

Amazon takes on iPad with larger Kindle Fire (Update 3)

September 6 2012, by Barbara Ortutay



Jeff Bezos, CEO and founder of Amazon, holds the new at the introduction of the new Amazon Kindle Fire HD in Santa Monica, Calif., Thursday, Sept. 6, 2012. (AP Photo/Reed Saxon)

Amazon unveiled four new Kindle Fire tablet computers on Thursday, including ones with larger color screens, as the online retailer steps up competition with Apple ahead of the holiday shopping season.

Amazon.com Inc. showed off the larger Kindle Fire with a high-

definition display amid expectations that Apple Inc. will introduce a smaller iPad as early as next week.

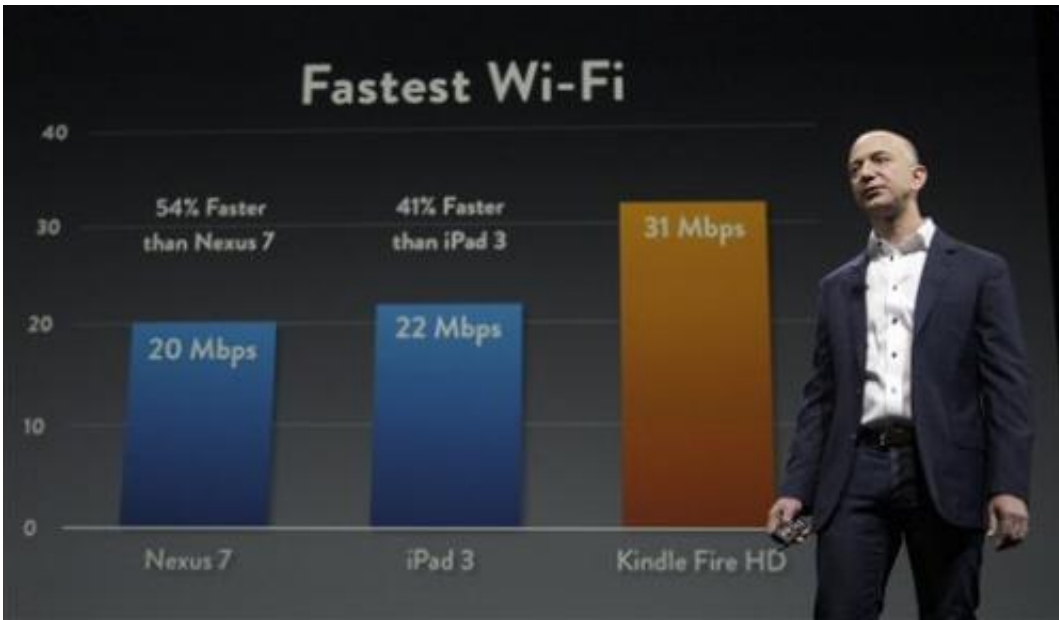
The larger Fires will have screens that measure 8.9 inches (22.6 centimeters) diagonally, compared with 9.7 inches (24.6 centimeters) for the iPad. The original Fire had 7-inch (17.7-centimeter) screens. The basic version of the larger Fire will sell for \$299, or \$100 less than the cheapest iPad.

"It's very clear today that there are two names in the market for tablets. One is Amazon and one is Apple," said Carolina Milanesi, research vice president at Gartner.

Seven out of every 10 tablets sold in the second quarter were iPads, according to IHS iSuppli. Tablets using Google's Android operating system have not been able to carve out a significant stake. Amazon is trying to change that with the new Fires, which run a modified version of Android.

Amazon has been selling lower-priced tablets at thin, if any, profit margins to boost sales of digital items from its online store. As a result, it has been able to compete with the iPad on price.

CEO Jeff Bezos said in an interview backstage that Amazon won't lose money on the devices even if customers don't use them to buy digital content from its online store.



Jeff Bezos, CEO and founder of Amazon, is seen with a graphic showing WiFi rates between the new Amazon Kindle Fire HD in Santa Monica, Calif., Thursday, Sept. 6, 2012. (AP Photo/Reed Saxon)

"We want people to buy content from the device, sure," he said. "We're fine if they don't."

The basic, 7-inch (17.7-centimeter) Fire model will cost \$159, down from \$199 for the original model, which sold out last month. Amazon says it is 40 percent faster, comes with twice the memory and has a longer battery life than the old version. It will start shipping next Friday.

