

An Analysis of Apple's Internationalization Strategy

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Abstract: *With the sustained and rapid growth of the world economy and the gradual increase in the number of consumers of electronic products, Apple Inc has successfully shaped its own brand by means of market positioning, characteristic marketing, etc., improve the recognition and brand recognition of Apple products. Therefore, from the perspective of Apple's value creation strategy, this paper explores the reasons for Apple's success, and further analyzes the positive and negative factors of its value creation strategy. Then it carries on the SWOT analysis to the Apple Inc, analyzes the apple company's strengths and weaknesses as well as meets the opportunity and the challenge, thus further analyzes the apple company's marketing strategy accuracy and the importance, finally proposes the corresponding improvement measure.*

Keywords: *SWOT analysis, internationalization strategy, Apple Inc*

1. Company Profile

Apple is an American High Tech Company, founded on April 1, 1976 by Steve Jobs, Steve Wozniak, Wayne, and others, and named Apple Computer, it changed its name to Apple on Jan. 9, 2007, and was based in Cupertino, Calif., and went public on Dec. 12, 1980. By 2014, the brand had surpassed Google as the world's most valuable brand. Its main businesses include the design, development and sale of consumer electronics, computer software, online services and personal computers.

Apple started out as a developer and marketer of personal computers, but by 2014 it was designing, developing and selling consumer electronics, computer software, online services, and personal computers. Apple's Apple II launched the personal computer revolution at 1970s, and the Macintosh continued to evolve at the 1980s. The company's main hardware products are the MAC family, the Media Player, the iPhone smartphone and the iPad tablet; online services include iCloud, iTunes Store and APP Store; Consumer software includes the OS X and iOS operating systems, the iTunes multimedia browser, the Safari Web Browser, and the iLife and iWork creative and production suites. Apple is world-famous for its innovation in high-tech companies.

In general, Apple's international journey began with the computer revolution it created. Apple revolutionized the personal computer in the 1970s with the Apple II, and the introduction of the Macintosh in the 1980s revolutionized the personal computer. With its innovative and award winning desktop, laptop, MAC OS X operating system, iLife digital lifestyle software and professional applications, Apple has become widely known to its users. Apple has also revolutionized digital music with its leading-market iPod line of portable digital music players and its iTunes online music store.

2. Value Creation Strategies

With sales of high-priced and high-margin products and iTunes, Software, Services, Apple has diversified its profit model to fit the "smile curve" model of Value Creation, that is to say, the realization of the value of Apple products depends on the development and sale of both ends of the value chain. The Product Technology R & D and design in the upper reaches, the marketing and brand services in the lower reaches and so on create more added value, while the production and assembly of parts and components in the middle reaches create less added value, therefore, its hardware manufacturing and product assembly are outsourced to professional manufacturing companies. At the same time, Apple's high-priced products benefit from a unique product and brand image, with a high degree of customer loyalty. In a nutshell, Apple's value creation model includes three components: product development, branding, and the music store plus APP store business model.

The “smile curve” model of value creation is illustrated in the following figure 1.

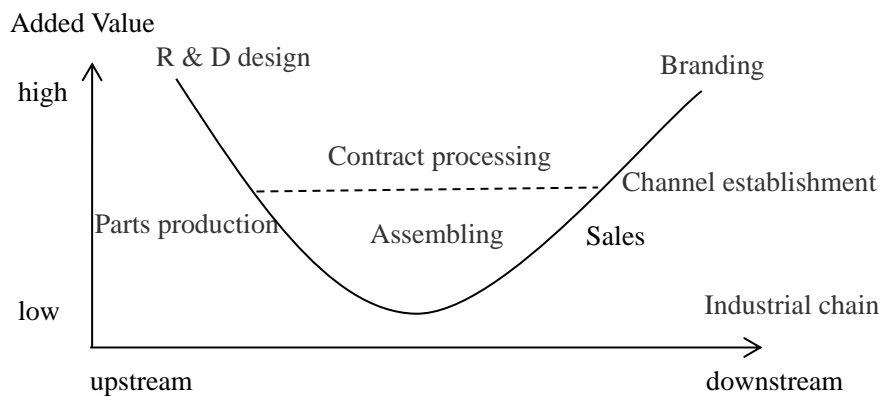


Figure 1: “Smile Curve” model of value creation

2.1 Product Development Based on Customer Experience

Apple’s value creation begins with product development and is characterized by three things.

