If you're so smart, why ain't you rich?

Why Macs Have 4% Market Share

Mac users are often faced with this question : "If Macs are the best desktop computers *[and they are, of course]* why do they only have a measly 4% market share?" This question is usually asked of us by Microsoft Windows users who then volunteer their favorite answer, as Chris Cobbs, technology columnist for the *Orlando Sentinel,* wrote:

"[Apple] chose to keep the Mac operating system only for Apple, rather than letting others license it, a decision that opened the way for Windows' dominance of global computers."*

A simple and easy to understand answer that is completely wrong.

The questioner's reasoning goes like this: Apple invented the personal desktop computer and dominated that computer market with the Macintosh. Then IBM created the IBM PC and allowed other computer companies to copy it. Because many companies were making IBM PC clone systems, competition forced prices down which made the PC clones popular even though they weren't as good as the Apple computers. Meanwhile, Apple tried to hold onto Mac OS exclusively and lost the race.

Such an explanation ignores several historical facts. First, while Apple did invent the personal computer (Apple I) in 1976, the IBM PC dates from 1981; Macintosh did not appear until 1984. Apple never held top place in market share and by 1985, the market share race was already lost to IBM and the clones. By the way, IBM did not license the clones, they were invented by Compaq (now part of Hewlett Packard) and IBM sued to stop them, but failed.

**Video iPod -- is it the start of something big?* Orlando Sentinel, October 29, 2005

Market share is determined by taking the total number of computers sold (usually by financial quarter) and dividing that into the number of computers sold by each manufacturer. So, if 100 computers were sold and your company made 25 of them, your company has a 25% share of the computer market. Currently Apple's Macintosh has about a 4% share of the market. Microsoft's Windows operating system (from many different manufacturers) has about a 94% share and exotic operating systems such a Linux account for another 2%.

So far, desktop computer history breaks down into two eras: BBB and ABB.

BBB is Before Big Business. This was the time when desktop computing was dominated by many small manufacturers. These companies were creating a new industry. They were experimenting with different operating systems and hardware designs. This was the most exciting and vital part of personal computer history. Then big business discovered personal computers.

ABB is After Big Business. When major corporations began to see desktop computers as useful, IBM, the manufacturer of that era's most popular business computers (remember huge, room filling computer systems that required air conditioning and technicians in white smocks?) took notice and came up with their personal computer the IBM PC. The IBM PC was inferior to most of the desktop computers already on the market and cost more. Even so, the IBM PC changed the personal computer world because the major corporations, that would soon buy PCs in the tens of thousands, already knew and trusted IBM. To them that trust was far more important than which desktop computer had the best technology.

Some famous early computers

Tandy TRS-80 model 2
Market share leader 1977-79
Extinct.

Kaypro model 2
One of the first portable computers. Popular during the early 1980s. Extinct.

Commodore 64
Market share leader 1983-84.
Extinct.

IBM PC
Released in 1981

The BBB period lasted from 1976 until 1985. During this time the market share leadership was held by many companies.

From 1977 until 1979, Radio Shack's Tandy TRS-80 models outsold everything else by a wide margin. Every city, town and village had a Radio Shack store, so TRS-80s became ubiquitous. They enjoyed a 48% share.

1980 through 1982 saw no clear winner. Atari saw shares in the mid 20s. Radio Shack's TRS-80 share fell from almost 50% to 10%. The winners were the small makers like Commodore, Kaypro, Osborn, Compaq and others. All added together, they averaged about 50% of the market.

Then came the Commodore 64. For two years (1983 and 1984) the C64 was the king with 40% of the market. By comparison, the Apple][held 10%* and the new IBM PC was just making its mark with an impressive 28% share.

By 1985, the BBB era was over. Compaq successfully (and legally) cloned the IBM PC which allowed Compaq's computers to run the same software as the IBM PC. Compaq then licensed this technology to other manufacturers and the ABB era began.

With the coming of the clones, the computer market broke into three pieces. There was IBM and the clones (since they all ran the same software they are considered a unit), Apple, with its Apple][and Macintosh models, and the independent manufacturers that didn't choose the IBM clone route.

1985 saw IBM and the clones take a 49% market share. 1986, 56%. 1987, 65%. 1988, 80%. By 1988, Apple][was less than 1%. Macintosh was there at 5.5% and virtually everyone else was out of business.

It all happened so fast that there wasn't time for Apple to consider licensing. Keep in mind that in 1984, when Macintosh first appeared, IBM and the early clones already had 32% of the market. Apple][was 16% of the market and the new untried Mac was 6%. Apple had no idea if Mac was going to be a hit or not. Nobody else thought so. Icons on screen, mouses for pointing, white WYSIWYG displays *(What You See Is What You Get)* were all new to a world that was used to typing obscure computer commands on green phosphorescent screens. Pundits and reviewers mocked the silly icons and mouse and called the Macintosh a toy computer for people who weren't smart enough to use an IBM PC clone.

But, Apple believed and began phasing out the successful Apple][line. They put all of their faith and effort into the new Mac.

If, at this time, Apple had tried to sell licenses to Mac OS, they would have run into another problem. Only Apple had the technology to run Mac OS. IBM clones were not powerful enough to do the job, so any computer maker that wanted to make a Mac clone would need to use special, cutting edge technologies. This would have meant that Mac clones would be more expensive than Macs made by Apple. There wasn't any good reason for a cloner to invest so much in an computer that may turn out to be a commercial failure.

