



MARKETING INSIGHTS

How Leopard missed the Leap or how Apple missed the chance of a Lifetime

The return of the prodigal son

10 years ago, Steve Jobs returned to Apple. 12 years before that, he was forced out of the company he and Steve Wozniak had founded. The year before Jobs' return (1996), the media widely announced Apple's death following the failure of all attempts to find a buyer for the ailing concern.

One of the first things Jobs did on his return to Apple's helm was to make a pact with Bill Gates, who was the devil incarnate to ardent Apple fans. Jobs announced the peace pact at the annual Apple bash and then conjured Bill Gates up on a big screen.

The truce didn't do much for Apple, which kept making stylish and expensive computers that commanded a tiny share of the PC market. It was the eventual success of Apple's consumer products - the iTunes Store, the iPod and the stylish MacBook portables - that brought the company fresh growth and decent profits.

Getting Serious

Two years ago Apple decided to change processors from IBM's PowerPC to the Intel Core Duo line. The dramatic move was due to the growing performance gap between the two CPU architectures, and the heat generated by the PowerPC chip in Apple's slimline notebooks. The transition wasn't a huge challenge since OS X is based on the UNIX variant FreeBSD, which happily runs on the x86 architecture, but it signalled that Apple remained serious about competing in the PC market.

Once the dust had settled, Apple followed up with bootcamp, a simple way of dual-booting Macs so they could also run Windows. Perhaps the move was designed to stop Mac users who favoured certain Windows apps from switching to Windows. Next, Apple rolled out an aggressive advertising campaign that depicted Windows as old, tired and bloated while making Macs look young, hip and smart.

Apple's long-suffering fans rejoiced: the company was serious once again about taking the fight to Microsoft, while Steve Jobs maintained that Apple wasn't positioning itself against Windows.

So what was the purpose of the campaign? Intel with bootcamp made buying a Mac an easier option for Windows users. They might sit on the fence for a time but, once they saw how lush life was in the Apple world, some might become converts.



That's not quite what happened: the Windows converts won over by the campaign were far outnumbered by the copies of Windows bought by Mac users to check website layouts in Internet Explorer and play games that only ran on Windows. What Apple should've done is make OS X run on other PCs, but first things first.

A new Vista in Apple's Future

While Apple went through the transition, Microsoft lay pregnant with a new child. It

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was a 15-month gestation followed by a heavy labour. The various beta versions released in 2006 showed a pretty new face hiding ugly new problems. At the same time, Apple announced that OS X Leopard would be ready to meet Vista head-on, and beat it hands-down.

As Vista stumbled on to an arbitrary finish line drawn in the calendar by Microsoft's marketing people, the PC media grew excited – they hadn't seen a good stouch for more than a decade and this was going to be the heavyweight bout of the century. The stage was set, the lips were smacked in anticipation, bets were made, front row seats were sold long before the event.

Vista staggered into the ring in a gown of glorious turquoise and silver, but limping and carrying far too much weight. Some in the audience admired the gown, others laughed at the bloated figure in it, others again shook their heads and turned to the entrance from where Leopard was to emerge. But Leopard didn't.

Vista gave exhibition bouts which made clear that speed and agility were not among his strengths. Worse, his technique was flawed and that he often became confused or stunned. He didn't exactly fall over but spent a lot of time on the ropes, his pretty face smiling and his fancy outfit hiding his bulk. The picture shows what Vista looked like in Microsoft's counter campaign.



So where was Leopard?

Late. The Apple camp got busy pitching the story that its current champ, OS X Tiger, was more than a match for Vista. At the big Mac event in April, Steve Jobs conceded that Leopard would be late. When he explained why – the need to divert resources to get the iPhone finished – die-hard Mac fans flamed the internet with their ire. How could Jobs put a dumb phone (or even a smart one) ahead of an operating system?

Jobs answered them by announcing a name change from Apple Computer to Apple Inc., which left no one in doubt that computers were no longer the company's main thrust.

Mac fans mumbled darkly about the iPhone being another Newton, the gadget Apple had hooked its fortunes on in the nineties until it sank without a trace. Even professional Apple watchers were scratching their heads. Why would Apple put the computer business in the back seat when the company was shipping more Macs than ever before and making money on every sale? Why would Jobs not want to stay on top of that wave and ride it for what it was worth?

The figures only tell half the story

Apple only sells OS X bundled with its own hardware, and that makes any comparison with Windows difficult. New computer sales are a better indicator. Here, Apple Macs had steadily gained ground: by the third quarter of 2007, Macs had taken 8% of the US PC market but, with the bad press Vista was getting over the same time, Apple's computer sales should've done better than they did. More than likely, many prospective customers were waiting for Leopard.

Windows Vista's share of the desktop, despite the chorus of condemnation, grew from 0.16% in December 2006 to 7.38% in roughly the same period, while Windows XP dropped from 85.30% to 9.32%. Vista clearly accounted for just about all of the difference. A few users might've made the switch to Mac OS X or Linux, but Microsoft's monopoly remained intact.

Marketing is Timing

Without Leopard, Apple couldn't take advantage of the bad press Microsoft was suffering. Vista was an expensive, memory-hungry slug, some reviewers said, slow and buggy, limited in its hardware support, awkward to use and unstable into the bargain. Some even compared it to the last big

Microsoft flop, the ill-fated Millennium Edition of Windows.

The problems were so serious that PC vendors like Dell put Windows XP back on their options lists. Microsoft cranked up its PR machine and issued claims that Vista had been the most successful operating system launch ever for the company. Extra bonuses were offered to sales people to convince some corporate customer somewhere in the world to upgrade to Vista.

