Closing Case One -

**Apple—Merging Technology, Business, and Entertainment**

This might sound hard to believe, but a bit more than a decade ago, Apple was on the brink of

bankruptcy. Apple Computer Inc., now back from near oblivion, is blazing a trail through the digital

world with innovation and creativity that has been missing from the company for the past 20 years.

The unique feature of Apple’s competitive advantages is that they come from customers and users,

not Apple employees. That’s right; the company welcomes products created by consumers to sell to

consumers, a trend new to business.

Capitalizing on the iPod

With millions of iPods in the hands of consumers, many people are finding ways to capitalize on

the product. John Lin created a prototype of a remote control for the iPod and took his prototype to

Macworld, where he found success. A few months later, Lin’s company had Apple’s blessing and a

commitment for shelf space in its retail stores. “This is how Apple supports the iPod economy,” Lin

said.

In the iPod-dominated market, hundreds of companies have been inspired to develop more than

500 accessories—everything from rechargers for the car to $1,500 Fendi bags. Eric Tong, vice presi-

dent at Belkin, a cable and peripheral manufacturer, believes that 75 percent of all iPod owners pur-

chase at least one accessory—selling over 30 million accessories to date. With most of the products

priced between $10 and $200, that puts the iPod economy well over $300 million and perhaps as

high as $6 billion. Popular iPod accessories include:

■ Altec Lansing Technologies—iPod speakers and recharger dock ($150).

■ Belkin—TuneCast mobile FM transmitter ($40).

■ Etymotic Research—high-end earphones ($150).

■ Griffin Technology—iTrip FM transmitter ($35).

■ Kate Spade—Geneva faux-croc mini iPod holder ($55).

■ Apple—socks set in six colors: green, purple, blue, orange, pink, and gray ($29).

■ Apple—digital camera connector ($29).

Capitalizing on the iPhone

Looking at someone using an iPhone is an interesting experience because there is a good chance they

are not making a phone call. They could be doing a number of things from playing a game to trading

stocks, watching a TV show, or even conducting business with a mobile version of salesforce.com ’s

customer-management software. In a brilliant strategic move, Apple let outsiders offer software for

the iPhone and in less than six months, more than 10,000 applications had been created. In fact, more

than 15,000 applications are available at its app store section of iTunes, and they have been down-

loaded a total of 500 million times. Now, many of the iPhone apps are available for the iPad.

The iPhone and iPad app store market is getting so huge relative to other smartphone markets

that some developers argue there is little point adapting applications for Google’s Android or any other

iPhone competitor. According to Jeff Holden, CEO of Pelago Inc., when he created his social networking

company he fully intended to follow the conventional wisdom for how to build a sizable, fast-growing

software company: Get your programs on as many platforms and devices as possible. But when he

crunched the numbers he came to an interesting business conclusion: The 13 million iPhone owners had

already downloaded more applications than the 1.1 billion other cell phone owners! To entrepreneurs,

developing a program for the iPhone automatically provides a significantly larger market—almost 94

times larger than its competitors. “Why would I ever build for anything but the iPhone?” Holden asked.

Capitalizing on the iPad

Apple’s latest release, the iPad, is a lightweight, portable, tablet computer, similar to the iPhone, that

allows customers to download applications, check email, and play music all at the touch of a button.

Both the iPhone and the iPad can multitask, allowing customers to read a web page while download-

ing email in the background over wireless networks. The arrival of the iPad brought a simultaneous

expansion of the network of accessories. Because the iPad was designed with an exposed screen and

without a camera, separate keyboard, memory card slots, or expansion ports, one might say it was

specifically built for accessories. Many owners will modify it in some way, whether for mere decora-

tion or hard-core protection. A few of the new accessories include:

■ iPad Clear Armor screen protector—$35.

■ iPad Antique book case cover—$40.

■ iPad wireless keyboard—$99.

■ iPad overcoat sleeve—$35.

■ iPad Joule luxury stand—$130.

Apple has consistently outperformed its key rivals through the development of its MP3 player, the

iPod, and continues to make its products smaller and less expensive, while providing complementary

features such as games and applications. For the iPhone, Apple developed a unique application called

Siri, a voice-activation system that is capable of recognizing voice commands. Siri can perform all

kinds of functions from dialing a contact and creating an email to location services such as “Find my

Phone,” ensuring lost phones are found quickly.

Apple’s latest offering is a new service called the iCloud. The iCloud has the ability to collect all

of the content, including videos, photos, songs, books, etc., from customer devices such as iPods,

iPads, and iPhones in one secure location in “the cloud.” Apple customers no longer have to worry

about backing up their applications or data because everything is automatically uploaded and stored

in the iCloud when using an Apple device. In a fast-paced, technology-driven sector, with com-

petitors quickly following suit, Apple is constantly pressured to develop new products and product

extensions. Luckily Apple stays ahead of the pack by focusing on the following key competitive

advantages:

■ Customer focus: Apple is driven by customer satisfaction and ensures customers are deeply

involved in product development and application development.

■ Resources and capabilities: Apple continues to invest heavily in research and development to

take advantage of new technologies, improved facilities, and cloud infrastructures.

■ Strategic vision: Apple has a clear alignment of its vision, mission, and business leadership and

goals.

■ Branding: Apple is the leader in brand loyalty as it has achieved cult status with its authentic

product image.

■ Quality focus: Apple has an outstanding commitment to quality.24

**Questions**

1. Do you agree or disagree that Apple’s iTunes, iPhone apps, and iPad apps give the company a

competitive advantage? Be sure to justify your answer.

2. Why are data, information, business intelligence, and knowledge important to Apple? Give an

example of each type in relation to the iPad.

3. Analyze Apple using Porter’s Five Forces Model.

4. Which of the three generic strategies is Apple following?

5. Which of Porter’s five forces did Apple address through its introduction of the iPhone?

6. Which of Porter’s five forces did Apple address through its customer-developed applications?