

LEVEL 7 ASSESSMENT SPECIFICATION

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Apple Inc: Internal Audit, External Audit, Strategy Generation, Strategy Selection & Implementation

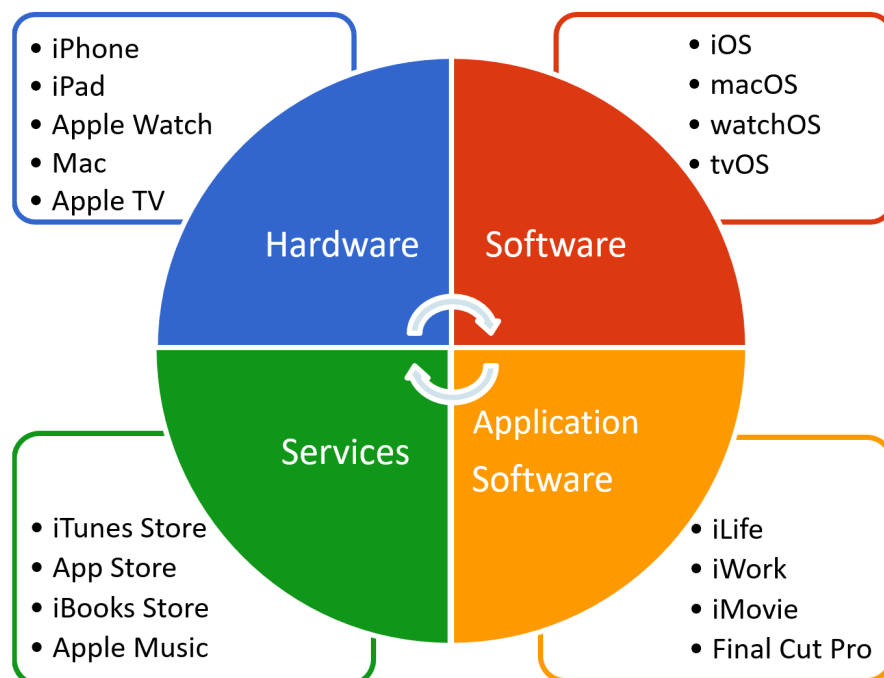
Abstract

Apple Inc is one of the best in its industry in terms of innovation and technological advancement. In this research, we will be analyzing Apple Inc. through a series of a different frameworks. An internal audit will be conducted using the VRIO model that focuses on core competencies of the company, and then use strengths and weaknesses aspects of the company of the SWOT model. After that, an external audit will be carried out using the opportunities and threats of the SWOT analysis model via a SPACE CLITH framework model that focuses on the following aspects: social, political, administration, commercial, environmental, china, legal, industry, technology and history. Then, they will be summarized through Porter's Five Force Model. After that, we will move to analyze different matrices to be able to generate different strategies and choose the best one forward and the way to implement it. The matrices that will be used will vary from IFE matrix, EFE matrix, SWOT matrix, SPACE matrix, Grand Strategy Matrix, the IE matrix and reach the QSPM matrix.

Keywords: Apple Inc, Internal Audit, External Audit, Strategy Generation, Selection & Implementation

Introduction

Apple Inc is one the of world's most popular consumer electronic brands. It is a company that was built on the quality within the niche it operates in. The company was founded in 1976 by Steve Jobs, Steve Wozniak, and Ronald Wayne. It is currently based in California in the US with around 123,000 employees. It started as a traditional computer company with a strong emphasis on innovation, and now it designs and manufactures a whole bunch of electronic devices from smartphones, tablets, music players, and TV devices and also moved into entertainment and information services being one of the largest online retailers of music, video streaming, smartphone applications and software solutions. It follows the unique business model of developing its own operating system for its devices. Hence, Apple Inc currently serves four main industries: computer hardware (Mac, MacBook Air...), computer software (IOS, Safari....), consumer electronics (iPhone, iPad...) and digital distribution (iTunes store, iCloud....). The company sells its products worldwide through its retail or online stores and different third-party networks. The company focuses a lot on providing the best user experience which pushes to spend a lot of money into research and development to always be on top of new innovations. It became very attractive to investors due to its high return on investment and strong revenue growth.



Mission Statement

Apple's mission and vision statement are the bases of the company's success. They create the motivation and support to its employees to be creative and innovative and never fear failure. Apple's current mission statement is as follows: *"to bringing the best user experience to its customers through its innovative hardware, software, and services."*

This mission statement considers the constant development in business landscape and industry environment. It mentions the industry it is operating in. The three main points that it discusses are:

- Top quality products as Apple always focuses on the quality it provides to customers and the reliable output it produces that makes its customers loyal.
- Improving people's lives through the words "best user experience" as it focuses on providing user friendly devices which allows all different ages of people to use easily. It tries to make them as simple as possible to help all people use it without having to go through a complicated process.
- Empowerment of the public as it considers its products not just as means of entertainment but also as means of daily use in the daily life of all people such as in work, sports, healthcare and others.

Vision Statement

Apple's corporate vision statement, which was recently introduced by its CEO Tim Cook, is as follows: *"We believe that we are on the face of the earth to make great products and that's not changing."*

The vision statement is very important to determine the strategic management of the company and sets a certain standard that the leaders of this company must follow in the different industries it operates in to reach the strategic objectives set. This statement shows a vertical integration in the company and emphasizes on excellence and innovation in creating its own products and services and sets the business philosophy of the company and hence creates the values and beliefs that identify the corporate culture. The vision statement also implies three different ideas which are innovation, integration of partners and excellence and market specialization. Apple is all about technological innovation and helps its employees by providing the best platform for them to be innovative. Moreover, Apple now firmly believes that it needs all partnerships to better reach different targets, and that collaboration is the way forward to enhance the financial performance of the company. The vision statement could have mentioned something about the products it intends to develop such as the Apple watch which will become one of the most requested products.

