

Unit Code: BMMB7006D

Global Challenges

Tutor: Anthony Burns

An Analysis on the Workings of Apple Inc. on an
International Scale.

Kelly Zervas

2214079

Table of Contents

Section	Contents
1. Page 3	Executive Summary
2. Pages 4 - 5	Introduction 2.1 A History of Apple 2.2 Basis of Report
3. Pages 5 - 10	3.1 Strengths, Weaknesses, Opportunities and Threats 3.2 Political Factors 3.3 Economic Factors 3.4 Social Factors 3.5 Technological Factors 3.6 Environmental Factors 3.7 Legal Factors
4. Page 10	Supply and Demand
5. Pages 10 - 11	Conclusion
6. Pages 11 - 12	Recommendations
7. Pages 12 - 14	Bibliography

1. Executive Summary

The purpose of this report is to review the business conditions within Apple Inc in relation to current statistic-based performance, supplying an analysis of their working model to formulate recommended changes that Apple can implement going forward to further improve their working model.

To look at present day, I have taken a step back to look at the factors that aided Apple on the path to its current success. Having been founded in April 1976 by Steve Jobs, Apple is now recognised as “the most valuable technology company in the world” with a value of over \$2 trillion as of 2021 (Curry, 2022). Jobs’ aimed to revolutionise hardware equipment in both education and business environments to make technology a valuable tool that could be further utilised. After a rocky period over nearly two decades, Apple began to dominate the technology market on a global scale and continues to do so today.

The report then goes on to discuss Apple’s operations using three strategic tools for effective business planning. The report begins with the SWOT method (SWOT representing strengths, weaknesses, opportunities, and threats) as a brief indicator of current practices. Strengths such as brand name and image bring increased opportunity to reaffirm their loyal customer base. However, changes of high-level executives and issues with their supply chain can increase the threat of competitor exploitation.

There is then a further analysis of Apple that delves deeper into the organisation, assessing concerns from six distinct categories. These include political, economic, social, technological, environmental and legal (PESTEL) implications that currently assist in the company’s success but equally can incur risk and hinder their standing within the market. The main occurrence for potential concern throughout the report stands within Apple’s manufacturing operations. Produced out of China, there are a number of risks that could affect costs, ethical production, environmental practice and may invite legal ramifications.

There is also the added concern of competitors and the need to continue to innovate rather than rest on the notion of being pre-established. Within today’s market, consumers are less likely to show firm support and loyalty towards a company that may have exhausted their overall benefits or not developed to be the best new product launched in the technology sector.

2.1 A History of Apple Inc.

Initially founded in April 1976 by technology powerhouse Steve Jobs, Apple Inc is at present “the most valuable technology company in the World” (Curry, 2022). The history followed to achieve this status can be recognised as turbulent with Apple facing difficult periods within the market for a number of years between 1985 and 2001. Within nine years of its inception, founder Steve Jobs resigned which resulted in the company facing a progressive decline as they struggled to match the software technology being produced by Microsoft and the hardware manufacturing by Windows.

In order to save the company, Apple took over Jobs’ newer company ‘NeXT’ (another technology company specialises in workstations suitable for education and business purposes) and kept Jobs’ on initially as an advisor, later promoting him to CEO of Apple once again. This move ignited a dramatic shift of the fortunes of Apple as a company on a global scale as they launched iTunes and the iPod in 2001.

Apple continued to develop new products that prior to this, had not been a possibility within the technological sector, pioneering their own smartphone named on theme as the iPhone. Presently, the iPhone dominates the international market and saw the revenue at its launch in 2008 which stood at \$37.4bn increase dramatically within two years to \$65bn. The iPhone is also accountable for 52% of Apple’s 2021 revenue figures and sparked possibilities for new products to be developed along the same concept such as the iPad and Apple Watch.

Today, Apple is valued at over \$2 trillion and continues to thrive on the international market (Library of Congress, no date).

