

The Tale of Steve Jobs and the Five Dragons



The Tale of Steve Jobs and the Five Dragons

Steve Jobs resurrected Apple by slaying four dragons, and now he's on a quest to take down another one. Here's how he did it and what's next.

The career of Apple CEO Steve Jobs has been punctuated by so much drama, so many triumphs and tragedies, it has taken on an almost-mythical quality. Now, the leader that rapid Apple fans see as the white knight of the technology world has set off on another mythical quest to slay a new dragon.

So, it seems appropriate to look back on the sometimes-thorny path Jobs has taken, as well as the four dragons that he has slain. And, of course, we'll look at the new dragon that Jobs is hunting.

The myth of Steve

Jobs burst on the scene in the late 1970s as the boy leader who became the evangelist of the personal computer revolution. In 1984, he led the team at Apple that brought the graphical user interface to the masses with the Macintosh.

Then, just as quickly as he had burst upon the business world, his world imploded. In a failed struggle for power and control at Apple, he got kicked out of his own company in 1985 and went into exile. He was a rich has-been by the age of 30.

Over the following decade, his two new companies -- NeXT Computer and Pixar Animation -- quietly made some important breakthroughs in computing but struggled financially and started bleeding away the \$100 million fortune that Jobs had made at Apple.

Jobs launched a coup to reclaim his white knight status in the mid-1990s. His first bit of redemption came with Pixar in 1995 when *Toy Story* became the highest grossing animated feature of all time and Pixar rode that acclaim to a very successful IPO, orchestrated by Jobs

himself. Once the IPO launched, it instantly turned Jobs into a billionaire.

His next bit of redemption was even sweeter. At the end of 1996, a badly-struggling Apple decided to purchase NeXT to help reinvent itself as a technology innovator. Jobs initially joined Apple as an advisor as part of the NeXT deal, but he quickly convinced the Apple board to get rid of its leader, Gil Amelio. As a result, Jobs was thrust into the role of "interim CEO" and company savior.

What happened next was a series of conquests that far exceeded anyone's expectations and returned Apple to the role of technology superpower. These conquests also anointed Steve Jobs with the reputation of being a mix between warrior and magician.

Dragon #1: The Macintosh

When Jobs returned, Apple was in such bad shape that he wasn't even sure it was salvageable -- and industry analysts shared his skepticism. The company's finances were in the toilet, the product roadmap was a mess, and the Apple brand itself had lost most of its former luster. Something dramatic was needed to save Apple from being bought out in a fire sale or simply fading into oblivion.

Jobs launched a two-part strategy to reinvigorate Apple. He started with the [Think Different ad campaign](#), which associated the Apple brand with creative thinkers and revolutionaries. It was a huge hit, winning awards, drawing consumer interest, and generating tons of media buzz. But, above all, it set the stage for the rebirth of the Macintosh.

While the Think Different ads were making people feel cooler about the fruity computer maker, Jobs also



refocused Apple's product and engineering teams on developing the company's next great product.

By the late 1990s computer sales were spiking due to the new killer app: the Internet. Lots of people were buying their first computers just to "get online." Apple latched on to this trend with a computer that was designed to make connecting to the Internet as easy as taking the computer out of the box and plugging in two cords. Jobs and Co. even named it after the Internet – the iMac.

The iMac was a throwback to the original Mac in that it was an integrated all-in-one system, but it also included a unique new design with a translucent blue and white plastic case that allowed you to see the electronics and circuit boards inside. In the world of beige computers at the time, the iMac was extremely stylish. The launch of the iMac in 1998 (combined with the similarly-styled iBook and Power Mac G4 in 1999) drove a huge spike in Mac sales – at one point the iMac was even the single best-selling computer model in the world.

The Mac was back.

Dragon #2: The iPod

One of the things Apple had occasionally done to increase the appeal of the Macintosh platform was to build its own applications to match the style of the Mac and show off its capabilities. With the Mac's revival and the launch the new Mac OS X operating system in 2001, Apple resurrected the strategy of making some of its own software apps.

One of the apps that it decided to build was a software jukebox so that users could copy music CDs to their

Macs and manage all of their music digitally. This was part of Jobs' strategy of turning Apple into a digital lifestyle brand and the Mac into a personal media hub.

In the process of making the software that would become iTunes, the Apple team also decided to make it compatible with some of the new MP3 players that allowed users to carry some of their songs in the digital equivalent of a Sony Walkman. However, after looking at the various MP3 players, Apple decided that all of them were crap and decided to design its own player instead. That's when the iPod was born.