We can see that both the vision and mission statement are in line with each other which shows a clear path for the management of the company. The vision statement is inspiring and motivates employees to better outperform other competitors.

The corporate mission and vision statements satisfy the conventional statements as they provide information about the business of the company from products, customers, and technology. Yet, they can be improved by also focusing on the corporate philosophy and employees of the company.

In the first part of this research, we will conduct an internal and external audit of Apple Inc to determine its advantages and disadvantages in the market and where it currently stands with respect to its competitors which will also be summarized through Porter's Five Force Model while also conducting a financial analysis of the company in comparison with the industry.

The Internal Audit

For the internal audit, we will use the SW factors of the SWOT model analysis where we will focus on two key areas of the company which are the strengths and weaknesses and use the VRIO model. The SW factor of the SWOT analysis framework is a strategic management tools that helps the company in making decisions in facing its most pressing issues taking into consideration the internal business conditions of the company and the external environment.

Strengths

This part of the SWOT analysis focuses on the internal factors of the company that enables it to overcome its weaknesses, take advantage of opportunities, and eliminates any threats it is facing.

Innovation

This is one of the most important strengths of Apple as the company has a unique ability in designing and developing its own proprietary software, hardware, applications and services. A lot of competitors tried to imitate that but always fell short with two of its strongest competitors also having their shortfall as Samsung lacks a comprehensive OS to compete with the IOS while Google failed miserably in developing hardware products.

Brand Name

Apple is the world's strongest and most known brand. The brand by itself is worth more than 170 billion dollars as valued by both Forbes and Interbrand. The brand is known to be of the greatest quality and easy to use features rendering a great consumer experience and hence great financial returns. This brand was also helped by many great marketing and advertising campaigns that were eye catching and distinctive. The apple brand is globally iconic and the most reliable in terms of advanced computers and smart devices.

High Quality Customer Experience

Apple uses the best technology and most innovative products that are built and crafted better than any other competitor in the world. Apple's easy to use premium products are very popular with consumers which create a competitive advantage for Apple.

Research and Development

Apple considers that the research development is one of the most important things to keep its competitive advantage in the market and always be innovative and creating new ideas in the market. A lot of study and research is done to be able to cater customers' needs and requirements.

The following strengths of Apple Inc. makes it very hard for any company to compete with Apple helping Apple continuing its dominance, leadership, and competitive advantage in the global industry environment.

Weaknesses

In this section of the analysis, we examine closely the inadequacies internal factors of the company which are an obstacle to business growth.

High Prices

Apple products are considered to be luxurious products. Their premium prices usually target middle to high end consumers as people with low income can't afford its products. Hence, this really limits its target audience.

High attrition rate in work force

If compared to other organizations in the industry Apple has a higher attrition rate and have to spend a lot more compare to its competitors on training and development of its employees.

Lack of Marketing & Promotion

Apple already has a large share in the market and counts on its brand name for selling its products. It has established very loyal customers without really following it up with good marketing tactics. Hence, Apple feels it does not have to spend additional investments in marketing but instead focusing on other departments such as Research and Development.

Incompatibility with Other Operating Software

The products produced by Apple do not support any other operating software. Anything not operating by Apple is incompatible with Apple products. Therefore, once you buy an Apple product, you enter the Apple world only and nothing else can work with it. Customers are obliged to purchase only Apple products.

Based on these factors mentioned above, we can say that Apple's pricing and distribution strategies really undermine the reach of Apple and imposes some limitations on its target audience.

As a summary of the SW aspects of the SWOT analysis carried on Apple Inc., we can conclude that the company has some really unique strengths that help carrying a competitive advantage in the market. These strengths will help the company also take advantage of the opportunities coming its way such as expansion of its distribution network and using its innovation to stay ahead in the market and to face potential threats such as imitation of its products and competition from its most fierce competitors. Also, Apple can improve its market reach by going into more partnerships with different distributors and remove the exclusivity model it uses.

The VRIO Model

The company has had success over the time in the industries it operates in. This has shown that Apple knows how to take advantage of its core competencies and achieve a unique position in the market. We will perform a VRIO analysis to be able to evaluate the value, rarity, imitability, and organization of the business. The ultimate aim of this internal analysis is to determine the core competencies and competitive advantages of the company, based on the VRIO variables. This model helps in taking strategic decisions to achieve a competitive advantage over fierce competitors.

Apple's Organizational Resources & Capabilities	V	R	I	O
– Business process automation	✓			
– Competitive employee compensation packages	✓	✓		
– Human resource capabilities for innovation	✓	✓		
– Product mix diversity	✓	✓	✓	
Sustained (Long-Term) Competitive Advantage(s):				
– Globally popular premium brand	✓	✓	✓	✓
– Systems set up for rapid innovation	✓	✓	✓	✓
– Ecosystem of complementary products	✓	✓	✓	✓
– Access to user information	✓	✓	✓	✓
– Artificial intelligence capabilities	✓	✓	✓	✓
– Global distribution and sales network	✓	✓	✓	✓

Non-core Competencies

Per the above table, all factors that do not satisfy the four components are considered non-core competencies. Business process automation and competitive employee packages are very common throughout the industry, and other competitors offer these services. Human resource innovation capabilities are very important to Apple and in the industry. Moreover, apple has wide variety of products as it operates in four different industries. These are very important factors of Apple but are not its core competencies.

Core Competencies

As per the VRIO table above, we have been able to identify six major core competencies of Apple. As mentioned before, Apple is a very popular brand known globally. It is known for its rapid innovation which is the major success of the company. Add to that, Apple uses its complementary products to better increase sales revenue as people who have a MacBook are more likely to buy an iPhone. This gives Apple a great advantage over its competitors. Moreover, Apple, having a large customer base, has gained valuable information about customers' preference and helped its ability to better cater them. Next, with all the new privacy rules, Apple has its own information system depending on individual users' privacy settings. Another aspect of core competency is the artificial intelligence system that Apple uses such as Siri which provides services to its customers that other competitors are not yet able to provide. At last, the international distribution network is also identified as a core competency. Apple Inc. maintains long-term competitive advantage partially through its global network of strategically located authorized distributors and sellers. This network streamlines the company's strategic plans and efforts in reaching target customers worldwide.

