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Assignment 2

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1. Introduction

Apple Inc. is an American international corporation that produces and sells desktop computers, laptops, tablets, phones, software and a variety of electronic devices.

Apple Inc. started its operations in 1976 by producing the iconic Macintosh under the leadership of Steve Jobs. And Apple has become one of the most important players in the consumer electronics industry with its products for the past 42 years.

Although Apple Inc. have very different products, each product is positioned with a different strategy and management. From smartphone to the music service, Apple Inc. evaluates each product separately as a strategic Business Unit.

This report will examine internationalisation strategy of iPad as a strategic business unit of Apple Inc. by using a variety of strategic tools such as PESTLE analysis and Porter's Five Forces.

2. Vision and Mission of Apple Inc.

2.1. Vision Statement

Corporate vision of Apple Inc. effects strategic management regarding the choices that the corporation's executives make to reach a future of leadership in the numerous businesses that the company works. Apple announced a new vision statement under the leadership of Tim Cook:

"We believe that we are on the face of the earth to make great products and that's not changing. We are constantly focusing on innovating. We believe in the simple not the complex. We believe that we need to own and control the primary technologies behind the products that we make and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and the courage to change. And I think regardless of who is in what job those values are so embedded in this company that Apple will do extremely well." (penmore.com, 2018).

2.2. Mission Statement

Corporate mission of Apple Inc. also has transformed. The corporation take in consideration the changing structure of the company that effects the options of what the company can achieve. Apple's current mission statement of Apple is;

“Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App store and is defining the future of mobile media and computing devices with iPad.” (penmore.com, 2018).

3. External Environment Analysis of iPad Strategic Business Unit

3.1. PESTLE Analysis

As a strategic tool, PESTLE Analysis is used to evaluate markets for a product, service or a company at a specified period. PESTLE represents Political, Economic, Social, Technological, Legal and Environmental factors. After these 6 factors are examined companies can take better strategic business decisions (economictimes.indiatimes.com, 2015). PESTLE analysis which is the best way to understand the conditions of external environment for an organisation is supports in development & research activities and marketing operations as well as strategic business decisions.

PESTLE is an important tool to understand which kind of effects of the external environment can be on Apple's iPad strategy.

3.1.1. Political Factors

The political condition of a country where the company operates may influence its success. This could contain government policies in regard to tax policy, regulation and services and substructure of the country (cmsvoc.co.uk, 2014). Political factors are more important for the organisations which have operations in more than one county. Companies operating in international markets must closely monitor every political change that occurred in the countries they operate and adapt to the changes which can affect them in the future.

No doubt that the Brexit process is one of the most important topics of UK politics in recent history. This process, which is full of uncertainties for the UK during this separation process from the European Union, continues to affect all companies that have operations in the UK economy. As one of the biggest companies in the world Apple is also affected by Brexit. It has alerted that UK operations of the company might be damaged by major limitations on imports and exports as a consequence of Brexit negotiations, on the point of company's UK economic results (patentlyapple.com, 2018).

Moreover, Government regulations on subjects such as tax policy have big power on commercial operations in that specific country.

In 2011, the UK government increased VAT by 17,5% to 20% (bbc.co.uk, 2011). This increase in VAT required customers to spend more money in order to get an iPad. In short, tax changes in each country where iPad is sold affects iPad sales numbers positively or negatively depends on the way of changing.

3.1.2. Economic Factors

Economic factors have an important effect on daily activities and profitability of a company. Economic Factors consists of financial growth, inflation, exchange rates, interest rates, disposable real income etc.

iPad, which sells at a higher price than the competition in the market, is the tablet most affected by economical changes. This means that with the very curtailed buying power, customers would undeniably choose alternatives with lower prices.

On the other hand, fast growing of developing countries and steady economies of developed countries provide economic opportunities to Apple.

The financial constancy of developed countries open opportunities for corporations such as Apple to enlarge their commerce. Though, the fast growth of developing countries is of extra importance. For example, Asian countries' high financial growth rates are a big chances for Apple to raise income through sales in these overseas marketplaces. Catching these opportunities increase the sales numbers of iPad as well as the other Apple products.

Main production centres of Apple products such as iPad are located in China because of the low-cost production resources and low wage rates. However, the average hourly wage in China

has increased by 64% since 2011 and has risen to \$ 3,6 (cnbc.com, 2017). This increase in salaries has negatively affected the profitability of the company.

