



Value Creation and Value Capture: Analysis of Apple Company

Thi Ngoc Thuy Doan¹, Huu Hao Nguyen²

^{1,2} Faculty of Economics and Business, Hoa Sen University, Vietnam

ABSTRACT: Apple Inc. is a global technology business headquartered in Cupertino, California. It is a leader in consumer devices, software, and internet services. Their success has been attributed to a variety of factors. One of them is the way Apple has created and captured values. The case study uses the 30 “elements of value” framework from Almquist, Senior, & Bloch (2016)’s outstanding paper “*The Elements of Value: Measuring and Delivering What Consumers Really Want*” to analyze the values that Apple has created and captured. Each element will be investigated on three components: “use value”, “exchange value”, and “value capture”. The results show that in the case of Apple, the most disguising values come from two products/services: (i) iPhone, and (ii) Apple App Store.

KEYWORDS: Apple, Elements of Value, Exchange Value, Use Value, Value Capture.

INTRODUCTION

Apple Inc., based in Cupertino, California, is a multinational technology company that specializes in consumer electronics, software, and internet services. Apple is the world's most valuable company (as of January 2021), the fourth-largest personal computer seller, and the second-largest maker of mobile phones. As well as Alphabet, Amazon, Meta, and Microsoft, it's one of the Big Five American tech companies (Apple, 2022).

Steve Jobs, Steve Wozniak, and Ronald Wayne founded Apple Computer Company on April 1, 1976, to construct and sell Wozniak's Apple I personal computer. Apple's initial public offering (IPO) in 1980 was a financial success right away. The company went on to develop new computers with ground-breaking graphical user interfaces, including the first Macintosh, which was introduced in Ridley Scott's critically acclaimed film "1984". Because of rising costs and struggles inside the corporation, the company was in trouble by 1985. Apple's Wozniak and Jobs parted ways amicably, with Jobs going on to start NeXT and taking numerous Apple colleagues with him (Apple, 2022).

At a time when the personal computer industry was expanding and changing, Apple was losing market share to the Microsoft Windows operating system duopoly on Intel-based PC replicas during the 1990s (also known as "Wintel"). NeXT was bought by Apple in 1997, only a few weeks before the firm declared bankruptcy, in an attempt to improve the company's operating system strategy and bring back Steve Jobs. During the next 10 years, Jobs used a variety of strategies to bring Apple back to profitability. These included critical praise for the iMac and iPod as well as the iPhone and iPad. Jobs also launched memorable advertising campaigns, set up the Apple Store retail chain, and bought a lot of other companies to diversify the company's product line. Jobs resigned from his job in 2011 because he was worried about his health. He died two months after that. Tim Cook took over as CEO after him (Apple, 2022).

Apple became the first publicly-traded company in the United States to be worth more than \$1 trillion in August 2018. In August 2020, it was worth \$2 trillion, and in January 2022, it was worth \$3 trillion (Apple, 2022).

Given the success of Apple in being the most valuable corporation in the world, this case study aims to use the 30 “elements of value” framework from Almquist, Senior, & Bloch (2016)’s outstanding paper “*The Elements of Value: Measuring and Delivering What Consumers Really Want*” to analyze the values that Apple have created and captured.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Every company's values need to be at the center of everything it does. What your company stands for, your ideas or philosophy, and your purpose for existing are all referred to as core values. Theoretically, Bowman and Ambrosini (2000) proposed the definitions for "use value," "exchange value," and "value capture," which they described as follows.



Use value: This term refers to the distinctive characteristics of a product that buyers perceive in connection to their needs: for example, the acceleration and style of a car, the taste and texture of an apple, and so on. As a result, judgments on use value are subjective in nature, and they are specific to the particular customer. In other words, use value is determined by how the client perceives it.

According to Almquist, Senior, & Bloch (2016) in the outstanding paper “*The Elements of Value: Measuring and Delivering What Consumers Really Want*”, there are 30 “elements of value” of products/services which are relevant to four distinct types of consumer requirements: “Functional, Emotional, Life changing, Social impact”. These characteristics, when integrated in the most effective way, will improve client loyalty and revenue growth.

