



Cost reduction strategies used by Apple Inc and its impact on profit growth

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Abstract: *Apple Inc. has consistently demonstrated remarkable financial success, and this research aims to uncover the key factors and nuanced strategies that have fueled its growth. This study explores the cost reduction strategies employed by Apple Inc., which have played a significant role in making the company one of the most profitable in the world. By analyzing the techniques and strategic approaches used by Apple to maintain effective cost control, the study offers insights into how businesses can navigate economic uncertainty and sustain profitability. Apple's supply chain management, which is a vital part of its cost-cutting and operational efficiency initiatives, receives special attention. This analysis serves as a valuable resource for businesses seeking to enhance their financial performance through effective cost management and innovation.*

Key Words: *Financial success, operational efficiency , profitability, cost-saving measures.*

1. INTRODUCTION:

Apple computer [now Apple Inc] was established by Steve jobs , Steve Wozniak , Ronald Wayne on April 1, 1976. They first introduced Apple I microcomputer which had mother board with CPU, RAM and basic textual – video chips. Ronald was the first one design the logo of the Apple computer. The Apple 1 retailed for \$666.66 when it first went on sale in July 1976. After the couple of weeks Wayne left the company . During 1990s the market share of apple was declining as that was the period of financial struggles due to internal conflicts and challenges. So Steve jobs departed from in 1985. Again Jobs regained the position of CEO in 1997 which gave a remarkable success over the years.

Apple Inc. was established on January 3rd, 1977. Mike Markkula, one of the multimillionaire, has a one-third stake in the business. The groundbreaking spreadsheet and calculation software that Wozniak included with the 1977 debut of the Apple II series helped increase the company's yearly sales from \$775,000 to \$118 million between September 1977 and September 1980. It known as the first mass-market personal computer .As the years pass by they started to introduce their iconic products such as iphone, imac, ipod, iOS , itune and app store.

On January 9, 2007, the iPhone made its premiere at the Macworld Expo .Jobs also renamed the Apple Computer, Inc would thereafter be called Apple Inc. as the it had expanded its scope to consumer electronics as well. In order to provide third-party software for the iPhone and iPod Touch, Apple launched the App Store in July 2008.

Finally Steve Jobs resigned his position as CEO as health did not support him on August 24, 2011, and was replaced by Tim Cook. Unfortunately jobs passed away on October 5, 2011 which had a huge set back for apple inc. Tim Cook , who became the new CEO and continued to lead Apple.

Tim Cook oversaw Apple's continued growth. In 2015, they introduced new devices such as the Apple Watch, a wrist worn tiny computer. It can display messages, record your movements, and even make phone calls. They also produced the incredibly user- friendly wireless earphones known as AirPods, which work with iPhones and other Apple products. Apple began concentrating on services as well as goods.

They also introduced airpods , which was wireless earphones so that it can be connected with Iphones and other Apple devices .To expand its business it also focused on providing the services and not just gadgets .They made Apple TV+ for streaming movies and shows, Apple Arcade for playing games, and Apple News+ for reading news and magazines which helps many people in digital lives .Apple Inc is known for its privacy and environment, they work hard to maintain high security to protect personal information and they also try to make their operations run on recyclable and renewable products .



Over time, Apple has encountered several obstacles, including rivalry from other manufacturers of computers and smartphones as well as legal disputes regarding its management of the App Store. Millions of individuals utilize their products on a daily basis, and they operate storefronts in numerous nations. Apple's narrative demonstrates how a modest concept in a garage can become into a global phenomenon. It's a tale of inventiveness, tenacity, and the ability of technology to improve lives.

2. LITERATURE REVIEW:

Letícia da Sila ,sep 2023 ,A study on Apple and its actions in retail marketing Letícia da Sila,,sep 2023. The exploration shows us how Apple sells its products and how this affects the business world. This research studies Apple's setup and sales methods like store layout and customer service. The study used a deep dive into books and articles to learn about the strategies used by Apple. The outcome of the research help other companies learn from Apple's success.

