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Technical Report · October 2024

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**STRATEGIC ANALYSIS AND BUSINESS SIMULATION REPORT FOR
APPLE**

PRESENTED

BY

LOIS VAKU NAMO

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BUSINESS SIMULATION AND BUSINESS DEVELOPMENT

UEL-SG-7003-64561

21st September 2024

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1.0 Introduction

Nowadays, global business is rapidly transforming due to intense market competition and technological innovation. These changes have reshaped industries, forcing companies to adapt or fall behind (Bharadwaj et al., 2013). To stay competitive and make informed decisions, (Wheelen et al., 2017) highlight that it is important for companies to carry out strategic analysis. A **strategic analysis** of a company is the process of assessing both the internal and external factors that impact the business. It involves examining the company's strengths, weaknesses, resources, and capabilities (internal environment) as well as external factors like competitors, market trends, and economic conditions (external environment).

For a leading designer and integrator of computer hardware and software, Apple Inc, founded in 1976, and which has revolutionized the computer industry since then, doing this is important to help Apple stay ahead in the constantly changing tech world. It's clear that Apple's success comes from the business strategies the company has consistently followed.

To reveal the facts within the various layers of this tech giant, this report will capture the analysis of Apple's current strategic position using the relevant strategic tools and techniques to evaluate the business's internal and external environments. One is the SWOT analysis, which is key in helping to evaluate strengths, weaknesses, opportunities, and threats. Then the Porter's Five Forces framework would be used to assess the competitive landscape and help Apple navigate intense competition from firms like Samsung and Google. We will also look at Apple's strategic options to be adopted and implementation of Apple's relevant strategic option that enable Apple to respond to the dynamic changes in the international markets and thrive more.

1.1 Scope of the Report

This report aims to cover the identification of the strengths, weaknesses, opportunities, and threats of Apple, aiming at pointing out the strategic growth areas. Then a financial analysis on what is the trend of Apple's sales revenue across the last 5 years will be carried out, and finally, recommendations will be provided based on the analysis to assist Apple in maintaining its position in the market and overcome any unforeseen challenges.

1.2 Methodology

To write this report, resources like ProQuest, Google, magazines, YouTube videos, Statista, and Stock-analysis.net were used. Casual conversations were also had with colleagues to get their opinions on Apple as customers.

2.0 Company Background

Apple Inc. is a leading technology company that designs, manufactures, and markets a wide range of personal computers, software, networking solutions, and peripherals, including portable digital music players. Its assorted product family features the Macintosh line of desktop and notebook computers, the iPod digital music player, and the Mac OS X operating system. Notable brands include iPhone, iPad, Mac, iCloud, AirPods, Apple TV, Apple Watch, and more. Apple also offers digital content and applications through various platforms, such as the Apple Store, App Store, and Apple Music.

Headquartered in Cupertino, California, Apple operates across the US, Europe, the Middle East, and the Asia-Pacific region. In the fiscal year ending September 2023, the company reported

revenues of \$394.3 billion, reflecting a 7.5% increase from the previous year, with an operating margin of 27.8% and a net margin of 21.4% (Apple Inc., 2023)

The markets for Apple's products and services are highly competitive, characterized by aggressive pricing strategies, rapid product innovation, and evolving industry standards. Competitors include major players such as Acer, Alphabet, BlackBerry, Dell, and HP, who often engage in price competition and seek to rival Apple's successful product designs. As a result, Apple faces constant pressure to maintain its market position while navigating short product life cycles and consumer price sensitivity.



Figure 1: Historical Stock Price of Apple

As shown in figure 1, Apple's stock experienced real growth between 2019 and 2021, driven by high sales of iPhone and the rise of tech stocks like Tesla. The COVID-19 pandemic in 2020 also fueled demand for Apple's products, as remote work and learning increased (BBC, 2021). However, in 2022, the stock faced declines due to supply chain disruptions and global chip shortages, causing dips in production and revenue. Despite these challenges, Apple's stock

rebounded in 2023, as the company continued to innovate and strengthen its service offerings, showcasing resilience in a volatile market.

2.1 Vision Statement

Apple's vision is to “create the best products on earth and leave the world better than we found it”. This reflects a focus on not just creating high-quality products but also ensuring a positive impact on society and the environment (Apple Inc., 2022). The company has gone ahead to achieve this by designing devices like the iPhone, MacBook, and Apple Watch with cutting-edge technology and continuously pushing the boundaries of what's possible.

