

Can e-readers still compete with the iPad?

April 22 2010, By Dan Gallagher



The Apple iPad.

When Apple Inc. launched its touch-screen tablet device known as the iPad earlier this month, some analysts began ringing the death knell for so-called e-readers -- most notably, the popular Amazon Kindle.

After all, the two devices seem hardly comparable. The Kindle uses a black-and-white screen and is designed primarily for reading books. The [iPad](#), by contrast, is a full-on portable computing device capable of reading, watching video and playing games as well as sending e-mails and typing up documents -- all from a high-definition, 9.7-inch LCD touch-screen.

On top of that, Apple managed to surprise the market by bringing in the iPad at a starting price of \$499 -- well below most estimates before the product was announced in late January.

"The iPad makes things much more difficult for [e-reader](#) devices," said Colin Sebastian, an analyst with Lazard Capital Markets who has followed the e-reader market. "Especially when you're a higher-priced e-reader, then the value proposition becomes less clear."

Still, many companies are making bets on the e-reader business. And analysts say those bets could still pay off, depending on how they are executed. IDC estimates that about 2.5 million e-readers were sold in 2009, and that number is expected to double to 5.1 million this year.

Those estimates have attracted several players to the market, with more coming. This year's [Consumer Electronics Show](#), which took place in January, showcased several such devices, which targeted market niches that ranged from book readers to newspapers to devices that are designed primarily for business uses.

Still, the Kindle from Amazon.com rules the e-reader market with an estimated 60 percent share, according to estimates from Forrester Research. Sony Corp. is believed to have accounted for another 35 percent of the e-readers sold last year, with other vendors splitting the rest.

Worries about the iPad's effect on the Kindle have helped to weigh down Amazon's stock this year. The shares are up 4 percent since the first of the year -- an underperformance compared to the Nasdaq Composite, which has gained more than 8 percent in the same period.

"The market fears that the iPad will materially undermine the value proposition and growth prospects for the Kindle," Mark Mahaney of Citigroup wrote in a note to clients on March 25.

Many analysts still see a strong future for dedicated e-readers -- depending on price, content and other factors that could help them stand

out to consumers.

First and foremost, most e-readers are still priced at a sharp discount to the iPad. The Kindle and its rival device called the Nook -- sold by Barnes & Noble -- both start at \$259. Sony sells a model for \$199 called the Pocket Edition, with another touch-screen version priced at \$299.

But others have little space from the iPad. IRex, a reader that went on sale at Best Buy earlier this year, sells for \$399. Plastic Logic, a venture-backed startup, introduced an e-reader at CES that it planned to start at \$650 for a model that only offers Wi-Fi connectivity, and \$800 for one that can access a 3G wireless network.

The Plastic Logic Que was originally planned to launch this month, but the company delayed the release until June 24 "in order to fine-tune the features and enhance the overall product experience."

Forrester analyst Sarah Rotman Epps says e-readers will have to compete with the iPad mainly on price, since there is no way for them to offer the same capabilities.

"We do see a role for a stand-alone e-reader, but it's not going to be a premium price point," Epps said in an interview. "They will have to get under \$99 to get the mainstream market."

Ross Rubin of the NPD Group agrees, adding that markets such as textbooks remain largely untouched by e-readers, and have a lot of potential.

"We are still very early in this market, which is still expanding," Rubin said.

Besides price, analysts believe e-readers can set themselves apart from

the iPad in other ways.

Product design is one area. While the iPad is widely hailed for its sharp design, one disadvantage is its 1.5-pound weight, which is more than double the weight of the 10.2-ounce Kindle. This would be a serious issue for those looking to use a Kindle or iPad for long-form reading.

"Weight is an attribute that's easy to overlook," said Rubin. "If you have an extra pound on your laptop, you won't be feeling it most of the time. But if you have an extra pound on a tablet device, you will certainly feel that."

Adding a color screen is another. While fine for book reading, devices with black-and-white screens are unlikely to be a draw for readers -- and publishers of -- newspapers and magazines, who are all gravitating towards the iPad. Color screens using E-Ink technology are not available yet, but are in development.

"In this market, we don't think it's sufficient for Amazon to go with only a black-and-white Kindle," said IDG analyst Susan Kevorkian.

E-readers such as the Kindle, Nook and Alex from Spring Design will have another advantage through ties to big retailers. The Alex will be sold through retail chain Borders later this year. The iRex and Sony e-readers are sold through Best Buy.

Gauging the performance of the iPad compared to the Kindle in the market will be difficult, given Amazon's long-standing policy of not disclosing sales figures for the device.

Amazon, which reports first-quarter results on Thursday, still refers to the Kindle as the top-selling product on its website. Mahaney of Citigroup estimates that the company sold 2.4 million units of the device

last year and will sell 3.5 million units this year. He also expects e-book revenue to reach \$760 million this year -- or about 2.3 percent of total estimated revenue for the company.

"The strength and relatively low price points of the iPad increase the pressure on Amazon to deliver an improved product (perhaps with touch-screen capability) at a lower price point (probably sub \$200) in 2010," Mahaney wrote. "But we believe this is a likely scenario."

Kevorkian of IDC believes Amazon will also benefit from having its Kindle app available on the iPad -- especially since its own e-reader does not have a color display. "The [Kindle](#) app lets the company get into the business of selling color content," she said.

Still, few analysts believe the current number of e-reader devices on the mark is sustainable, especially with more tablet devices on the way. Hewlett-Packard, Dell and Google are all developing competitor devices to the iPad, which will likely put more pressure on the e-reader market.

"We're not going to have a market where 30 different e-readers survive," Sebastian said.

(c) 2010, MarketWatch.com Inc.

Distributed by McClatchy-Tribune Information Services.

Citation: Can e-readers still compete with the iPad? (2010, April 22) retrieved 10 April 2024 from <https://phys.org/news/2010-04-e-readers-ipad.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--