

lovers want to use them. It's a far cry from what happened in the desktop wars. Now it's Bill Gates's turn to learn that it's no fun when you're outside a wildly successful closed system looking in.

But what about that poor market share of the iMac and other Apple desktop and portable PC products, you may ask? Well, a funny thing called the "halo effect" of the iPod, which Steve Jobs predicted, has happened, and this time Steve is laughing all the way to the bank. Since the arrival of the iPod, Apple's share of the desktop and portable computer market in the United States has almost doubled, reaching just under 6 percent by early 2006. Many analysts expect that trend will continue to inch upward as more iPods are sold and more iPod users turn to Apple's Mac computer lineup for their computing experience.

Even more growth is expected in the worldwide micro-computer market as iPod international sales continue to grow, driving more sales of iMac and other flavors of Macintosh desktop and portable computers. Apple's worldwide share of that market was estimated at 2.5 percent in 2005, with predictions of a jump in growth to 3.5 percent by the end of 2006 and another jump to 5.0 percent by the end of 2007 by one computer industry forecaster.

Part of the reason for such lofty market share growth estimates was Apple's introduction of its Boot Camp software early in 2006. Boot Camp enables the newer iMac and other Mac models based on Intel's dual microprocessor chip to easily run applications software for both its own Mac OS X and the Windows operating system. Boot Camp will be folded into the upcoming Leopard version of Apple's OS X, further accelerating Apple's drive to lure corporate and business Windows users, as well as the iPod crowd, to its Mac lineup.

As Microsoft continues to struggle with its five years and counting development of the new Vista version of Windows, Steve Jobs is seen as moving to seize the moment to regain the market share Apple lost to Windows PCs. By his continuing innovations of the iPod and the opening up of the Macs to run Windows applications, Jobs is proving that he has mastered the business lessons of how to successfully wield the two-edged sword of closed systems.

Source: Adapted from Devin Leonard, "The Player: Rivals Won't Find It Easy Competing with the iPod's Closed System," *Fortune*, March 20, 2006, and Garry Barker, "Apple Makes Computer History—Windows on a Mac," *The Age*, April 7, 2006, and *MacDailyNews*, April 8, 2006.

Case 2

### CASE STUDY QUESTIONS

1. Do you agree with the sources in this case that Apple will dominate the digital music market for years to come? Why or why not?
2. Can the key technology and business strategies Steve Jobs implemented with the closed system of the iPod be applied successfully to the iMac and other Apple closed-system computer products? Defend your answer with several examples of what could or could not be accomplished for Apple's computer product line.
3. Will the cachet of the iPod and the capabilities of Boot Camp and the Leopard version of Apple's OS X lure many more Windows PC users to the Mac lineup of desktops and portables? Why or why not?

### REAL WORLD ACTIVITIES

1. Use the Internet to check out the claims of the iPod's dominance by the sources in this case. Research how the iPod's competitors are doing now, including new entrants like Amazon, and what strategies they are employing to gain market share. Has the market changed since this case was written? Defend your view of the status of the battle for the digital music market.
2. What is your view of the copy-protection tactics of Apple and its competitors? Is this capability a proper protection of the music companies' and artists' intellectual property rights? Is it an infringement on a purchaser's right to reproduce content? Is it an anticompetitive restraint of trade, especially for the closed system of the iPod? Break into small groups with your classmates to discuss these issues.