Tushar Goyal , Prof. Himanshi Gaur “A Study on Marketing Strategies of Apple” ,Apple was started in 1976 and now makes lots of products like iPhones and iPads. They sell their products in their own shops and online, and they try to be creative and good for the planet in other words eco friendly . But some people don't like how they make things in China. They have a plan to sell their products better and stay ahead of other companies, and be on the top of the race even though they charge more while compared to other competitors.

Ninad Hiremath, Nimisha Gupta. July – 2022 “Strategies used by Apple to Increase Customer Base” , Apple usually tops their business because of the security and designs of their products . They also shoot strong ads that people won't forget easily . Apple makes sure all their devices work together, which customers like. People keep coming back to buy apple products because they trust the brand, even though the price of their products are high while compared to other companies . All of this keeps Apple on top in their field .

Strategic Analysis of Apple Inc, Brian Masi, Apple is known for their top quality and design but will have tough competition, to be on the top in the market as apple requires constant innovation . The legacy of Steve Jobs still influences Apple's drive for pushing boundaries, while its premium pricing strategy poses both strengths and challenges in a competitive market. To stay in the market and sustain growth, Apple must balance shareholder expectations with a focus on innovation and expanding into emerging markets throughout the world. The ability of the company to adapt to changing market dynamics will be crucial for the success of the company in the future.

Apple Inc. industry analysis business policy and strategy, Abdulla Aljafari, 2016 ,Apple was founded in 1976, It is a popular complaint known for its high performance, quality and good looking products like iPhones, Macs, iPads , etc. Apple was started as a computer company but has expanded into various products and opened retail stores for a better customer experience. The tech market is competitive, with customers having a lot of choices and which makes the competition, pushing Apple to innovate and price products properly . Apple stands out by making both the hardware and software for its devices which makes them unique and attract customers buy their products.

Bankole, Bamidele Ayotunde , 2022/2023 ,“Pricing Strategy and Market Leadership: A Roadmap for Apple Inc”.This research is about generally businesses want to make a lot of money by controlling costs and setting prices at proper rates . Basics when starting a business ,we should decide how much the product and services should be charged which is very important .Apple does well by making cool products which has really good quality, so they are charging high prices. To help Apple keep performing well in their business , they should focus on showing customers how valuable their products are. They can use smart pricing strategies to keep earning profits and stay on top in the market and compete with other competitors . So, for Apple to keep being successful, they need to think about how much they charge, how customers see their brand, and what customers think their products are worth.

3. OBJECTIVES:

- To examine about various strategies used by the apple inc such as the skimming pricing strategy, supply chain management , lean manufacturing , etc .
- To find out the effect of cost reduction strategies of apple company that they implemented which resulted on the profitability growth .

4.SIGNIFICANCE OF STUDY:

This study provides the insight of ideas about how apple inc is able to manage the costs which enhances its financial performance . so from these ideas other organisation can also implement it in their company .When the cost is reduced it helps the company to use that resource as a investment in the ventures which helps in innovation and growth , that drives them a sustained growth in long term. In this dynamic market environment, it is vital for every company to be competitive to survive in this world which can only be achieved by cost leadership or differentiation .



5. RESEARCH METHOD:

This research is a qualitative study. The primary source of data are research papers, articles, blogs which includes descriptive, applied and exploratory approach .

6. RESULT / FINDINGS:

A well-known American global technology company, Apple Inc. has its headquarters in Cupertino, California .Apple is the largest and reputed technology company by revenue, totalling US\$394.3 billion in 2022. As of March 2023, Apple is the world's biggest company by market capitalization (Market Cap, 2023). As of June 2022, Apple is considered fourth-largest personal computer vendor by unit sales and the second-largest mobile phone manufacturer (Press Release, 2022), Along with Alphabet (known for Google), Amazon, Meta (known for Facebook), and Microsoft, it is one of the Big Five rival American IT corporations.

