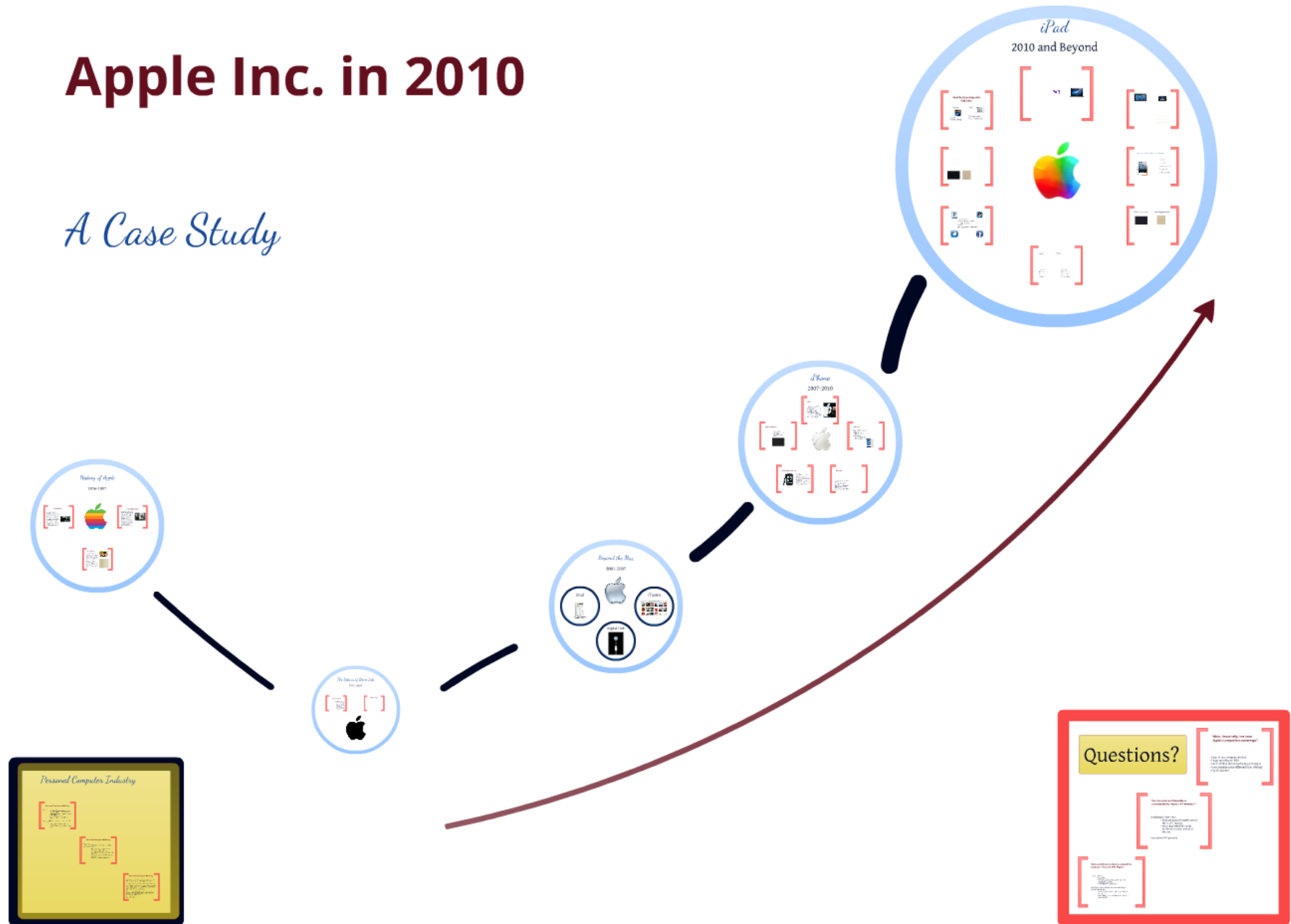


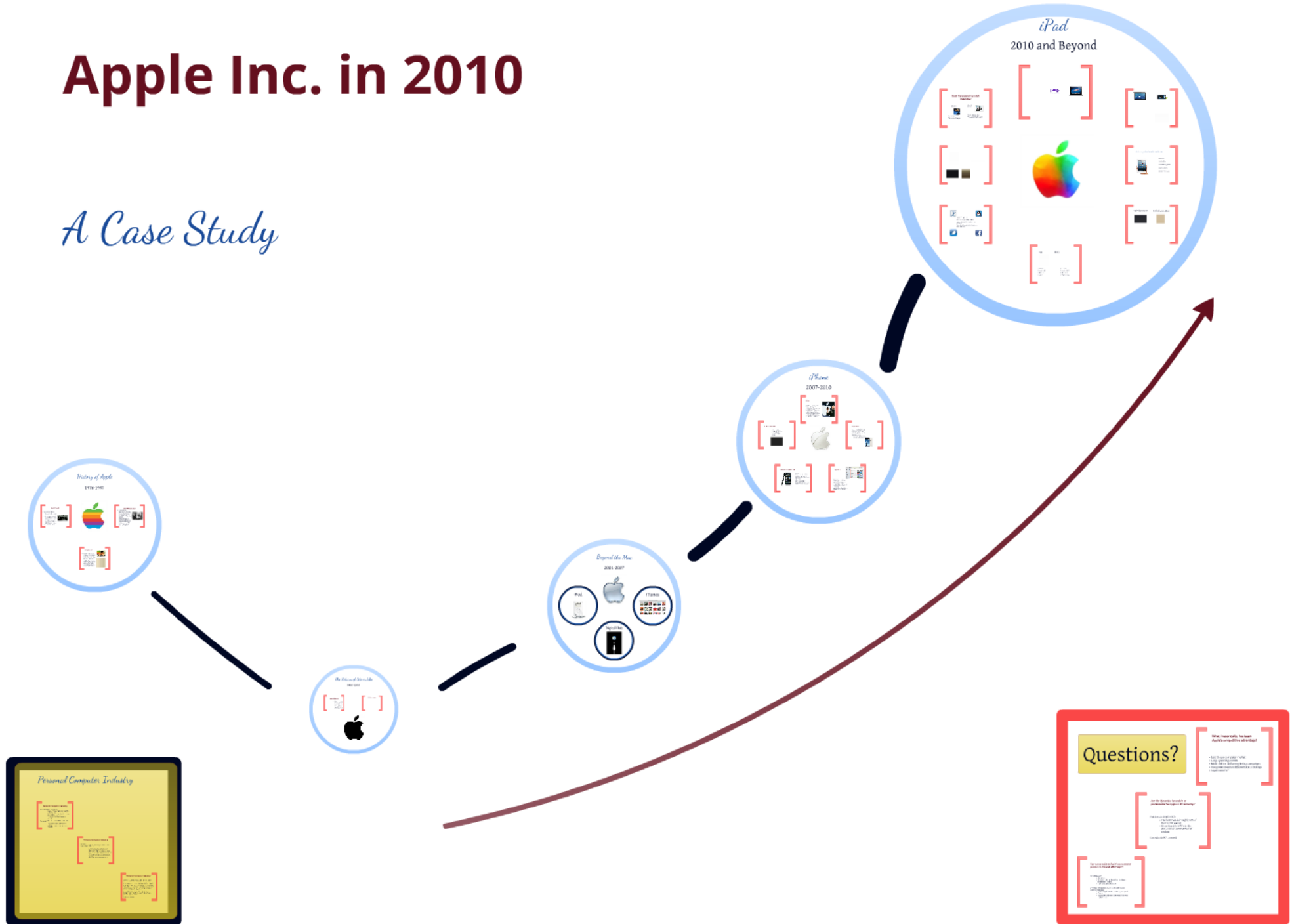
Apple Inc. in 2010

A Case Study



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History of Apple

1976-1997



Early Years

- 1976-1980: Steve Jobs & Steve Wozniak
- Started by two college dropouts on Apple I and II
- Mouse: "Bring an easy-to-use computer to market," which led to the Apple II release in April 1978
- Proprietary systems practiced horizontal integration: relied on its own proprietary design and refused to license its hardware to third parties, as opposed to IBM's relatively "open system"
- Competition: IBM became the "industry standard," so Apple introduced the Macintosh in 1978. Very user-friendly, but lack of compatible software (proprietary system) limited sales
- Result: The Income Tax Act 1981-84, Jobs is fired out of the company by 1985



Life without Jobs

- 1985-1993: Apple under John Sculley
- By pushing into new markets like desktop publishing & education, Apple's worldwide market share increased & stabilized at ~10%
- By 1988, Apple had \$1.1B in cash & was the "most profitable PC company in the world"
- Computer technology solution: easy to use, plug-and-play hardware, software, and peripherals that narrow the gap in release of MS Windows
- Top of The Line Strategy: premium products for a premium price to loyal customers, committed 9% of costs to R&D
- Competition: In 1986, Apple moves to "low-cost producer" strategy to compete with volume leader IBM and creates 1988 Mac Classic. However, both worked together on both in 1988 in joint venture
- Result: Gross margin drops to 24% (14 pts below 10 yr avg) & Sculley forced out



Life without Jobs

- 1993-1997: Apple under Spindler & Amelio
- Spindler cut costs, cut 1/3 of workforce, pushed for international sales. Decided that Apple would become a handful of companies: iMac, Mac OS, and iMac G4