Once the core competencies are identified, it becomes easy to maintain the competitive advantage Apple has in the market and faces all the threats it might encounter. Apple will be able to achieve long term advantages by sustaining these core competencies and ensure a profitable future. This analysis might alert to possible strategic changes and business diversification due to technological advancement. Apple will be able to use these competencies in developing other industries such as artificial intelligence and the driving automobile markets it intends to enter through offering technologically advanced products.

The External Audit

For the second part of our audit, we will focus more on the surroundings of the company and perform our external audit. To perform the external audit, we will use the OT aspects of the SWOT analysis model and the SPACE CLITH model which focuses on the social, political, administration, commercial, environmental, china, legal, industry, technology and historical aspects. It will show the opportunities and threats that are in the way of Apple, and how Apple can exploit these opportunities

to expand its reach in the market and better develop certain strategies by using its strength to the maximum and how it can face all the threats that might arise and preserve its strong financial position. Apple must be able to develop strong suitable strategies to be able to identify the treats before they occur and take advantage of any opportunity that comes its way to solidify its position as the market leader in its industries.

Opportunities

This section of the SWOT analysis examines the external factors that provide opportunities for Apple to better develop the business. These factors play a big role in determining the strategic direction of the company.

Expansion of the Distribution Network

Apple can expand its distribution network easily by not adopting the exclusivity model anymore and this will help in eliminating one of its major weakness and reach a higher target audience. It has to change its distribution strategy to achieve higher growth rate in terms of sales volumes and market share.

Smart Wearable Technology

This will soon dominate the world according to Forbes magazine with sales of these products to double by the end of 2022. Apple being so innovative can capitalize on 27\$ billion+ market especially through its Apple watch and developing new wearable products.

Lack of Green Technology

Apple is yet to produce products using green technology with nothing yet implemented to help create sustainable energy that is eco friendly

Utilize Artificial Intelligence more

Recently, Apple increased its artificial intelligence portfolio through buying Regaind and DeskConnect, an AI and an AI tool respectively. These 2 tools already helped Apple identify and cater its customers better, one through intelligent search to the photos on the Iphone and the other through arranging apps based on popularity. More AIs in the future will help Apple acquire more market share and hence increase profit margins.

The above opportunities in the market represent a huge opportunity for Apple to increase its market share and target new audience and achieve further growth.

Threats

This aspect of the SWOT analysis focuses on the external threats from other parties such as competitors that might lead to a decrease in profits and sales and performance of the business.

Imitation

The most important and obvious threats is the imitation especially in China where they are known to be excellent in that and since China is one of the biggest markets in the world having around 1.6 billion people. A large number of local and international firms are imitating the design and features of Apple products.

Increased Competition

Even though Apple is a very well-known brand name, competition in the market is becoming very aggressive especially with all the technological advancement and enhancement in the market which is helping more in innovation and reducing the competitive advantage to very small minor details. Therefore, it is essential for Apple to build on its current fundamentals and keep on introducing new technology to preserve its competitive advantage.

Rising Labor Cost

The cost of labor around the world has been increasing dramatically especially over the last 5 to 10 years especially in countries such as China, Pakistan, Vietnam and others where it was originally thought to create a lot of manufacturing to avoid high labor costs. This will result in either reducing profit margins on increasing the selling prices which both would negatively affect the financial performance of the company.

Lawsuits

Apple has faced around 60 lawsuits by consumers after Apple announced that it has deliberately slowed CPU performance on older iPhone models. The first lawsuit happened in December 2017, with consumers arguing that Apple is obliging people to upgrade to new models and selling their old models at lower prices.

These threats mentioned above show that Apple might be negatively affected by the increased competition in the market and the imitation of its products by other vendors which would reduce their bottom line and financial performance.

SPACE CLITH Framework

Social

Each country is unique and has different mindset and way of living. Apple has to study the cultural implications of different social lifestyles and demographics to better understand consumers' needs. Nowadays, the popularity of mobile devices is increasing rapidly as well as its different uses of it. The dependence on using mobiles is increasing and becoming a major part of our daily life. Add to that, social media is taking over the world. These 2 factors above provide opportunities for Apple to stay ahead of its competitors with its innovation and technological advancement. However, one social side that is not helping Apple and threatening it is the rise of lawsuit against it and doubts being raised

about the business ethics of the company. Here comes the social responsibility of Apple and how it should align its corporate cultural with the sociocultural trends in the market to preserve its growth opportunities.

Political

In Apple's macro environment, the political factors represent the types of government leadership and laws and policies of these governments. At the moment, the improving free trade policies represent a great opportunity for Apple to distribute its product more freely around the world. With ever evolving free trade policies, Apple will be able to expand its global reach and target new audiences especially in developing countries. Add to that, the stability of the political landscape of the developed countries represent a platform for Apple to grow its business without having to worry about any political issues affecting its business in these countries. However, the recent trade dispute between China and the US is a major threat to Apple as it might affect its imports from China and sales in China, and it would hope that these talks end up in a positive way.

Administration

This part more relates to the performance of management which can be related more to the internal audit part of the analysis. Apple is known to have one of the top management teams in the world and have a structural organization with each single employee knowing his role and his part in ultimately achieving the company's short term and long term objectives that are aligned with the company's vision and mission statement.

Commercial

The commercial factors are the economic factors such as interest rates, fiscal policies, and import and export which are affected by fluctuating exchange rates. Apple currently has a lot of opportunities due to the stability of the economies in the developed countries especially the US and the rapid growth of the economy in developing countries, and that is helping Apple extend its reach with the stability of all economies around the world and not just the developed ones and increase its sales revenues through the developing countries. However, there are some threats that Apple is currently facing especially with the stagnating middle-class income in developed countries such as the US which would reduce the ability of customers to buy the high-end products such as Apple's. Another looming threat is the strength of the US dollar in comparison to other currencies which makes it more difficult for Apple to export to foreign markets such as Europe and China.

