

## Apple: still serious about servers

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*Network World, 02/17/97*

San Francisco

Apple Computer, Inc.'s server division may be the company's one unit not worried about its future.

Despite recently announced layoff plans at Apple, poor financial returns and failing consumer trust in the company and its products, the server division is forging ahead with two major announcements in the coming months.

Apple, which historically has sold only uniprocessor servers, will unveil its long-awaited symmetric multiprocessing (SMP) system within the next three months, according to company officials. The IBM AIX-based server initially will feature two processors, with future plans for four.

Apple also is getting ready to port the MacOS to its network server line, which to date has run only AIX.

In addition, the server division is looking beyond PowerPC processors and considering support for Intel Corp.'s Pentium processors, officials say. This would fit with Apple's recent acquisition of NeXT Software, Inc.'s operating system, which runs on Intel processors and will soon be turned into a new MacOS, code-named Rhapsody.

Despite the fact that Apple typically falls into the "other" category in server industry market-share pie charts, company officials are counting on increased server sales to help pull Apple out of its financial slump.

"If we continue to play so strongly on the client side, we have to offer a complete solution with a strong server line," says Brinton Baker, senior director of product marketing for the server division.

### Server shakedown

Apple's server machines are categorized by workgroup and network lines, and each line features two models with varying PowerPC processor speeds (see graphic). The workgroup servers are designed to run file and print, database and Internet applications for midsize workgroups, while the network servers feature hot-pluggable and hot-swappable features for more mission-critical applications.

There are no immediate plans to retool the workgroup offerings. However, with multi-operating system support and SMP abilities on the way, Apple will try to give itself more of a competitive edge in the network server market.

Apple officials alluded to SMP plans in 1994 when the company outfitted a server line with PowerPC chips. Since then, server division revenue has grown by 40%, according to company figures, but multiprocessing capabilities were seemingly forgotten.

Baker says SMP support will take Apple servers to a higher level of reliability and availability, but not to expect the company to make a push into the enterprise server market. "Apple has this core set of target markets. . .that [our] servers play strongly into - education, publishing, Internet and small business," he says. "That is where we are going to remain focused."

Susan Frankle, an analyst at International Data Corp. in Framingham, Mass., says Apple is well positioned to capitalize on the low- and mid-range server space.

"Apple has some inherent strengths that they can bring to the server marketplace to complement the strengths that it has on the desktop side," Frankle says. "[They have] traditionally had nontechnical, easy-to-use desktops and servers. . .appealing to one-stop-shop, nontechnical businesses."

Frankle emphasizes Apple's leadership in the education market, which traditionally lacks information technology specialists to service systems and networks. "There is also some potential for [Apple to] capitalize on small businesses, and they should do some more targeting there," she adds.

Baker says support for the MacOS on the network server line will target customers in education and small businesses that are looking for a complete Macintosh client/server solution, which was previously only available with the workgroup line.

"We have seen considerable interest in this with our existing customers," he says. "They are comfortable with the MacOS, and what they want is a box with increased storage capacity and hot-swappable capabilities."

## Embracing Intel?

Baker says Apple is considering server support for Intel's line of Pentium and Pentium Pro processors, a move observers say is not surprising considering the support for the processors in the NeXT operating system. In recent months, Apple has vocally reinforced its support for the PowerPC chip, but indications are strong the company is considering a Pentium program.

"That strategy is determined elsewhere. . .but you can assume that is something we are seriously looking at," Baker says, adding not to expect any announcements in the near future. "Everyone starts small."

Baker says for now, Apple will continue to enhance its current product line to appeal to its existing customers and throw some marketing weight behind Internet/intranet uses for the company's server products. "It has been said that the Internet was God's gift to Apple, and that is largely true because the ease of use that people expect out of the Internet is an Apple core competence," he says.

Some wonder if Apple has missed the boat in the server race, but Frankle agrees Apple's products are well designed for use as Internet servers.

"Is this a strategic business for Apple to be in? Absolutely, because a single server sale can equal 20 or 30 desktops," she says. "They are reaching in a more strategic part of the market."

Apple to pare itself down

Apple Computer, Inc. earlier this month reorganized several departments in a cost-cutting effort, and industry observers say the company will announce numerous layoffs to further trim its budget.

The company's server division is not in danger, as evidenced by future development plans, company officials say.

However, other groups are not expected to be so lucky.

Apple reportedly is in negotiations to dump its Newton division and could announce layoffs by March. Observers estimate as much as 20% of the company's total workforce could be given the boot over the next few months.

More near term, Apple is shifting responsibilities and consolidating departments to cut costs. Among the more drastic moves:

All the company's marketing departments, including the NeXT group, were merged into a single unit led by Guerrino De Luca, previously head of Apple's Claris Corp. subsidiary.

Apple's multiple product development organizations were consolidated into two basic groups: the System Software Engineering Team, led by NeXT's Avie Tevanian; and the Hardware Engineering Team, led by Jon Rubinstein, former chief operations officer at FirePower Systems, Inc.

The Worldwide Sales and Support organization will sell to and service a wider market segment and bring the Claris group under its umbrella.

Amid all the consolidating and trimming, there was one unexpected addition: Apple co-founder Steve Wozniak, whose surprise return was second only to that of fellow co-founder Steve Jobs last month.

Wozniak and Jobs will serve as advisors to Apple Chairman and Chief Executive Officer Gilbert Amelio.