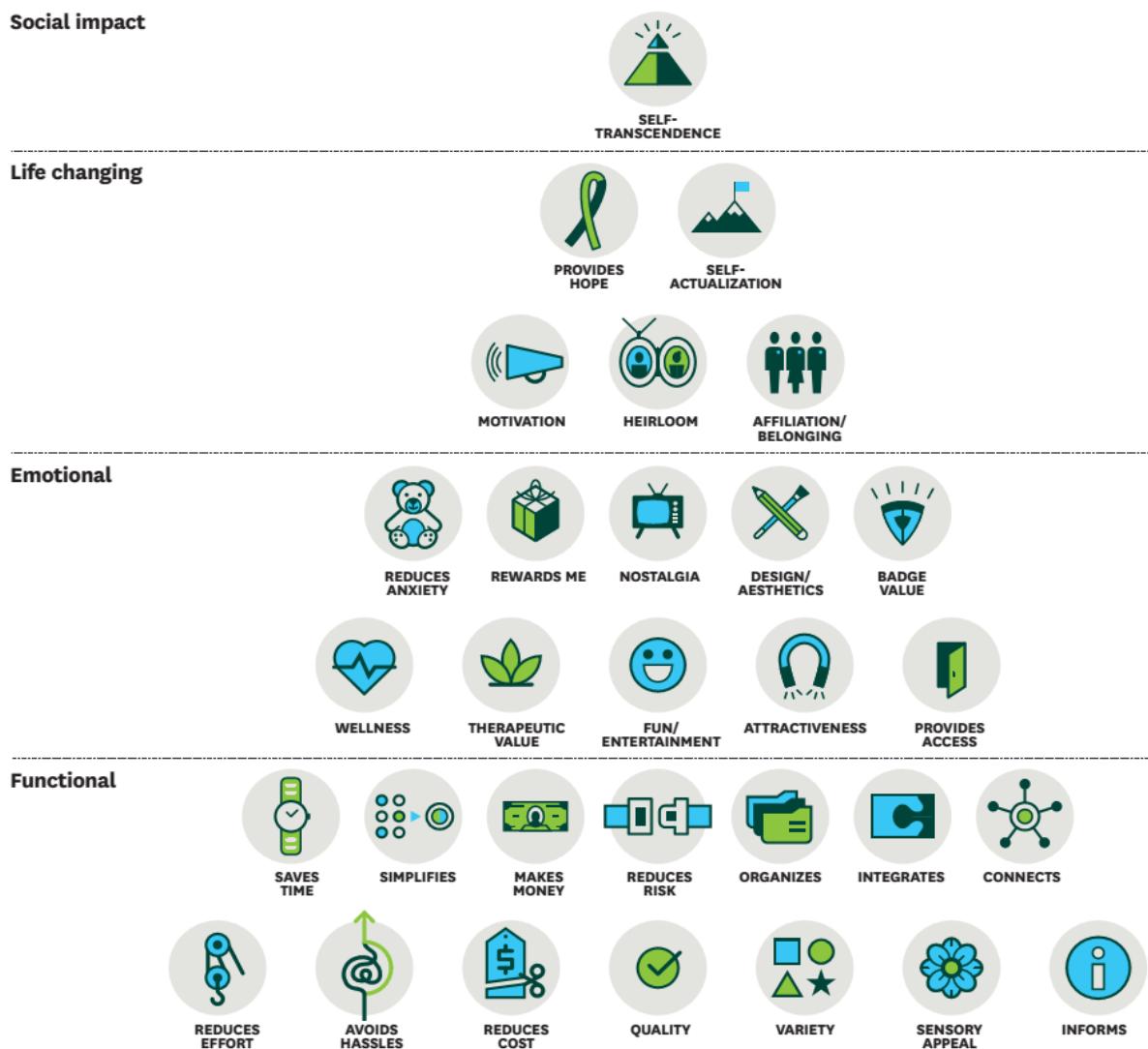


Figure 1. The Elements of Value Pyramid

Source: Almquist, E., Senior, J., Bloch, N. (2016). *The Elements of Value: Measuring and Delivering What Consumers Really Want*. Harvard Business Review, 47-53.

