

THE PUBLISHER'S VIEW

Apple's Crisis of Perception

Modestly Better Systems Not Enough to Save Apple

It has not been a good summer for Apple. It was supposed to be a glory time for the company, with the new line of "Power Surge" Macs bringing PowerPC to almost the entire product line and shifting the I/O bus from NuBus to PCI. But the bad news overshadowed the good.

Not only did Microsoft finally ship Windows 95, narrowing the Mac's software advantage and creating an amazing amount of exposure for Windows, but Apple ran into a series of product-execution problems. Driven by Windows 95 mania and fueled by Apple's blunders, the press and analysts have been merciless in their criticism.

Apple's short-term problems are troublesome, since they weaken Apple's position in this key fall season when Windows 95 is drawing consumers to computer stores. But Apple's biggest problem is the perception that it is a company in decline. Once a prospective computer buyer seriously considers a Mac, there is a good chance for Apple to win. The real problem is that many people no longer even consider the Mac a viable option, based simply on the overwhelming dominance of Windows PCs. For the same reason, most software developers find it hard to justify putting much effort into Mac applications.

I recently joined a group of analysts at a roundtable discussion with Apple's CEO Michael Spindler, VP of R&D David Nagel, and other executives. Their frustration with how Apple has been hammered in the press was evident; it was hard for them not to come across as defensive. The company desperately needs a visible, charismatic spokesperson who can elucidate a vision for the company and respond credibly to the challenges. Spindler, while he may be a great manager, just can't fill this role; Nagel probably could.

They came prepared with stacks of statistics from surveys they had commissioned, demonstrating that much of the conventional wisdom about the decline of the Mac is wrong. According to these studies, sales of Mac software are growing faster than sales of Windows software. The number of Apple developers is increasing, not declining. Yet the statistics are somehow unsatisfying, even if they are true—which some analysts dispute.

What the statistics fail to address is the fact that perception is everything, and perceptions of Apple's health are not good. At Stewart Alsop's annual Agenda conference earlier this month, the 450 industry executives and analysts in attendance were polled on their expectations for Apple's market share in 1998. The largest contingent—45%—said it would be less than 5%. Another 42% said it would be 5–10%. A mere 10% of this

knowledgeable, influential audience pegged Apple's 1998 share at greater than 10%. This is a very influential group, and one that historically has been pro-Macintosh.

Data from Computer Intelligence InfoCorp's StoreBoard tracking service shows that Apple's share of the U.S. retail market dropped from 13% in January of this year to about 8% in July. The Power Mac's market share has held steady, but the volume of 68K systems has dropped dramatically. The systems announced this summer should help build Power Mac sales once Apple is able to build them in volume, but they won't change the widespread perception of Apple as a company in trouble.

Apple has failed to deliver the performance edge it had promised from PowerPC because its chip partners haven't been able to stay very far ahead of Intel. They haven't been able to deliver the 604 in high volume, keeping Apple from putting this chip in mainstream systems.

Why is it that two semiconductor giants can't seem to deliver even 10% of the number of chips that Intel is shipping? The chip vendors hint that Apple blew its projections. Apple executives seem deeply frustrated with the chip companies' responsiveness. It doesn't really matter where the blame lies; all three companies need to figure out how to be better partners and how to respond quickly to an increase in demand when it appears.

Apple seems to think it is good enough for comparably priced Power Macs to be modestly faster than Windows systems. But for Power Macs to be only modestly better in performance or features or ease of use will spell death; to change the self-fulfilling perception that this is a platform in decline, Apple needs some new products that make even Windows users stand up and take notice. Systems based on the rumored PowerPC 615, with fast x86 emulation, might do the trick—if the pricing and performance are outstanding. Copland will also help a lot, but it isn't likely to ship until 1997.

Apple and its chip partners must make it possible to put fast 604 processors into entry-level boxes. IBM and Motorola must pick up the pace at which PowerPC processor speeds are increased and ship a device with x86 support. Ironically, it is IBM that could most easily boost the Mac's prospects, simply by enthusiastically adopting the Mac as its mainstream productivity solution. ♦

What do you think Apple should do? Send e-mail to editor@mdr.zd.com.

