

## A low-price Mac

ISIMA, June, 2005

Apple Computer has introduced its first low-price Macintosh, signaling its bet that most consumers now see computers as simply another appliance in the modern house.

2. While computers have long been sold as machines that can turn a home into an office, most Americans now use the computers in their bedrooms and kitchens as e-mail terminals, as hubs for playing music and storing and editing photos, and as stations for navigating the Web. The new Mac Mini, priced as low as \$499 without a keyboard, monitor or mouse, is aimed squarely at the needs of this new digital household.

3. The new Apple strategy, which moves the company deeply into the consumer electronics market, positions the new Macintosh as an entertainment and communication device. It also promises to intensify its battle with Microsoft in the personal computer market dominated by machines using Windows software.

4. The move is in part propelled by Apple's success with its digital iPod music players, which has pulled it into the mass market, with 10 million iPods sold in the past three years. The popularity of the iPod, analysts say, may persuade consumers who have not been Apple computer users to consider the Mac Mini.

5. "I wish I had a **nickel** for every time people have suggested that we do this," said Steven P. Jobs, Apple's chief executive, at a recent conference. "We want to price this Mac so that people who are thinking of switching will have no excuse."

6. But Apple's introduction of a low-priced machine is not likely to cut significantly into Microsoft's dominance in personal computing; more than 90 percent of PCs are Windows machines.

7. More important, Microsoft is also moving to turn PCs into entertainment centers with its Windows Media Center Edition software, which lets a computer double as a television and video recorder.

8. Gene Munster, an analyst at Piper Jaffray, noted that Apple's consumers were probably not going to give up their Windows PCs but might look into buying a Macintosh as an additional computer to handle entertainment.

9. "It's not about switching but adding," he said. "People may still need a PC because of work activities, but this is for doing multimedia activities and searching the Internet."

10. For the past few years Apple has deflected criticism of its roughly 3 percent share of the computer market by comparing itself to prestige brands like BMW. It tried to make sophisticated and attractive products that appealed to a small segment of consumers willing to pay a premium for superior design.

11. Jobs played down suggestions that Apple had any grand strategy to transform itself, saying instead that the new pricing strategy was one that came in response to things that Apple customers have been requesting. In addition to the Mac Mini, which went on sale Jan. 22, Jobs has introduced a tiny digital music player, the iPod Shuffle, which will be priced as low as \$99. It has no

screen and can hold about 120 songs, compared with 5,000 songs on a standard iPod.

12. "Today we saw the unveiling of a business strategy that people will be talking about for years to come," said John M. Gallagher, a business professor at Boston College.

13. Despite the low price of the new iPod, Gallagher said, Apple will probably make up the low profit margins from the music player by selling a series of accessories with higher margins.

14. Even loyal iPod users have resisted Apple computers because they have perceived them to be both more expensive and not compatible with the industry standard of Windows and Intel microprocessor-based personal computers.

15. But the advantages for consumers of using a Windows PC are less significant if they are performing common Internet and entertainment functions. Moreover, the computer viruses, worms and spyware that plague Windows machines have been far less of a problem for Macintosh machines. The question still remains, however, whether PC users will try Macintosh machines in large numbers.

16. "This is not going to return Apple to a high level of profitability," said David Yoffie, a professor at Harvard Business School. "The margins on these new machines will be trivial. And I think they will add no more than one or two points of market share."

17. He said, however, that even a small growth in market share could be enough to attract software developers willing to write programs for the Macintosh.

18. Some analysts said that the cheaper Mac Mini, which could cost several hundred dollars more than its \$499 price when a monitor, keyboard and mouse are added, could help stop the company's erosion. The current low-end Macintosh, called the eMac, sells for about \$800. "The product is sensational for the market it's designed for," said Charles Wolf, an analyst at Needham & Co., who said the new machine was designed to appeal to Windows iPod users, who have stayed away from the Macintosh so far. "I think it's going to stem any further loss of market share, and I foresee the day late in the decade when they will double their market share because of a product like this."

(Ad. From the New York Times, 2005)

### Vocabulary :

A nickel : a five cent coin

### EXAM:

#### 1. Write a 150 word summary of the text

#### 2. Answer the question:

Describe the PC or Mac of the future: should it be an entertainment center or a work tool, or both? Could you imagine something else?

Discuss (about 300 words).