2.2 Basis of the Report

Within this paper, I will be looking into a range of factors that have allowed Apple to become the successful technological giant that it has today and to discuss how these factors could hinder the future of the business if external influences are able to take hold. These external factors may be beyond the control of the company as they will cover namely from a political and environmental standpoint, but they too must be considered if the company should continue to thrive within the global market.

In order to conduct an accurate analysis, I will be utilising three different methods to greater understand strategic business planning. The first of these will be the SWOT (strengths, weaknesses, opportunities, threats) analysis to gain further insight to the strengths and weaknesses of Apple’s current business strategy.

Following this, we will utilise the PESTEL model. Initially devised as a strategic planning tool in the 1950s by Francis Aguilar (CPD Online, 2021). The letters of PESTEL represent the following categories: Political, Economic, Social, Technological, Environmental and Legal.

It will then look into current statistics based on the principles of supply and demand for individual products to further comment on data-based suggestions to ensure Apple continues on a positive trajectory.

Overall, by the end of this paper, you will have an indication Apple's current working model to help utilise and highlight how Apple has thrived within the market and to further this with a compiled list of recommendations to further secure the company's future.

3.1 Strengths, Weaknesses, Opportunities and Threats

Apple Inc could quite possibly be recognised as the most successful Technology company on the market globally. Using the SWOT method, it could be said that Apple has gone from strength to strength based on their high-quality reputation for user-friendly but highly equipped product range. This coupled with a strong brand name and image and retail strategy has further secured their financial position.

Apple seize many of their opportunities based on their loyal customer base and their forward-thinking ability to diversify into uncovered markets and launch products that run-in conjunction with one another such as the iPhone being paired with the Apple Watch under the guise of convenience, but a consumer is unable to have one without the other.

However, in order to support this level of success and secure the business position in the future, Apple must account for as many eventualities as possible. The main threat to Apple Inc. Is rival organisation Samsung who launched Android as their comparative product to the iPhone. Samsung have taken to adapting their products to mimic the software and innovation of Apple but for a fraction of the price. Whilst not having the same reputation as Apple, the difference in cost is likely to be a contributing factor to a potential reduction in Apple's consumer base. Another consideration that may hinder Apple as a business is its supply chain and the network it currently has for distribution. In Apple's bid to be recognised as a high-end brand, they are very particular as to who holds the right to distribute their products with their own specific stores launched in selected locations. These stores are normally heavily branded and ostentatious but allows the consumer the feeling of exclusivity upon visiting a store rather than trying to purchase from a smaller scale high street retailer i.e. Argos. Alongside this, Apple currently manufactures the vast majority of goods within China which at present is operating at a reduced capacity and affecting their supply chain overall. In order to compete fairly with their competitors, Apple could consider a change in retail strategy and offering their items within multiple outlets to expand their distribution network (Panmore Institute, 2022).

The first element to take into consideration is the political factors that impact Apple as an organisation.

3.2 Political Factors that may impact Apple Inc.

Apple Inc currently conduct the manufacturing of their products in China due to its low-cost benefits. This opens the company up to potential risk should China face any social or political upheaval resulting in potential disruption to their manufacturing or affect the cost to produce. Coupled with this is the current desire of the US to further boost manufacturing opportunities within the United States and limit the number of Chinese imports, namely from a company founded within the US. Xing (2010) highlighted that Apple can be seen as contributing greatly to the US trade deficit, particularly since the iPhone was developed. "Developing countries such as the PRC export high-tech goods –like the iPhone – while industrialised countries such as the US import the high-tech goods, they themselves invented" (Xing, 2010). At present, Apple are experiencing issues with production within China as the country continues its 'zero-covid policy' causing a significant reduction in workforce which ultimately is affecting the number of Apple products manufactured. Researcher Jeff Fieldhack (2022) has noted that as an industry, Apple will take years to break away from operations in China as they attempt to diversify in other countries for their operations. Factories are now being opened in Vietnam and India to ensure production continues whilst still maintaining low-cost development.

