



# Apple Computer 1999

## Re-Thinking different

How, after '90s slump and four CEOs,  
Steve Jobs's '98 strategy  
makes Apple “insanely great” again.

by

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## Apple's History

# The founding of Apple 1976-1980



In 1976 "The two Steves"

**Steve Jobs & Steve Wozniak**

- **Apple I**

The Byte Shop ordered fifty units for \$500/u

- **Apple II**

the first West Coast Computer Faire (April 1977)

- **Apple III**

(May 1980) compete against IBM and Microsoft





## Apple's History

### The years of innovation 1981-1989

- **Lisa** (1983)

First Personal Computer with a Graphical User Interface (GUI)

- **Machintosh** (1984)

the first "User-friendly" PC, using GUI with the metaphor of "desktop" and Mouse.

- **Machintosh Portable** (1989)

(May 1980) compete against IBM and Microsoft



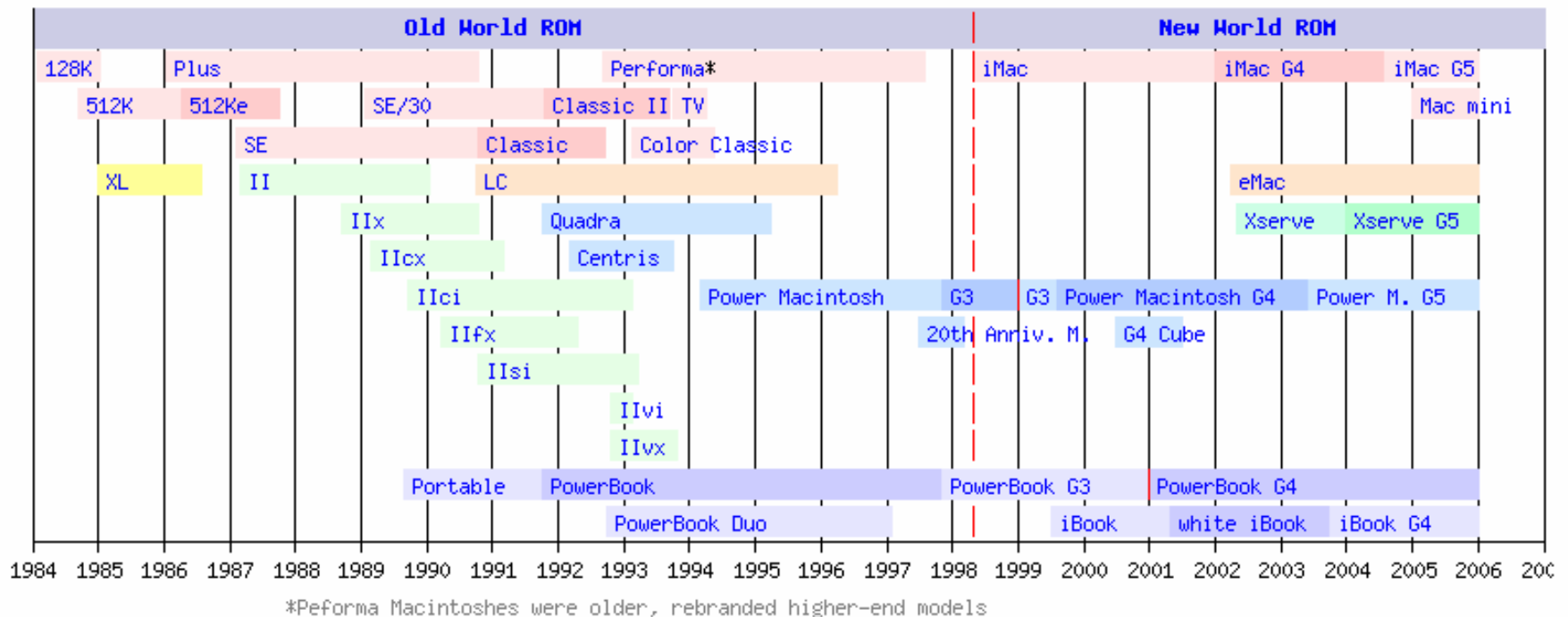


## Apple's History

# Decline and resurrection 1990-1999

Microsoft rolled out **Windows 3.0**, **Apple** was **in trouble**.