Environmental

Apple must study the ecological trends in the market and its impact on the business. Currently, there are two trends in the market that represent great opportunities to Apple. The recent business sustainability trend and energy efficient trend in the market that favors using sustainable practices

and stop causing harm to the environment is a great opportunity for Apple to strengthen its corporate image and promote new and more efficient technologies with more cost efficiency. Also, through providing improved batteries that emit less heat, Apple is on track to address all environmental factors it is facing. For sure during this process, Apple might face an increase manufacturing cost due the fossil factories it currently uses in China, which might be banned due to the pollution they are causing and hence having its electricity cost higher than usual. However, after Apple reaches its target operational cost efficiency, it would be able to increase labor cost and at the same time be satisfying its environmentally aware customer population. Apple will be able to thrive in this environment as it has already shown an ability to adapt to changing environments.

China

Apple is heavily dependent on low manufacturing costs in China. Any political unrest in China is really detrimental to Apple and could lead to a disruption in manufacturing or increase of manufacturing costs. The recent development in tensions between US and Chinese political parties represent a great threat to Apple. Apple being an American company is becoming the target of anti-Americanism in China. Also, its close association with China is creating some problems with the SU government for it. The recent trade disputes between China and the US and the increased tariffs on Chinese imports to the US was a big blow to Apple. It can only hope that the recent negotiations between both parties end well, so it does not remain stuck in the middle between these two giant countries.

Legal

The administration aspect of this external audit is the legal factors of the macro environment that might create threats to the business of Apple. Compliance is currently becoming one of the most important parts of any business, and technology companies such as Apple have always to be up to date with all the recent regulation changes. Recently, due to the increase popularity of the digital age, governments have been putting a lot of pressure on privacy and thus increasing privacy regulations. This can be a threat to Apple but at the same time present a big opportunity for Apple to enhance its privacy measures and provide to its clients an even more enhanced security devices and services. Another threat that Apple is facing is stricter telecommunications which might reduce the usability of Apple products. Moreover, Apple is facing a lot of legal challenges to its after sales services and other areas especially in Australia and the EU where it faced strong criticism regarding its policy on third party repair services.

Industry

Apple operates in four different industries: computer hardware, computer software, consumer electronics and digital distribution. These industries do not only represent the present but also the

future. All these industries are trending higher and becoming more popular. They are currently needed in our daily lives for all kinds of uses whether business or personal.

Technology

Apple, having technology as its main line of business, must keep with all the technological trends in the market. Currently, there is an increasing demand for cloud computing and that is something that Apple was the one of the leaders to introduce through iCloud. Apple should continue building on its current cloud services and expanding its infrastructure in offering cloud computing services to maximize its profits. Moreover, the demand of technological integration in business is growing more than ever, and Apple can extend its reach by targeting organizations as well through its technological services. We can also say that the increase demand for mobiles not just for personal use but also in our daily life increases the target audience of Apple and helps it acquire new customers and increase revenues especially through digital content distribution and its Apple store. However, all this technological advancement does not just apply to Apple. All its competitors are also being equipped with this technology and a lot of new players can enter the market and threaten Apple. Also, add to that the growing concerns with cyber security and hackers can become a big threat to Apple and its strongest competitive advantage as being of the highest security and safety.

History

Apple has long standing history of overcoming a lot of problems to achieve its goals. Throughout its history, it was able to build its brand name focusing on quality and not quantity. It was known by its innovation and high-end customer products that are easy to use which made them popular with the customers.

As a conclusion to our external audit of Apple Inc., we have shown how Apple can take advantage of the opportunities coming its way and can face all the threats coming its way. Apple, being the leader in its field and one of the most innovative companies, are always one step ahead of its competitors and always look for the future. Needless to say, the company will be able to eliminate any threat coming its way and capitalize on the opportunities to maintain its strong position in the market and high financial performance.

Porter's Five Force Model

We will use Porter's five force model to again emphasize on the different internal and external aspects that Apple is managing to better identify any possible threats or opportunities.

Rivalry Among Firms

- Competitors such as Dell, Microsoft and HP
- Always a first mover which carries some disadvantage.

- Other competitors do not offer all services as Apple.
- Other competitors provide different range of products

Entry Threat of New Competitors

- High Brand Recognition
- Forces that shape competitive structure

Potential Threat of Substitute Products

- Produce own substitute
- Switching cost decreased due to cheaper price offered by other competitors.

Bargaining Power of Suppliers

- Suppliers getting more bargaining power
- Depends on numbers of suppliers

Bargaining Power of Consumers

- Targeting customers who have a preference of high quality
- Developed high loyalty brand and customers

Financial Ratio Analysis

Growth Rate Percentage	Apple	Industry	Sector	S&P 500
Y / Y Revenue Growth (Q3 MRQ)	29.15%	3.40%	8.72%	7.37%
Q / Q Revenue Growth (Q3 MRQ)	27.84%	12.42%	2.26%	0.74%
Dividend Yield	0.82%	1.93%	0.30%	0.57%
Profit Margin Percentage	Apple	Industry	Sector	S&P 500
Gross Margin (Q3 TTM)	37.82%	36.91%	53.91%	39.11%
Pre-Tax Margin (Q3 TTM)	25.53%	16.73%	19.14%	10.07%
Net Margin (Q3 TTM)	21.45%	14.93%	17.06%	8.43%
Gross Margin 5 Yr. Avg.	38.75%	36.63%	49.66%	33.26%