3.1.3. Social Factors

Social factors are areas containing shared beliefs and population attitudes. These factors comprise in increase in population, generation changes, health awareness etc. These factors are the areas that companies need to give most importance to determine their marketing strategies.

Increasing the use of mobile access and social media are some of the most important social factors for Apple. The uptrend in mobile access has helped the iPad catch good sales figures. Social media networks such as Facebook, Instagram, Twitter are taking up more space in people's daily life than 10 years ago. The usage of these networks has become a necessity in order to stay connected with external world. Hence, demand for Mobile devices which are the easiest way to use social media is increasing and this increase offers big iPad sales opportunities to Apple.

Another social factor that needs to be monitored is generation changes. The majority of the population in the world who use mobile devices consists of Y and Z generations who were born after 1980. Although these 2 generations have some characteristic differences, both generations' members have lived with mobile devices in a big part of their life. Especially the characteristics of generation Z members has significant importance to understand the future of digital world. Digital devices which can adopt the future will be stay in the competition. Hence Apple should be always awake to changes of customer behaviours in order to prepare iPad to the next generations.

3.1.4. Technological Factors

Technological factors can be explained as technological developments in the external environment which offer opportunities to the companies.

Cloud computing tendency, Technological integration and increasing apps market are the most important technological factors which support Apple' business.

Cloud computing technology has developed rapidly in recent years and has become a technology preferred by both companies and individual users. Apple can turn this trend to an

opportunity by developing a software that will support iPad to be more suitable for cloud technology. Moreover, another trend among technology users is technological integration. Customers prefer technological products which can be connected to each other smoothly and perform in harmony. Apple is making successful progress on this subject with the intensive work in the research and development area. Apple expedited research and development investments in first quarter of 2018. The Company spent more than \$3.4 billion on new hires and initiatives in order to keep the company competitive in a fast-paced technology market. It is expected that it will invest R & D more than \$10 billion this year. (appleinsider.com, 2018). iPad will also get a share from this big investment and provide a better experience for its users.

In addition, App Store which provides numerous applications to the customers is one of the main reasons that the customers substituted to buy an iPad for similar products of competitors. Apple should continue to invest in App Store to maintain this advantage without compromising its competitors.

3.1.5. Legal Factors

Legal factors affect the operations of an organisation mentions to government legislation and policies. Legal factors create threats to Apple. Growing privacy and telecommunication regulations are the main legal factors for Apple's business.

Governments understood the privacy problems linked to digital technology use. Thus, additional privacy regulations are enforced on digital technology provider organisations. Apple must develop new products and support its current products like iPad in order to transmission of private information. But this legal factor can also be an opportunity for Apple if the company develops the specifications of its products to protect privacy.

Furthermore, telecommunications regulations are another threat for Apple because they have an affect on business which restrict the area of usage of Apple products such as iPad and iPhone.

Because of the above reasons Apple should pay attention to the privacy protection and regulatory compliance issues and improve its products.

3.1.6. Environment Factors

Most of the environmental factors in Apple's environment offer opportunities.

Business sustainability tendency, energy efficiency tendency and labour rights tendency are the main environmental factors that offer opportunities to Apple.

Recycling program of Apple supports business sustainability. Apple organizes various campaign related to sustainability. For instance, Apple donated a certain amount of money for every device purchased from apple stores and apple.com for 2 weeks in April due to Earth Day. Apple also created robot Daisy which can disintegrate iPad and iPhone in a more efficient way to regenerate valuable supplies (apple.com, 2018).

Moreover, Apple constantly search for original solutions to develop the energy efficiency of its products, such as batteries, CPUs, and components that produce fewer warmth.

4. Internal Analysis of iPad Strategic Business Unit

4.1. Five Forces Model

A Five Forces analysis can support businesses measure industry attraction, in what way tendencies will make an effect on industry rivalry, that industries a business must compete in and in what way businesses may situate themselves for achievement (isc.hbs.edu, 2018).

4.1.1. Threat of New Entrants - Low

Threat of new entrants force is low for Apple. Creating a high-end product like iPad is not an easy process for new entrants regarding to high investment costs. In addition, establishing a market share also challenging job for new entrants while iPad is the leader of tablet market. According to the a research by International Data Corporation (IDC), iPad has saved its top place in the tablet market, 9.1 million iPads were sold in the first quarter of 2018 (appleinsider.com, 2018). Apple's contract manufacturing strategy also saves pointless expenses and costs. Another reason that makes low the threat of new entrants is copyrights. On the other hand, if the contractors do not continue to work with Apple, Apple may fal in a difficult situation.

