Copenhagen Business College

By group 2. International Business Department 09 IM

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Synopsis

The paper is about Apple Inc. which is a famous IT company in the world. Its main business is to offer different kinds of high information technology electronic products. Through the internal and external analysis by using SWOT, STP, 4Ps, PEST models for Apple Inc., some problems are indentified.

Firstly, in the analysis of internal environment, the paper tells that Apple's products are high quality and attractive. Apple is the world's most successful and healthy IT brands. It holds the leadership in electronic industry. Apple lead the production design in high technology. Most employees in the company are creative and pay attention to innovation. It prefers to build up good relationship with customers so that to attract them to buy their products again. But Apple don't have a wide distribution channels and its market is limited which only focus on middle and high income people who are pursuing modern, vogue and innovation, most of them are in developed countries. And their suppliers pollution issues are exposed in 2011 which is harmful to Apple's brand image. Apple products are hardly compatible with other companies' electronic products.

Secondly, in the analysis of external environment, the paper tells that it is a big opportunity to enter Chinese market, as China just has the boom time economy, and China has the biggest population and Chinese people's income become higher and higher, more and more people are pursuing high level and enjoyable lifestyle. But Chinese government has some policies to limit the expansion of abroad companies for the purpose of protecting its domestic companies. As Apple is in IT industry which has serious competition environment, a lot competitors are in the industry. Though Apple is the leader of the industry, but it is very hard to hold its leading position. And in China, there still have a lot people that can't afford Apple products. The serious piracy in China also is a big threat for Apple.

After our evaluation, some problems are relatively more important than others and should be solved by the company immediately. Apple should extend its distribution channels and market, design suitable products for developing countries' people and improve products' compatibility. So Apple Inc. should seize current chances, develop strength and advantages, be ready for challenges and avoid threats, contributing to create a good internal and external environment.
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1. Introduction

1.1 Background
Apple Inc is an American public company that produces the high technological electronics and computer software. It was international and founded on April 1st 1976 by Steve Jobs, Steve Wozniak and Ron Wayne in Beatty library, California. Now there are 357 retail stores and about 50,000 employees all over the world. Apple regarded “switch” as its slogan and it valued innovation very much. It has a group of talent people to do the innovation in order to manufacture the latest high technological electronics. “Imperfect makes improvement.” is apple’s concept. It is leader of the electronic business and has become the world largest IT technology company. Nowadays, Apple Inc is very popular in many countries. Its products iphone and ipad are welcomed by many Chinese college students. That provoked our curiosity about how Apple company can runs so successfully and became the leader of electronics market under the strong competitive situation.

1.2 Research question
By thorough investigation of the global company Apple Inc., what current challenges are the company facing in China?
- Limited distribution channels
- Entry into markets in developing countries
- Narrow customer group
- Hard to maintain leadership in high information technology electronic industry.
- Continuous improvement in product accessories to match with other products.

1.3 Demarcation
The analysis will pay attention to Apple Inc.’s current challenges.
The reason for analyzing its current challenges is due to the fact that Apple Inc. has made a great success in electronic industry, but also meet a lot challenges. After analyzing current challenges which will help to know the future walking direction of Apple.
Famous CEO Steve Jobs just died, so Apple may make some changes for their company according to their current challenges.
- The analysis will take the point of departure in China.
Because China is a signal of developing countries, Apple didn’t make such a success in developing countries as well as in developed countries.

2. Methodology

2.1 Data sources:
Only secondary data used
By searching the Internet, such as google.com, Wikipedia.com and so on. Some data were collected from library’s books, such as “Apple Storm” “Legend of Apple”. These data are about Apple’s historical development, Apple’s product types and prices, Apple’s market share, market coverage, distribution channels, age distribution of Apple users, position distribution of Apple users, main competitors, supply chain and some financial reports. These secondary data can help us clear definition, find means to solve problems, structure proper design plan, answer some research questions and test some hypothesis.
But some data collected don’t have enough relativity and accuracy. They are relevant to the
company and might not be applicable to current condition. Some data might also be out of date. So it is not very accurate.

