

Apple's laptop price cuts help consumers, could expand market share

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The weak economy is forcing even Apple to have a Blue Light Special. Last week, the Cupertino, Calif., company cut prices from 5 percent to 15 percent on most MacBook laptops, from the 13-inch machine, now dubbed MacBook Pro, to the svelte MacBook Air. The refreshed MacBooks include SD card slots for convenient photo and video downloading and built-in batteries that will last up to seven hours.

[Apple](#) also announced that its new Macintosh operating system, Snow Leopard, will go on sale in September for just \$29, which is \$100 less than the last operating system makeover, Leopard.

"We are surprised by Apple's aggressive reductions," Piper Jaffray analyst Gene Munster wrote in a note to investors.

The moves reflect decreasing component costs, dramatic price cuts among laptop competitors and a recession that led to a first-quarter 7 percent drop in global PC sales and a 3 percent decline in the United States, according to the technology research firm IDC. During that period, Apple's U.S market share slipped 1.2 percent, IDC reported. In the second quarter, the company said, laptop sales were down 2 percent, and desktops down 4 percent.

"Lowering their prices was a big move for them," IDC analyst Richard Shim said. "When a lot of your competitors are lowering their prices, you look ridiculous when you are too far above the fray. They've got to respond to the market."

Nonetheless, MacBooks are not at the cheap end of the market. Apple's least expensive model is the \$999 white laptop with a polycarbonate plastic exterior. Some competitors' netbooks — the mini-laptops that became popular after Asus launched its Eee PC brand — sell for around \$300. And regular non-Apple notebooks running on Windows are going for \$500 to \$800.

Microsoft, which has been relentlessly needled by Apple's "Get a Mac" ads, which portray PCs as buggy and uncool, has fired back with its own "Laptop Hunters" campaign that paints Macintosh computers as too pricey.

The lower MacBook price tags are part of a larger strategy to convert more PC users to the Macintosh platform, according to Gartner analyst Ken Dulaney.

"Apple is on a roll," he said. "The iPhone has sparked a new lovefest with Apple. So they've got to make it easier for people to get into the Mac environment."

The new 13-inch aluminum MacBook Pro had its starting price slashed \$100 to \$1,199 with the refresh, which is sure to make it a hot seller, Kaufman Brothers analyst Shaw Wu said. The changes come after the laptop got a makeover just last fall. "The timing was a pleasant surprise," Wu said. "I don't think anybody was thinking about a refresh this soon."

Still, the analyst would prefer an even lower-priced Mac, something in the \$700 to \$800 range.

But Apple has never been about making budget computers. Its machines have always come at a premium price, though the company argues its virus-free environment and easy-to-use software, including the iLife creativity suite, are values no PC maker can touch.

"This pricing activity is really only incremental," said Stephen Baker, vice president at NPD Group, which tracks the retail industry. "Apple isn't trying to compete in the bargain basement of the PC market, nor is it expanding its distribution to outlets that might have a lower-price reputation. That would be damaging to its premium brand."

In April, Apple Chief Operating Officer Tim Cook reiterated the company's strategy when asked during a conference call with analysts about entering the low-end netbook market, which has boosted computer sales globally during the downturn.

"When I look at what is being sold in the netbook space today, I see cramped keyboards, terrible software, junky hardware, very small screens _ and just not a consumer experience, and not something that we would put the Mac brand on, quite frankly," he said. "It is a segment we would choose not to play in."

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