2.2 Mission Statement

Apple's mission is “to bring the best user experience to its customers through innovative hardware, software, and services”. To achieve this, the company invests heavily in research and development, spending \$27.7 billion in FY2022, leading to innovations like the M1 and M2 chips that enhance performance and battery life (Apple Inc., 2022). Apple is also committed to sustainability, with plans to achieve carbon neutrality across its entire business and supply chain by 2030 (Apple Inc., 2020).

2.3 Core Values

Apple's strategic objectives revolve around six key pillars, including privacy, education, the environment, accessibility, inclusion/diversity, and supplier responsibility. One of the core values is the commitment to privacy, as seen in its marketing campaigns highlighting user data protection. Additionally, Apple places high importance on inclusivity, fostering diversity within the company and ensuring its products are accessible to all.

2.4 HR Management

Apple engaged top talents in its workforce with its sophisticated and innovative leader along with small professional teams who take the responsibilities of crucial projects. This was stated clearly by former Apple CEO Jobs (2011) in an interview.

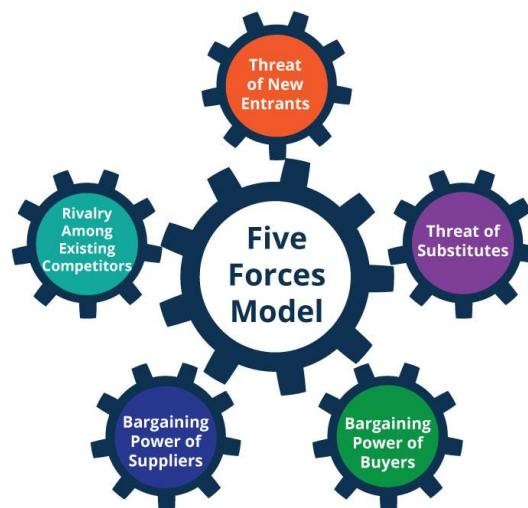
3.0 Performance Analysis

Performance analysis is the evaluation of how business has performed over a given period. In this section, the performance of Apple from 2019 to 2023 is discussed while focusing on competition analysis, financial performance, value chain analysis and SWOT analysis.

3.1 Competition Analysis: Porter's Five Forces

Businesses use this to have insight on major rivals in the same market as them, with the aim of understanding their strategy, products, marketing strategy and sales to inform their decisions to implement stronger strategies, tone down the competition and capture a significant market share.

The most used framework for analyzing competition is Porter's Five Forces (Porter, 1979)



1. Threat of New Entrants: Low

The threat of new entrants in Apple's industry is low due to high barriers to entry. Developing and distributing advanced technological products such as smartphones, laptops, and wearables requires high capital investment in research and development (R&D), manufacturing, and marketing (Yoffie and Baldwin, 2018). Apple benefits from strong brand loyalty that has been built over decades, which makes it difficult for new entrants to challenge its market position.

2. Bargaining Power of Suppliers: Moderate

Apple maintains a diverse supply chain, with suppliers located around the globe, which reduces the bargaining power of any single supplier. However, suppliers who provide highly specialized components, such as chipsets, OLED displays, or lithium batteries, may have more leverage. For instance, Apple has relied heavily on TSMC for its A-series chips, giving the supplier significant bargaining power (Dudovskiy, 2023).

3. Bargaining Power of Buyers: High

The bargaining power of buyers in Apple's market is high, mostly because of the wide range of choices available in the tech industry. Customers can easily switch to alternatives like Samsung, Google, or Huawei, which offer competitive products at varying price points. Apple's strategy of locking customers into its ecosystem (through devices like the iPhone, Apple Watch, and services like iCloud) reduces the likelihood of customers switching to competitors, lowering their overall bargaining power (Dudovskiy, 2023)..

4. Threat of Substitute Products: Moderate

The threat of substitutes for Apple's products exists but is moderate. While alternative products in the smartphone, laptop, and wearable markets are readily available, few offer the seamless integration and user experience Apple provides. Competitors such as Google (Android ecosystem) and Microsoft (Windows-based devices) offer substitutes, but the premium quality, design, and brand appeal of Apple's products serve as significant differentiators (Grant, 2021). Furthermore, Apple's entry into new markets such as electric vehicles (EVs) and augmented reality (AR) strengthens its position against substitutes by expanding its product offerings. The company's rumored development of an autonomous vehicle (the "Apple Car") aligns with new trends, positioning Apple to potentially disrupt the automotive industry (Dudovskiy, 2023).