- **PowerBook** (1991) - **G3 - iMac** (1998)





Apple's management decisions

Steve Jobs I era 1976-1984 ...1/2



**Easy-to-use computer to every man, woman, and child**  
**Change the world through technology**

**First differentiation strategy**

**“IBM compatible” Vs Apple's**

open system Vs proprietary design closed system - **Apple II** (1978) strait out of box

Response to IBM new entry **Graphical User Interface** (GUI) - **Lisa** (1983)

**Macintosh 1984**

- Breakthrough in ease of use, industrial design and technical performance.
- Slow performance and lack of compatible Mac software. - fall in net income -17%

**End of Steve Jobs I era**

The Apple board removed Jobs from the chief seat.



Apple's management decisions

John Sculley's era 1985-1993 ...1/2



**Leadership in DTP and Edu mkt**

**Apple into the corporate world**

**Division and further subdivision of market**

**low-cost policy**

with **distribution** and **development partners**.

**Macintosh Plus**

(1986 - 10 times the memory of the original Mac )

**Evangelism** among software developers

**Hi-quality software and peripherals**





Apple's management decisions

John Sculley's era 1985-1993 ...2/2

### Apple global brand

The most profitable PC company in the world.

### '90s PC-clones saturated mkt

(MS Windows 3.0 > solution: Mac OS).



**Brand repositioning**, cheaper and leader in technology

### Corporate alliances with IBM,

- **PowerPC– PowerBooks** (fruit of 1991 IBM alliance).
- **New product** category he called “**Personal Digital Assistants**”

### End of Scully's era

These actions were not enough to sustain Apple's profitability.  
In 1993, The Apple board relieved Sculley of his position as CEO.

**PowerPC™**

Ready for  
**IBM technology**





Apple's management decisions

Mike Spindler's era 1993-1995 ... 1/2



### **Leadership in PC selling and technology**

continuing Sculley's strategy

### **Expanding distribution and aggressive policy of prices.**

**International expansion:** he targeted China, fastest-growing computer mkts.

**Licensing the Mac OS** (\$ 50 per copy), to several companies  
(Eg. Power Computing)

### **Newest computers based on the PowerPC chip**

**PowerMac** (1994); **Newton Message Pad** (Failure 1993)



Apple's management decisions

Mike Spindler's era 1993-1995 ...2/2

### 1995, cut of prices > increase in units sold, become leader USA

- **Lay off** 2,500 employees (16% of its workforce worldwide),
- Reduction of the **R&D budget to 6%** of sales.
- **Improved efficiency** and cut development cycles from 24 months to nine

Spindler had hoped that a revolutionary new operating system would turn the image around continuing to focus on improving the Mac OS.

*"None of the Windows users would consider buying a Macintosh,  
but more than half the Apple's users expected to buy an Intel-based PC"*

Computerworld

### End of Spindler's era

Apple's worst problem was not selling computers.

In January 1996, Apple reported a \$ 68 million dollar loss for the last quarter. Two weeks later, Gilbert Amelio, an Apple director, replaced Spindler as CEO.





Apple's management decisions

## Gilbert Amelio's era 1995-1997



When Gilbert became CEO, Apple was at its most desperate state. The stock price was at its lowest and Sun Micro systems and Oracle expressed interest in taking over Apple.