Liquidity Ratios	Apple	Industry	Sector	S&P 500
<u>Quick Ratio (Q3 MRQ)</u>	0.95	0.68	1.3	0.87
<u>LT Debt to Equity (Q3 MRQ)</u>	1.01	1.65	0.53	0.93
Profitability Ratios	Apple	Industry	Sector	S&P 500
<u>Return On Assets (Q3 TTM)</u>	16.53%	10.94%	10.63%	2.88%
<u>Return On Assets 5 Yr. Avg.</u>	15.61%	11.60%	8.14%	2.46%
<u>Return On Investment (Q3 TTM)</u>	23.63%	28.13%	19.15%	6.10%
<u>Return On Investment 5 Yr. Avg.</u>	21.91%	24.92%	14.97%	5.22%
<u>Return On Equity (Q3 TTM)</u>	56.18%	51.79%	25.37%	13.70%
<u>Return On Equity 5 Yr. Avg.</u>	46.61%	40.38%	18.99%	11.76%
Efficiency Ratios	Apple	Industry	Sector	S&P 500
<u>Revenue per Employee (Q3 TTM) \$</u>	2,913,704	625,052	633,351	639,621
<u>Net Income per Employee (Q3 TTM) \$</u>	624,860	93,298	108,216	51,945
<u>Inventory Sales Ratio (Q3 TTM)</u>	65.79	32.33	21.23	12.86
<u>Inventory Turnover Ratio (Q3 TTM) CGS</u>	40.9	20.4	10.02	7.96
<u>Asset Turnover Ratio (Q3 TTM)</u>	0.77	0.73	0.62	0.35
<u>Receivable Turnover Ratio (Q3 TTM)</u>	13.78	5.55	6.54	4.18

Apple Inc is doing well on its most financial ratios compared to industry, sector, and the market. Growth ratios are way higher than the industry rate which shows the leadership position of the Apple in the market. Gross profit margins are in line with the industry standards. However, Apple has its advantage through its cost (manufacturing and labor) and hence has higher net profit margins. Apple's liquidity ratios are very close to industry standards which shows a good use of its liquidity, having the same ratios as the industry but generating higher profit margins. Profitability ratios are way higher

than the industry standard, and that is one of the major strengths of Apple Inc. The efficiency ratios are way above industry standard which shows that the management of the company is running the business in a very well organized and efficient way that is maximizing its potential.

Strategy Generation, Selection & Implementation

In the second part of this paper, we will be using strategy generation and selection methods to advise Apple on the strategic options that they should take while at the same time showing how they can overcome the barriers they will encounter along the way. To be able to better choose the most efficient strategy and how to implement it, we will be using different types of matrixes such as competitive profile matrix, the IFE matrix, the EFE matrix, the SWOT matrix, the SPACE matrix, the Grand Strategy matrix, the IE matrix and the QSPM.

Competitive Profile Matrix

COMPETITIVE PROFILE MATRIX (CPM)								
		APPLE'S			HP		DELL	
CRITICAL SUCCESS FACTORS		WEIGHT	RATING	SCORE	RATING	SCORE	RATING	SCORE
MARKET SHARE		0.1	3	0.3	2	0.2	3	0.3
PRICE		0.1	4	0.4	3	0.3	3	0.3
FINANCIAL POSITION		0.15	4	0.6	3	0.45	3	0.45
PRODUCT QUALITY		0.15	4	0.6	3	0.45	3	0.45
CUSTOMER LOYALTY		0.15	4	0.6	4	0.6	3	0.45
ADVERTISING		0.04	3	0.12	2	0.08	3	0.12
MANAGEMENT		0.08	4	0.32	3	0.24	3	0.24
GLOBAL EXPANSION		0.08	3	0.24	2	0.16	3	0.24
INNOVATION		0.14	4	0.56	2	0.28	2	0.28
WEB DEVELOPMENT		0.05	3	0.15	2	0.1	3	0.15
TOTAL		1		3.89		2.86		2.98

Apple has a better competitive profile matrix than its competitors and is still rapidly growing and acquiring more market share. It has a CPM score of 3.89, 25% higher than its competitors. As it targets new markets, it will be able to increase the gap to other competitors.

IFE Matrix

Key Internal Factors	Weight	Rating	Weighted Score
Strengths			
1. Innovation	0.1	4	0.4
2. Brand Name	0.1	4	0.4
3. High Quality Customer Experience	0.09	4	0.36
4. Research and Development	0.09	4	0.36
5. Ecosystem of complementary products	0.06	3	0.18
6. Access to user information	0.07	4	0.28
7. Artificial intelligence capabilities	0.07	3	0.21
8. Global distribution and sales network	0.09	3	0.27
Weaknesses			0
1. High Prices	0.08	1	0.08
2. High attrition rate in work force	0.05	2	0.1
3. Lack of Marketing & Promotion	0.08	1	0.08
4. Incompatibility with Other Operating Software	0.08	1	0.08
5. Business Process Automation	0.04	2	0.08
Total	1		2.88

The firm is doing well maximizing its strengths and a proper allocation of its resources. However, it should start focusing more on marketing and promotion and have more partnerships with other operating software to be able to reach more target audience.

EFE Matrix

Key Internal Factors	Weight	Rating	Weighted Score
Opportunities			
1. Expansion of the Distribution Network	0.07	4	0.28
2. Smart Wearable Technology	0.04	3	0.12
3. Lack of Green Technology	0.04	3	0.12
4. Utilize Artificial Intelligence more	0.06	4	0.24
5.Improving free trade policies	0.08	4	0.32
6.Stable politics in developed countries	0.06	3	0.18
7. Rapid growth of developing countries	0.07	4	0.28
8. Rising use of mobile	0.08	4	0.32
9.Growing cloud computing demand	0.06	4	0.24
10.Increasing technological integration in businesses	0.06	4	0.24
Threats			0
1. Imitation	0.07	2	0.14
2. Increased Competition	0.06	2	0.12
3. Rising Labor Cost	0.06	2	0.12
4. Lawsuits	0.04	2	0.08
5. Trade disputes, especially between the U.S. and China	0.06	2	0.12
5. Growing technological capabilities of other firms	0.04	2	0.08
6. Increasing privacy regulations	0.05	2	0.1
Total	1		3.1

Apple's performance in addressing different opportunities is good. However, it should start focusing more on developing countries and opening manufacturing plants there to be able to address the increasing labor costs and reach a higher target audience.