The United States is the primary market for the Apple brand. Nonetheless, Japan is dominating the world in iPhone users, accounting for 70% of the market (Finances Online, 2020). According to Oberlo (2023), with 27.63% of users, Apple leads the global smartphone user leader board. However, Android holds 80% of the market in the operating system. It might be because, in contrast to Android, which has a free and open usage policy, Apple has complete control over the distribution of its iOS. Hixon (2014) categorized users of iPhones and Android phones based on their age, household income, level of education, level of familiarity with technology news, and whether or not they have a device addiction. The result summarized in the table below:

TABLE 6.1

	iPhone	Android
Education Status: Ph.D	27%	80%
Household Income	>\$100,000	~\$50,000
Age	Insignificant	
Current Occupation	38%: Professional / Managerial 31%: Operation/Sales	50%: Computer / Technical / Medical
Tech Savvy	22%	37%
Addiction to Device	67%	39%

Hixon (2014): iPhone vs. Android Users

Supply chain management:

A highly effective and strictly regulated system, Apple's supply chain management allows the corporation to ship high-quality goods all over the world. In-house product design and proprietary technology development are the first steps, and then worldwide suppliers like TSMC and Foxconn are carefully chosen. Apple assembles its goods using contract manufacturing, mostly in Asia, while upholding high standards of quality. To cut expenses and waste, the business employs lean logistics and just-in-time inventory. A combination of physical storefronts, internet platforms, and outside partners are used to manage global distribution. Apple prioritizes environmental and ethical sourcing while keeping a careful eye on supplier performance. To keep ahead of demand, it makes significant investments in automation, innovation, and predictive analytics. Apple's supply chain backs up its brand promise of high-end goods and prompt releases. All things considered, design, production, logistics, and customer experience are all seamlessly integrated.

Skimming pricing strategy: Since middle-class and upper-class individuals make up Apple's target market, the company chooses to set its prices high. In Q4 2019, Xiaomi and Huawei sold smartphones for an average of \$220 and \$391, respectively, whereas Apple's smartphones sold for an average of \$5,748. Counterpoint claims that the high price did not deter sales. In the same time frame, Apple sold about 72 million smartphones worldwide and held an 18% market share, while Huawei and Xiaomi sold 56 million and 33 million handsets, respectively, with market shares of only 15% and 9%. The iPhone has been marketed exclusively through AT&T outlets which follows a bidding war between the two main US mobile subscribers Cingular (now AT&T) and Verizon (West and Mace 11) . Under this deal,



the purchase was restricted to Apple and AT&T stores, excluding out third party AT&T stores like Best Buy and Radio Shack (West and Mace 11).As a result, they use their agreements to maximize their earnings.This approach was also favoured by operators who realized the value of possessing the high end communication device with exclusive distribution rights for extended periods of time. Operators who understood the benefits of owning the luxury communication equipment with the exclusive right to distribute it for a long time also supported this strategy.

Layoffs : Apple implements fresh tactics to reduce expenditure under economic instability, as rivals such as Meta and Google undergo workforce reductions. In an effort to conserve money in the face of economic uncertainty, Apple is reportedly implementing cost-cutting initiatives throughout the organization, such as changing employee bonuses and lowering travel expenses, according to a Bloomberg article. The corporation is also keeping an eye on the attendance of remote workers . The company's human resources division also keeps track of how frequently workers visit the office as opposed to working from home.

Although it has let go of certain contractors, Apple has managed to prevent internal layoffs in spite of these cost-cutting initiatives. Meta, meantime, revealed that it is cutting off a further 10,000 employees, marking the company's second round of significant job losses .The company's human resources division also keeps track of how frequently workers visit the office as opposed to working from home. Although it has let go of certain contractors, Apple has managed to prevent internal layoffs in spite of these cost-cutting initiatives. Meta, meantime, revealed that it is cutting off a further 10,000 employees, marking the company's second round of significant job losses.

