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Steve Jobs Uses iCloud to Pick Apart Industry He Helped Form (1)
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(Updates with German trading in 17th paragraph.)

By Adam Satariano and Peter Burrows

June 7 (Bloomberg) -- Apple Inc. Chief Executive Officer Steve Jobs, by introducing a service that shares files across different Internet-linked devices, takes another step toward sidelining the personal-computer industry he pioneered.

Jobs, who helped popularize home computers with the Apple II and the Mac in the 1970s and '80s, is counting on the new iCloud product to let users synchronize and access data on Apple devices and Windows PCs running iTunes.

Jobs aims to make Apple the center of consumers' digital lives, further decreasing dependence on Microsoft Corp.'s once-dominant Windows software and Hewlett-Packard Co.'s market-leading PCs. With iCloud, files will be stored by Apple in remote data centers -- known as the "cloud" in technology parlance -- and automatically synchronize. That means the same content is available from any Apple gadget, without it cluttering up users' hard drives.

"The PC will be the most visible casualty of the cloud revolution," said Steve Perlman, a former Apple engineer and the CEO of online game company OnLive Inc. "Apple knows it."

Apple is trying to parlay the success of the iPhone and iPad into the leading role in the "post-PC" era. Already, customers have bought 25 million iPad tablets, eating into PC sales. Both Microsoft and Hewlett-Packard disappointed investors with their earnings last quarter, hurt in part by tablets weighing on the industry.

'Demote the PC'

In all, Apple has sold more than 200 million iOS devices, a category that includes the iPad, iPhone and iPod Touch, the Cupertino, California-based company said yesterday when it unveiled iCloud. Apple's App Store now has more than 425,000 applications that work with iOS.

"We're going to demote the PC and the Mac to just be a device -- just like an iPad, an iPhone or an iPod Touch," Jobs, dressed in a black sweater and jeans, said yesterday. "We're going to move the hub of your digital life to the cloud."

Apple recently completed a \$1 billion data center in North Carolina that will serve as the backbone of the iCloud service. It will help devices synchronize calendar items, contacts, mail, iTunes songs, photos, apps and other files.

"If you don't think we're serious about this, you're wrong," Jobs said while showing pictures of the data center. Yesterday's event marked Jobs's second public appearance of 2011. Though he has been on medical leave since Jan. 17, Jobs remains involved in Apple's decision making. His absence is the third since 2004 as he copes with a rare form of cancer.

Amazon, Google

In racing to the cloud, Apple is competing with Amazon.com Inc., the biggest online retailer, and Google Inc.'s Android software, which runs rival smartphones and tablet computers.

Amazon is the top seller of e-books, and offers its own cloud service. Google's Android, meanwhile, runs smartphones from Samsung Electronics Co., HTC Corp. and Motorola Mobility Holdings Inc. Android accounted for 36 percent of smartphone sales in the first quarter of 2011, compared with 17 percent for iPhone, according to Gartner Inc.

A major piece of Apple's effort to dislodge the PC is eliminating the need for customers to plug their devices into a computer for updates. With the software upgrades announced by Apple yesterday, devices will synchronize wirelessly. For example, a picture that's taken with an iPhone will become immediately available to view on an iPad or Mac.

"Keeping these devices in sync is driving us crazy," Jobs said yesterday.

Closed Ecosystem

The various Internet services Jobs introduced will only work with Apple's mobile devices. That improves the chance customers will stay within its ecosystem of gadgets and services, said Gene Munster, an analyst for Piper Jaffray Cos. in Minneapolis.

"Apple is increasing the likelihood that consumers buy multiple Apple devices," he said in a note to clients.

At the same time, Apple's closed approach presents an opportunity for rivals, including Google and online file-storage service Dropbox Inc., said Marc Benioff, CEO of Salesforce.com Inc. in San Francisco, which offers cloud services to businesses. Those competitors can offer services that will work with different platforms, not just Apple's, he said.

Apple fell \$5.40, or 1.6 percent, to \$338.04 yesterday on the Nasdaq Stock Market, mirroring a broader decline in the markets. The shares have climbed 4.8 percent this year. Today, the stock dropped 0.7 percent to the equivalent of \$339.58 in German trading as of 9:14 a.m. in Frankfurt.

As part of iCloud, Apple introduced a \$24.99 music feature called iTunes Match that will scan every song in users' libraries and match it with a copy in the cloud. That means customers don't have to upload all their music song by song -- a requirement on services introduced by Google and Amazon.

Free Download

iCloud will be available as a free download when Apple releases the new version of iOS this fall. The feature will include 5 gigabytes of free storage for users' files, plus unlimited room for purchased apps and books, and recent photos.

The new version of iOS will come with a notification system to alert users when they get text messages and updates from applications such as Facebook. It also will make it easier to see Web articles and save them for future reading.

A new Twitter Inc. partnership will help users access the social-networking service and post photos. And a feature called Newsstand lets customers purchase and organize newspaper and magazine subscriptions for the iPad and iPhone.

New Features

Apple also is adding 250 new features to the Mac OS X Lion software, including more touch-control options and a service called AirDrop that shares files over Wi-Fi. The Lion operating system will be available for downloading in July for \$29.99.

The company's earlier foray into Web-based services, MobileMe, got off to a slow start, dogged by breakdowns, including one that kept users from sending or receiving e-mails.

MobileMe, with a \$99 annual subscription fee, eventually gained 3 million users, according to Forrester Research Inc. That's a fraction of the potential customer base for iCloud.

"We learned a lot," Jobs said yesterday. MobileMe "wasn't our finest hour."

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