**Profitable and become a Premium Brand** (within 17month)

**Premium price differentiation**

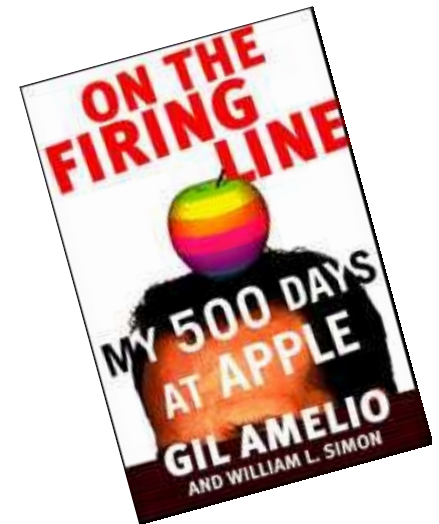
Lay off 6900 employees - reduce product line - rise cash flows.

**Cuts to R&D budget stopping new MacOS generation**

Instead choose to acquire Next software from former CEO Jobs.

**End of Amelio's era**

Mkt share fell from 6% to 3% and from 41% to 27% in the education sector





## Personal Computer Industry - end of '90s

Explosive growth since the mid-70's with \$170-billion global industry

Two kinds of market players:

### Assembled PCs

Wintel based (Windows +Intel)  
standard, one time called  
«IBM-compatible»  
(perfect competition  
in technology)



### Apple Machintosh

based on own MacOS  
Motorola or  
IBM's PowerPC chips  
(monopoly in technology)