SWOT Matrix

	Strengths (S)	Weaknesses (W)
Opportunities (O)	SO – Using strengths to capitalize on available opportunities	WO – Overcome weaknesses to capitalize on opportunities
Threats (T)	ST – Use strengths to avoid threats	WT- Reduce weaknesses to avoid threats

SO:

- Focus more on mobile devices and increase their manufacturing marketing to satisfy increasing demand and hence generating more profits from mobile devices.
- Focus on more portable laptops and detachable models which are easy to carry anywhere.
- Use its financial base and the strength of brand image to diversify into new product areas and generate sales and profits. This will also help it benefit from its existing customer base and customer loyalty.
- Partner with other brands to produce compatible products and develop mutually beneficial relationships. This will help hack into other brands' customer base and increase the market reach of Apple.

WO:

- Release a range of products priced competitively to attract middle class customers.
- Create a larger product range and enter into new product areas and serve new customer segments.

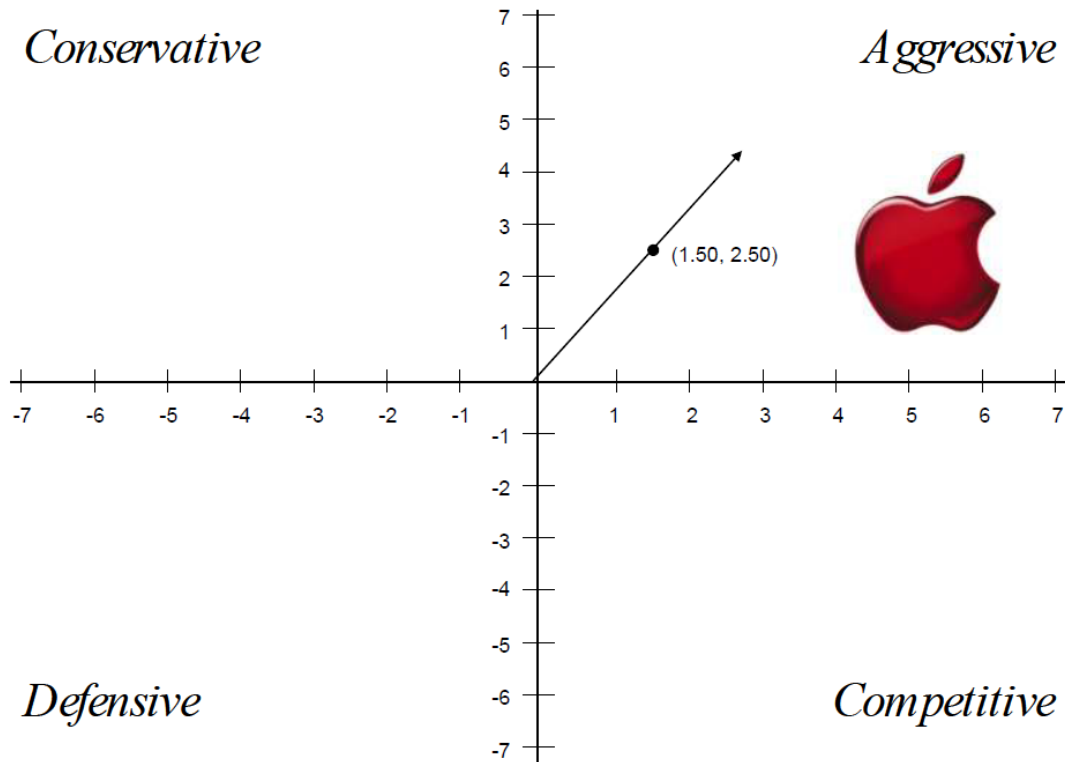
ST:

- Develop a larger range of products to grow its customer base and reduce the competitive pressure.
- Establishing manufacturing plants and different supplier relationship in lower labor costs country to be able to reduce the cost of manufacturing.
- Focus on cultural change to retain the competitive advantage created by Jobs.

WT:

- Release a range of competitively priced products to attract middle class customers and reduce the pressure from competitors.
- Broaden the product range and exploit the existing supply chain capabilities to reduce manufacturing costs.

