

A Strategic Analysis of Apple Computer Inc. & Recommendations for the Future Direction

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Abstract

Apple® today announced financial results for its fiscal 2012 fourth quarter ended September 28, 2012. For the quarter, the Company posted a net profit of US\$45 million or US\$0.13 per share. These results compare to a net profit of US\$66 million, or US\$0.19 per diluted share, in the year-ago quarter (Bryan Chaffin, 2012). Apple is ranked number six among the main computer makers, with a market share of 3.48 percent, and worldwide, it is in ninth place with only 2.4 percent market shares for the first quarter of the year 2012. As one of the computer giants, Apple's predominance position is losing. Before we provide recommendations and suggestions for the future strategy choices and direction of the company, it is essential to have an integrative understanding of the external environment and internal environment, identifying the opportunities, threats, strengths and weaknesses, and explore the core competencies, which can generate competitive advantages.

Key words: Apple Computer Inc.; Strategic analysis; Recommendation

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1. THE APPLE MODEL

As a computer and consumer electronics giant, Apple expands itself with four core philosophies, which are

“Think Different” (continuous innovation spirit), direct sale business model, customer-focused services and Apple brand power. With “Think Different” spirit, Apple innovates and upgrades its products inexhaustibly. As a successful imitation, Apple sells the products directly to customers over the web, by phone, and Apple stores in an endless stream. Implementing the customer-focused services and “Switcher” campaign, the population of Apple World and even People's Republic of Mac (Feng, 2009) is proliferating day after day. Apple is not only an illustrious innovator and inventor, but also a successful imitator and strategist.

2. THE PROBLEM: HAMLET'S SOLILOQUIES: TO BE, OR NOT TO BE: THAT IS THE QUESTION

Comparing with Apple's market shares for both the desktop and portable computer decreasing by half, computer maker Dell is in first place in U.S. market share with 26 percent and worldwide with 14.3 percent (Jim Dalrymple, 2011). HP and Compaq, IBM, Gateway and Microsoft are also indulging themselves in “the excitement of combat, of living on the edge” (Nelson DeMille).

Encountering those fierce heavyweights, how can Apple settle the deficit and effectively fight with those competitors in these arenas? How can Apple recapture the market shares in the general computer battlefields and achieve continuous victories in the consumer electronic market? The principle of survival of the fittest and the law of the jungle are always dominating the markets, so that how to defeat the adversaries is an enigma concerning life and death.

To be, or not to be: that is the question. Tough questions usually don't have easy answers. Synthesis of analysis should be utilized to analyze the environments and consequently, then the solutions could be self-evident.

3. THE EXTERNAL ENVIRONMENTAL ANALYSIS

In the external environmental analysis of Apple Computer, Inc, I mainly utilize three tools and models.

First of all, in Appendix 1, PESTDG Analysis (Hitt, Ireland and Hoskisson, 2012) is employed to analyze the segments and elements in the general environment, which is constituted by political and legal segment, economic segment, socio-cultural segment, technological segment, demographic segment, and global segment.

Secondly, the five forces of competition model (Hitt, Ireland and Hoskisson, 2012) in Appendix 2 is introduced to operate the industry environment analysis, which refers to threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and intensity of rivalry among competing firms analysis.

The competitor environment analysis (Hitt, Ireland and Hoskisson, 2012) in Appendix 3 is the final part of the external environmental analysis, whose components are future objectives, current strategy, assumptions, and capabilities.

3.1 The General Environment: PESTDG Analysis

According to the PESTDG Analysis, main trends from those segments can be identified from those segments.

In political and legal segment, there is little evidence showing that political and legal elements are strongly influence the opportunity and threat toward Apple.

In economic segment, the commodity status of personal computer makes the battle for market share is all the more intense. The whole computing industry has been running into an era that only the strong survive. But the popularization of the computer with the potential profits is allurements to those players with the number of personal computers in use growing from 5.5 million in 1982 to 65 million in 1992.

