

iPads face toughest holiday competition yet

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In this n Tuesday, Oct. 22, 2013, file photo, Phil Schiller, Apple's senior vice president of worldwide product marketing, introduces the new iPad Air, in San Francisco. Apple Ceo Tim Cook told analysts during the company's most recent earnings conference call that "this is going to be an iPad Christmas" as he predicted year-over-year growth. (AP Photo/Marcio Jose Sanchez, File)

Apple CEO Tim Cook believes Santa's sleigh will be loaded with iPads this Christmas, but a variety of competing tablets are sure to be along for the ride, too.

Apple's iPad Air, a thinner, lighter and faster-running version of its previous large tablet computers, goes on sale Friday with a starting price of \$499. The company also unveiled an updated version of its iPad Mini recently. It goes on sale sometime in November.

Apple is expecting strong sales of both models —so much so that Cook told analysts during the company's most recent earnings conference call that "this is going to be an iPad Christmas" as he predicted year-over-year growth.

But this year the iPad faces its stiffest holiday season competition since its 2010 introduction. While Apple still holds the largest chunk of the growing tablet market, the iPad has been losing market share to quality—and often cheaper— alternatives that run Google's Android operating system.

According to data released by market research firm IDC on Wednesday, iPads accounted for about 30 percent of the tablets shipped during the July-September quarter, down from about 40 percent in the same period a year ago.

Tom Mainelli, IDC's research director for tablets, noted that Apple faced tough year-ago comparisons because it released a new iPad during the second quarter of 2012, which caused its sales to spike in both the second and third quarters of that year.

Meanwhile, Samsung Electronics, Apple's closest rival, saw its market share jump to 20 percent from 12 percent a year ago. Smaller tablet makers such as Asus, Lenovo and Acer also saw big increases, though their shares of the market remained in the single digits.

The overall number of tablets shipped in the July-September period jumped 37 percent from a year ago, driven by a surge in Android tablet

shipments. At the same time, iPad shipments rose less than 1 percent.

Mainelli said that despite the competition he expects Apple to post a year-over-year increase in iPad sales for the fourth-quarter, predicting that the slimmed down nature of the iPad Air will be a big draw for consumers who complained in the past about the iPad's weight. If Apple does lose market share during the holiday season, Mainelli said, the amount will be tiny and of little consequence to the company's bottom line.

"We're all guilty of this, of looking at Apple's [market share](#) and saying: 'Are they in trouble?'" Mainelli said. "But the reality is they're going to have a real good fourth-quarter, they're going to have great average selling prices compared to their competitors and that's going to be great for their profits and great for the Street too."

Cook in his comments Monday emphasized that his company isn't just focused on how many iPads it sells in comparison to its rivals, saying that Apple also looks at things like customer loyalty and usage rates.

Mainelli noted that because Apple keeps its prices high, it's much more profitable than other tablet makers who try to boost unit sales by keeping prices low. As a result, Apple makes significantly more on each tablet it sells.

Shawn DuBravac, chief economist for the Consumer Electronics Association, said there should be plenty of demand to go around. His group expects U.S. holiday tablet sales to be up 21 percent from a year ago. According to CEA research, about 26 percent of consumers plan to buy a tablet as a gift this year, roughly the same as last year's 27 percent.

DuBravac noted that the tablet market has fragmented in recent years, much like the personal computer and digital camera markets did as they

matured. Consumers can now choose from among a wide variety of prices, sizes and options when shopping for a tablet, which boosts overall interest in the products, he said.

iPad competitors set to hit the market this month include Samsung's Galaxy Note 10.1—2014 Edition, which is one of the few that costs more than the iPad Air. Its 16 gigabyte version starts at \$550. But Amazon.com's Kindle Fire HDX, which like the Samsung tablet runs on the Android operating system, starts at \$299.

Meanwhile, Microsoft has put a big marketing push behind its Surface 2 and Surface Pro 2 tablets, which start at \$449 and \$899, respectively. The tablets are aimed at business professionals and could attract buyers who want access to Windows 8.1 and Microsoft Office applications, something iPads and Android [tablets](#) don't offer.

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