Space Matrix

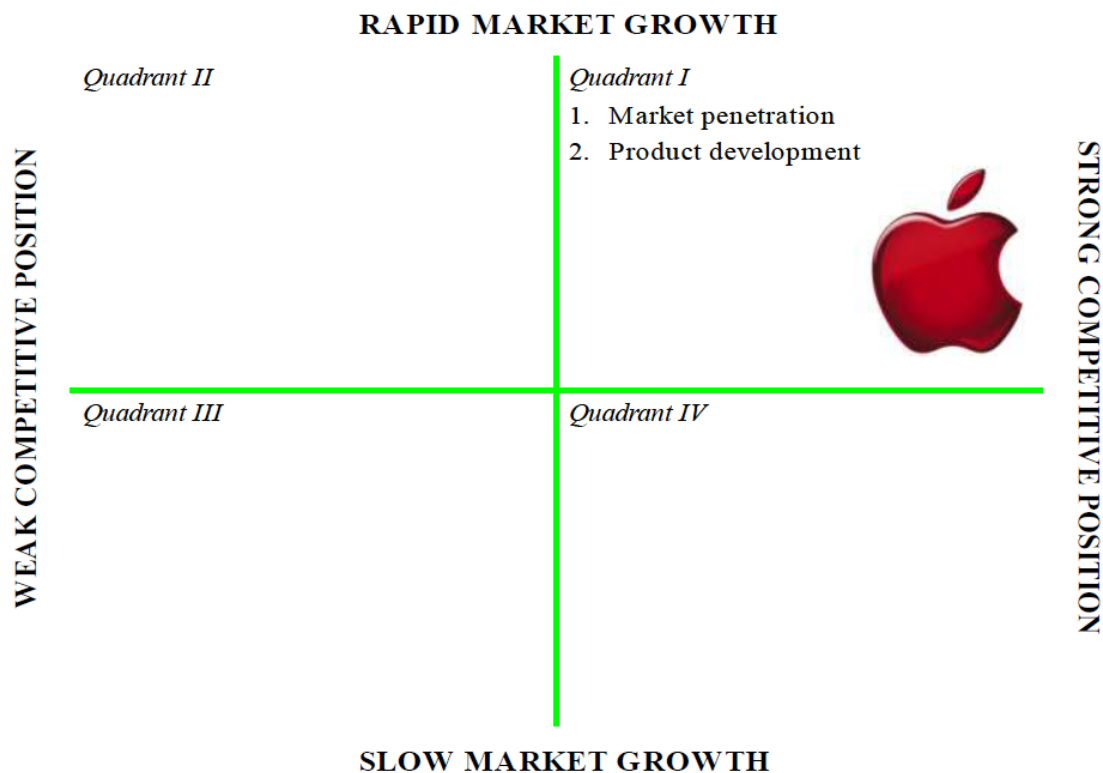


Space Matrix			
Financial Position		Stability Position	
Increment In Net Sales	6	Technological Change	-2
Increment in EPS	5	Price Range of Competing Products	-3
Return on Assets	5	Competitive Pressure	-3
Revenue	6	Barriers to Entry into Market	-4
Average Financial Position	5.5	Average Stability Position	-3
X axis		2.5	

Competitive Position		Industry Position	
Product Quality	-5	Growth Potential	5
Customer Loyalty	-4	Profit Potential	6
Technological Know how	-4	Financial Stability	5
Control over Suppliers and Distributors	-3	Ease of Entry into Market	6
Average Competitive Position	-4	Average Industry Position	5.5
Y Axis		1.5	

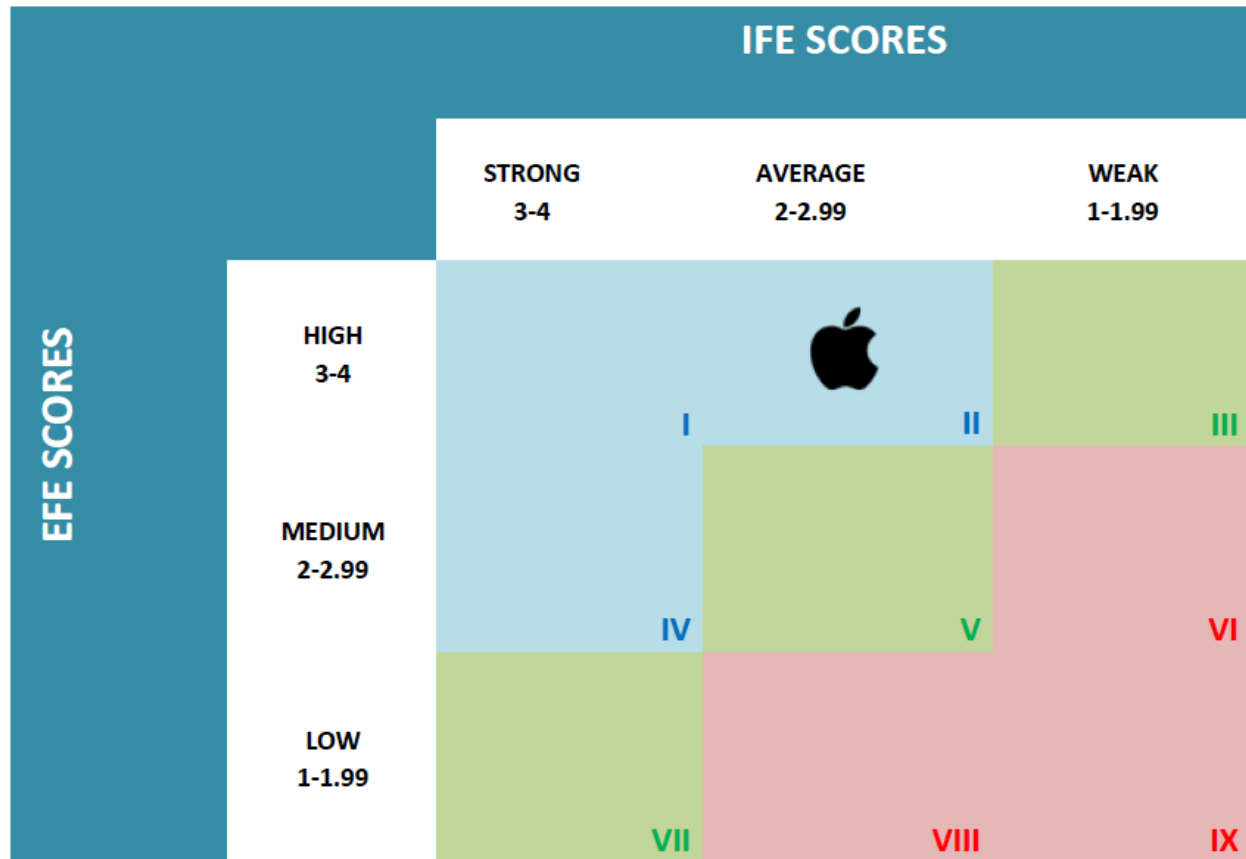
Apple is in the Aggressive Quadrant of the SPACE matrix, suggesting the firm needs to continue its expansion into the developing countries, continue its vertical integration strategies, and continue focusing resources to more mobile and portable devices. Hence, it needs to pursue aggressive strategies.

Grand Strategy Matrix



Apple's operates in different industries. All these industries are growing rapidly especially the demands on mobiles and new devices. Hence, Apple should continue product development and also have market penetration especially in new developing countries.