Apple are continuing to maintain the low-cost manufacturing practices however any alternative countries could lead to increased pricing on Apple products affecting the consumer. This may be a contributing factor to the decline in Apple's market share in 2022, currently standing at 20% less than its figures in 2021 (CNBC, 2022).

Apple play a significant role in the technology goods and services market and as an American powerhouse have accumulated a substantial increase in revenue which is generating the demand for higher corporation tax within the US. Today, the discussion of income inequality is at an all-time high and has become a major political issue.

3.3 Economic Factors that may impact Apple Inc.

From an economic standpoint, Apple has minimal risk factors. Reliant on their powerful reputation for technical innovation and security, Apple consumers have a tendency to remain with the brand rather than switch to a competitor. In a survey carried out in 2021, 52% of participants stated that they would consider changing to IOS (Apple software) from Android (Samsung) for better functionality (Statista, 2022). However, as an organisation Apple need to account for potential risk in order to plan strategically to solidify their position within the global market.

One of the potential risks is reliant on the US dollar. If the dollar is strong, it may affect the exchange rates leaving it to be more expensive for Apple to continue doing business in key markets such as Europe and China.

In turn, operating costs have increased dramatically year on year with current figures presenting a 19% increase. This is another factor that Apple must account for to ensure an effective business model as increased labour costs within China coupled with a significant decline in workforce and production, can reduce the financial benefit to manufacturing overseas.

There is also the concern of current inflation internationally. With several regions facing economic uncertainty following the pandemic and many entering a recession, this traditionally results in a downturn of sales for items considered unnecessary, with Apple being no exception. The most likely concern here is the potential of unsold iPhone stock. It could mean that consumers may be less likely to upgrade to the newest model and delay any upgrade until the economy improves (CNBC, 2022). Comparatively, Apple is also acutely aware that although a significant percentage of their customer base may not be looking to purchase further products, the wealthier consumer is still likely to proceed as normal with their purchased products, with the majority feeling positive about their current financial standing. To account for this decrease in consumer base, Apple have realigned their pricing structure by introducing a price increase for the entry level model of the iPhone. According to CNBC (2022) "In 2017, Apple introduced a high-end \$1,000 iPhone model, which drew a substantial proportion of customers who were willing to pay up for a more powerful device. More recently, Apple quietly [raised prices in 2020](#) when it increased the starting price of the mainline, best-selling model — at the time, the iPhone 12 — from \$699 to \$799". These increases vary by region, with Japan reporting an increase of nearly one fifth of their popular smartphone.

3.4 Social Factors that may impact Apple Inc.

Throughout its history, Apple has maintained a steady relationship that aligns their products with consumer ethics and values however there has also been controversy to their working practices within their overseas manufacturing. Ethical concerns about overseas manufacturing in China could reduce appeal amongst socially conscious consumers, particularly following the Foxconn scandal which saw several individuals who worked to build iPhones for Apple, take their own lives owing to long hours and poor working conditions within the largest of their operations in China. This ignited further investigation into the company's ethical practices to ensure this did not reoccur (The Guardian, 2017).

Apple Inc and their close association with China is also a potential factor that could cause an issue. Other regions such as North America and Europe may take offence to Apple's working relationship with China and therefore further aiding China's advances to ascertain dominance for production and manufacturing on the global market. There are number of individuals that are likely to see Apple's business model to benefit too many external influences and not assisting with enhancing the

finances and trade of its country of origin. However, despite these potential factors, Apple benefits more from its social standing as it continues to be recognised as a luxury product. In the modern world, the thought of managing without technology is unheard of and has been incorporated heavily into day-to-day life, providing Apple remain socially conscious to appease the more aware consumer, they are unlikely to face heavy criticism that may impact on their revenue stream.