First, user experience oriented product development. Apple’s design is focused on what the customer wants and needs, how they interact with the product, and how the product communicates a way of life. This ability to fully understand the user’s thoughts and needs allows Apple products to perfectly mimic the logic of a consumer’s mind, often just by touching a button to accomplish the desired function, such as an iPhone, an iPod, etc. , the operating systems on the iPod are extremely simple and life-like.

Second, the goal of technology development is to create unique products. For more than a decade, Apple has won more than 1,000 patents with its World Class R & D team, half as many as Microsoft and 1.5 times as many as Dyer. Rely on excellent team innovation firmly control the overall design and core components R & D. Apple, whether it’s the early Apple I, Apple II, Apple III and Lisa, or the current iPhone, iPad, MAC and iPod lineup, with its leading technology level, user-friendly interface and exquisite appearance design to lead the fashion trend.

Third, the principle of product design is the beauty of the appearance and operation of human-computer interaction. Apple’s product design emphasizes not only the industrial design of the product appearance, but also the human-computer interaction design in the use of the product. With its artsy, alternative look, simple, user friendly, and comfortable human computer interaction, Apple makes each of its products more like a work of art, as well as easy to use and easy to use.

2.2 Apple’s Brand Value and Image

Forbes magazine has published a list of the world’s 100 most valuable brands in 2020, with Apple topping the list for the 10th year in a row with a brand value of \$205.5 billion. Thus, the value of the brand is undoubtedly Apple’s value to achieve another important source. Apple pays attention to the “Normcore” minimalist advertising image, expressing the extreme pursuit of extreme luxury and unique, the pursuit of fashion, enjoyment, innovation, exquisite high-end brand image of the younger generation of consumer groups, the result is a very high Brand loyalty.

Combined with the characteristics of Apple products, we can conclude the formation of Apple brand image path. First of all, Customer Value includes “Happiness, Achievement, Fulfillment, Individuality”. Then Customer Value is divided into three parts: functional benefits, experiential benefits, psychosocial benefits. Functional benefits include efficiency and visual enjoyment. Experiential benefits mean novel, fun and good control. Psychosocial benefits show their fashion and difference. Their overall interaction forms two attributes. One is intrinsic attribute, such as human-computer interaction, touch design, art modeling, high-definition screen, high-definition photography and face time. The other one is extrinsic attribute, such as APPs and brand culture.

2.3 Filling the “Value-Sink-Hole” in the Middle of the Value Chain: The Business Model of the Music Store plus the Software Store

Apple makes huge profits in innovation, research and development, branding and sales. Manufacturing takes the form of outsourcing, with no profit source, in line with the classic “Smile Curve” form of value creation. If that’s the case, Apple’s value creation model is no different from any other consumer electronics. What makes Apple unique, however, is that it has found another way to make money -- as a software store and a music store -- making up for lost manufacturing profits, it fills the “value collapse depression” that it creates in the value chain.

3. The Positive and Negative Factors of the Strategy

3.1 The Positive Factors of the Strategy

As mentioned above, Apple’s value creation process includes three areas: technology development and product design, brand image building, and the music store and APP store business, it shows that Apple has a unique advantage over its competitors in value creation.

3.1.1 The IOS Operating System is Unique and Closed

Apple’s products run on a different operating system than their counterparts in other brands: Mac Os X, the operating system for Mac, is different from the mainstream Windows operating system, the iOS operating system for the iPhone is also different from the android operating system used by other brands. At the same time, the two operating systems are different from Windows and Android in that they are open and closed. The particularity of Apple products is firstly based on the particularity and closure of its system.

3.1.2 Leading Edge in Peripheral Technology and Product Design

As mentioned above, Apple does not master the core technology; its product development is based on deep insight into customer needs and other companies’ core technology, on the basis of which peripheral technology development and product design. But because of its peripheral technology and product design level, still make it obtain huge value-added.

3.1.3 Build a Closed and Win-Win Platform

The music store business model, such as the APP store, is unique to Apple. The operating system is closed, creating a technical barrier that makes it impossible for Apple products to install apps without the system, Apple can’t afford to make so many apps, so it’s encouraging developers to create apps based on its operating system, in part by sharing them with developers, on the other hand for the company to increase revenue.

3.1.4 Low Cost Product Manufacturing

As the above “Smile Curve” model of value creation analysis, we can know when it comes to product manufacturing; Apple uses outsourcing as a model that doesn’t create value.

3.1.5 Maximize Brand Value

In the aspect of brand image building, the uniqueness of Apple’s brand image first benefits from the uniqueness of Apple’s products, that is, the intrinsic and extrinsic attributes of its products, on the basis of which the value of the brand is added, thus obtaining a huge brand premium, it’s also an important source of value for Apple.