Exchange value: refers to the cost of the item. It is the sum given by the buyer to the seller in exchange for the use value.

Value capture: is determined by the negotiating ties that exist between buyers and sellers when it comes to economic players (companies, customers, resource providers, and labor).



RESEARCH METHODS

The case study will use the 30 “elements of value” framework from Almquist, Senior, & Bloch (2016)’s outstanding paper “*The Elements of Value: Measuring and Delivering What Consumers Really Want*” to analyze the values that Apple has created and captured. Each element will be investigated on three components: “use value”, “exchange value”, and “value capture”, with detailed, reliable, and updated evidence.

CASE ANALYSIS

In the case of Apple, the most disguising values come from two products/services: (i) iPhone, and (ii) Apple App Store.

iPhone

Apple's iPhone is a brand of cellphones that was created and marketed by the company. The iPhone is powered by Apple's iOS mobile operating system software, which is available on all models of the device. The first-generation iPhone was introduced on June 29, 2007, and since then, many new hardware variants have been produced in conjunction with new iOS updates. Globally, there are around 750 million iPhone users, with approximately 82 percent of teens in the United States already owning one (Digital Trends, 2018; Dilger, 2018).

a. Use value

Following the framework proposed by Almquist et al. (2016), the use values are that iPhone can satisfy Functional, Emotional, Life changing, Social impact need significantly. Some distinguishing use values are presented as follows.

Functional

Quality: iPhone has excellent quality in both hardware and software. Because Apple is the only company that manufactures iPhones, the corporation has complete control over how the software and the hardware interact with each other. On the other side, Google licenses the Android operating system to a broad variety of phone makers, including Samsung, HTC, LG, and Motorola. A wide variety of sizes, weights, functions, and overall quality are therefore available for Android-based smartphones, and many Android smartphones are low-end products. As a result, the user experience will be the greatest when using iPhones.

Integrates: In addition to their smartphone, the majority of individuals utilize a tablet, computer, or wearable device. Apple provides a more uniform and integrated experience. Due to the fact that Apple also produces PCs, tablets, and watches, it has access to features that Android does not. We can unlock our Mac using an Apple Watch, start drafting an email on our iPhone while we are walking, and finish it on our Mac at home utilizing the Continuity capabilities of Apple's iOS. Furthermore, the functions of word-processing machines, cameras, calculators, watches, etc. are integrated into a single iPhone, which also helps “simplifies” our life.

Connects: iPhones help connect with the “Network effects¹” when there are more and more people using iPhones. There are around 750 million iPhone users worldwide and nearly 82% of U.S. teens now own an iPhone (Digital Trends, 2018; Dilger, 2018). With this huge community, we can use Facetime to talk with each other easily and freely, using iMessage to send messages to each other easily and freely.

Saves time: iPhones help save time a lot for us. We can use iPhones to make phone calls everywhere to solve our work-related business (We do not have to rush to cable phones when we want to make a phone call). We can check emails on iPhones (We do not have to use desktops or bring heavy laptops with us to check emails). We can take photos of high quality and send them directly to our friends/co-workers via the internet almost immediately.

Emotional

Fun/entertainment: With iPhones, we can access the whole world of entertainment easily. We can watch films, and clips in the internet. We can play thousands of games downloaded from the App Store. We can listen to music both online and offline.

Attractiveness/design/aesthetics: In the eyes of many, an iPhone is a status symbol. Most individuals buy iPhones because they want to feel as though they possess a high-end device, and in some cases, it is their sole high-end device. Additionally, iPhones have a very beautiful design.

¹ The favorable impact that one user has on the value of a product or service for other users. The more people who utilize a product or service, the more valuable it becomes because to the phenomenon known as "network effects." (Rothaermel, 2017).