2.2 Theories
2.2.1 PEST Model
PEST means political, economic, social and technological. It is an important tool to analyze the macroenvironment. According to PEST, we analyze broad influences that affect Apple Inc. in a market.

2.2.2 SWOT Analysis
SWOT model is a general panning tool used to analyze strengths, weaknesses, opportunities and threats of companies. It identifies internal and external factors to achieve the objective of business. We use it for analyze Apple’s current situation, threat, challenges, existing problem, difficulties, advantages and disadvantages.

2.2.3 STP Strategies
STP Strategy means segmentation, targeting and positing. It is a process for a company to analyze the market and product. According to STP Strategy, the company can meet the demand of the consumers and position their products correctly.

2.2.4 Marketing mix
Marketing mix (4Ps) includes price, product, promotion, and places. They are main elements which influence performance of business. But nowadays it is not universally acclaimed. There are those who find the 4Ps too limiting and it doesn’t meet needs of companies’ marketing. So the marketing mix has been 7Ps.

3 Main part
3.1 Company and product description
3.1.1 Size and places
Apple Inc. (NASDAQ:AAPL) is a multinational limited liability corporation. It is a large-scale enterprise which produces e-tech products. Apple is the largest technology company in the world. Its headquarters are located in Cupertino, California. According to a survey, in 2005 Apple had 14,800 employees. While in 2010 Apple had 46,600 full time employees and 2800 temporary time employees worldwide. Apple’s retail stores are around the world.

3.1.2 Mission statement
“We believe that we need to own and control the primary technologies behind the products we make, and participate only in markets where we can make a significant contribution.”
As can be seen from it, the company is sparing its efforts in developing technologies and obtaining market position.

3.1.3 Marketing strategies
3.1.3.1 Product & price strategies:
Table 1: Products types & price

<table>
<thead>
<tr>
<th>Series</th>
<th>Types</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer</td>
<td>iMac, eMac, Mac mini, Power Mac, Xserve RAID, Mac Pro, iBook , MacBook, MacBook Pro, MacBook air</td>
<td>¥3000—20000</td>
</tr>
<tr>
<td>Digital</td>
<td>iPod, iPod mini, iPod nano, iPod Shuffle, Apple TV, iPod classic, iPod touch, iPad</td>
<td>¥300—3000</td>
</tr>
<tr>
<td>Telephone</td>
<td>iPhone, iPhone 3GS, iPhone 4, iPhone 4s.</td>
<td>¥2000—5000</td>
</tr>
</tbody>
</table>
Data sources: made by myself, according to Google.com.hk.

In addition, the company produces some computer accessories and software products to match hardware products.

As can be seen from table 1, the company has a variety of product types, many product choices. The company should devote more innovation and develop more new products, stretch product types. But Accessories and software products only suit for Apple products. The company should improve auxiliary product’s functions to suit other products, meeting customers’ needs, bring convenience.

From table 1, Apple adopts market skimming strategies. The price is middle-high level. In order to gain maximize profits, they set their prices higher than general products, it’s good for early cash recovery and making a significant investment in its development. But the strategies limited customers group, because customers for Apple products is groups that have high income level. Maybe there are more and more competitors to enter the market. Because they see high profits being made.

3.1.3.2 Place strategies:

![Distribution channels](image)

Figure 1 : Distribution channels

Data sources: made by myself, according to Wikipedia.

Apple belongs to B2C business.

- It has 274 stores which give high visibility.
- It has 3000 resellers which have high service level and more capillary distribution.
- It has 320 large distributions which drive huge volumes of traffic and its absence of differentiation avoided through corners.
- It has on-line stores in 36 countries which has visibility web and worldwide, and give mass atomization for customers.

As can be seen from figure 1, Apple Inc. has two distribution channels. Limited distribution channels lead to Apple’s lower market shares. Apple Inc. should expand more distribution channels. It’s also a good idea to direct –selling TVs, mail order or online shopping.