3.2 The Negative Factors of the Strategy

As a high-tech Company, it is difficult for Apple to maintain its competitive advantage in the period of R & D Bottleneck. At the same time, based on the saturation of the mobile phone market, how to deal with the increasingly strong competitors; Apple has also brought a series of challenges.

3.2.1 The Advantage of R & D on the Core Technology of the Product Is Weakened

In China, for example, the rise of domestic brands has been the main reason for Apple’s setback in the country, where handset makers have shipped more phones than Apple and Samsung combined for two consecutive quarters. With the continuous and high-efficiency R & D input, the domestic

manufacturers have achieved the global leading in the core technology field and achieved the technological catch-up.

3.2.2 Product Distribution Channels Lose Ground to Local Competitors

Online and offline two-pronged channel deployment has greatly expanded the penetration of domestic brands dimension and depth. In contrast, Apple's offline channels are relatively small and unevenly distributed, with only 34 retail stores opening in China, mainly in first-and second-tier cities. It can be said that there is a serious gap in the deployment of Apple's offline channels; local brands have a sharper market sense.

3.2.3 The High End of the Product Market Share Was Squeezed

More and more domestic manufacturers began to hit the high-end mobile phone market, and gradually change the previous consumer perception of Chinese-made "cheap low-end.". China's mid and high end smartphones are comparable to the iPhone in terms of performance and configuration, but also offer differentiated advantages in terms of user experience, such as OPPO's 16 million megapixel front facing camera, and Huawei's homegrown Haisi Qilin 955 chip, but these phones are cheaper than the iPhone, and some are half the price of the Iphone. As the market concentration of Chinese manufacturers increases further, Apple's market share in the middle and high end will be further squeezed.

3.2.4 The Dominance of Product Patents is Under Threat

Local smartphone makers are stepping up patent construction in an effort to undercut Apple's dominance in the sector. Domestic manufacturers are gradually getting rid of the shackles of price wars, turning their targets to technological research and development, and increasing the intensity of patent applications and patent protection for their products. Some enterprises have already made breakthroughs in core technologies, be Able to develop and produce flagship products at its own pace, such as Huawei in China

Overall, Apple's value creation strategy has more advantages than disadvantages. For now, Apple's dominant position in the international market has been established, and not easily shaken, in the world leading position. Its brand has taken hold, and its products are hard to copy, making it hard for late comers to carve up their market share.

4. SWOT Analysis of Apple

4.1 Strength

First, Apple has early market entry, solid marketing channels, comprehensive financial strength and competitive advantages. Second, Apple has the very high popularity and the high consumer loyalty, with mature experience in marketing operation. Third, the accumulation of brand appeal over the years, with the ability to design high-end fashion products, enough to understand the actual needs of global consumers to design the most in line with consumer preferences. Fourth, the iPod, Macintosh computers, such as the iPod and other star products let Apple get a whole series of sales advantages. Fifth, Apple pays attention to innovation, Apple's characteristic is "Always pursue excellence, constantly surpass themselves, constantly enterprising innovation", has a strong R & D capability.

4.2 Weakness

First, there is low market share of Apple products. Apple's products cost much more than its competitors devices. Some critics argue that the price is not justified. When there's such a fierce competition, Apple products price becomes a weakness because consumers can easily opt for similar quality but lower price products. Second, there are incompatibilities with different OS. The iOS and OS X are quite different from other OS and uses software that is unlike the software used in Microsoft OS. Due to such differences, both in software and hardware, users often choose to stay with their accustomed software and hardware (Microsoft OS and Intel hardware).Third, defects of new products. This is not current Apple's weakness but one that jumps out time to time. Some of Apple's iPod and iPhone releases had clear faults and thus disturbed sales of the products and firm's reputation of superior product performance.

4.3 Opportunity

First, consumer electronic market is huge. As consumers living standard is improving day by day, they are asking for more comfortable and convenient life to help them gain more happiness. This trend provides suitable soil for talented and customer-oriented products such as iPod, iPhone and iPad to gain more profit and consumers' loyalty. Once the product is proved to be the very one that can improve people's satisfaction towards life, the things left for manufacturer are to let people know and broaden market share. Second, emergence of the new provider of application can help Apple Company outsource businesses and lower operating costs. In Asia, especially in China which is called "World Factory", there are many multinational corporations purchasing supporting components or outsourcing assembling line work here. By making good use of product industry chain, they can increase their production efficiency and reduce production costs. Third, many manufactures that can produce large components has emerged. Emergency of a large number of component manufacturers around the world can provide Apple Company more options while deciding the qualified suppliers.