In socio-cultural segment, entering the "Digital era", the computer system is becoming more and more essential in any organizations, especially the governmental and academic communities, education sector such as schools, colleges and universities. The demands from these customers are continuous increasing. But unfortunately, Apple's dominance in the education market throughout the 1990s is being lost to Dell. If Apple could recapture this traditional area of strength, it is sure to be a catalyst for the recovery and reboot.

Another motivation of the personal computer market is the emergence of digital-generations, who are both the existing and potential powerful consumer in the individual retail market.

The third assumption from the socio-cultural analysis is that with the society's progressing, the people, especially the young generation would like to make choices which are intended to express their individualities and their differentiations from the others. They prefer the

products which are designed to accompany them wherever they go. This trend is motivating those competitors to pursue the added-value from the customer-focused services and customized products, which are exactly advantage fields of Apple, who is marketing customizable servers, aiming at both high-end and low-end consumers, offering great color choices and artistically designing their unique and elegant-look products to interest customers, who are conscious of aesthetic factors.

In technological segment, computing technology is rapidly evolving. It's a golden opportunity to every player in this arena. Also, Apple should take the fortune at the tide with the latest technology development, in order to attract and satisfy the customers and enhance itself.

In demographic segment, from the May 2001 to now, approximately 50 Apple's company controlled retail stores are in operation, most of which are located in high-traffic locations such as shopping malls and urban shopping districts. Those stores are attracting the digital-generations, contributing to the increase of the visibility of and excitement for Apple products.

While in global segment, all the players in this racing are endeavoring to scramble for the market shares, which are the lifeline concerning the future. Apple's decreasing shares in the worldwide market lead to the reduction of the firm's profit and if Apple couldn't stop this disadvantageous trend, the case would only go worse and worse.

3.2 The Industry Environment: Five Forces of Competition Model

The threat of new entrants is medium. The fierce competitor is the most powerful deterrence to those firms who want to penetrate in to the computer market. The commodity status of the personal computer leads the competitors in this game to be fighting not only for the margin, but also for surviving in such a mature market. The others firms would even like to be a spectator rather than a player in this arena at this time. Moreover, even the computer giant Apple has adjusted its strategy to the variable market, attempting another fighting in the consumer's electronic market, and seeking the products diversification.

Capital requirement in high-tech field is very high. In addition, the exiting competitors in this arena have controlled the supply and distribution channels. The newcomers may not easy to get the access to those channels. Besides, the economies of scales, which is attributing to the outsourcing of manufacturing and assembling work, are really great barriers to the new entrants.

Last but not least, another important factor the new entrants must take into consideration is that it seems not easy to convert the loyalty of the consumers from a certain range of choices to other brands.

The bargaining power of suppliers is low. Nowadays, there are many satisfactory substitute firms to choose in the manufacturing and assembling sections, and some of

them are even facing the plight that may be purchased by those computer giants, who have had the controlling power which can greatly influence the price system offered by the suppliers. What's more, giants may have to pay very low switching costs if they intend to turn to other suppliers.

The bargaining power of buyers is high. The main target consumers of apple are the academic institute, colleges and schools in the education field, and retail buyers.

Apple's predominant position in the education market has been lost to Dell. Struggling to hold on to its 15.2 percent market share in this industry, Apple has to persuade those organizations to accept the ease of the Apple computer products, and then print the order forms. This is not as easy as turning one's hand over. In addition, the purchasing of governments, corporations, academic institutions, education organizations are large relative to Apple's sales, so their bargaining power is very high. Apple should devote itself to establishing a close relationship with those organizations from top to bottom, to recover the market share in this arena.

The individual buyers nowadays often have full information about the products. They usually claim much better services and lower prices. But frankly speaking, they don't have the ability to influence the entire price system directly to some extent. So the bargaining power of buyers is relatively lower. But on the other side of the coin, the consumers have a lot of substitute brands in those fields in the hardware, software and consumer electronic fields. And they could enjoy a low switch cost when they decide to choose another preference.