3.1.3.3 Promotion strategies

- Advertising — Apple spread information of products to customers by mass media.(TV, radio, press, cinema, posters and the internet). For example, in 1984, Apple Inc. spent 800,000 dollars in advertising for Macintosh. Journalists anywhere in America consider the advertisement is very unique and innovated. Then the advertisement appeared frequently on TV and NEWS, which tell Apple’s features, attracting customers. Later more and more customers begin pursue Apple products.

- Public relationship— In 2004, Apple Inc. sponsored “the Fifth computer-making activities for countrywide primary & secondary students” in Shandong, China. In 2011, Apple Inc. made caring donation to the victims of the deadly earthquake in Japan and initiated the Red
Cross’s donation. Apple succeeds in public relationship, which improves goodwill and attracts public attention.

- Sales promotion—the company offer coupons, premiums, special offers, free gifts. It’s a good way to stimulate trial, to add value and bring customer loyalty.

Apple should also make efforts in promotion strategies, hold more charities, sponsor some internet games, competition prize activities and so on.

3.1.4 Market

3.1.4.1 Market coverage

![World Map]

Figure 2: Market coverage of Apple

Data resources: made by myself according to Douin.com.

The green area is the space which apple has entered. The main market of apple is located in the western countries. The main countries are including: United States, United Kingdom, France, Canada, Germany, Australia, Japan, Italy, China and Netherlands. Most of its markets are located in the developed countries, only have a small part of market shares are located in the developing countries.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Main products</th>
<th>Centralization of customer age</th>
<th>Main Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>iphone, Mac, iTunes, software of apple</td>
<td>From 15 to 45</td>
<td>People who are in middle and high living standards(most of them are loyal customers)</td>
</tr>
<tr>
<td>Developing countries</td>
<td>iPhone, ipad, ipod</td>
<td>From 18 to 35</td>
<td>People who are in middle living standard</td>
</tr>
<tr>
<td>Countries</td>
<td>Main products</td>
<td>Centralization of customer age</td>
<td>Main Customers</td>
</tr>
<tr>
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</tr>
<tr>
<td>Developing countries</td>
<td>iPhone, ipad, ipod</td>
<td>From 18 to 35</td>
<td>People who are in middle living standard</td>
</tr>
</tbody>
</table>
Data resources: made by myself according to Baidu.

Table 2 shows the main apple products of developed countries and developing countries. Among these products, Iphone is very popular in both developed countries and developing countries. The main products which sold in developed countries are more expensive and have higher technology than the main products which sold in developing countries. Additionally, this table also shows that the main apple customers of developed countries and developing countries are both in the middle and high living standards. The centralizations of customer age are not very different between developed countries and developing countries.

After analyzing this table, we found that apple’s target group is the 15 to 45 age people who are in the middle and high living standards. The main products iphone, ipod and ipad are in the middle level. Their prices are fit with the living level of developing countries. Additionally, developing countries have bigger population than developed countries, expanding the market in developing countries is good for increasing the sales.

Although Apple is very famous in the world, especially in many developed countries, it not very popular in many developing countries and still has much room to expand its market.

### 3.1.5 Annual report:

<table>
<thead>
<tr>
<th>CONSOLIDATED STATEMENTS OF OPERATIONS</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three years ended September 30, 2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$65,225</td>
<td>$62,905</td>
<td>$37,491</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>$39,541</td>
<td>$28,683</td>
<td>$24,294</td>
</tr>
<tr>
<td>Gross margin</td>
<td>$25,684</td>
<td>$34,222</td>
<td>$13,197</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$1,782</td>
<td>$1,333</td>
<td>$1,109</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>$5,517</td>
<td>$4,149</td>
<td>$3,761</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$7,299</td>
<td>$5,482</td>
<td>$4,870</td>
</tr>
<tr>
<td>Operating income</td>
<td>$18,385</td>
<td>$11,740</td>
<td>$8,327</td>
</tr>
<tr>
<td>Other income and expense</td>
<td>$550</td>
<td>$326</td>
<td>$650</td>
</tr>
<tr>
<td>Income before provision for income taxes</td>
<td>$18,540</td>
<td>$12,066</td>
<td>$8,977</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$4,527</td>
<td>$3,831</td>
<td>$2,828</td>
</tr>
<tr>
<td>Net income</td>
<td>$14,013</td>
<td>$8,235</td>
<td>$6,119</td>
</tr>
<tr>
<td>Earnings per common share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$15.41</td>
<td>$9.22</td>
<td>$6.94</td>
</tr>
<tr>
<td>Diluted</td>
<td>$15.15</td>
<td>$9.08</td>
<td>$6.78</td>
</tr>
</tbody>
</table>