4.1.2. Threat of Substitutes – High-Moderate

Apple's substitute's pressure on Apple is high-moderate. Every Apple products has a large variety of substitutes. iPad's number one substitute is Samsung Tab. According to tablet market report of IDC, iPad is still the market leader of tablet industry with 34.9% market share. Samsung Tab, the nearest competitor has 15.1% market share in Q2 2018. the third biggest player of the tablet market is Huawei with 10.3% market share and Lenovo follows them with 6% market share (gizmochina.com, 2018). Although iPad is the market leader, there are numerous powerful substitutes which are continuing to improve their technology in order to increase their tablet's competencies. Furthermore, Chinese based tablet manufacturers are another threat for Apple's iPad business, these manufacturers provide relatively cheap tablets to the customers which do not want to spend a lot of money. Because of these reasons, threat of substitutes is high-moderate for iPad.

4.1.3. Bargaining Power of Suppliers – High Moderate

Apple holds stock-in-trade assets at its suppliers' amenities and involves in inventory advance payments at agreed prices. This form is suitable and saves operations of Apple lean, though some subjects can be risky for Apple. Some purchase agreement of Apple may be 5 months (Apple 10 K) and 5 months can be too long in the face of rapid technology changes and the products were produced by supplier can become old fashioned.

Suppliers also have the risk that Apple products cannot be delivered on time. Numerous of the parts Apple uses produce by very limited sources. Apple's products' special parts which are custom-built for the corporation, therefore suppliers must correctly guess Apple's request. In addition, financial problems of suppliers can cause the risk of Apple products not being produced in the desired volume and time. Due to these risks above, bargaining power of Apple's suppliers is high moderate and they can negotiate about the terms of the agreement.

4.1.4. Bargaining power of buyers – High Moderated

Apple sells many products, each requiring a different marketing approach. Since 2015, the company has been rolling out new iPhone and iPad models at almost the same pace (apple.com, 2018). According to IDC, numbers for global tablet shipments numbers have dropped 11.7% in the first quarter of 2018 (digitaltrends.com, 2018). The reason for this decreasing may be the

reduction of interest in tablets because of the enlarged smartphone screens and the improved camera features of new smartphones. Furthermore, iPad is the most expensive tablet in the market and customers can switch to one of the numerous competitors easily.

4.1.5. Competitive rivalry - High

Each of Apple's products has many competitors but no one can provide the same level of experience what Apple provides with its unique operating system. For this reason, iPad users prefer to buy another iPad product when they need a new tablet if the price of the iPad is not a problem for them.

Furthermore, the materials used in the iPad production creates a more prestigious product than the competition. And there are very few brands that can offer the exclusive product image at the same level of iPad in the market. At the same time, most of the software used on the iPad is designed for only Apple products. The consumers who want to use these applications prefer iPad instead of another tablet brand.

However, competitors of iPad are also powerful, and they continue to improve their technology in order to get bigger market share. For this reason Apple has to continue to improve iPad's features considering customer expectations.

5. Critical Success Factors of iPad

5.1. Innovation and Differentiation

All of Apple's products are distinguished by their unique features. The first-generation iPad started to be sold in 2010 and after that Apple have continued to produce new generation iPads with a lot of innovations and left behind its opponents on the market. When Apple launched the first 9.7 inches iPad in 2010, It sold more than 3 million units in 80 days and in last 8 years, this number reached to 360 million units (moneycontrol.com, 2018). First iPad was a innovative tablet for browsing the internet, watching videos, reading and sending email, listening to music, enjoying photos, listening to music, playing games, reading e-books and much more. Its size was also another big innovation. iPad was much thinner and lighter than its competitors, it was just 0.5 inches thick and 15 pounds just 1.27 cm thick and weighs just 680. Other innovation

was Apple designed 12 innovative apps especially for iPad (apple.com, 2010). Apple continued innovative developments in new iPad models. For instance, in 2016, Apple released iPad Pro with an important innovation which is true tone display. This new technology let the users do exact colour work under the any kind of light. It was an important innovation especially for graphic designers, photographers and anyone related to photography business. True tone technology also let these professionals to work in a coffee or at home with only an iPad Pro (uk.businessinsider.com, 2016). In 2018, Apple released a new iPad with other innovations such as Apple Pencil and capability of running numerous apps at once and displaying advanced augmented reality apps (lifewire.com, 2018).

