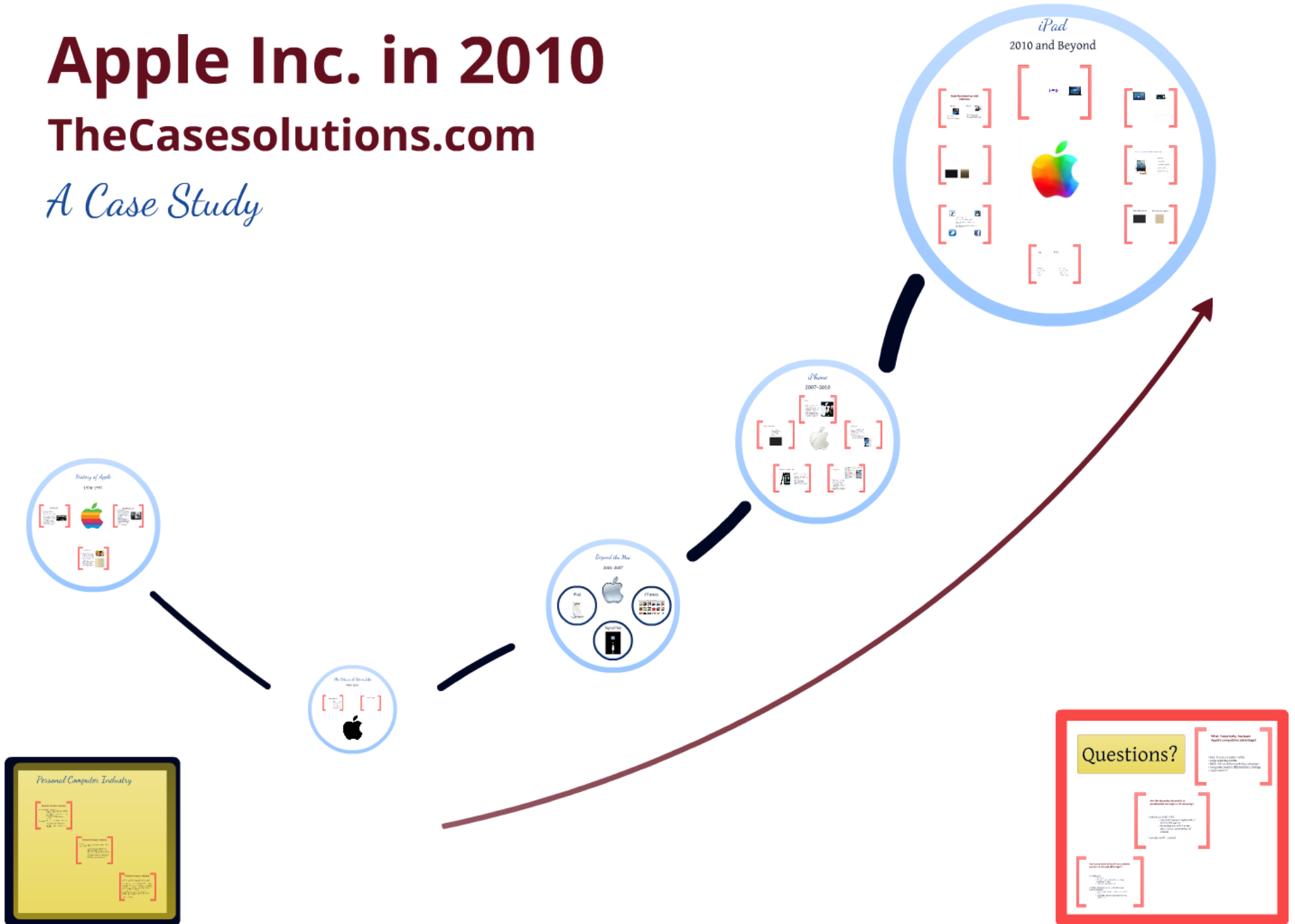


# Apple Inc. in 2010

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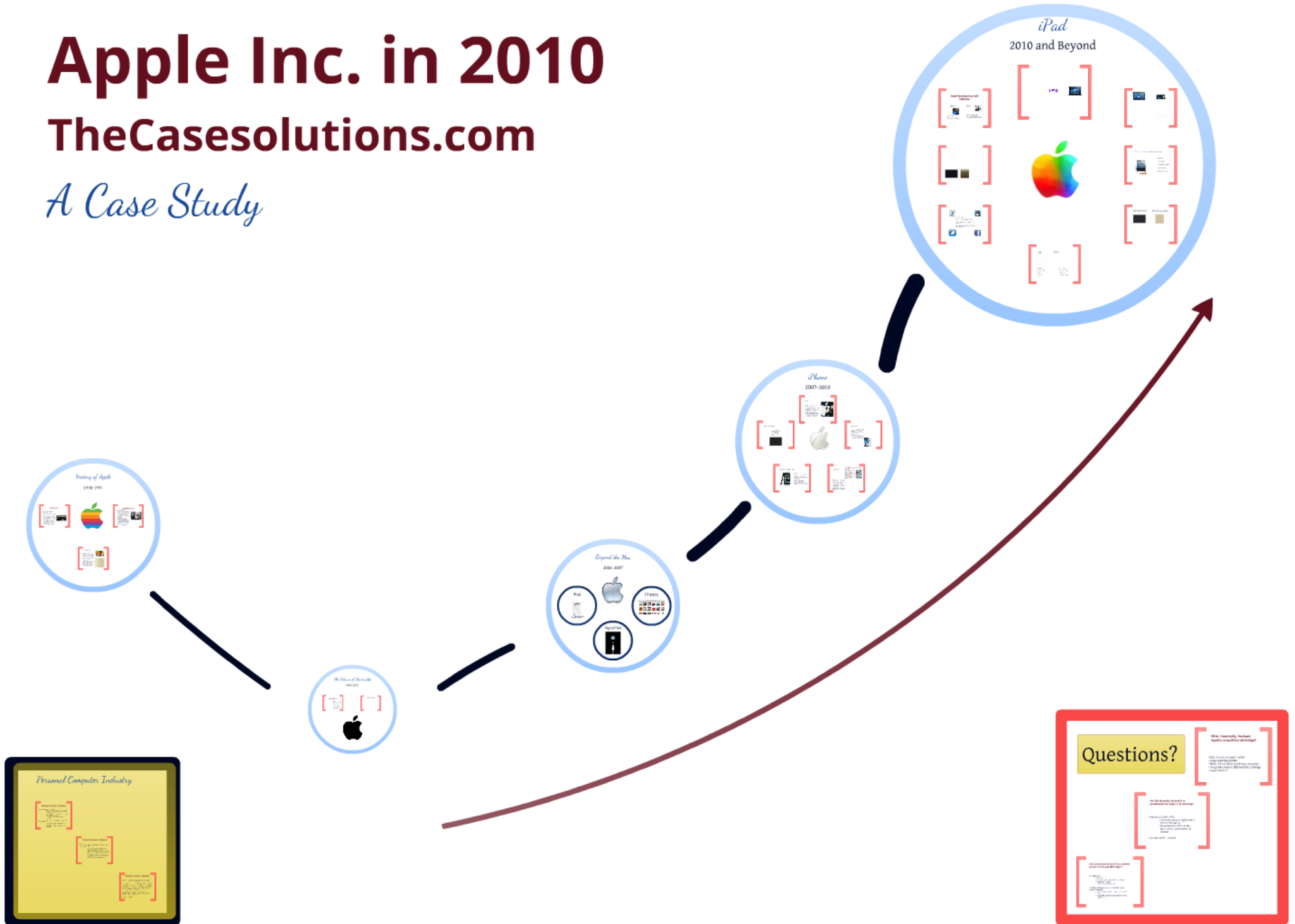
A Case Study



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# History of Apple

1976-1997



## Early Years

- 1976-1981: Steve Jobs & Steve Wozniak
  - Started by two college dropouts on a part-time day job.
  - Mouse: "Bring an easy-to-use computer to market," which led to the Apple II release in April 1977.
  - Proprietary systems practiced horizontal integration: relied on its own proprietary designs 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 computer software (proprietary system) forced sales.
  - Result: 1981 Income Tax saw fr. 1981-84, Jobs as financial of the company by 1985.



## Life without Jobs

- 1984-1993: Apple under John Sculley
  - By pushing into new markets like desktop publishing & education, Apple's worldwide market share increased & stabilized at ~10%.
  - By 1986, Apple had 10% market share and was the "most profitable PC company in the world."
  - Computer technology led to new systems, plug-and-play hardware, software, and peripherals. IBM narrowed the gap w/ release of M1 Windows.
  - Tip-off: The line strategy (premium products for a premium price to loyal customers) committed 9% of costs to R&D.
  - Competition: In 1986, Apple moved to "low-cost producer" strategy to compete with volume leader IBM and create 1988 Mac Classic. However, both worked together on collaboration in 1988 ventures.
  - Result: Gross margins drop to 20% (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 increase a handful of employees to make Mac clones, priced joint ventures w. IBM in 1995. After \$60 million loss (Q3) of 1996, Spindler is replaced.
  - Amelio returns to "Twentieth Price Differentiation" strategy. Mac sales fell due to success of Windows 95. Purchases job's new company Next Software & brings back Jobs as part-time adviser. After \$1.5 billion loss under Amelio & 3% 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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