Apple Computer 1992 Essay, Research Paper

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Apple Computer set about in the early 1990s to achieve the revolutionary goal of

de-commoditizing the $50 billion computer industry. The established task was not an easy one but one that Apple had to undertake, as the last large remaining proprietary computer company, in order to remain competitive, and even solvent, in the increasingly cutthroat computer industry.

Apple s computers had always been regarded as technologically superior to Wintel computers but, as the case demonstrates, these differences had dramatically decreased over time. In conjunction with the lower product differentiation aspect, Apple faced competitive pressures on both its price structure and its distribution practices. CEO John Sculley correctly identified the need for Apple to undertake drastic changes.

Sculley s ambitious plan was a repositioning of Apple s entire business. It began with a new lower-priced line of computers designed to increase Apple s market share. This strategy was successful in increasing the share which, in theory, should have increased the incentive for software manufacturers to write applications for the Apple platform. To complement the lower end sales, Sculley wanted to increase hit products that could rapidly generate revenue. This seems to demonstrate that Apple had learned from its fiasco in its earlier attempts at overworking the portable computer but it would still be a hard road to successfully and consistently follow.

The greatest detriment to Apple s long-term financial health was its dedication to an expensive in-house production methodology that reduced the company s flexibility, absorbed above industry-average amounts of R&D capital and added to the cost of practically every computer component. The success of Sculley s attempts at increasing outsourcing and reducing the reliance on sole manufacturers would in turn help define Apple s financial success. The end of the not invented here mentality would also mean alliances with other computer and software companies and joint ventures to help defray costs and to move the company forward on cutting-edge technology which could help with its product differentiation.

One true error of Sculley s was his plan, mentioned briefly at the end of the case, to license Apple s GUI. The emulation of Microsoft s operating plan of placing software over hardware would come too late to alter the market and logically would leave Apple open to cannibalization of its own product-line. The goal was once again to increase market share in order to encourage software companies to produce applications for the platform but it should have been clear that Apple was not ready for the competitive pressures this move would entail. Apple s expensive in-house production style had not been materially altered to such an extent that it could compete with low-priced clones and the move also reduced the product differentiation that Apple had utilized to justify its higher prices.

Overall, Sculley did correctly identify the impediments to Apple s growth and did try to address them in the constrained industry environment of the early 1990s. The marketing mix that he introduced, while not consistently successful, did move Apple towards its current bout of financial success and increased market share.