6. Augmented price/standard
  - 7. Low value/increased price
  - 8. Standard price/ Low value

- **Low price**
  - 2 Low price
  - 1. Low price/
    Low added value

- **Low**
  - 3. Hybrid

- **Perceived value**
  - 8. Low value/
2. Strategic group mapping of Apple, iPad business unit

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<tr>
<th>High</th>
<th>Low</th>
<th>Value</th>
<th>High</th>
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<tbody>
<tr>
<td>Apple Inc</td>
<td>Microsoft</td>
<td>Google - android</td>
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3. PESTLE framework

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<thead>
<tr>
<th>Political</th>
<th>Economic</th>
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<tr>
<td>• Increased VAT affecting people’s incomes.</td>
<td>• Problems in the global financial systems</td>
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<tr>
<td>• Political stability providing a conducive business environment</td>
<td>• Reduced people’s purchasing power</td>
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<tr>
<th>Socio/Cultural</th>
<th>Technological</th>
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<tr>
<td>UK populace keen on product customization and personalization</td>
<td>• Business practices shifting towards ecommerce</td>
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<td></td>
<td>• UK populace into the consumption of new technology</td>
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<td>• Use of virtual communities as marketing tools</td>
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<tr>
<th>Environmental</th>
<th>Legal</th>
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<tr>
<td>• Businesses are adopting green marketing in their business strategies</td>
<td>• Issuance of business permits, licenses and certificates</td>
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<tr>
<td>• Apple’s iPad unit introduction of disposal bags for their used and obsolete products.</td>
<td>• Removal of barriers to company mergers boosting businesses in UK</td>
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<tr>
<th>Education</th>
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<tr>
<td>• Presence of skilled man power due to improved technological studies in Universities and other tertiary educational levels.</td>
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4. Porter’s five market forces

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<th></th>
<th>New Entrants</th>
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<tr>
<td></td>
<td>High threat of fresh market entrants due to technological penetration</td>
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<tr>
<th>Suppliers</th>
<th>Competitive Rivalry</th>
<th>Buyers</th>
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<tr>
<td>Suppliers have high</td>
<td>Stiff competition from Google (Android), Microsoft tablet pc and manufacturers from other countries e.g. mainland China</td>
<td>Stiff competition and presence of substitutes affords buyers a high bargaining power</td>
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<tr>
<td>bargaining power due to the stiff competition in the technology-oriented field</td>
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<th>Substitutes</th>
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<tr>
<td>High threat from substitute products due to the substitute’s reduced prices</td>
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5. Resource framework analysis of Apple

<table>
<thead>
<tr>
<th>Resource</th>
<th>Same as competitors/easy to imitate</th>
<th>Unique/Difficult to imitate</th>
</tr>
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<tbody>
<tr>
<td>Adequate capital</td>
<td></td>
<td>Strong market and brand presence</td>
</tr>
<tr>
<td>Constant and reliable supply of raw materials</td>
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<td>Head-to-head with technology</td>
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<tr>
<td>Efficient supply chain and human resource management practice</td>
<td></td>
<td>Use of CPFR in the supply chain management process</td>
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<tr>
<td>Efficient human resource management (“Apple core” organizational structure)</td>
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6. Value Chain analysis

**Infrastructure**

- The parent company situated in California and a host of various retail stores distributed globally.
- Has a human resource of close to 20,000 employees globally distributed.
- Production is completely outsourced; Apple only supervises quality of products.

**HRM**

- Apple has an unconventional management structure known as “Apple core”; People at the top of the organization’s structure manage those below and those below also manage those above.

**Technology Development**

R&D team set up by the Company to put the iPad unit head-to-head with current technology

**Procurement**

The company sources for quality in terms of raw materials obtained within and from foreign countries.

<table>
<thead>
<tr>
<th>Inbound Logistics</th>
<th>Operations</th>
<th>Outbound Logistics</th>
<th>Marketing &amp; Sales</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials acquired from within the States and In foreign countries e.g. China</td>
<td>Production is entirely outsourced to various Chinese companies.</td>
<td>Distribution is done by the company to various retail outlets</td>
<td>Sales and marketing practices unique in all the company’s subsidiaries.</td>
<td>Apple offer guarantees on all their iPad tablet computers.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Advertisements are done online, print ads and TV.</td>
<td>Regular release of iPad software updates.</td>
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