5. Competitive Rivalry: High

Competitive rivalry is intense in the technology industry, with Apple facing competition from major players like Samsung, Google, Microsoft, and Huawei. Samsung is a direct competitor in the smartphone space, offering similar premium devices with Android functionality. Google's Pixel smartphones and ecosystem also pose a challenge to Apple's market share (Bjørhovde, 2023). Despite this, Apple's differentiation strategy, focusing on user experience, design, and innovation, allows it to maintain a competitive edge.

Overall, Apple's performance is driven by its ability to leverage internal strengths, such as product innovation and ecosystem integration, while going through external challenges in a highly competitive market. Its commitment to innovation and expansion into new markets ensures that Apple remains well-positioned for future growth.

3.2 Strategy Review

Apple's business strategy is characterized by a focus on innovation, premium product positioning, and financial discipline, which together drive its sustained success in the highly competitive technology sector. A key element of this strategy is its financial management, which has consistently supported the company's growth while maintaining impressive profitability.

For the fiscal year 2022, Apple reported revenues of approximately \$394 billion, a 7.79% increase from the previous year. This growth, driven by the successful launch of new products like the iPhone 14, says more about the effectiveness of its business model. Services alone, including the App Store and Apple Music, contributed \$78 billion to the company's total revenue, representing a 14% year-over-year growth (Apple Inc., 2023). This emphasis on expanding its service ecosystem allows Apple to tap into recurring revenue streams while fostering customer loyalty.

2023 Apple Net Sales by Product

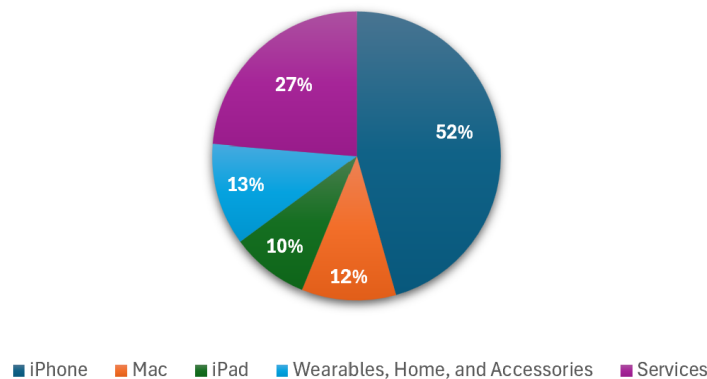


Figure 2: Apple's Net Sales by Product for 2023

A key feature of Apple's financial strategy is its prudent capital allocation. The company consistently maintains substantial cash reserves, which stood at \$27.1 billion by the end of FY2022 (Apple Inc., 2023). This financial buffer provides Apple with the flexibility to invest in research and development (R&D) and strategic acquisitions, two pillars of its long-term growth. In 2022,

Apple allocated \$27.7 billion to R&D, a 20% increase from the previous year, underlining its commitment to innovation and keeping its product lineup ahead of competitors.

Moreover, Apple's financial strategy extends to its efforts to return value to shareholders, a factor that significantly boosts investor confidence. In FY2022, Apple returned \$28 billion to shareholders through dividends and stock buybacks, a clear demonstration of its dedication to enhancing shareholder wealth (Apple Inc., 2023).

Overall, Apple's financial strategy is a well-balanced approach that prioritizes innovation, growth, and shareholder returns. This strategy positions Apple not only as a global leader in technology but also as a benchmark for sustainable business growth.

3.3 Financial Performance

Apple Inc.'s financial performance has consistently been strong, making it one of the most valuable companies globally. In 2023, Apple reported a revenue of \$383 billion, driven by strong iPhone sales, wearables, and services like the App Store and Apple Music. iPhone sales alone accounted for \$205 billion, contributing significantly to the company's revenue growth (Piketty, 2014). Despite challenges like supply chain disruptions from the COVID-19 pandemic, Apple has shown resilience through diversified products and innovation.