Once the release date was set for October, Apple said less and less about Leopard's great new features, worried that its own customers might wait and stall new Mac sales (Mac OS upgrades cost money). Sadly, it's hard to attack from a position that's focused on defence.

Steve Jobs gave a preview of Leopard at the Apple Developers conference, which included members of the press. Screenshots of the new beast leapt onto the internet but Apple threatened the offending websites with legal action and the shots vanished overnight.

Apple's own sites featured the gallery instead. The Greek Chorus that is the IT press briefly changed its tune and stopped lamenting the poor shape Vista was in and derided Apple for dragging its feet. The tenor was that Apple had trouble keeping up with the advances Microsoft had made with Vista - some even suggested that Leopard was no more than a copycat.



Apple simply repeated its claim that OS Tiger already had the jump on Vista.

Meanwhile, Microsoft let slip that there was a Service Pack 1 in the works for Vista, without ever admitting that Vista had been shot out the door long before it was ready. SP1 would ensure that Vista was about to lose its most annoying flaws shortly after Leopard saw the light of day. Microsoft understands the importance of timing.

Suddenly Apple found its window of opportunity closed. Had the company put all its resources behind Leopard instead of Apple TV and iPhone, it could've capitalized on Vista's woes and gained significant extra market share. Timing is almost everything in technology marketing, and Apple's poor timing with Leopard is a classic example.

Hello, Today

Apple even diverted resources to making its Safari browser work on Windows, which caused a lot of head scratching among the cognoscenti. Why would Apple want to jump into the crowded browser market? Once more it turned out to be a case of putting the iPhone first - Safari is the phone's browser and Apple needed to attract more developers to work on it, therefore the need for the Windows version.



The iPhone was an immediate hit but how long will it take for the big guys in the cut-throat smart phone market to copy its best features and produce cheaper alternatives? Six months? Nine? Once the honeymoon is over, Apple's margins will drop to the same anorexic levels as those of its competitors. But it might just sell Safari to some of them, because the extra turn of speed it offers is a winner for mobile applications.

A bigger Chance missed

Back in 1985, Bill Gates suggested to John Sculley that Apple should sell the Mac OS to other PC makers. Apple declined. Microsoft went on to build Windows, which took another 6 years to get right, sold it to everybody and ended up owning the desktop. It could've been Apple.

The company almost did what Bill Gates had suggested after the Newton flopped back in the mid-

nineties (and Apple's fortunes with it), but the fear that people would stop buying its pricy hardware killed the idea. Bad decisions driven by fear nearly killed the company.

We can't expect Apple to understand Windows users, but it's curious that Apple doesn't have a grasp on why people buy its own products. Apple has always been strong on differentiation – just look at Apple Stores: they're stylish and inviting places, worlds apart from the average PC outlet where you stumble over boxes on the floor and stare at jam-packed rows of all-the-same kind of products.



Apple appeals to people who appreciate great design, and people who like the style of B&O HiFi gear aren't going to put black boxes in their lounge rooms because they're cheaper and play the same DVDs, are they?

The customers who love Apple for its design would keep on buying Apple's slick hardware even if it ran Windows. These folks are Apple's core constituency, as loyal as football fans and as proud as a Scotsman is of his heritage. So why does Apple fear losing its loyal fan base?

And why does Apple not want to sell its OS to people who own PCs? Now that OS X runs on Intel's chips, it's easy enough to do. Once hooked on OS X, wouldn't PC users be tempted to switch to Apple hardware when the time comes? Even if they weren't, the additional revenue from operating system sales would make the move worthwhile for Apple. Leopard would outperform Vista on standard PC hardware simply because Vista is grossly obese. To add to the attraction for Windows users, Leopard would most likely run on lower-spec hardware than Vista.

If Apple sold Leopard to PC Makers, it could steal serious desktop market share from Microsoft. With Vista as popular as a distant relative who invites himself and won't leave, Apple should've made that decision months ago. Some pundits say it's about to happen but we'll believe it when we see it. Apple is a brand admired by millions, but the company's fears are deep-rooted.

Another chance missed

No, it's not the enterprise space. Steve Jobs is right when he says that isn't where Apple belongs. The IT types in that space are run off their feet just taking care of Windows, and their worst nightmare is having to support a gaggle of Mac users in the marketing section. Apple is pragmatic enough not to waste resources on this challenge.

Like Microsoft and other PC companies, Apple targets a young audience with its marketing, but is that its natural market? Apple's advertising has long pushed ease of use – everything works out of the box and OS X makes common chores easy. So aren't Macs the ideal computers for an older generation that didn't grow up with technology and still has all kinds of trouble programming VCRs?

If your 70-year old Auntie Nell asked you to buy her a PC, would you give her Windows? Not unless you wanted to drive her around the bend, or yourself more likely because she'd be calling you every day six times. How do you explain disk defragging to her or data backup? The Mac's file system doesn't need defragmenting ever, and Time machine will take care of data backup and more serious calamities.

Retired, with time on their hands and money in the bank, senior citizens are the perfect market for Macs. They'd happily pay a premium for a computer that's easy to set up and use. We know – we have a few friends who struggle with Windows and they're not short of brains. One even went to classes for seniors at the community centre. He still hangs his head when the discussion turns to home computers.

Apple seems to have lost the plot here. Is it because folks with grey hair and cardigans don't reflect the smart, young, cool image Apple has cultivated? Has Apple become a victim of its own marketing?