The Internal-External Matrix



Quantitative Strategic Planning Matrix (QSPM)

Apple's Intensive Growth Strategies

Market Penetration. This is Apple Inc.'s second most important intensive and aggressive strategy for growth as it involves having a larger market share by reaching new clients and selling more of its products. For example, Apple applies this growth strategy by selling more iPhones and iPads to its current markets in North America. Also, the company achieves more sales by expanding its global network and adding more authorized sellers to boost competitive advantages in its current markets. This helps Apple penetrates market where it has not yet actually acquired a significant market share and solidified its position ins this particular market. To be able to achieve that, Apple will be using aggressive advertising and marketing through different media means whether online or offline to encourage people to buy more Apple products. This is also aligned with the broad differentiation strategy of Apple that intends to sell its customers different types of technological products that go

hand in hand with other Apple products. Advertisements encourage more people to buy Apple products.

Product Development. Apple uses product development as its main intensive strategy for growth. This requires the company to put a lot of effort, research and development in new attractive, easy to use, and user-friendly technology products to be able to acquire more market share and hence generate more sales revenue. Apple implements this intensive growth strategy through innovation in its research and development processes which are critical to its innovative products which is the main critical success factor for the company to preserve its competitive advantage in the market and its huge market share. Apple is always known to produce really unique products with currently the Apple watch setting a trend in the market and news about Apple going into the car manufacturing business. All new products allow the company to generate more revenues and profits. Also, this strategy is in line with Apple Inc.'s organizational structure and organizational culture that emphasize new products innovation.

		Market Penetration		Product Development	
Key Internal Factors	Weight	AS	TAS	AS	TAS
Strengths					
1. Innovation	0.1	4	0.4	4	0.4
2. Brand Name	0.1	4	0.4	4	0.4
3. High Quality Customer Experience	0.09	4	0.36	4	0.36
4. Research and Development	0.09	4	0.36	4	0.36
5. Ecosystem of complementary products	0.06	4	0.24	4	0.24
6. Access to user information	0.07	3	0.21	4	0.28
7. Artificial intelligence capabilities	0.07	3	0.21	4	0.28
8. Global distribution and sales network	0.09	4	0.36	3	0.27
Weaknesses			0		
1. High Prices	0.08	3	0.24	3	0.24
2. High attrition rate in work force	0.05	3	0.15	3	0.15

3. Lack of Marketing & Promotion	0.08	3	0.24	3	0.24
4. Incompatibility with Other Operating Software	0.08	1	0.08	3	0.24
5. Business Process Automation	0.04	3	0.12	3	0.12
Total	1		3.37		3.58
		Market Penetration		Product Development	
Key Internal Factors	Weight	AS	TAS	AS	TAS
Opportunities					
1. Expansion of the Distribution Network	0.07	4	0.28	4	0.28
2. Smart Wearable Technology	0.04	3	0.12	4	0.16
3. Lack of Green Technology	0.04	3	0.12	4	0.16
4. Utilize Artificial Intelligence more	0.06	4	0.24	4	0.24
5.Improving free trade policies	0.08	4	0.32	4	0.32
6.Stable politics in developed countries	0.06	4	0.24	3	0.18
7. Rapid growth of developing countries	0.07	4	0.28	4	0.28
8. Rising use of mobile	0.08	4	0.32	4	0.32
9.Growing cloud computing demand	0.06	4	0.24	4	0.24
10.Increasing technological integration in businesses	0.06	4	0.24	4	0.24
Threats			0		
1. Imitation	0.07	2	0.14	3	0.21
2. Increased Competition	0.06	4	0.24	4	0.24
3. Rising Labor Cost	0.06	3	0.18	2	0.12

4. Lawsuits	0.04	2	0.08	2	0.08
5. Trade disputes, especially between the U.S. and China	0.06	4	0.24	2	0.12
5. Growing technological capabilities of other firms	0.04	2	0.08	3	0.12
6. Increasing privacy regulations	0.05	3	0.15	4	0.2
Total	1		3.51		3.51
Total			6.88		7.09

Recommendations

- Apple is known for its innovation in high quality and high-priced products. It needs to continue coming up with new innovative products to stay ahead of competitors and keep its competitive advantage in the market.
- Apple is known to be a fast mover, and they need to keep that advantage with their fast and new technology ahead of its competitors.
- Apple needs to improve its online sales through its website to be able to cater its customers in a more convenient way. Apple's products are of high quality and high price, the company needs to continually innovate and come up with new products to defeat its competitors which will create a seamless market for its products and be able to reach higher target audience and increase sales revenue.
- Apple can start targeting institutional clients and businesses with its devices and software.
- There is also a window of opportunity to enter more into the entertainment market especially with its devices such as iPads and iPhones which could make customers lives more interesting.
- Apple will benefit considerably in the near and long-term future by undertaking to develop a closed community with music artists and music lovers which will reduce the risk of hackers and enable the company to compete more in this industry.
- Apple will be able to improve the daily relationship with its customers through its Apple Pay system which will eliminate fees and help customers better monitor their spending.

- Apple can turn Apple watch into health companion of its customers as it is also inter-connected with the iPhone.

Conclusion

Apple Inc. will always remain very innovative and early adapters. The company possesses a great competitive advantage over its fierce rivals through its strengths. However, there are always great opportunities ahead in the market, and Apple should always be taking advantage of that to preserve its edge. For that to happen, Apple should be to always use and implement the proper strategies and focus more technological advancement and enhancement. The only way forward for Apple is to keep on using its aggressive strategies of market penetration and product development to add to its competitive advantage by making the business stand out. Apple needs to emphasize on these two strategies to improve its resilience against its aggressive competitors. We will always be expecting great things from a company like Apple, and as Steve Jobs once said “Being the richest man in the cemetery doesn't matter to me. Going to bed at night saying we’ve done something wonderful ... that’s what matters to me.”, so the sky is the limit for the creativity and innovation of Apple Inc.

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