

The tablet PC could be Apple's next big thing

August 19 2009, By Rex Crum

Figuring out what Apple Inc. has in store for its next big product launch has become as popular a game as gathering to pick fantasy football drafts every fall.

And with holiday shopping season approaching, speculation is growing about what will be the next must-have device that [Apple](#) hopes will wow consumers and lead to a boom in sales.

Since the company only recently has upgraded the iPhone, and revamps its Mac PC models throughout the year, it follows that something involving the iPod could be next. And Apple historically holds an event in September or October to show off the newest iPod model.

While iPod sales have remained solid, there is a belief that the growth rates for the digital media players could be slowing, leading to the thought that Apple could be about to enter the market with a new tablet, or mini-PC, that falls somewhere in size and scale between the [iPod touch](#) and the MacBook [laptop](#) PC.

Of course, Apple is saying nothing. However, industry analysts who follow Apple say it's all but certain a tablet version of the Mac will be on the market by early 2010, if not sooner. The potential benefit to Apple could end up being billions of dollars of new sales.

Piper Jaffray analyst Gene Munster said recently that he had discussions with an Asian component supplier which said it had received orders for a [touch screen](#) device that needed to be filled by the end of the year.

Munster believes that's evidence Apple will launch a new tablet PC in early 2010.

"We expect the tablet hardware to be similar to an iPod touch, but larger and we expect the key differentiator of the device to be its software," Munster said, adding that the software could resemble a version of the Mac operating system used in the [iPhone](#), and also provide access to the iPhone's popular App Store.

Munster estimates that an Apple tablet device will probably cost around \$600, placing it between the highest-end iPod touch at \$399 and the MacBook, which starts at \$999.

At \$600, Munster calculates that sales of 2 million Mac tablets could add \$1.2 billion to Apple's sales next year.

"Apple needs to introduce lower-priced offerings into its notebook lineup," said Toni Sacconaghi, who covers Apple for Bernstein Research. "Small changes in price can meaningfully expand Apple's addressable market."

How low Apple is willing to go on price has been debated for years, and probably will be even more so now that the company has seen rivals such as Hewlett-Packard Co. (HPQ), Dell Inc. (DELL), and Acer Inc. claim success with smaller netbooks.

Apple officials have been unwilling to discuss publicly the idea of something like a netbook, claiming that such a product would dilute the value of the Mac brand to a point where putting out a netbook would never happen under the current corporate regime.

"For us, it is about doing great products," Apple Chief Operating officer Tim Cook said during the company's quarterly earnings conference call

in April. "And when I look at what is being sold in the netbook space today, I see cramped keyboards, terrible software and junky hardware. And not something we would put the Mac brand on."

But the move to a tablet or netbook device may be necessary for Apple to maintain some of its cachet with students and customers looking for more capabilities in their mobile computing devices, as well as to counter a leveling-off of its notebook sales.

Sacsonaghi, of Bernstein Research, said Apple's share of the notebook market "has largely plateaued over the last four to six quarters," and began losing some market share during the second quarter of this year. Sacconaghi says the recent notebook data suggests the market for high-end laptops, which cost \$1,000 or more, has been showing signs of declining, and Apple is approaching "share saturation" in its high-end customer base in the U.S.

Shaw Wu, of Kaufman Bros., said Apple may have seen the need to get into the netbook, or tablet market, before it's too late. Wu said sources with Asian computer manufacturers said Apple has been buying up touch screens in various sizes ranging from 4 inches to 10- and 12-inch models to determine what form factor would work best in a Mac tablet.

Whether Apple gets the new devices out in time for the holiday shopping season or pushes the release of a tablet into next year remains the key question.

"As usual, timing is always tough to pinpoint as Apple works on its own schedule," Wu said.

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