4.4 Threat

First, there are rapid technological changes. One of the most severe threats Apple and the other tech companies are facing is rapid technological change. Companies are under the pressure to release new products faster and faster. The one that cannot keep up with the competition soon fails. Second, there are risks of strong dollar existing. Apple earned more than half of its revenues from outside US. Dollar appreciation against other currencies reduces potential profits from those countries. Third, Android OS growth. Android OS is the main competitor for iOS in mobile device market. The domination of Android decreases iOS power over influencing consumers to join Apple.

Furthermore, combined with the above SWOT analysis, we can further Apple's strategy to draw the following SWOT matrix strength.

SO Strategy: In the growing demand for electronic products, the use of emerging parts manufacturers, get more exquisite parts and exquisite design, create a more high-end brand.

WO Strategy: Take Advantage of emerging component manufacturers to improve the quality of components and reduce costs to reduce prices; on the other hand, the development of high-compatibility system software.

ST Strategy: Use Technology and design to create a more well-known brand, make technology and design more perfect, reduce the threat of high imitation.

WT Strategy: Try to make up for the price disadvantage of the iPhone and reduce the external threat.

5. Recommended Actions

5.1 Continue to Strengthen Their Core Competitive Advantage

Continue to continue to strengthen its own core competitive advantage. On the supply chain side, we will continue to simplify the product line and reduce the difficulty of supply chain management; Concentrate Resources on R & D and design; on the brand marketing side, we will strengthen the brand marketing and continue to build the soft power of Apple's brand culture, continue to expand Apple's experience stores across the country to enhance the user experience and increase consumer loyalty to the brand.

5.2 Strengthen the Cooperation with Universities around the World, And Pay Attention to the Orientation of Talents

As Apple's products are more popular with young consumers around the world, to further expand the brand's influence and reputation, we can cooperate with universities around the world to fund their innovative research projects. Apple could also help the world's younger generation develop a taste for the company by offering online training opportunities, scholarships, and work experiences to students around the world through the launch of the program. Investment in and attention to higher education in various countries can not only select outstanding students for their own use, but also strengthen ties with local research institutions and enterprises across the country to facilitate the expansion of brand

promotion channels.

5.3 Strengthen the Cooperation with Local Enterprises and Expand the Sales Channels

Take China as an example. At present, Apple has only six authorized resellers in China, such as Gome online and Jd.com. It has not cooperated with well-known Chinese online shopping platforms such as Taobao and Suning electric appliance, Apple can learn from Xiaomi's channel model, in the above-mentioned platform to operate direct stores, expand their marketing channels can also raise CPS sales alliance, together with local media partners to promote products to expand product visibility.

5.4. Promote the Apple Brand by Developing Peripheral Products

At present, young consumers are keen to launch co-branded series with well-known brands, such as Starbucks and Disney, in June 2016, Starbucks in Hong Kong, China has teamed up with fashion designer Vivienne Tam to launch accessories such as stainless steel insulation cups, Ceramic double-decker Coffee Cups, reusable bags and mailbox cards. These strong co-branded peripheral products, Starbucks can use the halo effect of co-production to build consumer perception of the quality of their own brand. And Apple, as a high-tech electronic product giant, can also jointly launch related industries, cross-industry peripheral daily necessities, such as U Disk, mouse, mobile phone case, and so on, to help build up Apple's brand association, trigger and enhance consumers' memory, close the distance between consumers and brands, use peripheral products to help brands export brand culture and values, and promote consumers to produce cultural and value identity, so that consumers have a psychological resonance, to build Apple's brand community.

5.5. Strengthen Product Development

In the face of competition and technological catch-up, Apple needs to be more clear about its own personalized characteristics, strengthen the irreplaceable products, focus on the high-end market while preempting the untapped market. In the face of the growing trend of other brands taking market share from the high end of the electronics market, Apple may consider moving to the mid and low end of the market for R & D, targeting consumers at different stages, and adapting to the consumer needs of different electronic products, expand demand for its own products.

In general, these recommendations need to be closely aligned with the company's cash flow to be implemented. In terms of financial strategy, Apple continues to pursue its cash-centric financial strategy, which includes light-asset "Investment Strategy", "leveraged" working capital management and flexible financing strategy, acquire small companies with an advantage in technology to build key resources, integrate value chain resources, maintain competitive advantage to flexibly deal with all risks.

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