3.5 Technological Factors that may impact Apple Inc.

The main concern for Apple lies within the competitive market. Whilst maintaining dominance from a technological perspective, competitors such as Google and Samsung have managed to replicate a large number of Apple's products and services. This duplication leaves Apple at risk of no longer being unique in the market and can cause issues and potential loss of customers to competitor brands. In addition to this, competitors have strived to improve and innovate further than Apple and at a much faster pace. Apple has been criticised for not innovating enough between models which may have left some consumers questioning the need to upgrade for minimal differences but greater expense. At present, Apple are investing a great deal into developing software services such as Apple Music and Apple TV rather than their usual hardware offerings. The only concern with this is that Apple Music carries a limited market and is competing against similar large-scale operations such as Amazon who offer Prime Music and Video services also. It can be said that Apple's software whilst appealing to a great deal of consumers, the operating system does bring limits as to the range of smartphone applications available to users.

In the modern world, we also continue to utilise smartphones throughout our day to day lives and with the demand for smartphones and tablets increasing annually, there is a reduced need for personal computers and products such as the MacBook and iMac. The popular trend of high tech, compact devices is continuing to grow in replacement of larger devices to be used in education and workplace settings.

Furthermore, Apple Inc is renowned for its high-level security systems however with the advancement, cyber criminals are becoming increasingly equipped to breach Apple's security systems making its competitive advantage over similar companies obsolete until a point that these issues are prepared for should the matter arise.

Despite the possible threats that Apple could experience from a technological point of view, the likelihood of their continued success is still strong. In a digital age, we are more dependent on technology than ever before both in the home and the workplace. So long as Apple stays forward thinking against their competitors, they can maintain success.

3.6 Environmental Factors that may affect Apple Inc.

It can be said that Apple's effect on the environment is the biggest factor that requires attention. Apple has been named as a major contributor to China's pollution problem. Historically, Apple has been accused of deliberately conducting their operations in China due to lax pollution regulations and the country's desire to lead the way within the global economy. However, with further knowledge, China and a number of other countries are looking for methods to reduce their carbon footprint and conduct their operations eco-friendlier as noted by Hook and Hille in the Financial Times (2011). These practices within China opens Apple to the possibility of higher regulations being imposed and further costs incurred to their production.

Similarly, as China makes efforts to reduce emissions and limit the use of fossil fuels, Apple could see an increase in electrical rates alongside overall manufacturing costs. These precautions taken to reduce pollution may also impact upon Apple's shipping quota on a global scale, causing disruption to their supply chain. Finally, Apple has been questioned regarding its disposal of used/non-working devices. Disposal of these products can be costly due to the usage of lithium batteries within their products and to ensure that they are not disposed on landfill sites.

To combat these factors, Apple has improved its working practices to become carbon neutral which was achieved in 2020. Since then, they have made the promise to make all of their products carbon neutral by the year 2030. Demonstrating their dedication to the environment, Apple has reformed its packaging and usage of energy within their products with a 70% decrease in energy use and using 75% single use plastic during their production (Apple, 2022). Apple has also devised a recycling programme as part of their commitment to better the environment. Consumers are now able to trade in their existing products for upgrades. This allows Apple the control it needs to take apart their earlier products and re-use materials for future builds and manufacturing.

3.7 Legal Factors that may impact Apple Inc.

Apple currently holds a steady position from a legal perspective with minimal concerns to address. However, with greater services available, mainly following the launch of 'Apple Pay', the company has opened itself to greater risk of lawsuits. Apple Pay has taken the company into a highly regulated financial sector which if not secured appropriately, could incur the possibility of a data breach with heavy financial implications.

In addition to this, reports indicate that Apple are planning to diversify into car manufacturing. Entering another highly regulated sector would further increase regulations and process to protect the business and consumer, opens up the topic of insurance and brings with it potential litigation risk.

Overall, as Apple continues to diversify and innovate as a brand, the need for greater privacy controls heightens.