The threat of substitute products is medium. As to the general computers fields, including both desktop and portable computer, the threat of substitute is relatively weak. Not only the Tablet PC, Pen Computer, and XPC, but also PDA, Smartphone and Palm still don't have the potential of constituting an effective threat against the general computers in the near future.

Nevertheless, in the software market, the consumers can choose Windows Systems, not Mac OS, just because of the better compatibility of the Microsoft's products.

Touching the iPod, there are huge group of substitutes, such as Hard Disk Walkman and MP3 players, portable multimedia players, Mini Disk and Hi-MD players and even the mobile phones with a certain multimedia functions can also pose an obstacle to iPod's prospective success.

The intensity of rivalry among competing firms is very high. When we fractionize the whole market that Apple has set foot in, we can perceive that there are precipices everywhere in this competitive environment.

In the hardware field, just over 6 percent of the worldwide desktop computer market and below 10 percent of the portable computer market was belonging to Apple in the year 2000. Dell, HP and Compaq, IBM,

Gateway not standers-by in this running while Apple's market share for the both products decreased by half in the period between 1995 to 2010. While in the software field, the heavyweights are Microsoft and Sun. At the same time, in the consumer electronic battlefield, the iPod is facing an inevitably fierce fight with Hard Disk Walkman and MP3 players, portable multimedia players, Mini Disk and Hi-MD players and even the mobile phones with a certain multimedia functions, which are constituting the substitutions group.

3.3 The Competitor Environment Analysis

Apple's goal is increasing the market shares in the general computer market, software market as well as achieving continuous success in the consumer electronic market. While others competitors, including Dell, HP and Compaq, IBM and Gateway, are all pursuing even larger market shares, generating more profit, dreaming of dominating and cornering the computer market. As a result, a close battle is ineluctable. Moreover, Microsoft wants to maintain its ongoing myth in the software arena and prevent Apple from ripping this myth off.

The emphasis for the future is to solve the problem of the \$45 million loss and find an effective way of fighting in the general PC market with those competitors, especially in the education fields. Apple should also steadily implement the "Switchers" campaign, and strengthen itself in the consumer electronic market.

Although Apple isn't occupying an advantage position in the PC market, with iPod, Apple has entered a brand new competitive arena with consumer electronics firms, producing products for the entertainment industry. And now iPad has constituted 12 percent of the company's \$5.4 billion revenue in the year 2011. In addition, Apple has implemented the "Switchers" campaign for the sake of attracting new customers away from competitors instead of merely retaining current customers. The strategy of Apple is effective to face the changes in the competitive structure.

Apple's future in the general PC market may be very volatile because of the intense competition. At the same time, in the field of music player, the evolution of the technology has been introducing the volatile characteristic into the market.

What's more, the Dell's direct-to-customer business model is imitated and the competitors have been aware of the important role that the customer-focused service is playing. In the tough competition, the competitors make effort to develop their own differentiations and utilize advantages in every fields of computing technology.

Compared to others players in this arena, Apple have its own particularity. It has explored its own multi-business solutions rather than more industry-specific strategy implemented by other competitors. Apple has many avenues of generating profits, although the predominance position does not belong to Apple at present.

3.4 The Opportunities and Threats Analysis

The most highlighted opportunity (Appendix 4) is that computer is becoming more and more popular, so there are always increasing customer demands, not only from individual consumer, but also from governmental and education organizations. Moreover, arrivals of new technologies bring in golden opportunity to upgrade the existing products and innovate.

The most significant threat (Appendix 4) is that the commodity status of personal computer makes the battle for market share is all the more intense. Also, Apple is suffering the loss of the market shares and predominant position. What's more, in the consumer electronic market, emergence of substitute products constitutes a powerful threat.

4. THE INTERNAL ENVIRONMENTAL ANALYSIS

Firstly, resource audit (Appendix 5) is employed to identify the tangible resources and intangible resources. And resource gaps can be detected from this analysis. Secondly, the Porter's value chain analysis (Appendix 6) is utilized to identify the competitive potential of capabilities. And finally, I use the value chain as an intermediary stage, with the four criteria of sustainable competitive advantage in the process of proving the core competencies of Apple.