- Result: IBM in 1995. After \$60 million loss in Q1 of 1996, Spindler is replaced
- Amelio returns to "Thirteen Price Differentiation" strategy. Mac sales fell due to success of Windows 95. Purchases job: new company Next Software & brings back Jobs as part-time adviser
- After \$1.5 billion loss under Amelio & 9% loss in market share, Jobs is made interim CEO



Early Years

1976-1985: Steve Jobs & Steve Wozniak

- Started by two college dropouts on April Fool's Day 1976
- Mission: “Bring an easy-to-use computer to market,” which led to the Apple II release in April 1978
- Proprietary System: practiced horizontal integration relied on its own proprietary designs and refused to license its hardware to 3rd parties; as opposed to IBM’s relatively “open system”
- Competition: IBM became the “industry standard,” so Apple introduces the Macintosh in 1984. Very user friendly, but lack of compatible software (proprietary system) limited sales.
- Result: Net Income Fell 62% fr. 1981-84, Jobs is forced out of the company by 1985



Life without Jobs

1985-1993: Apple under John Sculley

- By pushing into new markets like Desktop Publishing & Education, Apple's worldwide market share recovered & stabilized at ~8%. By 1990, Apple had \$1B in cash & was the "most profitable PC company in the world"
- Complete Desktop Solution: easy to use, plug-and-play hardware, software, and peripherals; IBM narrows the gap w. release of MS Windows
- Top-Of-The-Line Strategy: premium products for a premium price to loyal customers, committed 9% of costs to R&D
- Competition: In 1990, Apple moves to "low-cost producer" strategy to compete with volume leader IBM and creates \$999 Mac Classic. However, both worked together on \$500 million in joint ventures
- Result: Gross margin drops to 34% (14 pts below 10 yr avg) & Sculley forced out



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