



KUNGLIGA TEKNISKA HÖGSKOLAN

ICT INNOVATION STUDY PROJECT
INL2

The first iMac

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October 6, 2023

1 Introduction

In 1998, Apple introduced a groundbreaking product: the iMac. This all-in-one personal computer marked a significant milestone for Apple Inc. with its iconic, translucent design available in vibrant colors, including Bondi Blue, which set it apart from the traditional beige computer cases of the time. This innovative desktop seamlessly integrated the CPU and monitor into a single unit, streamlining setup and saving space. (C. H. Museum 2023) However, the iMac wasn't just a technological innovation; it also revolutionized design and user experience. Its sleek, playful, and colorful appearance challenged conventional notions of what a computer should look like. Furthermore, to ensure accessibility for everyone, Apple eliminated the need for complicated cable connections.

All of these innovations aimed to make the iMac accessible to a broad audience. Nevertheless, despite the product's universal design and multifunctionality, how did Apple educate and inspire people to embrace their new offering?

2 Technology

Before the launch of the iMac, a considerable number of computers were already in existence (ibid.). Technology had advanced significantly, so the iMac was not the first all-in-one computer, not even within Apple's lineup, as the Macintosh 128k had already been an all-in-one computer (COLLECTIONS 2023). However, the iMac was distinctive for its integration of various technologies, particularly in terms of connectivity.

First, it embraced emerging technology like USB (Universal Serial Bus), simplifying connectivity and future-proofing the computer. Apple chose to exclusively use a USB port, eliminating the floppy disk drive. Subsequently, all Macs incorporated USB ports (FORECAST 2015). The USB port, designed in 1996, aimed to standardize peripheral connections to computers (ibid.). Consequently, since the iMac featured only a USB port, Apple encouraged users to adopt this technology, spurring its development. USB ports were both cheaper and faster than the ports used in their previous computers (EveryMac.com 2009). Furthermore, those who wished to use older ports could still do so by using available adapters (Mac84 2020).

Additionally, leveraging their deep expertise in electronics, the iMac featured "a new G3 PowerPC microprocessor in Apple computers, making them faster than competing devices" (staff 2008).

3 The competitive technologies

During the late 1990s, when Apple introduced the iMac, the desktop computer market was fiercely competitive, with numerous manufacturers and technologies vying for dominance. Notable competitors and technologies included Dell, Sony, and the Windows operating system.

In 1998, alternative computer options such as the Sony VAIO PCG-818 (Shimpi 1999) series and IBM ThinkPad 770E (Bourque 2015) were available. These machines featured Intel microprocessors, specifically the Pentium II, which, in terms of speed and RAM, outperformed Apple's G3, according to Susan J. Silvius (Silvius 1998). However, the price of Sony's computer stood at \$3699 (Shimpi 1999), while the IBM model was priced

at \$3,200 (Bourque 2015), in stark contrast to the iMac, which retailed for \$1299 (Silvius 1998). It's worth noting that there were even cheaper computers than the iMac, such as the Gateway Essential 400c, which was sold for \$999 in 1999. Furthermore, some individuals considered its microprocessor (Intel Celeron) faster than the iMac (ibid.).

Additionally, all of these computers ran on the Windows 95 or Windows 98 operating systems, which were considered superior to Apple's OS at the time (DORMEHL 2021). In response to this challenge, Apple strategically acquired NeXT, a technology company founded by Steve Jobs, one of Apple's co-founders. NeXT specialized in computer workstations for higher education and business use (Morgan 2021). While NeXT did not achieve significant computer sales due to its high pricing, it shifted its focus to software, particularly its NeXTSTEP operating system (DORMEHL 2021). Thanks to NeXT, Apple was able to compete with Windows, and in 2001, they launched their new OS called Mac OS X 10.0. This OS garnered exceptional acclaim and continues to have a significant impact even two decades later (ibid.).

The strategy of acquiring other firms to compensate for weaknesses is a common and effective approach for large companies. In a recent lecture, a guest from Saab, a global company with a workforce of over 19,000 employees and annual sales of 42,000 MSEK, Saab is a major player in the industry (saab 2023). The guest underscored the importance of staying at the forefront of technology. To achieve this, Saab actively collaborates with startups and universities. Moreover, they frequently engage in acquisitions of other companies to leverage their resources, a strategy akin to Apple's move in 1997. In a similar vein, our third guest represented Insendi, a company specializing in online learning. Insendi has recently been acquired by Study Group, a leading provider of international education. For startups, being part of a larger group offers several advantages, including an expanded reach and enhanced development opportunities. This dynamic may help explain why NeXT, the technology company founded by Steve Jobs, accepted acquisition by Apple. Furthermore, it's worth noting that the acquisition of NeXT played a pivotal role in facilitating Steve Jobs' return to Apple, ultimately contributing to the company's subsequent success.