Figure 3 Income statement

Data sources: from Douding.com

This figure shows the sales performance of Apple Company from 2008 to 2010. From 2008 to 2009, the net income of apple increased 34.6%, from 2009 to 2010, it increased 70.2 %. From 2008 to 2010 the Earning per common share of Apple increased from 6.94 million to 15.41 million. All of these data show that Apple had a good trend in sales performance from 2008 to 2010.

### 3.1.6 Technology

- Apple has a big technology strength, it emphasizes research & development and have a powerful innovation capacity. It has outstanding R&D design teams.
- Apple owns self-developing operation system that no other company can exceed Apple in product performance. It has automatic, digital and intelligent organization.
- It cooperates with a lot of foreign electronic companies. Like Foxconn in China.
- Apple is good at designing the best products in beauty aspect.

### 3.1.7 Organization structure:


Figure 4 Organization structure

As apple is a very big company, for management, it was divided into two main parts. One is the corporate part and the other is the retailer part. The corporate part refers to work behind the scene, design, engineer and launch every type of Apple products. It is core of Apple Company. Whether Apple could be strong or not depends on the performance of corporate part. Apple uses the way of bringing to bear on the staff who are in corporate part, and enhance their awareness of that they are doing the most glorious job, so that they can donate themselves into hardworking. Retailer part is also very important. The staff of this part should be passionate, optimistic, and good at communicating with others., for this part, apple uses the way of giving sales goal to the staff, if they can reach the goal, they will be rewarded, if can’t, may be they will be fired. This way can stimulate its staff to work hard to reach the goal.

3.1.8 Staff review
There is about 49400 staff in Apple Company. There are more than 1000 engineers in the research of chip. The retail business staff is about 20000. The engineers in Apple are all graduated from famous university in the world. “Quality is even more important than quantity” Apple's CEO Jobs said. He spent a lot time and energy to find someone he heard is the most outstanding staff, and choosing the best one he considered for each position of Apple.
Apple employees tend to be younger because young people are creative and the most factor Jobs valued is creation. And the Apple’s reward and punishment institution is clear. If the staff donates to the non-profit organization, Apple will give them the appropriate amount of subsidies, up to $10000 a year. If employees complete the task in advance, company will give additional reward which improve the working performance of employees.

3.1.9 Cultural review
Innovation is the main culture of Apple which makes Apple comes out new products almost every year. Every time Apple launched a new product, it will bring customers the newest experience.
They lead the times trend of electronic technology. They also pay attention to environmentalism. They recycle their products if people who don't want to use their products any more, and Apple will give them a coupons for their next purchase.

But Apple has exposed scandal by news. According to the previous report "2011 Apple supplier responsibility report" that Apple released, a large number of suppliers were found to have significant environmental violations, including 129 factories in 80 countries last year haven't proper disposed dangerous chemicals; 41 factories have not recycled or disposed hazardous wastes; 37 factories failed to monitor and control emissions, more than 10 factories wastewater problems; 63 factories without government departments to request for the license, without the approval of the environmental impact assessment.

So, Apple should improve environmental awareness, can’t only considering the lower cost, earn excess profits but regardless of the health of workers and environmental issues.

3.1.10  S & W analysis

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality and attractive products</td>
<td>Limited compatibility</td>
</tr>
<tr>
<td>Leadership in electronic industry and high technology</td>
<td>Limited market</td>
</tr>
<tr>
<td>Leading the product design,</td>
<td>Limited distribution channels</td>
</tr>
<tr>
<td>Creative employees,</td>
<td>Suppliers pollution issue</td>
</tr>
<tr>
<td>Good relationship with customers.</td>
<td></td>
</tr>
<tr>
<td>Diversity products</td>
<td></td>
</tr>
</tbody>
</table>

3.2 External environment analysis

3.2.1 Political-legal environment

In order to protect domestic companies, preferential policy for foreign enterprises in China is decreasing.