4. Supply and Demand

According to figures produced by Statista (2022), Apple is currently generating a much greater revenue than its competitors, Microsoft and Google however this does not take its main smartphone competitor Samsung into account. It has been reported that Samsung for the first three quarters of 2022 have shipped between 14 and 20 million more smartphones than Apple's iPhone. This data shows that Samsung as a competitor have a thriving supply chain and are selling enough to meet demand. With the iPhone being the most favoured product in Apple's supply, the concern that Samsung have surpassed the brand for three quarters of 2022 raises questions. At this stage, it is vital for Apple to assess their product and continue to innovate to warrant the price difference between their competitor's offering and re-assess their supply chain along with their pricing structure to ensure enough shipments are made to meet demand particularly within the fourth quarter of the year. As a rule, it has been reported that Apple reaches peak figures within quarter four of each year. This is potentially aided by the social occasion of Christmas and the iPhone being considered a desirable gift in comparison to Samsung's Android substitute. With quarter four being recognised as a key aspect of the annual figures year on year, Apple must now account for this and use this data to ensure supply demands are met and further improve their distribution network to support this. Naturally with a lesser supply, this puts the brand in a favourable position to increase pricing and generate as much profit per unit with as minimal outlay of manufacturing as able.

5. Conclusion

In conclusion, Apple Inc has shown their resilience to a regularly evolving business environment. They continue to be the strongest technology company on the global market and are likely to maintain this status. The company has a tendency to heed warnings and take on board recommendations such as diversifying products following recognised gaps in the market, continuing strong working relationships with China as their main source for manufacturing. They stay ahead of the curve when potential risks occur such as issues with their supply chain and reports questioning their environmental integrity. Whilst the findings of this report indicate that Apple regularly reviews topics that may draw heavy criticism or cause greater issues for the business and act accordingly, there are some areas that could be seen to require more focus. A prime example of this would be Apple's current supply chain conditions. The majority of products at present are manufactured in China and as noted, this has sparked discussion within their founding country of the US with many believing that Apple should place more emphasis on improving the economy of the US. Since this and the reduction in manufacturing due to limited capacity in China, Apple have launched further operations in countries such as India and Vietnam to strengthen their position and combat against any potential risks that affect supply such as the risk of a trade war between the US and China.

As the statistics show, Apple produce a much lower quantity of their smartphone range than their largest competitor however the revenue generated indicates that their higher price point offsets the number manufactured. Whilst this currently suits their business, should their supply chain continue to operate at this reduced capacity it may enforce the brand to re-evaluate their usual strategy to account for this limited production. The figures can also be interpreted as a demand for further innovation. Samsung have managed to replicate a substantial percentage of Apple's key features whilst retailing at a lower price point with a greater chance of supply. With their competitor working to this level, Apple should consider a change in specification to further drive their most popular asset and re-affirm the quality that the brand strives to represent.

6. Recommendations

The findings of this report can deduce that whilst Apple maintains its steady position within the economy, there are precautions that can be taken to further solidify this and ensure the company's future.

To start, Apple should consider conducting their supply operations in more countries that face a smaller chance of a trade war with the US. China is the centre of many corporation concerns for its heavily links for manufacturing with a range of different organisations. This coupled with their current decline in workforce following Covid precautions and their efforts to reduce the pace of climate change would allow Apple the flexibility to be less dependent on Chinese government and allow the US better opportunities to build links with smaller developing countries such as Vietnam and India. It would also ensure that Apple's supply chain can continue even if on a smaller scale to account for any potential decline from its current Chinese operations.

Secondly, the demand for innovation is at an all-time high. Competitors such as Samsung and Google have caught up significantly in the race to improve their products and services, causing less of a differentiation between the brands and making Samsung more desirable owing to a lesser value. In order to keep Apple's standards and formidable reputation, they must stay ahead of their competitors through innovation through both their software and hardware-based products. Since the launch of the iPhone, Apple may have become reliant on their regular consumer base however consumers are calling for advancement to make upgrading worth their while financially and for customer satisfaction.