Life changing

Self-actualization²: We "Think Different" when we use an iPhone, as the well-known advertising slogan goes. Using our iPhones to communicate with others can help us improve our talents and become a better person. An iPhone in the hand of a businessman gives him the tools to make contacts and build his business.

Social impact

Self-transcendence³: With an iPhone, we can overcome the limits of ourselves. For example, we can work harder with the utility applications (we can better manage our time, our work schedule, etc.). The results may go beyond our normal threshold (without an iPhone).

b. Exchange value

The price is what is meant by the exchange value. It is the sum given by the purchaser to the seller as compensation for the seller's use of the property. Because of iPhones' excellent use values, customers are willing to pay to obtain an iPhone. Although iPhones are positioned as high-end smartphones, millions of people still pay for them. Currently, the price for iPhone X (64 GB) is around \$900, iPhone XR (around \$750), iPhone Xs (64 GB) (around \$980), iPhone Xs Max (512 GB) (more than \$1550).

c. Value capture

Apple has captured values created by iPhone with the iPhone revenue of more than \$36 billion in the fourth quarter of 2018 (Molla, 2019). iPhone revenue reached \$166,7 billion in 2018, accounting for about 63% of Apple's total revenue in 2018.

Apple iPhone vs. services revenue

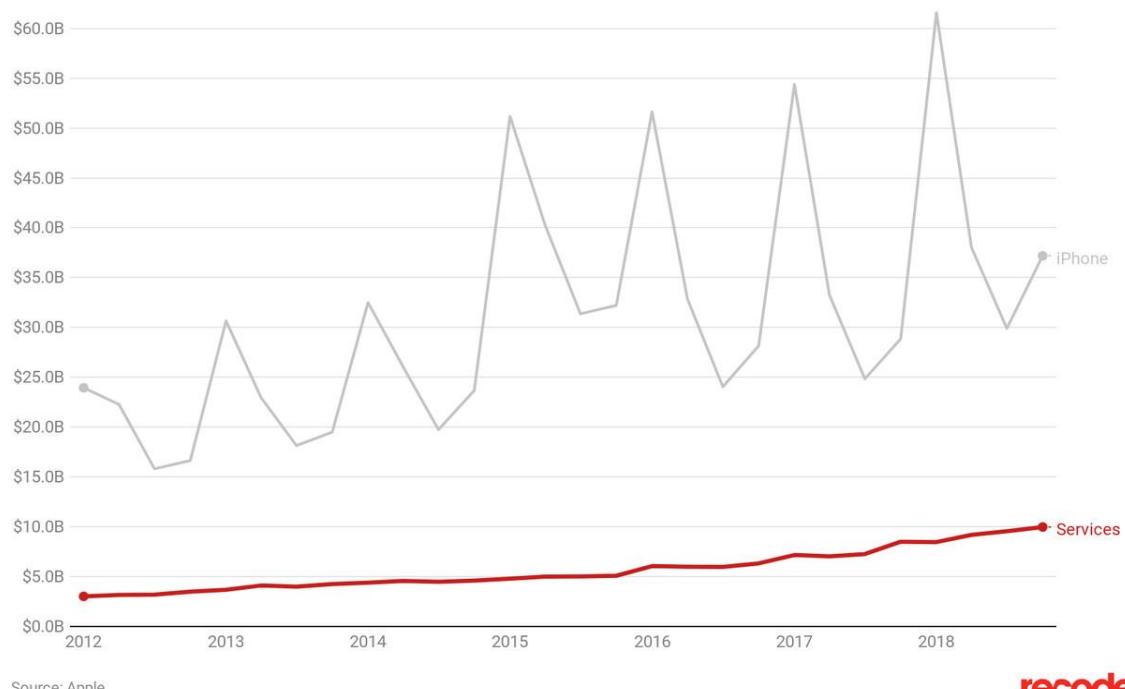


Figure 2. iPhone revenue (quarterly)

Source: <https://www.recode.net/2019/1/7/18172284/apple-iphone-revenue-chart>

² The individual's drive for self-fulfillment, or the urge for him to realize his potential. The desire to become more and more of who you are may be described as the drive to become all that you can be.