The first iPod launched on October 23, 2001 with 5GB of storage and the promise of "1,000 songs in your pocket." Initially, it was only compatible with Macs and Apple viewed it as an accessory to help increase the appeal of the Mac. But, Jobs quickly realized that the iPod had much broader appeal, and much bigger sales potential.

In 2003, Apple ported iTunes to Windows and sales of the iPod skyrocketed. By the end of 2004, Apple had sold over 8 million iPods and was the dominate force in the digital music player market. Despite this dominance, and the fact that Jobs had convinced the music industry to sell its songs through the iTunes store, there were still a lot of doubts at that point about whether Apple would continue to own this market. With new players coming from Sony, Rio, Creative, Dell, and (eventually) Microsoft, a lot of analysts expected Apple to fade into a niche player, just as it had done in the computer business. It never happened.

By 2009, the iPod accounted for over 70% market share in the digital music player business.

Dragon #3: The Apple Store

When Apple launched the iPod in the fall of 2001, it was a bold and risky move. The company had never had a hit product outside of its computer line, other than companion printers for its computers. Apple was investing a lot in the iPod, and was initially counting on it to help drive a lot of Mac sales.

But, before Apple even launched the iPod, Jobs had already made an even riskier move. On May 19, 2001, Apple opened the doors on its first two retail stores. Both were in malls – in Glendale, California (a suburb of Los Angeles) and Tysons Corner, Virginia (a suburb of Washington, D.C.). The Apple Store was born.

Virtually no one in the press or on Wall Street thought it was a good idea. Gateway and Dell had already tried retail stores and completely flamed out. Microsoft had opened a tech lifestyle store called “[microsoftSF](#)” at the Metreon in San Francisco in 1999. Despite its prime location next to the Moscone Convention Center and in the heart of San Francisco’s tech community, it was a flop, too.

David Goldstein, a retail consultant writing for TheStreet.com, stated, “It’s desperation time in Cupertino, California. I give [Apple] two years before they’re turning out the lights on a very painful and expensive mistake.”

A funny thing happened with the Apple Store, though: Customers showed up. Apple designed the stores to be high-touch and low-pressure. There was lots of light and open space and people could wonder in and try out Apple products and accessories, get help with Mac hardware and software problems, and take classes on how to do new stuff with their Macs.

When Jobs first opened the Apple Store in 2001, Macintosh market share was hovering around 2% of the personal computer market. By 2010, Mac market share had risen to 10% (although some [tracking services](#) claim Mac market share is actually only about 5%).

Even beyond the raw market share gains for Mac, the Apple Stores were a runaway financial success. By the beginning of 2010, there were over 200 Apple Stores in 10 countries. In 2007, [Fortune declared Apple the most profitable retailer in America](#). Apple’s Regent Street store was called the [most profitable in London](#) in 2009. And, in the heart of the retail capital of the world, the Fifth Avenue Apple Store in New York City was called [the highest grossing retailer in Manhattan by Bloomberg](#).

The most impressive statistic for the Apple Store may be that, in the brutal world of retail, the company has never had to shut down a single store.

Dragon #4: The iPhone

The successful risks that Apple took with the iPod and its retail stores emboldened Jobs and Co. to take another swing for the fences in 2007. At the Macworld Expo in January that year, Steve walked on to the stage for his annual keynote and told the audience, “We’re going to make to some history together today.”

In a career marked by effective salesmanship, the Macworld 2007 keynote was Jobs at his most persuasive. It also didn’t hurt that he had an innovative product to show off.

Thirty minutes into the keynote Jobs paused momentarily and said, “This is a day I’ve been looking forward to for two and half years. Every once in a while a revolutionary product comes along that changes everything... [You’re] very fortunate if you get to work on just one of these in your career. Apple’s been very fortunate. It’s been able to introduce a few of these into the world. In 1984, we introduced the Macintosh. It didn’t just change Apple. It changed the whole computer industry. In 2001, we introduced the first iPod, and it didn’t just change the way we all listen to music, it changed the entire music industry.

“Well, today, we’re introducing three revolutionary products of this class. The first one is a widescreen

iPod with touch controls. The second is a revolutionary mobile phone. And, the third is a breakthrough Internet communications device... These are not three separate devices. This is one device, and we are calling it 'iPhone.' Today, Apple is going to reinvent the phone."

In 2007, smartphones were primarily business tools deployed by corporate IT departments. They allowed professionals to check their email from their smartphones at all times. Most of these phones also had some limited Web browsing capabilities, but page loads were slow and reading Web sites on 320x240 screens was not pleasant.

The other problem with the smartphones of the time was that they were difficult to use. The Palm Treo, the BlackBerry, and the various Windows Mobile devices all had a fairly steep learning curve. For consumers buying smartphones at retail locations, there were reports of up to a 50% return rate, simply because people couldn't figure out how to use them.