4.1 Resource Audit and Resource Gaps

Both the tangible and intangible resources (Appendix 5) of Apple are very abundant. Steve Jobs and his efficient management team have outsourced most of the manufacturing, assembly work, logistics and transportation planning, which is a cost leadership strategy and construct an integrated supply chain and distribution system. "Careful management of suppliers is increasingly critical to Apple's success. The company lets its suppliers keep in inventory certain "industry standard" parts and components, Cook says. "(Doug Bartholomew, 1999) Over 50 company controlled stores, whose "concept is 27 units strong-a significant milestone for both Apple and Jobs, who "guaranteed" at least 25 units by yearend." (Tim Craig, 2012), are in good operation. In addition, Apple's delicate alliance with Microsoft in the software field and cooperative relationships with Dell in the distribution sector are "WIN-WIN Strategies" among the competitors. With continuous innovation spirit, the successful customer-focused services and "Switchers" campaign, which are a differentiation strategy, Mac people and the brand reputation, are proliferating.

From the Resource audit, two main resource gaps are explored. One is technology gap. Apple's software, including operating system and applications still do not have the perfect compatibility, bringing the problem that

Apple software sales are limited by the amount of Apple hardware sales.

Another is finance gap. \$45 million deficit has been posted in the fourth quarter of 2002 is a financial abyss that Apple is facing. It is occupying a precarious position on the lower tier of financial performance in the computer industry.

The first core competency from the value chain analysis (Appendix 6) is "Think Different" philosophy, namely, Apple's continuous innovation spirit. It is a core philosophy which is complemented within every sector of both primary activities and support activities. It links Apple's innovation with several new product offerings and technology, Apple's taking the lead in successfully attempting and penetrating into the consumer electronic market, build-to-order model, customer-focused services strategy, exclusive "store-in-store" program, "Switchers" campaign, aggressive advertising strategy, and Macworld Conference and Expo. The "Think Different" philosophy is not only utilized in the technology innovation, HRM field, and customer services, but also in channel management and operation sectors. It is a valuable capability because it helps Apple to generate brand new strategy, adjust the current strategy flexibly to the changeable market, capture the latest technology and keep the profitability of the company. As such, it assists Apple to neutralize threats and exploit the opportunities. In addition, "Think Different" is a rare capability as well as a costly and difficult to imitate capability since few rival firms possess this valuable capability and it is a unique organizational culture during every stages of the company development, continuously promoting differentiation achievement.

Another core competency is Apple's brand power. With super eminent customer-focused services strategy as well as the aggressive advertising strategy, excellent reputation, goodwill and image have been built up among the consumers. In addition, the "Switchers" campaign was starting up as another aggressive bid to win over Windows users. Just as the proverb goes, "No pains, no gains", on advertising and "Switcher" campaign, Apple spent nearly three times the percentage that Dell spent in the four quarters ending March 2002. "It's a really powerful brand," said Robin Rusch, editor of the Brandchannel.com, which awarded Apple "Brand of the Year" in 2001. "The overwhelming presence of Apple comes through in everything they do." (Leander Kahney, 2002) This is also one of the achievements by Steve Jobs, who is devoting himself assiduously and faithfully to rejuvenating the Apple brand. Apple's original minds and advertising can be found everywhere in the world, with this name nearly coming to define the word "ubiquitous".

4.2 The Strengths and Weaknesses Analysis

Now, the strengths and weaknesses in Appendix 7 can be demonstrated from the internal environmental analysis.

The primary strengths of Apple are “Think Different” philosophy and continuous innovation spirit, a well-managed and integrated supply chain and distribution system, a welcome customer-focused services strategy, successful “Switcher” campaign and great Apple brand power. These strengths successfully ensure the on-going development of Apple, as well as attract new customers away from the competitors.