³ the ability to transcend one's own limitations and wants in order to engage in spiritual reflection and realization.

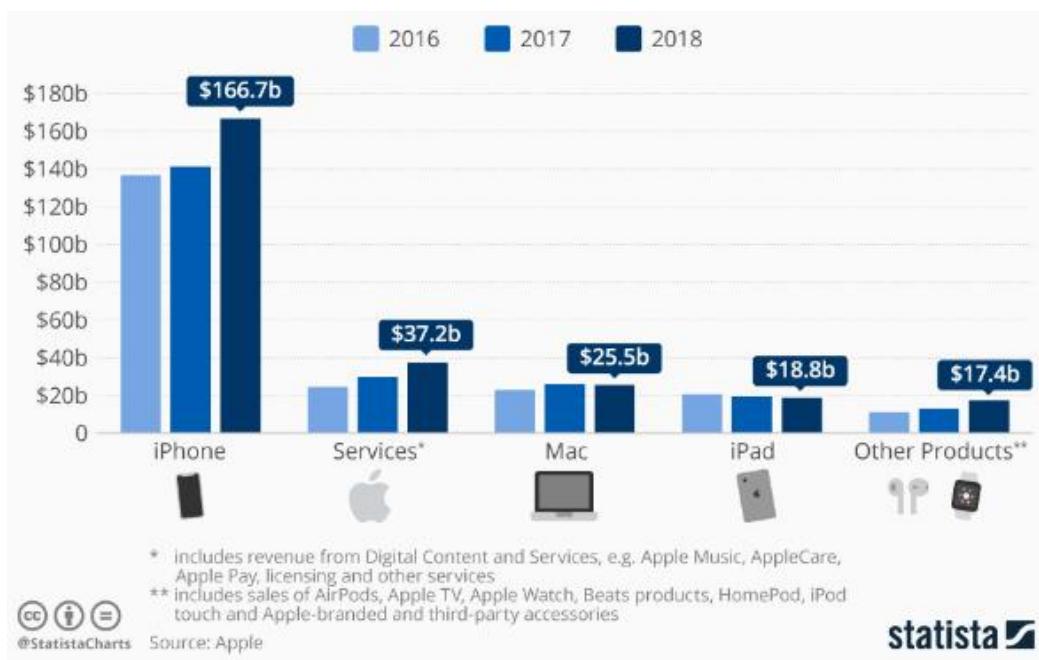


Figure 3. iPhone revenue in comparison with other products/services

Source: <https://www.statista.com/chart/13710/apple-revenue-by-product-group/>

Apple App Store

A digital distribution network for mobile applications created and managed by Apple, the App Store serves as a central repository for iOS software. Apps created using Apple's iOS software development kit may be found in the store and downloaded by customers. On the iPhone smartphone, applications can be downloaded. iPhone apps can also be used on MacBook, and Apple TVs as extensions of the iPod Touch or iPad. On July 10th, 2008, the App Store officially launched with 500 apps. App Store had around 2.1 million applications as of 2017.

a. Use value

Following the framework proposed by Almquist et al. (2016), the use values are that Apple App Store can satisfy Functional, Emotional, Life changing, Social impact need significantly. Some distinguishing use values are presented as follows.

Functional

Quality: The quality of apps in Apple App Store is very high. All apps are checked by Apple for security so that no app contains viruses/spywares. The developers always try to update the latest functions for their apps so that they can be downloaded more and more. Almost all famous softwares for PCs/laptops are also available in the Apple App Store such as Microsoft Office, Adobe reader, etc.

Integrates: Using the apps from Apple App Store, we can integrate work/study via many devices. For example, we can use iCloud, Apple's online storage. The service had 782 million users as of February 2016. Users of the iCloud service can store data like documents, photos, and music on remote servers that can be downloaded to iOS, macOS, or Windows devices. They can also share and send data to other users, and they can manage their Apple devices if they're lost or stolen, so they can find them and get them back.