With the iPhone, Apple wanted to solve two problems. First, it wanted to make smartphones much easier to use, and second, it wanted to make the smartphone a legitimate Web browsing device. With its touch-based interface, the iPhone hit it out of the park on the first goal. From the first day it hit the market (June 30, 2007), the iPhone was the easiest smartphone to use. Many competitors have emulated it since then, but it arguably remains the most simple UI to navigate, especially for new users.

In terms of its goal of putting the full Web browser in the palm of your hand, the first iPhone arguably did succeed in offering the first fully functional and readable Web browser, mostly because of its pinch-to-zoom UI. However, this was negated by the fact that the first iPhone did not have 3G connectivity. So, even though the browser worked well, the Web browsing experience was painfully slow unless you were on Wi-Fi.

The other problem with the first generation iPhone was that it wasn't very useful, especially for business

professionals. It did not have the email functionality of the BlackBerry or the Treo, and it didn't have a lot of applications to take advantage of the easy new UI. As a result, a lot of executives and IT departments wrote it off as a toy – mostly just a fancy iPod with a phone in it.

Apple stepped up its game with the second generation iPhone, giving it 3G functionality, Exchange ActiveSync support, better security features for businesses, and opening it up to third-party applications. The third generation iPhone mostly pumped up the internal horsepower of the device.

By the end of 2009, [U.S. market share for the iPhone climbed to 30%](#) in a growing smartphone market crowded with a lot of players. Meanwhile, [iPhone's global market share grew to 17% in 2009](#).

However, the biggest victory for the iPhone has been its application ecosystem, which has attracted the most software developers and the most application installs. After opening the doors of its App Store in the summer of 2008, the App Store served its billionth download nine months later on April 23, 2009. Five months later on September 28, 2009, it served its two billionth download. A little over three months later on January 5, 2010, the App Store served its three billionth download.

Dragon #5: The Tablet

Long before Apple released the iPhone, there were [rumors that the company was developing a tablet computer](#). Part of that was due to the PDA legacy with the Apple Newton and part of it was due to expected competition with Microsoft's Tablet PC.

However, an Apple Tablet never appeared. Some of the technology that was rumored to be in the tablet, such as the multi-touch UI, eventually showed up in the iPhone. Nevertheless, the rumors of an Apple Tablet continued even after the iPhone was released. On the heels of one tablet rumor, I remember having a detailed conversation with Macworld Editor in Chief Jason Snell in the summer

of 2008 about what an Apple Tablet might entail and why anybody would want one.

In 2009, the rumors of an impending Apple Tablet started to heat up. There was a report in March that [Apple had ordered a bunch of 10-inch touchscreens](#). There were rumors in July that [PA Semi, which Apple had acquired in 2008, was building the chips for the Apple Tablet](#). Then came the [rumor in August from The Wall Street Journal](#) that Jobs, who had just returned to Apple after a brush with death and a liver transplant, was spending nearly all of his time and energy on the development of a new touchscreen tablet. Oh, and in September, [Apple hired back an original developer from the Newton team](#).

Ever since The Wall Street Journal article, most analysts, journalists, and observers in the tech industry have assumed that an Apple Tablet was coming. The main question was the timing.

The other big question centered around what the purpose of the tablet would be. Would it just be a big-screen iPhone or iPod Touch? Would it be a Mac laptop with a multi-touch screen and no keyboard? Would it be an e-reader? Would it be gaming platform (after all, games are a big part of the App Store)?

Ask five tech industry experts about the Apple Tablet and you're likely to get at least six different answers. Still the general consensus is the Apple Tablet will be a personal media device and its primary function will be consuming digital content in various forms – text, audio, video, and a new breed of multimedia mashups.

The most revolutionary aspect of this device is that it could usher in a new era of interactive reading that would change books, newspapers, and magazines forever. As we heard Jobs say in his 2007 iPhone presentation, he

loves to create products that can revolutionize industries, and a big swing for the fences like this one would be right up his alley.

It's no secret that these are all industries that are desperately struggling to adapt their business models to the digital age. If Jobs could provide a new platform for them to do it and bring the masses a 21st century reading experience in the process, it would rank as another major conquest in Jobs' prolific career.

Apple has reportedly been wooing content partners for months. Some have even posted their concepts for tablet-based content. [Sport Illustrated offered a video](#) of what its digital future could look like, and Ray Kurzweil's [Blio eReader software](#) provides a glimpse of what the future of interactive e-books could be.

Recently, Steve Jobs [reportedly said](#), "This will be the most important thing I've ever done."

Coming from him, that says a lot. For that reason, it's also a tall order. Does he have it in him to slay another dragon?

