



#### Case study

Apple is a US technology company. It makes a variety of products including Apple computers, MP3 players (iPods) and mobile phones (iPhones). Key to its success is its software which powers these products.

The company is at the leading edge of technology. The markets in which it operates, such as computing and mobile phones, are very fast changing. Companies which fail to bring out new products quickly lose sales and in the long term can disappear. For this reason, Apple spends hundreds of millions of pounds each year on design and research development. It has gained a reputation for excellent design. Its products look stylish whilst at the same time being highly functional. The iPod in conjunction with the iTunes website where music can be downloaded, for example, dominates its market because of its stylish looks and ease of use. Effective customer service means that Apple customers are highly loyal, making repeat purchases of company products.

Like any company, Apple has to make a profit to survive. This means providing great value products that customers want to buy at affordable prices. Apple managers are always keeping an eye on costs to help keep those prices affordable. For example, it maximises productivity by ensuring that its workers have the right equipment for the job. It also has plants round the world to take advantage of differences in wage, land costs and taxes between countries. iPods and iPhones are manufactured in China rather than the USA partly because of lower wage costs in China. Apple computers are assembled in Ireland in the town of Cork. Ireland is a highly attractive location to US firms because of low taxes and a highly skilled labour force. It is also inside the European Union which makes exports to other EU countries easier than if products are coming from the USA or China.

The Cork factory was first set up in 1980. It is a highly efficient plant employing the latest manufacturing techniques. For example, where possible, it uses Just In Time (JIT) systems to manage stock. Where stock has to be made and stored, the buffer stock kept is the smallest amount consistent with efficient production.

In the UK, consumers buying Apple products are fully protected by law. For example, under the Sale of Goods Act, consumers have a right to a refund or repair if the product they buy is faulty. Consumers are also protected under the Trade Descriptions Act from any retailer who attempts to mislead

customers about the products it sells – including those from Apple. In addition to these rights, Apple also gives customers a warranty or guarantee.

Source: information from <http://www.businessweek.com> 12.10.2004; <http://www.rgaros.nl> 1996; [www.macobserver.com](http://www.macobserver.com) 19.08.2008

#### Suggested discussion points/answers

- Why is design and research important for Apple?
  - Keep up with market needs
  - Ensure successful sales of a new product
  - Remain competitive and market leader
  - Retain benchmark status (where other firms look to compare its products to the standards set by Apple)
  - Maintain competitive advantage
  - Uphold reputation
- How does Apple control its stock at its Cork factory?
  - Just In Time stock control method
  - Minimised buffer stock
  - Enough stock to maximise productive efficiency
- Why must Apple managers always keep an eye on costs?
  - Lower costs means profit margins can remain good
  - Can pass on savings to consumers as affordable prices
  - Profits can be maintained
  - Helps to manage cash flow
- What could be (a) the financial and (b) legal penalties for Apple if it offered poor quality products?

#### Financial

- Lower sales revenue
- Lower profits
- Less repeat business
- Loss of revenue to develop new products

#### Legal

- Apple may be fined for misleading the consumer
- Rights to repair may not be given leading to legal action under the Sale of Goods Act