Emotional

Fun/entertainment: There is a variety of apps for fun/entertainment available in the Apple App Store. For example, if we want to watch movies/TV, we can use Netflix/HBO Now/Amazon Prime Video apps. If we want to play games, there are Pubg mobile/Rules of Survival/Rise Up apps. If we want to listen to music, there are Spotify/Apple Music apps. The whole world of entertainment is available in Apple App Store.



Life changing

Self-actualization: Using a variety of apps, we can complete our work/study targets successfully. For example, we can use web browsers (such as Safari, Firefox, etc.) to access internet resources valuable for our work/study. We can use project management and planning apps like Wrike to complete business projects that require much collaboration among employees. Wrike's primary hub enables us to create and assign projects, participate in task conversations, and attach files and photographs that we have on our phones and tablets. Using its direct messaging tools, we can even snap images of chores and share them with our coworkers quickly, as well as remain on top of the dialogue.

Social impact

Self-transcendence: With a variety of apps, we can even overcome the limits of ourselves. For example, we need the motivation to overcome current problems/challenges. However, motivation can be hard to come by. Motivational apps solve that problem. In just a few minutes, these apps will help us gather motivation and prepare us to overcome the limits of ourselves. One app is named "Motivate". This software demonstrates how to live a life that is more motivated, focused, and inspired. Thousands of chosen motivating films from the world's greatest gurus will refuel our minds. With background play, we can listen while we're out and about, and with configurable alerts, we can establish a routine. Motivate gives an extra boost to get us to overcome challenges. Another app is named "ThinkUp". ThinkUp helps us maintain an optimistic frame of mind. These uplifting statements help us cultivate a more optimistic outlook in our daily lives. We'll videotape ourselves uttering the app's recommended affirmations or our custom ones. To improve our performance, we just need to listen to them for five minutes at least once a day.

b. Exchange value

Apple's Developer Program costs \$99 a year for developers who want to publish their products on the App Store.

Customers will pay (or do not have to pay) for their downloaded apps depending on Developers' ways of making money from their applications.

- "Free Model": helps to increase user engagement by allowing free applications. Developers can earn money from running advertisements in apps.
- "Freemium Model": users may download the app for free, however extra features are available in-app that demand a fee.
- "Subscription Model": continues to generate revenue by allowing for the renewal of existing deals.
- "Paid Model": is a premium software that does not include any extra features.
- "Paymium Model": supports the download of premium apps and the purchase of in-app content.

In most cases, Apple and developers divide income 70/30.

c. Value capture

Apple has captured value created by Apple App Store. As of today, Apple has paid out more than \$100 billion to developers since the App Store was first launched. The App Store's total revenue would be at least \$143 billion if Apple customarily distributes 70 percent to developers and retains 30 percent. As a result, the App Store has generated at least \$43 billion in revenue for Apple since its introduction in 2008 (Bhardwaj & Gal, 2018).

CONCLUSIONS

Apple Inc., headquartered in Cupertino, California, is a multibillion-dollar technology firm specializing in personal computers, mobile devices, and the internet. Since January 2021 the corporation has grown to be the world's most valuable, the fourth-largest personal computer maker, and the second-largest mobile phone manufacturer in financial terms.

Apple became the first publicly traded US company to be valued at more than \$1 trillion in August 2018, followed by \$2 trillion in August 2020 and \$3 trillion in January 2022. Therefore, this case study has tried to use the 30 "elements of value" framework from Almquist, Senior, & Bloch (2016)'s outstanding paper "*The Elements of Value: Measuring and Delivering What Consumers Really Want*" to analyze the values that Apple have created and captured. The results show that in the case of Apple, the most disguising values come from two products/services: (i) iPhone, and (ii) Apple App Store.

Research results help business leaders better understand the importance of creating values in the business process of enterprises. Hence, business leaders will have strategies to focus on physical and human resources to enhance the value created in each product for customers.



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