4 Design and marketing

The success of the iMac was also attributed to its distinctive design and user-friendliness, aligning with Apple's new image. The iMac's launch coincided with Steve Jobs' return to Apple, particularly after the "think different" campaign. This campaign had a profound impact, reshaping the public perception of the company. While the ads didn't showcase specific products, they portrayed a fresh company image that combined design and technology (Mupeti 2023). This campaign set Apple apart from its competitors, and it's why we can characterize Apple's entrepreneurship during that period as visionary. However, executing the "think different" campaign and promoting the iMac represented a significant challenge. In their quest to reach as many people as possible, Apple utilized various advertising strategies to maximize their ads' exposure to consumers (Emert 1998). Although they knew that their ads were reaching people, they struggled to determine which advertisements influenced individual purchasing decisions. To address this issue, the initial lecture underscored the importance of Marketing Analytics and Incrementality Testing. Unfortunately, in 1998, Apple was unable to employ these advanced marketing strategies

due to the limited computer ownership of that era, making it impractical to apply the methods presented. As a result, Apple allocated approximately \$100 million to advertise the iMac, accounting for roughly 15 percent of the expected revenue in 1998 (Emert 1998). This campaign stood as one of the most extensive marketing efforts in Apple's history (ARCHIVES 1998). If they had access to tools similar to those presented in the lecture, they could have potentially saved a substantial amount of money.

5 External factors, PESTLE

In the 1990s, the internet was still in its early stages, with a growing number of computers connecting to it (S. M. Museum 2020). During this period, numerous technological advancements in computer hardware and software influenced the iMac's specifications, necessitating regular updates to remain competitive (C. H. Museum 2023).

Recognizing that not everyone owned a computer, Apple saw an opportunity to provide an easy-to-use computer to a broad audience. This decision aligned with the design trends of the 1990s, which leaned towards minimalist fashion (Culture 2023). Additionally, Y2k fashion became popular towards the end of the decade, potentially influencing the iMac's design. This era was marked by a strong belief in technology and innovation (WEISBERG 2001). The internet was also giving rise to social networking services and online shopping sites (Davis 2023), further motivating people to purchase computers, especially the iMac. From a political and economic perspective, the United States, having emerged victorious from the Cold War, wielded significant global influence, leading to increased exports worldwide and accelerating globalization (Raja 2022). Apple fiercely defended the distinctive iMac design through legal action against competing computer manufacturers that attempted to imitate the iMac, such as eMachines' eOne (Kanellos 1998).

6 Porter's Five forces model

First, the threat of new entrants was low. The computer manufacturing industry required a substantial initial investment in research, development, and production facilities, acting as a significant barrier to entry that deterred many potential newcomers. For example, Apple had 8,000 employees and \$7 billion in revenue in 1997 (Podolny and Hansen 2020). To create a new company who could enter in the market it would have took time or a huge amount of money. Steve jobs try to create a new company after leaving Apple in 1985. He brought \$12 millions dollars in NeXT but it hasn't been a success with his computer (Morgan 2021).

Second, the bargaining power of suppliers was notable. Apple relied on various component suppliers for hardware components like processors and memory, giving suppliers some bargaining power. However, Apple's size and purchasing power helped mitigate this to some extent (Podolny and Hansen 2020).

Buyers had choices when it came to desktop computers, but the iMac's unique design and features made it an attractive option. The bargaining power of buyers was moderate.

In 1998, desktop computers were a primary choice for many consumers and businesses, and there were limited substitutes that could match the iMac's design and functionality (see details in 3,4).

Apple faced competition from other PC manufacturers like Dell, HP, Compaq, and IBM. While these competitors offered a range of desktop computers, the iMac's unique design and user-friendly features provided Apple with a competitive edge.

7 Apple's strategic decisions post-iMac

After the first iMac, Apple continued to innovate and maintain its market position. To offer customer support and foster brand loyalty, Apple opened many retail stores in 2001 (Apple 2001). These stores, often large and impressive, reinforced its image as aesthetic and futuristic, aligning with the 'think different' campaign. One of Apple's key post-iMac strategies was diversifying its product lineup. While the iMac was a success, Apple didn't rely solely on it. They continued to innovate in various product categories. In 2001, they introduced the iPod, a groundbreaking digital music player that eventually led to the creation of the iTunes ecosystem (Griffith 2022). In 2007, Apple introduced the iPhone, revolutionizing the smartphone industry and setting a new standard for smartphones (Apple 2007). In 2010, Apple introduced the iPad, which created a new category of consumer electronics, showcasing Apple's ability to innovate beyond traditional computers (Apple 2010).

8 Conclusion

In 1997, Steve Jobs returned to Apple and initiated a transformative campaign called "think different" to reshape the company's image. Just one year later, they introduced the iMac, an all-in-one personal computer characterized by its innovative design, ease of use, and speed. This product aligned seamlessly with the new corporate image of innovation and cutting-edge design that Apple was striving to cultivate.

As a result, the iMac experienced tremendous success, becoming the best-selling computer of the year and elevating the company to the top of the industry. Following this triumph, Apple continued to drive innovation across various product categories, solidifying its position and reinforcing its image as a pioneer in technology and design.

Appendix

The feedback from the teacher and the students has been taken into account. Most of the remarks have been applied, especially those related to references, as well as those concerning the content and analysis. The only feedback from the teacher requesting a "deeper analysis" has not been applied. First, the report is already too long, around 1800 words instead of 1500. Therefore, I preferred to keep it as it was. Moreover, in the case of the iMac, the part I found most interesting was understanding how it became so famous despite not having significantly superior technology. Specifically, I found the sections about competitive technologies (Section 3) and Design and Marketing (Section 4) to be the most compelling. I didn't want to delete them, so I didn't make many changes.

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