

Amazon Kindle Fire sold out as new model expected (Update 3)

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This Wednesday, Sept. 28, 2011 file photo shows the Kindle Fire at a news conference in New York. Amazon.com Inc. quenched the Kindle Fire on Thursday, Aug. 30, 2012, saying its first tablet computer is now sold out. The Internet retailer has a major press conference scheduled for next Thursday in Santa Monica, Calif. It's widely expected to reveal a new model of the Fire there. (AP Photo/Mark Lennihan)

Amazon.com Inc. says it has sold out of its Kindle Fire tablet computer amid expectations of a new model for the holiday season.

The Internet retailer has a major news conference scheduled for next Thursday in Santa Monica, California. It's widely expected to reveal a new model of the Fire there, so Thursday's announcement that the first model is "sold out" suggests that Amazon halted production a while ago to retool for a new model.

Amazon launched the \$199 tablet last November. It was the first Kindle with a color screen and the ability to run third-party applications, placing it in competition with Apple Inc.'s iPad, at half the price of the cheapest iPad.

Amazon doesn't say how many Fires it has sold, but says it captured 22 percent of U.S. tablet sales over nine months. That would make it the second-most popular tablet, after the iPad. Tom Mainelli at research firm IDC said that figure matches his estimate of 6.7 million Fires sold, all in the U.S.

The Fire, which is about half the size of the iPad, could face a tougher challenge this holiday season. Many analysts expect Apple to introduce a smaller, cheaper iPad to take on the threat of the Kindle Fire and reach buyers who can't afford a full-sized iPad. In addition, Google just launched its own Kindle-sized tablet, the Nexus 7, and is selling it for \$199.

Amazon kept the price of the Kindle Fire low by keeping it small, stripping it of features and taking a small or zero profit margin. Its strategy is to make the Fire a means for people to buy more e-books, music and movie downloads from the Amazon store, which is intimately linked to the device. That's a contrast to the strategy of Apple, which sees content sales as a sideline and wants to make a profit on every device sold.

Apple has sold more than 84 million iPads since its debut in 2010, contributing to strong quarterly earnings and a market valuation that has exceeded \$625 billion—the highest ever for a public company. The iPad 2, released in March 2011, sells for \$399. The newest models, out this past March, sell for \$499 to \$829, depending on the amount of storage and wireless capabilities.

Amazon itself was the main outlet for the Kindle Fire. Its website now directs customers to used Fires available from other merchants. Staples stores recently sold it for \$179. It wasn't immediately known whether some stores still had it on shelves.

Amazon could update the rest of its Kindle line at next week's event, too. The current models were launched a year ago. In the intervening time, competitor Barnes & Noble Inc. has launched a Nook e-reader with a built-in screen illuminator for reading in the dark.

ABI Research said Thursday that sales of dedicated e-readers, like the non-Fire, black-and-white Kindles, peaked last year. It expects worldwide sales of e-readers at 11 million in 2012, down from 15 million in 2011.

The research firm expects tablets to outsell e-readers 9 to 1 this year, despite costing four or five times as much. Still, e-readers won't go away completely, ABI analyst Joshua Flood said.

"We believe there will always be a niche market for the dedicated reading device for voracious readers, business travelers, and educational segments, particularly ones that are low-priced," Flood said.

Shares of Amazon, which is based in Seattle, fell \$1.40, or 0.6 percent, to \$245.72 in afternoon trading Thursday.

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