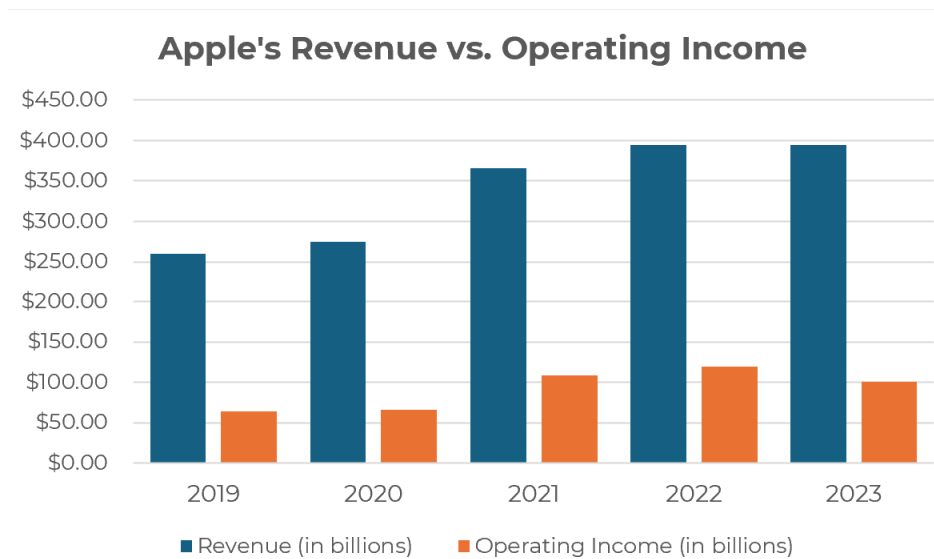


Figure 3: Apple's Revenue vs. Operating income

Apple's gross margin was 43.3% in 2023, which showcases the company's ability to maintain profitability despite rising production costs and tariff impacts from the US-China trade war (Friedman, 2005). Moreover, Apple's services division, which includes digital services such as iCloud and Apple Pay, generated \$80 billion in revenue, demonstrating its expansion beyond hardware into high-margin service offerings.

In terms of stock performance, Apple shares have consistently outperformed the broader market, with a 2023 year-to-date increase of 36%. This impressive performance indicates the confidence investors have in Apple's ability to sustain its competitive advantage and financial strength, positioning it as a market leader in both technology and innovation.

3.4 Value Chain Analysis

Value chain analysis involves identifying the primary and support activities that create value for a company, helping it gain a competitive edge (Porter, 1985). Apple's value chain is strategically designed to promote efficiency and innovation.

Major activities include inbound logistics, such as sourcing components from suppliers, especially in China, where 90% of Apple's products are assembled. Outbound logistics involves distributing products globally through retail stores, both online and physical, generating significant customer reach. For instance, Apple operates 533 stores in 25 countries (Wells, 2023)

Marketing and sales are also important, with Apple's branding campaigns, like "Think Different," solidifying its reputation for innovation and premium quality. Their service activities, such as after-sales support via AppleCare, further boost customer loyalty.

Support activities like research and development (R&D) enable Apple to innovate consistently, with annual R&D spending reaching \$29.9 billion in 2023 (Statista, 2022).

Overall, the value chain approach allows Apple to maintain premium pricing, technological leadership, and strong brand loyalty (Kotler and Keller, 2021).

3.5 SWOT Analysis

This is an important part of business planning, which uses diagrams or tables to analyze a business risk by focusing on these factors and providing assessments. Table 1 gives a concise illustration of the SWOT analysis.

Table 1: SWOT Analysis of Apple

Strengths	Weaknesses
<ul style="list-style-type: none">- Strong brand recognition and excellent reputation- Leading innovative products and advanced technology research- Stable OS	<ul style="list-style-type: none">- Expensive products- Rigid market strategy that doesn't easily adapt to local conditions- Limited compatibility with other software

Opportunities	Threats
<ul style="list-style-type: none"> - Growth in the services business sector - Expanding market for smart wearable technology - Advancements in self-driving software technology 	<ul style="list-style-type: none"> - Products are priced on the higher side - Market strategy lacks flexibility to adjust to local conditions - Limited compatibility with other software platforms

- **Strength**

Apple has strong brand recognition and a loyal customer base, which helps its success. Forbes ranked it the most valuable brand at \$241.2 billion in 2020 (Forbes, 2020). Authors like (Isaacson, 2011) highlight Apple's innovation, noting products like the iPhone, iPad, and MacBook for their cutting-edge design and technology. The company's focus on research and development keeps it ahead of competitors. Apple's operating systems, particularly iOS, are praised for their user-friendly interface and excellent performance, ranking as the second most popular mobile OS worldwide.

