

Name Taoufik El Adel  
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I recommend that Apple uses some of its billion-dollar cash asset to vertically integrate into distribution and retail in order to expose their products directly to the consumers. Bypassing the dealers would allow Apple to have more control on their prices, and for consumers to have an outlet to shop for Apple's products only. Customer service should be the scope of this strategic plan.

Apple is a multinational technology company that designs and manufactures a variety of electronic devices that include personal computers, peripherals, and also software. It is a pioneer in computer manufacturing and the second leader in a global industry of \$50 billion in personal computers and \$30 billion in software and peripherals. By 1990, Apple's global market share stabilized at 10% with revenues over \$5.5 billions. Apple had a strong presence in the US with a market share over 50%, its sales were mainly to education, businesses, and government. The industry was dominated by 4 firms, IBM and Apple as the top two, followed by NEC and Compaq. The rest of the competitors were typically "clones" of IBM but in a much lower scale. Apple remained the only company that kept a closed system actively protected by copywrite or patents. This distinctive characteristic, as well as their exquisite and user-friendly designs have earned Apple an acute competitive advantage and a large base of loyal customers. However, when prices were compared at the final mediums of sale, it was very difficult to turn a prospective customer into an Apple enthusiastic.

One of Apple's core strengths is brand loyalty. Staying innovative on the technological treadmill and coming up with world-class user interfaces are not an issue to Apple. The issue is

how to get people to try Apple's great products in the first place. By implementing my recommendation, Apple would strategically get a step closer to customers, hindering them from comparing prices with inferior products, and locking them into a prestigious and valuable brand that they most likely will stay loyal to.

Although Apple offers a line of quality products, their higher prices have become a weakness to the company. By eliminating the distributors and selling directly to customers, Apple can have more control on the final price customers get charged. That difference that used to be added by retailers can not only generate more profits for the company but can also be shared with the customers in the form of a reduction in prices, hence overcoming its weakness.

My recommendation entails one major opportunity for Apple which is advertising. Having their brand name on storefronts at malls or on the streets would not only enforce their presence as a primary player in the electronics industry but also serve as a great marketing strategy. Apple should empower this bold exposure by following the lead of Dell that became the fastest growing computer company in the world due to their emphasis on customer service.

The better compatibility of Microsoft's software poses the most significant threat to Apple. The differences in user-friendliness between Macs and non-Apple computers narrowed significantly after the introduction of the GUI Windows 3.0 that was selling at a rate of one million copy per month. To have retailers that sell Apple's products only would diminish the aspect of comparison among operating systems and user interfaces.

For Apple, as a computer manufacturer, to invade the electronic retail industry is indeed a bold move that is susceptible to repercussions from their actual distributors. However, I am confident that the benefits of my recommendation justify the risks and would help Apple to sustain its competitive advantage.

## References :

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