The main weakness of Apple is products’ compatibility, which confines Apple software sales by the amount of Apple hardware sales. Although many efforts have been made, the users are still not satisfied. Another urgent problem is the current lower tier of financial performance. Apple should struggle for the profitability and better financial circumstance.

4.3 SWOT Analysis

Now, I have conducted a SWOT Analysis (Quick MBA) synthesized from both the external environmental analysis and internal environmental analysis, in order to classify the opportunities and threats as well as the strengths and weaknesses. The SWOT Analysis is a useful instrument in shaping up and selecting the appropriate strategy for the firm.

5. STRATEGIC CHOICES AND RECOMMENDATIONS

Firstly, Apple should continue to implement the hybrid strategy, which is integrated by cost leadership strategy and differentiation strategy, continuously carry out outsourcing strategy and promote economies of scales to decrease costs as well as further develop the “Think Different” philosophy, innovating in the products, management process, marketing and services, which is the groundwork of differentiation strategy.

Secondly, Apple should persist in the “Switchers” campaign, customer-focused services strategy and aggressive advertising strategy, driving the users away from the Microsoft to Apple, and expanding the market shares.

Thirdly, Apple should not only lever existing competencies to compete in the consumer electronic market, but also built new competencies to fight for the predominance, accelerating the self-enhancement. For example, it could invent new edges for this market, besides iPod series products.

Fourth, Apple should establish a close relationship with the governmental and education organizations, which can constitute the major source of profit in the general PC market. After all, Apple’s core markets are schools--a low-budget, limited-growth sector (Michael Boland, 2012).

Last but not least, enhance the compatibility of the software and hardware as well as properly settle the loss to fill in the gaps.

CONCLUSION

The semiannual Macworld Conference and Expo is really the carnival of Apple fans from all over the world. For them, the name of Apple is always breathing the magic with the legendary innovation spirit. Steve Jobs’ dilemma is not very hard to settle, if he could find the right position to inhabit and right way to go.

In the near future, the hybrid strategy will definitely give Apple a leg up, which supports Apple to insist its cost leadership strategy, differentiation strategy, outsourcing strategy and the customer-focused services strategy under the guidance of the “Think Different” philosophy.

At the same time, with the improvement of the compatibility of Apple’s software and hardware, Apple’s new situation can be expected soon and a new fashion is under Apple’s leading.

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APPENDIX I

1. The General Environment: PESTDG Analysis Economic

1.1 As the computer industry dwindled in the post-Y2k economy, Apple performed unprofitably once again in the second half of 2000. (linkage with 1.4 & 1.5)

1.2 Apple now occupied a precarious position on the lower tier of financial performance in the computer industry. (linkage with 1.3)

1.3 Apple is ranked number six among the competitors list above, with a market share of only 3.48 percent. (linkage with 1.2)

1.4 Today, the personal computer has reached the status of commodity and the battle for market share is all the more intense. Clearly, the market has reached maturity and only the strong survive. (linkage with 1.1 & 3.2)

1.5 \$45 million loss has been posted in the fourth quarter of 2002. (linkage with 1.1)

2. Socio-cultural

2.1 Those people pay a premium because they want the Mac hardware and software-the whole universes of people that do work in that segment are Mac people. (linkage with 2.2 & 2.5)

2.2 Apple offers its computers in two categories for beginners and for advanced users, who will pay a higher price for higher performance. Like the desktops, apple's portable computers are also segmented into two specific product lines. Both are designed to accompany the user wherever he or she goes, but they differ in performance and price. (linkage with 2.1)

2.3 IBM works with the governmental and academic communities to provide customers with the most sophisticated products that technology will permit. (linkage with 1.4 & 2.4)

2.4 Apple has also created a specially designed computer called the eMac that fits on a school desktop and comes with applications for learning. The e stands for education and this computer is sold to schools and other academic institutions, one of apple's most important niche markets. (linkage with 1.4 & 2.3)

