

Dell vs. Apple: Why It May Be Personal

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Bucher leads Dell's effort to expand sources of digital content Markham Johnson/Wonderful Machine

On Nov. 10, 2004, Apple (AAPL) CEO Steve Jobs had a strained conversation with Tim Bucher, one of the company's engineering executives. According to a lawsuit later filed by Bucher, Jobs said: "People think you are sometimes manic-depressive.... I think I'm going to have to ask you to leave the company." Bucher was stunned: He'd been promoted only a few months earlier. Bucher left Apple but soon sued for wrongful termination. He says the charges of mental illness are "completely false." Apple settled the suit in 2005 and declined to comment for this story.

Now Bucher is again squaring off against his former company. He's spearheading an ambitious plan at Dell (DELL) to break Apple's dominant hold on the digital entertainment market. He won't challenge Apple head on, with iPod knockoffs or a Dell version of the iTunes music store. Instead, Bucher's 120-person team is trying to create a potent alliance among Apple's many rivals, from cell-phone makers and record labels to online music sites.

MULTIPLE SOURCES

The idea, which Dell plans to unveil as early as September, is to create a broad standard, more open than Apple's, that will give people greater choice in how they buy and consume music, movies, and podcasts. Dell will give other companies the software to help establish the standard and will make its money selling PCs and other hardware. "Customers want access to content from a broad variety of sources—how, when, and where they choose," says CEO Michael Dell.

Apple looks nearly invincible in the market, but this in itself may be its most serious vulnerability. Today, record labels grumble about Apple's tight grip on their business, and many consumers are frustrated because the iPod works only with iTunes, at a time when there are many ways to get digital content. Imagine if you could download a song from Amazon.com and send it to the mobile phone of a friend or the car stereo of someone who has satellite radio. By creating one über-market, Dell and its partners hope to persuade consumers to try new devices and services. "Apple wants to lock you in," says Robert Enderle, a consultant who has been briefed by Dell. "Dell wants to lock you in to choice."

Central to Dell's plan is software acquired a year ago when it bought Zing, the company Bucher founded after leaving Apple. The software handles behind-the-scenes translations so that content can be "zinged" between computers and other compatible devices. Dell hopes to announce the Zing software as a feature on small, cheap laptops expected in September and to have the software installed on all of its consumer PCs by the end of the year. Two portable media players are scheduled for early next year, according to three sources. Bucher confirms that new devices are coming, but he won't discuss details.

Although Dell's concept is intriguing, the company's track record in digital entertainment is hardly encouraging. Dell fielded a portable music player in 2003, two years after Apple introduced the iPod, but Dell's device attracted so few buyers that the company killed it. Ditto for a short-lived line of Dell TVs. The company made its name selling bare-bones PCs, and it hasn't proven capable of developing the software necessary to deliver compelling services. Given the past failures, Bucher may be hard-pressed to win the broad support among partners necessary to take on Apple. "I don't know that Dell can make a compelling case," says Gartner Group (IT) analyst Mike McGuire.

Bucher says his quest to challenge Apple is all business and not personal. He first worked with Jobs in the 1980s at NeXT, after Apple's founder had been ousted from his own company, and says he has tremendous admiration for the Apple CEO. "I guarantee it's not about revenge," Bucher says.

Fonte: Business Week, p. 22, August 25 – September 1. 2008

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