Mac OS

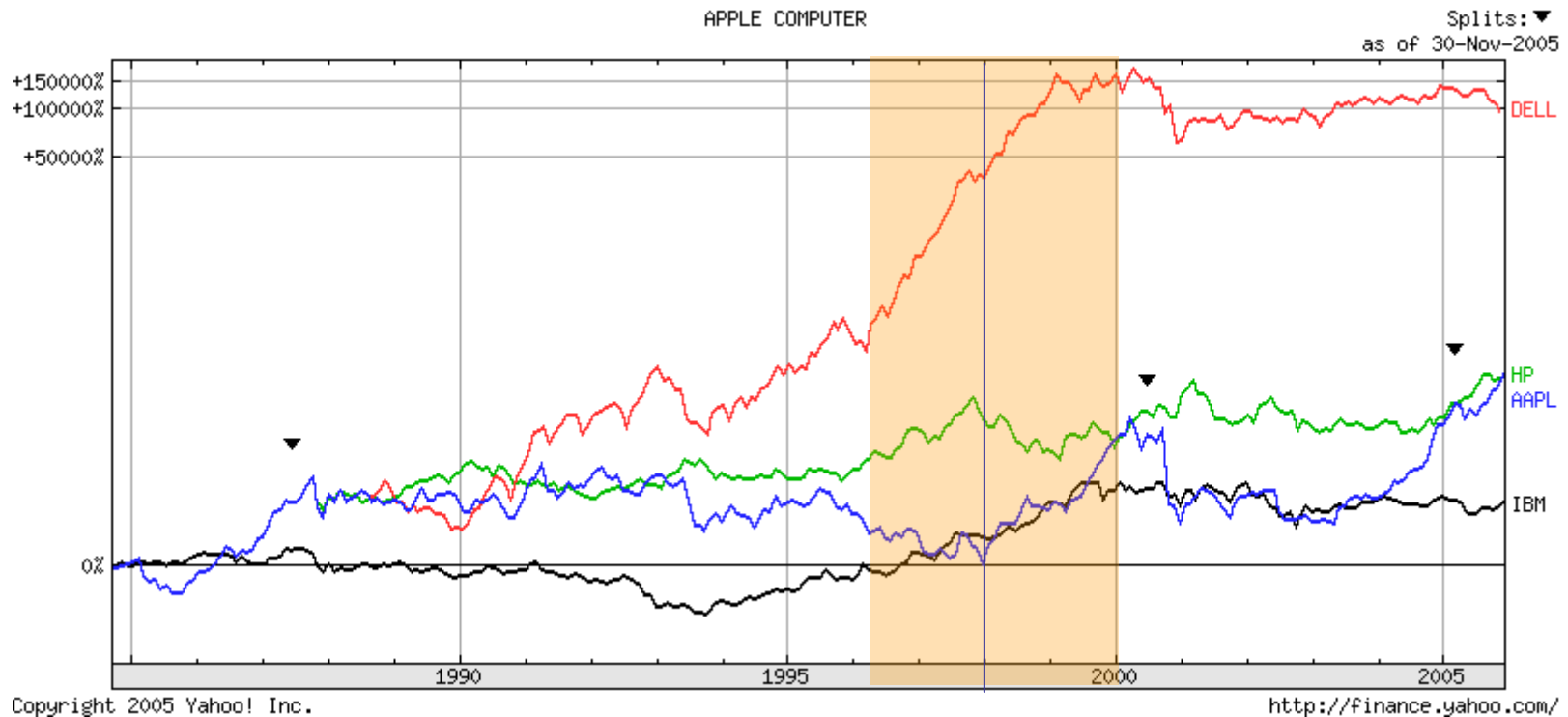


MOTOROLA  
intelligence everywhere™

PowerPC™



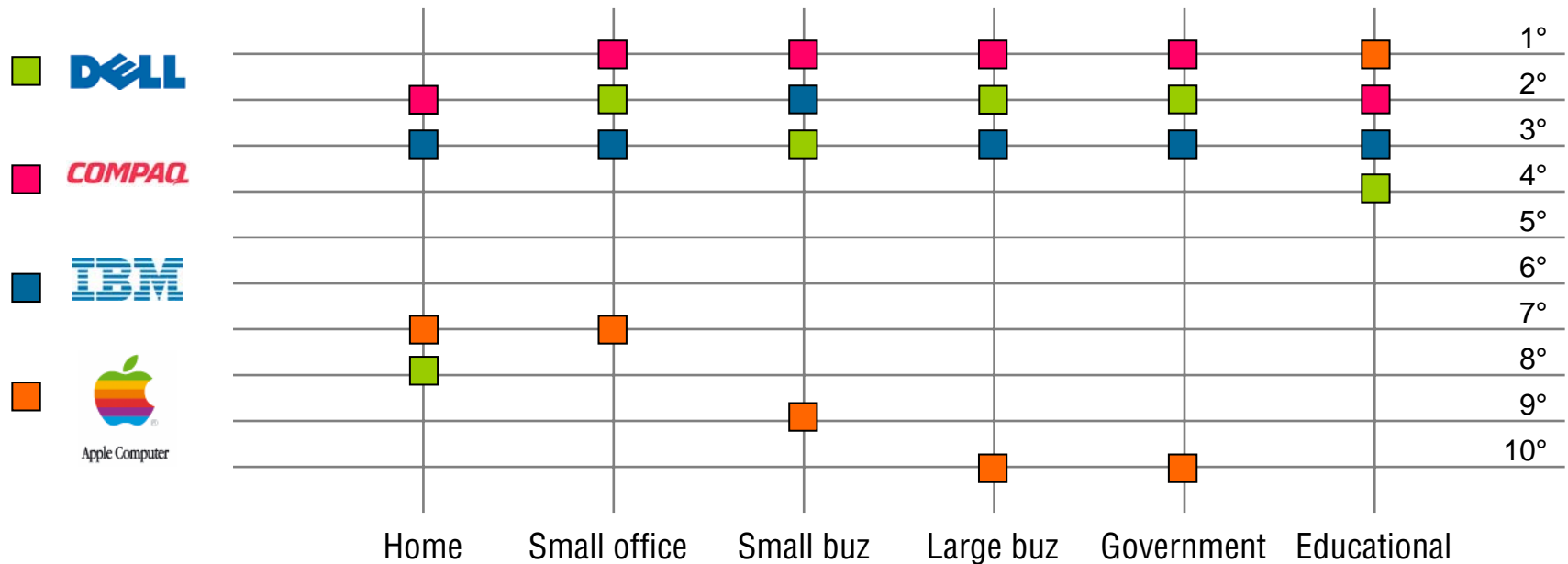
## Personal Computer Industry - end of '90s





# Personal Computer Industry - end of '90s

## PC Vendors' Ranking Within Customer Segments Worldwide



Small Office: sites with fewer than 10 employees; Small Business: sites with 10 to 99 employees

Note: Rankings are based on unit shipment data for the third quarter of 1998 – International Data Corp.