2.5 Apple also markets customizable servers, offer great color choices and are artistically designed to interest customers who are conscious of aesthetic factors. Unique and elegant look. (linkage with 2.1 & 2.2)

2.6 Must realistically evaluate the possibilities for success in the education sector, a traditional area of strength. (linkage with 2.3 & 2.4)

2.7 The store will attract those of the digital-generation who are as yet unfamiliar with Apple computers. (linkage with 4.1, 4.2 & 4.3)

3. Technological

3.1 The number of personal computers in use grew from 5.5 million in 1982 to 65 million in 1992. (linkage with 1.4)

3.2 Computing technology is rapidly evolving. (linkage with 1.4)

4. Demographic

4.1 In 2001, apple opened its first Apple Store near Washington DC and has over 50 locations across the US. (linkage with 4.2 & 4.3)

4.2 Apple opened its first company controlled retail stores near Los Angeles and Washington DC, in May 2011. Expecting to double market share of 5 percent at that time. Apple opened another stores across the US by the end of 2011, most of which were located in high-traffic locations such as shopping malls and urban shopping district. The store will attract those of the digital-generation who are as yet unfamiliar with Apple computers. (linkage with 4.1 & 4.3)

4.3 Approximately 50 apple stores are in operation. The apple stores increases the visibility of and excitement for Apple products. (linkage with 4.1 & 4.2)

5. Global

5.1 Worldwide, Apple fares worse. It is in ninth place with 2.4 percent market shares. (linkage with 1.1 & 1.3)

5.2 Apple's share of the worldwide desktop market in 2010 was just over 6 percent and in the portable market just below 10 percent. (linkage with 5.1, 1.1 & 1.3)

5.3 The most alarming fact is that between 2005 and 2010, apple's share of the market for both products decreased by half. (linkage with 5.1 & 5.2)

APPENDIX II THE INDUSTRY ENVIRONMENT: THE FIVE FORCES OF COMPETITION MODEL

1. Threat of new entrants: Medium

1.1 The fierce competitor is the most important deterrence to those firms who want to penetrate in to this market.

1.2 The computer industry dwindled in the post-Y2k economy; the other firms would like to be a spectator rather than a player.

1.3 Today, the personal computer has reached the status of commodity and the battle for market share is all the more intense. Clearly, the market has reached maturity and only the strong survive.

1.4 Even the giant Apple has adjusted its strategy to try another fighting in the consumer's electronic market, seeking the product diversification.

1.5 Economies of scales are another barrier to the entrants.

1.6 It seems not very easy to convert the loyalty of the consumers.

1.7 Capital requirement in high-tech filed is very high, and the exiting competitors in this arena has control the supply and distribution channel.

2. Bargaining power of suppliers: Low

2.1 There are too much satisfactory substitute firms to choose in the manufacturing and assembling section.

2.2 The giant corporation has the controlling power that they can greatly influence the price system which is offered by the supplier.

3. Bargaining power of buyers: High

3.1 The main target of apple is the academic institute and schools in the education field, and retail buyers.

3.2 Apple's dominance in the education market throughout the 1990s is being lost to Dell, who is leading with 35 percent of the market.

3.3 Apple is struggling to hold on to its 15.2 percent market share in this industry. Apple has to persuade those originations to accept the ease of the apple computer and the eMac.

3.4 The consumers have a lot of substitute brands in these fields. And the switch cost of the consumers is low.

4. Threat of substitute products: Medium

4.1 As to the general computers, including both desktop and portable computer, the threat of substitute is relatively weak. Not only the tablet pc, Pen Computer, and XPC, but also PDA, Smartphone and Palm don't have the potential of constituting an effective threat.

4.2 But in the software market, the consumers can choose widows system, not MacOS.

4.3 As to iPod, there are huge group of substitute such as Hard disk-Walkman, Hard disk Mp3 players, portable

multimedia players, MD players, HI-MD players and even the mobile phone with the multimedia function.

5. Intensity of rivalry among competing firms: High

5.1 There are so many choices for the consumers. They can choose others brands as the substitution. And the switch cost is very low.