In 2006, Chinese state department brought out a new law called the "Foreign Enterprise Income Tax Law of PRC". It gave all the foreign enterprises a big shock. Because China would not offer so many preferential policies for them. So Apple meet more risks than before in China. In addition, now Chinese laws about piracy are not very perfect, which lead to propagation of copycat-products in domestic market. This condition has a serious influence on Apple’s sales in china.

3.2.2 Economic environment

Economic is increasingly developing especially in China. China's economic has entered boom time which is very favorable for Apple Inc.

In 2011, GDP of China is 9.6%. That indicates rapid economic growth, high consumer spending and increased national income and low unemployment rate. And government also encourage people to buy goods. All of these factors are beneficial for Apple. But in the global economic crisis, Chinese use monetary policies to stimulate the economy, though the Chinese economy continues to maintain a high growth momentum, but also led to the rapid expansion of hidden debt.

In this economic environment, Apple must be to increase the capital flow to avoid the negative effects. For Apple company, it is also an opportunity, Apple can take this opportunity to introduce
some reasonable price products to Chinese consumer.

3.2.3 Socio-cultural environment
Modern China is an open country. Young people pursue vogue and like foreign cultures. People's life style becomes high efficient. China values
Apple product is simplified design process, the most important step, iPod, iPhone, iPad, apple product design all show that the "simple is beauty" of this logic praise highly. These products that Apple launched are really popular among Chinese young people. The design focuses on customers' wants and needs, focus on simple and easy to use, Apple actually caught the user's mind of experiencing real things. Apple products has sophisticated attractive style which is available and have gone beyond the fashion.

3.2.4 Technological environment
In the modern society, electronic technology has improved quickly and applied widely in many industries. It has formed an electronic and optical fibre core information industry.
Apple is leading the position in electronic IT industry which just match the trend of electronic technology. But the higher technology made faster update, which made Apple very hard to hold the leading position in the industry all the time. In addition, China is building up innovate-patten cities, they emphasize high technology. It is a advantage for Apple to enter China market. So Apple has a big potential market in China.

3.2.5 Demographic environment
Market is organized by people, so people would decide the market shape. Different growth rate of population between developed countries and developing countries may let Apple change its market.
The current world population growth number is 93000000, annual growth rate is 1.7%. According to the growth rate of population in the world, developed countries population growth rate is less than 0.5%, and the developing countries population growth rate is 2.1%. With the high growth rate of developing countries, Apple should focuse more on this potential market of developing countries especially for people age from 20 to 40. This group of people holds half proportion of Apple production market. For computers, one family needs one computer at least. Families in developing countries have about 3, 4 or more people of family members, in contrast developed countries only have 2 or 3 family members in one family. So Apple can design different types of products for these different family size.

3.2.6 Natural environment
Keeping a lower cost is a key of company to be successful, as Apple's main business is electronic products, so the cost of its materials gets higher would affect the company.
The cost of tantalum and aluminum 2011 than in 2010 rose by 20% to 50%. Apple should control its cost, as Apple has a larger quantity to purchase, and it has a good bargaining power and it holds monopoly position in the industry, so it is cheaper to get these materials than other companies. For 32G 3G version of the iPad2, its raw materials and manufacturing cost is only $287.15, but it sells at a high price of $729 which make a lot profit. Although the material costs get higher, its gross profit rate has increased 60%.

3.2.7 Competition analysis
The present main competitors:
Apple company has touched a lot high technology industry, but its main industry is in microcomputer industry and smart phone industry.
The present competition situation
In microcomputer industry, Apple's main product is MAC, its main competitor is PC who uses DOS/windows system.