## Assembled PC's bites Apple... 1/2

PC Manufacturing features, are the principal factors of '90s Apple's slump.



How to make an assembled PC (screwdriver apart!)

- **Microprocessor**, \*

brain of PC, (Intel, AMD, Texas Instruments. ...)

- **Motherboard**,

the main circuit board, where are allocated all components

- **Memory storage**, RAM, Hard disk,...

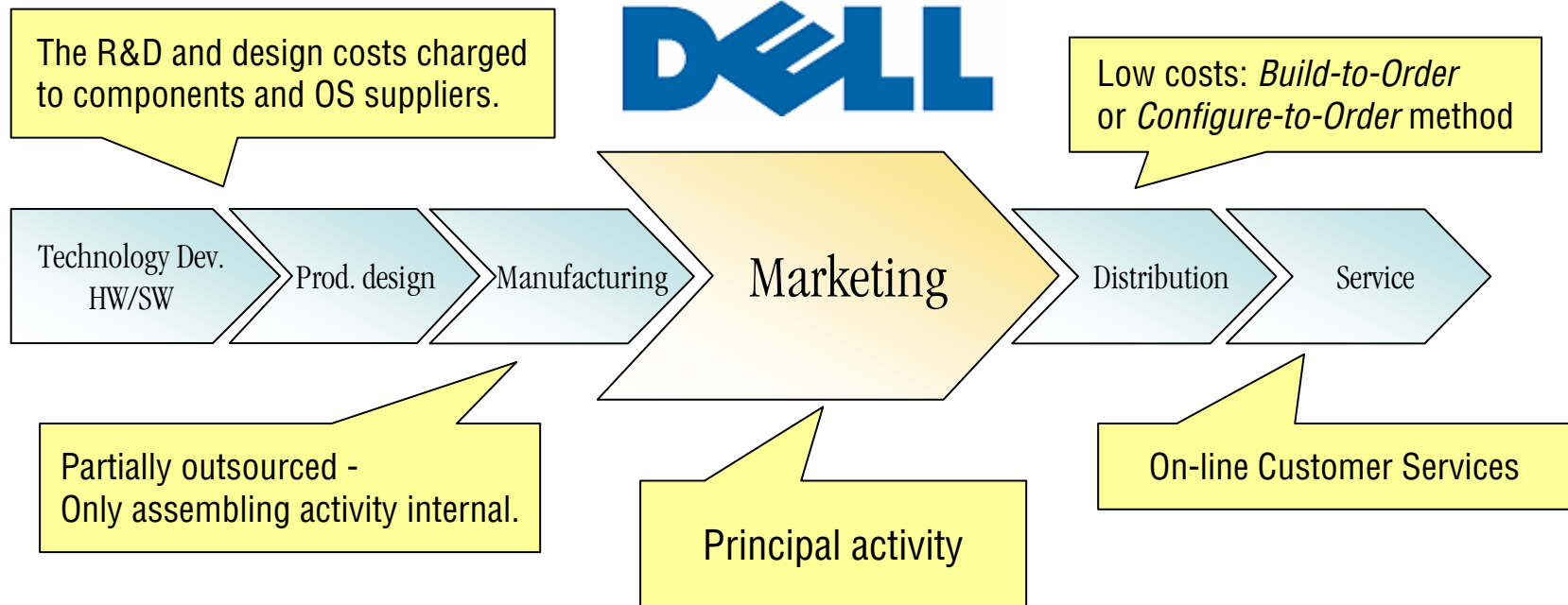
- **Peripherals**, like: monitor, keyboard, mouse

\* cost driver



## Assembled PC's bites Apple... 2/2

Assembled PC's competitive advantages regards many aspects of the value chain: *Eg. Dell*