5.2 Apple's share of the worldwide desktop market in 2000 was just over 6 percent and in the portable market just below 10 percent. HP/Compaq is the most established player in this industry. Before the acquisition, Compaq commanded over 10 percent of the portable market and nearly 15 percent of the desktop market, while HP was also a major player, Dell and Gateway occupy the direct marketing channel. Dell alone captured over 10 percent of the market for both desktops and portable computers in 2010. The most alarming fact is that between 2005 to 2010, apple's share of the market for both products decreased by half.

5.3 In hardware field, the great competitors are HP/Compaq, Dell, and IBM. While in software arena, the heavyweight are Microsoft and Sun. in the consumer electronic market, the iPod is facing the inevitably combat with the Hard disk-Walkman, Hard disk Mp3 players, portable multimedia players, MD players, HI-MD players and even the mobile phone with the multimedia function.

APPENDIX III THE COMPETITOR ENVIRONMENT ANALYSIS

<p>Future Objectives: Apple's goal is increasing market shares in hardware, software and consumer electronic market. Others competitors are all pursuing even larger market shares, dreaming of dominating and cornering the computer market. Emphasis should be finding an effective way of fighting with those competitors, especially in education fields, and strengthening itself in the consumer electronic market. Apple has a long history of innovation and tenacity in the face of stiff competition.</p>	<p>Assumptions: Apple's future may be very volatile because battle is all the more intense. And in the field of music player, the evolving of the technology has been introducing volatile characteristics of the market. The Dell's direct-to-customer business model is imitated and all the competitors have been aware of the importance of customer-focused services.</p>
<p>Capabilities: Apple has its own particularity. It has explored its own multi-business solutions rather than more industry-specific strategy implemented by other competitors. And the "Think different" philosophy is really a trump card.</p>	<p>Current Strategy: Apple is ranking number six among the competitors. Worldwide, it is in ninth place. The strategy support changes in the competitive structure with a long history of innovation and differentiation strategy.</p>
<p>Response: Apple should continue to implement the hybrid strategy as well as further develop the "Think Different" philosophy. Also, Apple should persist in the "Switchers" campaign, customer-focused services strategy and aggressive advertising strategy. In addition, Apple should establish a close relationship with the governmental and education organizations.</p>	

APPENDIX IV ANALYSIS OF THE OPPORTUNITIES AND THREATS

1. Opportunities

1.1 The number of personal computers in use grew from 5.5 million in 1982 to 65 million in 1992. Popularization of Computer guarantees increasing demands.

Computing technology is rapidly evolving. Technology evolution brings in the innovation and upgrade opportunities.

1.2 Customer-focused services strategy meets the demands of current socio-culture.

Emergence of digital-generations

1.3 From the May 2011 to now, approximately 50 company controlled Apple retail stores are in operation,

most of which are located in high-traffic locations such as shopping malls and urban shopping districts.

2. Threats

2.1 The commodity status of personal computer makes the battle for market share is all the more intense.

2.2 Emergence of substitute products constitutes a threat in the consumer electronic market.

2.3 Apple's dominance in the education market throughout the 1990s is being lost to Dell.

2.4 Worldwide, Apple fares worse. It is in ninth place with 2.4 percent market shares. The most alarming fact is that between 2005 and 2010, apple's share of the market for both products decreased by half.