Table 3 Comparison between PC and Mac

<table>
<thead>
<tr>
<th>Microcomputer</th>
<th>PC</th>
<th>MAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stability</td>
<td>Less stable</td>
<td>✓ more stable</td>
</tr>
<tr>
<td>Security</td>
<td>Low security</td>
<td>✓ high security</td>
</tr>
<tr>
<td>Reliability</td>
<td>Low reliability</td>
<td>✓ high reliability</td>
</tr>
<tr>
<td>Multimedia</td>
<td>Less multimedia</td>
<td>✓ More multimedia</td>
</tr>
<tr>
<td>Affordability</td>
<td>✓ Cheaper</td>
<td>More expensive</td>
</tr>
<tr>
<td>Compatibility</td>
<td>Can't run windows OS</td>
<td>✓ can run windows OS</td>
</tr>
<tr>
<td>Big screen connections</td>
<td>✓ can connect TV directly</td>
<td>Can't connect TV directly</td>
</tr>
<tr>
<td>Popularity</td>
<td>✓ 95% schools&amp;officers run it</td>
<td>Only 5% use Macs</td>
</tr>
<tr>
<td>Software compatibility</td>
<td>✓ high software compatibility</td>
<td>Low software compatibility</td>
</tr>
<tr>
<td>Speed test</td>
<td>lower</td>
<td>✓ faster</td>
</tr>
<tr>
<td>Market share</td>
<td>High (92%) ✓</td>
<td>Low (6%)</td>
</tr>
</tbody>
</table>

Data sources: From website: www.guidenet.net/resources/win-vs-mac.htm

From the table 3, it is obvious that PC and Mac have different advantages. Mac is much more functional than PC, PC is much more available. Most people use PC for its cheap price and connecting with other applicants conveniently. So Mac's target consumer group is not that big, its market share is much more smaller than PC. If Apple want to gain more market shares in microcomputer market, it should discount Mac's price to fit most people, and make higher software compatibility. PC made a great success in having a widely compatible with other applicants, so Apple should learn to do that so that to create more customers and extend market.

In smart-phone market, the most important thing of smart-phone is their mobile operating system. Here are different markets of different market shares of different mobile operating systems in developed countries and developing countries.

Apple's market share in developed countries:
Take USA, France, Japan, UK for example.

![Figure 5 Apple's market share in developed countries in 2011.](http://gs.statcounter.com/)

Data resources: http://gs.statcounter.com/

Apple's market share in developing countries.
Take China, Russia, Brazil, Egypt for examples:
Figure 6 Apple's market share in developing countries in 2011
Data resources: http://gs.statcounter.com/
From different market shares in developed countries and developing countries, it indicates that Apple is attracted by developed countries. In developed countries, Apple has the biggest market share, but in developing countries, Apple don't have that strength. So Apple's main market is developed countries. But developing countries are more than developed countries, if Apple want to expand its market, it has to focus these developing countries. Apple can also make large profit from these developing countries like China, Russia, India and so on. So Apple need to design some functional Apple products to suit for these countries' people in the future.

3.2.8 Buying behavior analysis
Type of customers
Apple prefers to do B2C business. Their target customers are students, academic world, creative professionals, business and individual consumers these 4 groups.
Here is a figure of proportion for these four target groups:

Figure 7: Proportion of 4 target groups.
Data resources: made by myself according to doc.in website.
From figure 7, it shows that creative workers and students are Apple's main target customers.

Target customers’ needs
Table 4 Target customers’ needs

<table>
<thead>
<tr>
<th>Target customers</th>
<th>Target customers are pursuing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>Popular, fashion, functional, multimedia,</td>
</tr>
<tr>
<td>Academic world</td>
<td>Functional, practical, logical, good operating system,</td>
</tr>
<tr>
<td>Creative professionals</td>
<td>Creative, modern, activate, fashion, unique,</td>
</tr>
<tr>
<td>Business and individual</td>
<td>Worth, good value for money, modern,</td>
</tr>
</tbody>
</table>
consumers

Data resources: made by myself according to Baidu BBS.

- Customers' buying criteria and the reality of Apple has done.

Table 5 Customers' expectation and the reality of Apple

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Expectation of customers</th>
<th>The reality of Apple</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Price</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Convenient</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>After-service</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Brand image</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Compatibility</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

(1-5 means different levels of Criteria. Bigger number means higher level.)