Lean manufacturing: Apple Inc. strategically utilizes lean manufacturing principles to lower costs and enhance operational efficiency. By using Just-in-Time (JIT) inventory management, the business avoids overproduction and lowers storage needs. It collaborates with a select group of dependable suppliers to simplify procurement and secure favorable pricing. The use of automation and robotics in manufacturing helps reduce labour expenses and improve accuracy. Apple's product designs often incorporate standardized components, streamlining the production process. Effective demand forecasting ensures production aligns closely with consumer needs, minimizing waste. The company also recycles materials, such as aluminum, to cut raw material costs. Cost savings are further supported by lean methods that enhance energy efficiency and eliminate waste. Apple promotes continuous improvement, or Kaizen, to constantly enhance its operations. Together, these strategies enable Apple to sustain strong profit margins while delivering top-quality products.

7. DISCUSSION / ANALYSIS:

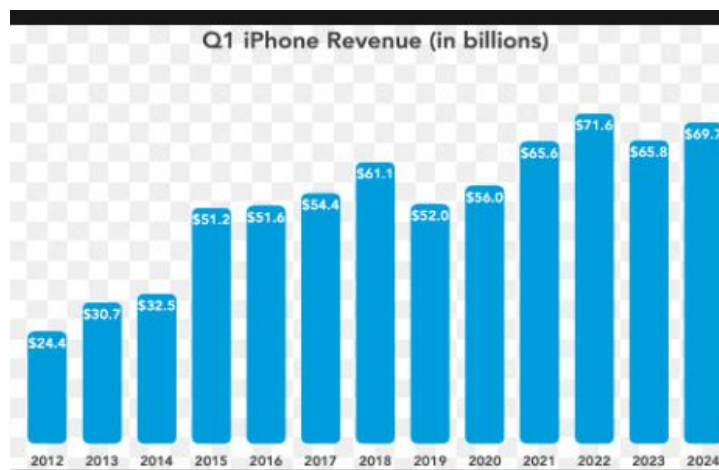


Figure 1

According to fig 1 , Despite falling short of the 2022 record high, Apple's iPhone sales of \$69.7 billion were a 6% increase over 2024. Apple claimed that its customer satisfaction rate reached 99% and that the number of iPhone upgraders achieved an all-time high, despite the fact that the iPhone 15 series featured a very slight evolutionary advance.

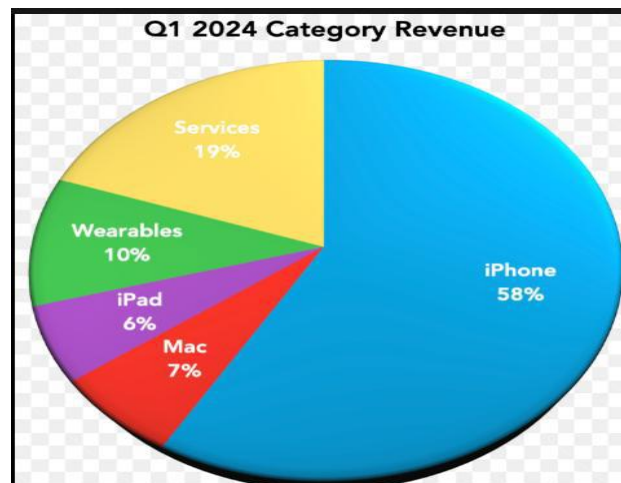


Figure 2

According to fig .2 ,Reporting on its Q1 2024 financial results, Apple has announced profits of \$33.9 billion (\$2.18 per diluted share) on revenues of \$119.6 billion. The company saw a 16% increase in profits and a 2% increase in revenues from the same quarter last year. In contrast to the 14 weeks of activity in the first quarter of last year, Apple executives made a point of pointing out that the results for this quarter were based on 13 weeks of activity. The numbers represent Q1 2024 Apple's second-highest quarter ever in terms of both revenues and profits, behind only Q1 2022. This is fantastic news considering the four fiscal quarters of small revenue reductions in 2023. In the quarterly revenue pie chart, the largest wedges were once again the iPhone, which accounted for 58% of Apple's revenues, and Services, which established a record and accounted for 19% of the quarter's revenue.