It wasn't until 1992 that Macintosh style computing was finally accepted by the mainstream of computing as a success and something that other computer makers would want to buy into through a license. Macintosh had a 12% market share. IBM and the clones had an 88% market share. The race was already long over. Licensing, when it was finally tried in 1995, almost put Apple out of business and came very close to killing the Macintosh.

Also in 1995, Microsoft introduced *Windows 95.* Now the IBM clones** could use Macintosh style computing. *Windows 95* was roughly equivalent in usability to 1986 vintage Macs, but that was good enough for

Compaq Portable 1983
The first legal IBM clone.
Extinct.

Apple][1977
The first of the Apple][line.
Extinct.

Macintosh Plus 1986
The third Macintosh model

Be Box 1995
The last serious challenger to
WinTel and Apple. Extinct.

*Apple]['s highest share during the BBB era was 16% in 1984.

**By now IBM itself was reduced to less than a 10% market share. The clone makers and Microsoft were fully in charge.

IBM PC clone owners. Since then *Windows* has improved greatly and is now only two or three years behind Mac OS X in features, ease of use and technology.

Market share is a illusion. As such, it is useless for determining whether an idea is a success or not. Macintosh Market share continued to fall until 2005 when it turned around and began increasing. 2004 market share was the low ebb being only 2%. According to the latest estimates, market share for Macintosh computers has risen to about 4%.

Regardless of such good news, even the 2% figure is unimportant because market share is an illusion.

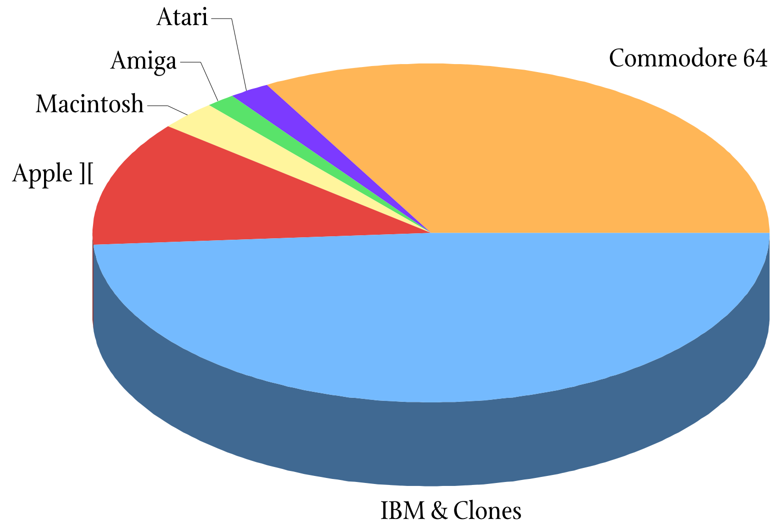
The computer market has grown so greatly and so quickly that even as Mac's market share has fallen, the number of Macs sold has grown. In 1992, when Macintosh market share hit its highest point of 12%, 2,500,000 Mac were sold. In 2004, with a 2% market share, Apple sold more than 3,500,000 Macs. Last quarter, Apple sold 1,236,000 Macs in only three months and they made more money than in any other quarter in the company's history. Apple will probably sell over 5,000,000 Macs in 2005.

That's a lot of computers! Even though Apple holds a small market share they continue to sell more and more Macs. Apple continues to be the only consistently profitable computer manufacturer other than Dell (an IBM PC clone maker).

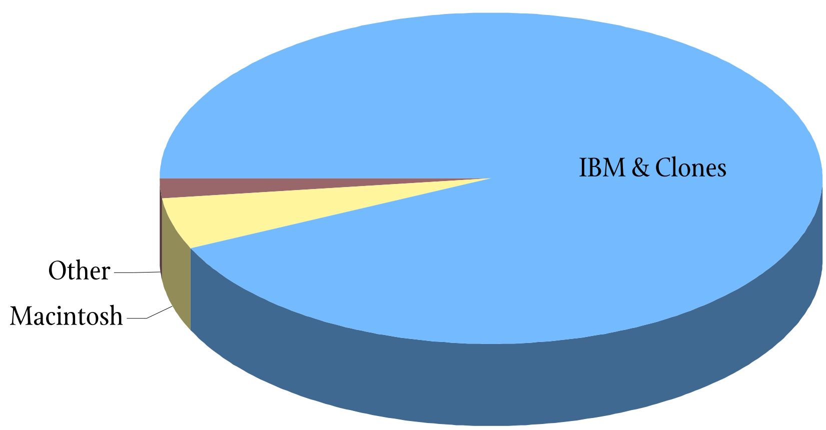
And, because Macs remain useful much longer than IBM clones, Macs account for about 25% of all computers in use. Most IBM PC clones are replaced with new models after two years. Macs are usually kept in service for about five years.

To the right you will see pie charts showing market share for two important years in personal computer history. Compare the pie charts to the line graph showing total Macs sold. Yes, market share as a measure of success, is an illusion.

Market Share 1985



Market Share 2005



Macintosh Sales by year 1983 to 2005 (estimated)