Data resources: made by myself according to BAIDU BBS.

Table 5 shows that Apple has done a lot for its products. And Apple considers its customers at a very high position, It prefers consumer market, it pays attention to customers' needs. So it designs functional, creative, multimedia, modern, secure electronic products. "Think different.," "switch." These are company's slogan. They are pursuing creation and changes always. But it also lets Apple very hard to decrease its price which limited its market. And it can't compatible with other companies' products also limited consumer market.

3.2.9 Suppliers

- Supply chain:

![Supply chain diagram](image)

Figure 8: Supply chain

Data resources: Made by myself according to


In the first circle, they are main companies to offer components to Apple. So Apple's main suppliers are in Asia. But some of these suppliers have some troublesome of environment. Some news has been announced that some Apple's suppliers are not reach the environmental index. Some questions can be found, most of their suppliers are in Asia, but most of their customers are in Europe and US, it may be a little not that convenient for delivering. Another problem is that Samsung is their biggest supplier and also their competitor. Apple is considering to change Samsung supplier which becomes a opportunity and threats.

3.2.10 O&T analysis
Opportunity
- China joined WTO which is beneficial for Apple
- China has a big population which is a big potential market
- Growth of Chinese income
- Boom of China economy

Threat
- Hard to maintain leadership in the industry
- Serious competition
- Serious piracy in China
- Chinese government is pressuring to oversea companies.

4. Evaluation and conclusion

Even though Apple has done a good job, the analysis testified that many problems are still existing. They are Limited distribution channels, Entry into markets in developing countries, Narrow customer group, Hard to maintain leadership in high information technology electronic industry, Continuous improvement in product accessories to match with other products. Among these questions, narrow customer group and continuous improvement in product accessories to match with other products should be solved immediately. Because expanding the customer groups can increase the sales and get more profit, but lots of Apple products are in the high price level, so there still have many people can’t afford to them, it’s important for Apple to set up a new price strategy in order to expand its customer group. Additionally, a good business should concerned more about customers’ benefit, but lost of Apple products are hardly compatible with other products, it is not convenient for users, so improving the compatibility of its products is also very important for Apple currently.

5. Bibliography

Books:

Websites:

Table 6 work plan
<table>
<thead>
<tr>
<th>Activity</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Searching target company</td>
<td>Sept 22---Sept 23</td>
</tr>
<tr>
<td>Researching information about target company</td>
<td>Sept 24---Sept 27</td>
</tr>
<tr>
<td>Discussing and finding out the main questions</td>
<td>Sept 28---Sept 30</td>
</tr>
<tr>
<td>Delegating responsibilities and starting writing</td>
<td>Oct 1---Oct 4</td>
</tr>
<tr>
<td>Gathering every part of paper and improving it</td>
<td>Oct 5---Oct 13</td>
</tr>
<tr>
<td>Getting the conclusion of the paper</td>
<td>Oct 14---Oct 15</td>
</tr>
<tr>
<td>Decorating the paper</td>
<td>Oct 16</td>
</tr>
<tr>
<td>Finished the paper and handing in</td>
<td>Oct 17</td>
</tr>
</tbody>
</table>

**Responsibilities of every member**

**Wang Lehuan:** Synopsis, Demarcations, Competition analysis, Buying behavior analysis, Suppliers, S&W analysis, O&T analysis

**Fei Xuan:** Methodology, Front page, Company and product description

**Liu Danfei:** Market, Organization structure, Evaluation and conclusion

**Jiang Yongming:** Front page, Background, Annual report, S&W analysis

**Li Changhua:** Synopsis, Technology, Technology environment, Demographic environment,

**Zhang Hao:** Staff review, cultural review, political-legal environment, Economic environment, social-cultural environment

**Difficulties**

We have different opinions when we choose the target company, and it’s also took us a long time to get the agreement in finding out the main questions. It’s hard to find some important information.

**What have we learned?**

Know more about Apple Inc, realized the important of teamwork, know how to write a project paper