APPENDIX V RESOURCE AUDIT

Tangible Resources	Intangible Resources
Apple has the pioneer technology and sophisticate history of the computing industry. It continues to innovate with several new product offerings.	The excellent Apple brand reputation and the quality of the products of Apple are in high repute.
Apple operates over 50 company controlled retail stores across the US, most of which were located in high-traffic locations such as shopping malls and urban shopping district.	Apple's philosophy: "Think Different" (continuous innovation spirit), customer-focused services strategy, "Switcher" campaign.
Human resource: Apple has an efficient management team and Steve Jobs is the superexcellent leader of this team.	Direct sale model used through internet, telephone, and company controlled retail stores.
Most of the apple's manufacturing, assembly work, logistics and transportation planning was outsourced, resulting in great efficiency and lower costs.	Apple devoted itself to construct a well-managed and integrated supply chain and distribution system.
Apple's competitive market shares in American market and the global market.	Apple implements a hybrid strategy which integrates the cost leadership and differentiation strategy.
Apple also has abundant experience of fighting in the consumer electronic market.	Apple has a long history of innovation and tenacity in the personal computer market in the face of stiff competition.
Apple's trademark is really a significant wealth.	
Apple's alliance with Microsoft in the software field and cooperative relationships with Dell in the distribution sector	
Macworld Conference and Expo is a platform for Apple to demonstrate its innovation.	
Mac people, who would like to pay a premium because they are crazy about the Mac hardware and software.	

Resource Gaps

Apple's software, including operating system and applications still do not have the perfect compatibility, bringing the problem that Apple software sales are limited by the amount of Apple hardware sales.

The \$45 million deficit has been posted in the fourth quarter of 2002 is a financial abyss that Apple is facing. It is occupying a precarious position on the lower tier of financial performance in the computer industry.

APPENDIX VI ANALYSIS OF PORTER'S VALUE CHAIN

<p>Firm Infrastructure Philosophy: “Think Different” (continuous innovation spirit); Direct sale business model; Customer-focused services; Apple Brand power; Leadership-Steve Jobs</p>				
<p>Human Resource Management Sophisticated and innovative leader Steve Jobs and management team</p>				
<p>Technology Development Apple has the pioneer technology and sophisticated history of the computing industry. It continues to innovate with several new product offerings. Successfully attempt and penetration in the consumer electronic market</p>				
<p>Procurement Outsourcing strategy. Integrated supply chain and distribution system. Good and close relationship with suppliers and distributors. Alliance with Microsoft in the software field and cooperative relationships with Dell in the distribution sector. Direct sale business model, which is a good imitation of Dell Model.</p>				
<p>Inbound Logistics Reduce inventory and order-to-delivery time; Logistics and transportation planning was outsourced; Channel assembly and consolidation; Increase standardization of parts and worked more closely with suppliers to minimize errors in forecasting demand; Integrative supply chain and distribution system.</p>	<p>Operation Manufacturing and assembly work was outsourced to contract manufacturers to reduce costs, improve economies of scale and faster time to market; Build-to-order model; Customer-focused service strategy.</p>	<p>Outbound Logistics Logistics and transportation planning was outsourced; Shaped up its distributions chain; Develop online configuration programs for resellers; Integrative supply chain and distribution system.</p>	<p>Marketing and Sales Direct sale to customers over the web, by phone, and Apple stores; Exclusive “store-in-store” program; Build-to-order model; “Switcher” campaign; Customer-focused service strategy; Aggressive advertising strategy; Macworld Conference and Expo.</p>	<p>After-Sales Service Carry a variety of third-party hardware and software, as well as certain hardware support services in Apple retail stores; Service free software for the teachers with the eMac.</p>

APPENDIX VII ANALYSIS OF THE STRENGTHS AND WEAKNESSES

Strengths

Standing with the latest and pioneer technology
Sophisticate experience of the computing industry
Over 50 company controlled retail stores across the US
Steve Jobs and efficient management team
Successful outsourcing resulting in low cost
Competitive market shares in American and global markets
Excellent trademark and brand reputations
Alliance with Microsoft and cooperative relationships with Dell
Macworld Conference and Expo
Mac people, Apple World, even People's Republic of Mac

“Think Different” Philosophy and continuous innovation spirit

Welcome customer-focused services strategy

Successful “Switcher” campaign

Well-rounded Direct sale business model

Well-managed and integrated supply chain and distribution system

Hybrid strategy: integrate the cost leadership and differentiation strategy

Successful penetrating into the consumer electronic market with iPod

Weaknesses

Disadvantage in compatibility

Current lower tier of financial performance