



## Margin Notes

December 14, 1998

### **MacFixIt's Apple Year in Review: 1998** **What a difference a year makes**

A year ago, in a look back at 1997, I wrote:

If only I could add one more sentence to the "good news" section, the story would be near perfect. That sentence would be: "Apple has returned to making a profit and its market share is increasing once again." Clearly, this is not the case."

What a difference a year makes! Profitability is now very much the case. Apple is completing a series of profit-making quarters, each one better than the one before. This upcoming quarter should continue the trend. Apple's stock has taken off to heights that many had assumed it would never reach again. Apple's market share is similarly on the rise. Once again, predictions of Apple's "death" turned out to be highly exaggerated.

It's hard to imagine how things could have gone much better for Apple this year. Maybe if Apple had Aladdin's genie to grant three wishes, things could have improved. Hey, maybe that's what did happen! Apple seemed to make the right decisions on virtually every front.

The iMac, of course, it is the undisputed highlight of the year. Apple managed to keep its existence so secret that supposedly even many Apple employees did not know about it until it was announced. You know the rest. Its sales have broken every Apple record. And it has garnered nearly universal critical acclaim, having won several "product of the year" awards. But perhaps most importantly, the iMac has got people talking about Apple again, using the words "Mac" and "cool" in the same sentence. It also led to a resurgent presence in the retail store market, setting sales records at CompUSA and selling well at Best Buy. The rest of the streamlined Mac line-up were no slouches either, especially the slick PowerBook G3 Series.

On the coattails of the iMac, the game market for the Mac has surged back. True, most of the new games appeared first on the PC, but at least developers are porting them to the Mac now. A year ago, game developers had all but abandoned the Mac platform. Now, even Macworld magazine has a games section each month. The iMac's USB support has also generated a growth in the Mac peripherals market,

with a host of USB printers and drives selling in droves.

Apple even managed to repair much of the damage done to the reputation of the Mac OS that had been caused by the demise of Copland and shifting goals of Rhapsody. Mac OS 8.1 (with the introduction of HFS Plus) and Mac OS 8.5 (with the introduction of Sherlock) were both delivered on schedule - and showed steady progress towards Apple's ultimate updating of its OS: Mac OS X (announced last spring, but not to be released until late 99). Apple developers especially applauded that, unlike Rhapsody, Mac OS X would permit porting of applications without requiring a total rewrite.

In the past, Apple had been criticized for weak and directionless advertising. Not this year. Its Think Different ad campaign was initially met with some indifference by Apple loyalists, who complained that it did not even directly mention Apple products. But the ad captured the imagination of the general public. The Think Different slogan worked its way into our cultural jargon, and was imitated many times (such as by ABC's Think Dharma commercial). And it went on to win the Emmy for best commercial of the year. But Apple did not stop there. It launched a series of aggressive product-oriented ads, such as its Pentium-toasting G3 Mac commercials, that finally directly took on the opposition. The iMac ads, especially the ones with Jeff Goldblum, were yet another success. And now Apple is getting ready for its first Super Bowl ad since 1985.

Finally, the media have turned 180 degrees in their Apple talk. A year ago, whenever Apple was mentioned, it was usually accompanied by adjectives such as "beleaguered" or "troubled." Every day seemed to bring news of yet another corporation, university or prominent person who was giving up their Macs in favor of the Windows juggernaut. Now, the news is filled with "Apple is back" stories that laud Apple's recent reversals of fortune. And many of those places and persons that announced their plans to drop the Mac a year ago, have dropped their plans instead.

As if that wasn't enough, the Windows operating system (and thus Microsoft itself) have come under attack from the government's anti-trust lawsuit. Windows and Bill Gates are no longer the media darlings they once were.

Sure, things could be better. Apple's market share still needs to grow. And it would only take a few stumbles for the effect of Apple's recent successes to vanish. But why focus on the negative, when there is so much to applaud?

Before I go out and celebrate all of this wonderful news, I'd like to give kudos to the two people most responsible for all of this success.

The first is Steve Jobs. There is absolutely no doubt in my mind that he is the driving force behind all of Apple's "right moves" this year. His vision, his drive, his willingness to make the hard decisions, are what turned Apple around. I did not always agree with his decisions at the time (such as killing the clones). But it's hard to argue with success. Welcome back Steve! We couldn't have done it without you.

The second is really a "symbolic" person. It is all of the Mac users who stuck by

Apple through the hard times of the past several years. The ones who never gave a thought to switching to Windows even when everyone was saying that Apple was "dead." Who endured quarter after quarter of Apple's mounting financial losses and the draining of many of its best employees. Who stuck by Apple even after Apple admitted that Copland would never see the light of day and Apple didn't seem to have a clue where to go next. In the face of so much bleak news, you could have hardly blamed anyone who decided to jump ship. But many stayed on board anyway, refusing to believe that the ship would actually sink. They turned out to be right. These users provided the base of support necessary for Apple to survive when things looked their darkest. So pat yourself on the back and treat yourself to a drink. You deserve it.

What's ahead for next year? New desktop Macs at Macworld next month. A consumer portable a few months later. Mac OS X after that. And inevitable surprises that we can't even guess at yet. I can hardly wait. And even that's something I couldn't have comfortably said a year ago. What a difference a year makes.