## Jobs's SWOT for the turnaround . . . 1/2

	Strengths	Weaknesses
Internal	<ul style="list-style-type: none"><li>S1- Strong brand, tradition and background of innovation.</li><li>S2- Faithful customers.</li><li>S3- Quality (stable).</li><li>S4- Rooted in Educational field.</li><li>S5- Widespread in professional field (Graphics, Design, Ads, Publishing)</li></ul>	<ul style="list-style-type: none"><li>W1- Closed system</li><li>W2- OS out of market standard (few sw app.)</li><li>W3- High switching costs.</li><li>W4- High price.</li><li>W5- Few compatible peripherals.</li><li>W6- Build-to-stock (problems with ending inventory).</li><li>W7- High R&amp;D costs.</li><li>W8- Low design differentiation.</li></ul>
External	<ul style="list-style-type: none"><li>O1-The advent of the Internet.</li><li>O2- New conception of PC like a commodity.</li><li>O3- Multi-media generation.</li></ul>	<ul style="list-style-type: none"><li>T1- Windows '98 by Microsoft.</li><li>T2- Competitive market of Wintel standard.</li><li>T3- New build-to-order selling method</li><li>T4- Competitors' R&amp;D costs are lower</li></ul>



## Jobs's SWOT for the turnaround ... 2/2

		Internal													
		Strengths					Weaknesses								
		S1	S2	S3	S4	S5	W1	W2	W3	W4	W5	W6	W7	W8	
External	Opportunities	O1	●	●	●	●	●						●		
		O2					●		●	●		●	●	●	
		O3					●	●			●		●		
	Threats	T1	●							●					
		T2	●	●	●			●	●	●	●				
		T3								●		●			
		T4	●												



# Drivers of the new Apple strategy

## Differentiation

Perception of the product like a design object, status symbol and a breakthrough towards the new millennium.

*“To be the Sony of the computer business”.*

## Diversification

Apple products able to satisfy different customers' needs (from old professional purposes to home ones)

## User-friendly philosophy

Plug & Play – Easy access to the Internet for the “Internet-age computer for the rest of us”

## Competitive costs

Offer a product for the mass and play with “big numbers” (economy of scale)



Apple's management

Steve Jobs II era 1997 ...1/2



**Reposition Apple in the personal computer industry.**

Jobs understood the rapidity of change in the industry

**Cost leadership – Rise Apple image**

**Alliance with Microsoft to produce “MSOffice for Mac”**

Gave Bill Gates an equity stake of 150 millions

**End of Macintosh licensing to clones – troubles of cannibalization**

**Open to Asian Mkt through UMAX**

**Consolidated product range** reducing numbers of lines from 15 to 3.



Apple's management

Steve Jobs II era 1997 ...2/2

### Increase innovation with G3 Power Mac

This systems could also be used as network servers – Buz users  
G3 PowerBooks (1998)

**iMac boom!** This fact sent Apple's stock to a 52 weeks high!

**“The internet-age computer for the rest of us”**

A study showed that 32% purchaser were new user,  
whereas 13% were replacing wintel.

**“designed..to deliver the things consumer  
cared at most about: the excitement  
of the internet and simplicity of the Mac.”**

**“Mass Attack”**

This was the first time Apple entered in the **low-priced consumer market.**





Apple's turnaround

## The new “iDea”: iMac



**Easy access to Internet and “All Inclusive”**

**It lacked the floppy disk, only a cd-rom incorporated.**

**Marketing mix Promotion Budget \$ 100 Mil.**

“iMac, therefore I am”

Sold at \$ 1299

Five fruit flavours iMac line People: Rollings stones. >>>

**278.000 iMac sold within 6 weeks**

(the best-selling computer in history)

**800'000 pc sold at the end of the year.**



Apple's turnaround

# iMac: the design object



**Alternative using  
an iMac**



Apple's turnaround

# Jokes on the cult object



YUM.

Think Different.





Apple's turnaround

# Re-Think different



**New iMac version in this years**  
**New challenge**  
**New alliances**



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**Always faithful to the first claim:**



Think different



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Thanks for your attention.

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