- **Weaknesses**

Apple's premium pricing often places its products, which can cost thousands of dollars, out of reach for low-income consumers, limiting their market base. This strategy positions Apple as a brand primarily for the middle and upper classes, resulting in a loss of potential customers. Additionally, Apple's limited advertising compared to competitors like Samsung and Huawei further weakens its market presence. Reports indicate decreasing sales in China, raising concerns for Apple as it struggles to adapt to diverse local markets. Also, the necessity for exclusive accessories and applications creates compatibility issues for users, reinforcing brand loyalty but restricting options.

- **Opportunities**

Apple has expanded its digital offerings to include iCloud, Apple Music, Apple TV+, and the App Store. According to Apple's financial reports, service revenue grew steadily between 2019 and 2023, becoming a larger part of the company's overall revenue (Apple Inc., 2023). This has improved customer engagement and loyalty, smart wearable technology, such as the Apple Watch, gained strong momentum. Projections suggest that by 2025, global sales of smart devices will exceed 300 million units, with the market potentially exceeding \$30 billion (Statistica, 2024). Also, there are opportunities in autonomous technology that Apple can leverage on.

- **Threats**

The COVID-19 pandemic posed a significant threat to Apple Inc., as its supply and manufacturing chains heavily rely on China. Additionally, Apple faces escalating competition from major multinationals like Huawei, Samsung, and Amazon, highlighting the challenges of maintaining market leadership in an increasingly interconnected and competitive environment.

4.0 Conclusion, Future Plans and Recommendations

4.1 Key Decisions for the Next 5 years

In the next five years, Apple is likely to focus on several key decisions aimed at sustaining its competitive edge. First, the company plans to expand its services segment, enhancing offerings like Apple TV+ and Apple Music, which have been noted as important for revenue diversification. Additionally, Apple is expected to invest significantly in artificial intelligence and machine learning to improve user experience across its devices. Another critical area is the development of

augmented reality (AR) and virtual reality (VR) technologies, with speculation surrounding the release of AR glasses that could redefine consumer interaction with digital content.

Lastly, Apple is anticipated to prioritize sustainability initiatives, committing to carbon neutrality across its supply chain by 2030, as part of its broader environmental responsibility. These decisions will shape Apple's future, reflecting its commitment to innovation and social responsibility.

4.2 Conclusion

After reviewing the business and the last 5 years' performance for Apple, it was observed that the company is ranking healthy in the tech industry. However, recommendations will be made to better the company's current position. These recommendations will be made based on the above-stated evaluations and analysis following the mission statement of the company that states that "to bring the best user experience to its customers through innovative hardware, software, and services". The competitors' competitive advantage as compared to that of Apple which has thrown more light on the perception of success by the stakeholders in the ecommerce industry has also been identified. The performance analysis in 2019 through to 2023 looks like this: Apple demonstrated remarkable performance, with revenue growth rising from \$260.2 billion in 2019 to over \$394 billion in 2022, marking a nearly 52% increase. The company saw a significant boost in its services segment, contributing over \$78 billion in 2022, up from \$46 billion in 2019. iPhone sales remained strong, with over 240 million units sold in 2021. Despite global supply chain challenges, Apple maintained a market capitalization exceeding \$2 trillion, showcasing resilience and a robust product ecosystem during this period.

That said, recommendation for the future improvement of business for Apple can be found below where beyond just putting it up together, it is important to execute these to make the required changes happen.

4.3 Recommendations

Considering the results of this Five Forces analysis and SWOT, Apple should focus its attention on leveraging its strengths in brand loyalty and innovation while addressing weaknesses in market saturation.

- a. **Diversification of Revenue Streams:** Apple should expand its services ecosystem, particularly in cloud computing and subscription models, to diversify revenue and reduce dependency on hardware sales.
- b. **Boost Research & Development:** An applicable course of action is to intensify research and development for innovation to develop novel products that complement iPhones, iPads, and other current products.
- c. **Support Developer Ecosystem:** Apple can also improve its support and resources for software or app developers, to strengthen the company's ecosystem of hardware, software, and online services
- d. **Invest in Emerging Technologies:** Additionally, Apple should invest in emerging technologies like augmented reality and artificial intelligence, enhancing user experiences and staying ahead of competitors.

By channeling energies into these areas, Apple can capitalize on its strengths and mitigate potential threats from market shifts and increasing competition.

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