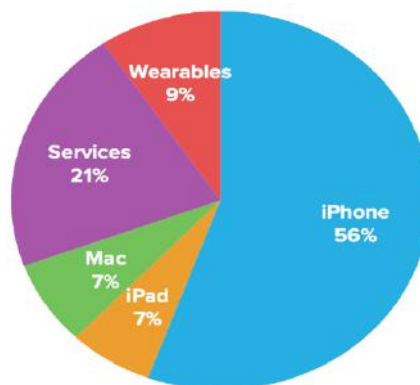


Figure 3 , Source: Apple disclosures, January 30,2025

According to fig.3 , The iPhone, which made up 56% of Apple's revenues, and Services, which set a record and contributed 21% of the quarter's revenue, were once again the biggest wedges in the quarterly revenue pie chart. Together, the two categories contributed 77%. Wearables fell, making up 1% less of the pie than they did the previous year, while the Mac and iPad maintained their position in the remaining categories at roughly 7% of the mix.

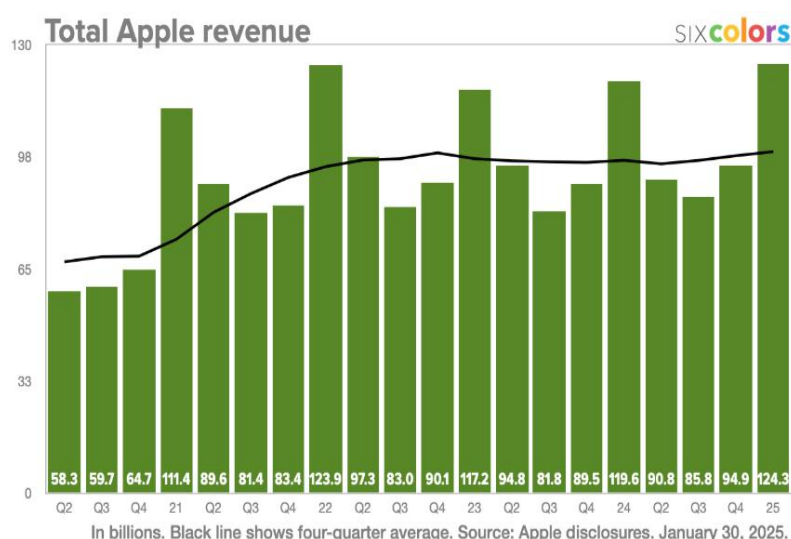


Figure .4

Fig .4 shows Apple Inc is growing tremendously as it records highest revenue in Jan 2025 having 124.3 billions breaking the record of 2022.

8. CONCLUSION:

Any profit-oriented organization's primary goals are to turn a profit, grow its capacity, and raise dividends to shareholders. To accomplish this goal, businesses work to minimize expenses while maximizing earnings. Generally speaking, companies aim to maximize profits by keeping expenses under control and establishing appropriate prices. Basics when starting a business, we should decide how much the product and services should be charged which is very important. Apple does well by making cool products which has really good quality, so they are charging high prices. To help Apple keep performing well in their business, they should focus on showing customers how valuable their products are. They can use smart pricing strategies to keep earning profits and stay on top in the market and compete with other competitors. So, for Apple to keep being successful, they need to think about how much they charge, how customers see their brand, and what customers think their products are worth. Based on the data collected from various research papers, journals, blogs etc, it is clearly evident Apple is so successful is because they think about the design a lot. They want their products to not just work well but also look good which usually attracts people towards their products. People like that, and it makes them to buy Apple products. Apple keeps its products up to date with the latest technology. They're always trying to make their devices thinner, faster, and with better screens and cameras. Apple has also faced many criticism as may people cant afford as its is very much expensive. Others say they don't like how Apple controls the App Store, deciding which apps can be there but the reason apple do so is for security reasons. Even after going through all these things, As of today Apple tops in their field and do their best to attract customers towards them.

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