Briefly stated, Apple is successful to understand customer expectations and to develop innovative devices in order to satisfy these expectations.

5.2. In-store Experience

One of the reasons behind the success of Apple is the distribution strategy of its products. Apple which provides premium products to its customers also offers a premium service on its distribution channel. Apple Stores are designed to give a unique shopping experience both current and potential customers. When customers try an iPad in Apple Store, they can ask questions about the product to the expert Apple consultant. Apple stores are located in the most prestigious parts of the city which supports brand awareness of Apple. Moreover, internal designs of Apple stores are created to keep customer satisfaction at high which also help to increase premium brand image.

The average Apple store generates \$5,600 per square foot and attracts more than 80,000 customers in a month. Apple consultants are also important to achieve this success. Their hiring process and training activities are the other factors behind the success. Apple provide a customer centric approach in its stores with qualified employees (businessinsider.com, 2013).

Customers do not like to wait in the queue. Apple store employees are able to close sales in any part of the store with a mobile POS so customers do not have to wait in line. Moreover, customers are able to check themselves out on their smartphone through the Apple Store app (lsretail.com, 2016).

In addition to Apple's brick and mortar locations, Apple also provides an online selling channel for its products and try to offer a similar experience to its customers.

5.3. Easy to Use Products

Design is a significant aspect of every iPad that Apple produces, but if iPad were not easy to use, it would be considered useless by the customers. All iPad models that Apple create have to be user friendly and easy to understand and learn. This easy user experience enlarges iPad's customer segmentation. Anyone from almost any age group and education level can easily use iPad. For example, a young child can easily understand and use iPad as well as a highly educated executive. The fact that iPad is a global brand, Apple realized that it is also essential that international and non-English speaking countries are able to understand and use the product just as quickly and efficiently as a native English speaker does so.

6. Recommendations for Future Strategy of iPad Strategic Business Unit

Until now, Apple always produced more innovative iPads than its competitors and these innovations are the biggest part of iPad's success and so Apple should continue to design and produce innovative iPad models considering customer expectations. In order for iPad to continue to stay market leader in tablet industry, it is essential that Apple keeps abreast of all the latest technological advances. It must lead the way in technological innovation and to be the first in the market to provide this to its customers in order to keep the excellent perception that iPad currently has amongst its customers.

It has number of customers from a wide range of segments such as students, professionals, sales staff, housewives and photographers. Apple should always seek ways to reach out to more customers in order to expand its impact area.

With Apple's strong distribution channel strategy, iPad reaches almost every corner of the world, it is possible to increase its customer satisfaction and market share by improving its distribution channel strategy.

In addition to this, however, one reason why certain people of lower social economic levels do not buy iPad is due to the fact that it is not affordable as well as iPad resounding the perception of a high quality but high cost product. A strategy to reach the customers of lower economical status, offering a lower specification and cheaper version of the iPad would ensure that Apple

would reach the lower-end markets too. This does not mean it would compromise on its high quality, it would just mean that it would be able to tap into a previously unexplored and additional vast market. A clear and clever strategy would be necessary in order to not distort the already high-profile perception that the iPad globally has and to clearly separate the two different lines. The cheaper version iPad would be a separate product line and should be branded with a completely different name only making reference to Apple and not to the already existing iPad. In terms of marketing this new and more affordable line an internet sale only approach could perhaps be adopted. Whilst this may seem like a restrictive sales strategy, it would actually ensure that the current iPad brand sold in apple store would continue to reach its current customers not crossing over to the newly conquered market. A new brand name for the alternative cheaper product would also ensure the new customers build up a completely separate image of quality and affordability. As well as this, the cheaper version would still need to make adequate profits so an internet only sale would avoid the high costs and expenses incurred when selling through a store.

Given the current global trend towards a greener and more eco-friendly world it is undoubtedly going to be necessary to embrace and incorporate a new concept into all aspects of the business from eco-friendly and bio degradable materials to a more responsible and greener approach.

My conclusion is that Apple, having been the pioneers in providing customers with the tablet and also sustaining it's market position in a very successful and innovative way throughout the years has resulted in it becoming market leader. Going forward it must continue to sustain its current status within the market by continuing to provide such high-quality products whilst continuing to provide the excellent customer experience. However it must also look more broadly at its marketing strategy and tap into other previously non-explode markets.

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