"I want one," BGC Partners analyst Colin Gillis said about the \$159 Kindle Fire. "It's a great price, and it's certainly not something that's going to be making money for them initially. It's great for consumers. How great a business strategy (it is) for Amazon remains to be seen."

Amazon's bread-and-butter is not its Kindle gadgets but the movies,

books and music that people consume through them. By contrast, Apple sees content sales as a sideline and wants to make a healthy profit on every device sold. For example, the cheapest iPad costs \$399 and the most recent models start at \$499.



An Amazon Kindle Fire HD is seen on introduction in Santa Monica, Calif., Thursday, Sept. 6, 2012. (AP Photo/Reed Saxon)

But Amazon signaled Thursday that it is going head-to-head with Apple when it unveiled its high-end Kindle Fire HD. It will have two Wi-Fi channels and two internal antennas for faster, smoother transfers. That will be crucial for high-definition movies and other large files, Bezos told reporters.

The HD model will also have more storage, starting at 16 gigabytes (the same as the iPad), compared with 8 GB for the old Fire. About 2 GB is

taken by the Fire's operating system.

An 8.9-inch (22.6-centimeter) model will go for \$299 and start shipping Nov. 20. That means a device nearly as big as the iPad will sell for at least \$100 less. A 7-inch (17.7-centimeter) HD model will sell for \$199, starting next Friday. Movies will play in 720p on the 7-inch (17.7-centimeter) model and 1080p on the larger one.

The Fire, however, won't have as extensive a selection of apps as the iPad. In addition, while the HD models will have a front-facing camera for video chats, the iPad has one on the rear as well for taking photos and video.

A premium Kindle Fire HD model, one with the ability to connect to the 4G cellular networks that phone companies are building, will cost \$499. It will come with 32 gigabytes of memory and an 8.9-inch (22.6-centimeter) screen. A data plan with AT&T will cost \$50 a year and come with a cap of 250 megabytes per month. Apple's 4G iPads with 32 GB cost \$729, not including data plans with AT&T or Verizon Wireless.



Amazon Kindle vice president Peter Larsen holds the Kindle Fire HD at the introduction of the new Kindle devices in Santa Monica, Calif., Thursday, Sept. 6, 2012. (AP Photo/Reed Saxon)

Baird analyst Colin Sebastian said Thursday's event showed that at the end of the day, Amazon is a "legitimate competitor in the tablet market."

"They did at least enough to compete against Apple and against Google this year," he said. That said, Sebastian added that he wouldn't worry about Apple.

"I'd worry about the other Android tablets," he said.

Google, for one, has a 7-inch (17.7-centimeter) Android tablet called the Nexus 7. Samsung Electronics Co., which outsold Apple in smartphones this year, also makes Android tablets under the Galaxy line. Barnes &

Noble Inc. has the Nook Tablet, which also runs on a modified Android system.



Jeff Bezos, CEO and founder of Amazon, talks about the \$499 price point of the new Amazon Kindle Fire HD, compared to the competition's at nearly \$1,000, in Santa Monica, Calif., Thursday, Sept. 6, 2012. (AP Photo/Reed Saxon)

Amazon also refreshed its line of stand-alone e-readers. Called Paperwhite, the new e-reader model has a black-and-white screen and comes with a light source.

Tablets such as the iPad and the Fire don't work as well in bright light because they are lit from the back. Bezos says the light on the Paperwhite is directed down at the display. The device promises eight weeks of battery life, even with the light on.

It costs \$119 and starts shipping Oct. 1. Amazon says it will start taking

orders Thursday. There's also a model with 3G cellular connections for \$179. The Seattle-based retailer is also dropping the price of its low-end Kindle to \$69, from \$79. That will start shipping next Friday.

With the Paperwhite, Amazon "proved that there is still value in the uni-functional device," Gartner's Milanesi said. But, she added, it has to be cheaper than the rest.

Amazon's stock jumped \$5.16, or 2.1 percent, to close Thursday at \$251.38. Earlier in the day, it hit a record high of \$252.70.

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Citation: Amazon takes on iPad with larger Kindle Fire (Update 3) (2012, September 6)
retrieved 20 March 2024 from <https://phys.org/news/2012-09-amazon-ipad-kindle-hd-tablet.html>

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