Thirdly, innovation that encourages further sales will allow Apple to take advantage of their eco program. With much investment and knowledge being focused on their plans to become carbon neutral by 2030, Apple are looking to use recycled materials to form their new products. Placing more of a focus on their environmental goals

would ease the morals of consumers that are socially conscious but in turn, supply them with greater access to materials for recycling.

Finally, the report has shown on a number of occasions that Apple has not advanced enough with their software programmes. If Apple is to continue thriving, they may need to consider developing stronger software applications or creating opportunities for to allow consumers more options with regards to smartphone applications to limit the risk of their consumer base considering a change of product that may serve a greater need. If Apple is able to enhance their software and further their security precautions. This would also solidify their defence against cyber-attacks which ultimately, would protect the organisation against large-scale litigation.

7. References/Bibliography

Apple (2022) *Environment*. Available at: <https://www.apple.com/uk/environment/> (Accessed: 11 December 2022)

CNBC (2022) *How inflation will affect Apple*. Available at: <https://www.cnbc.com/2022/07/01/wealthy-customers-will-help-apple-resist-the-effects-of-inflation.html> (Accessed: 11 December 2022)

CNBC (2022) *Apple will take years to diversify away from China*. Available at: <https://www.cnbc.com/2022/11/10/apple-will-take-years-to-diversify-from-china-factories-counterpoint.html#:~:text=Apple%20has%20been%20diversifying%20its,small%20amount%2C%E2%80%9D%20he%20said>. (Accessed: 11 December 2022)

CPD Online College (2021) *What is a PESTLE analysis?* Available at: <https://cpdonline.co.uk/knowledge-base/business/pestle-analysis/> (Accessed: December 10 2022)

Curry, D. (2022) *Apple Statistics*. Business of Apps. Available at: <https://businessofapps.com/data/apple-statistics/> (Accessed: December 10, 2022)

Financial Times (2011) *Apple attacked over pollution in China*. Available at: <https://www.ft.com/content/e7cad0f4-d381-11e0-9d6a-00144feab49a> (Accessed: 11 December 2011)

Library of Congress (no date) *This Month in Business History: The Founding of Apple Computers Inc.* Research Guides. Available at: <https://guides.loc.gov/this-month-in-business-history/april/apple-computers-founded> (Accessed: December 10, 2022)

Panmore (2022) *Apple Inc. SWOT Analysis & Recommendations*. Available at: <https://panmore.com/apple-inc-swot-analysis-recommendations#:~:text=A%20SWOT%20analysis%20of%20Apple,%2C%20and%20consumer%20electronics%20industries.%20> (Accessed: 13 December 2022)

Statista (2022) *Reasons that make smartphone users worldwide likely to switch to the competitor mobile operative system as of 3rd quarter 2021*. Available at: <https://www.statista.com/statistics/1289894/users-switching-ios-android-os/#:~:text=By%20comparison%2C%2040%20percent%20of,to%20draw%20them%20to%20Android.> (Accessed: 11 December 2022)

Statista (2022) *Google revenue comparison Apple, Google, Alphabet and Microsoft from 2008 to 2021*. Available at: <https://www.statista.com/statistics/234529/comparison-of-apple-and-google-revenues/> (Accessed: 13 December 2022)

The Guardian (2017) *Life and Death in Apple's Forbidden City*. Available at: <https://www.theguardian.com/technology/2017/jun/18/foxconn-life-death-forbidden-city-longhua-suicide-apple-iphone-brian-merchant-one-device-extract> (Accessed: 11 December 2022)

Xing, Yuqing; Detert, Neal. 2010. *How the iPhone Widens the United States Trade Deficit with the People's Republic of China*. © Asian Development Bank. Available at: <http://hdl.handle.net/11540/3845>. License: CC BY 3.0 IGO (Accessed: December 11 2022)

