

Report: Apple cuts cost to make iPad Air by 13 pct (Update)

November 5 2013, by Michael Liedtke



Apple seems to have trimmed the bill for making its latest iPad along with the tablet computer's width and weight.

The iPad Air that sells for \$499 costs Apple \$274 to make, based on an analysis released Tuesday by the research firm IHS Inc. That's a 13 percent decrease from the estimated \$316 that it cost Apple to make the third-generation iPad introduced last year.

The iPad Air went on sale last week. IHS buys various devices and then takes them apart to assess how much the parts cost.

"While the iPad Air slims down in size, the profit margins are getting fatter," said Andrew Rassweiler, IHS's senior director of cost benchmarking services, in a statement.

Apple Inc. declined to comment Tuesday. But Chief Financial Officer Peter Oppenheimer assured analysts in a conference call last month that Apple "is going to work really hard to get down the cost curves" of its products.

The gap between Apple's costs and the iPad Air's selling price is even wider on models that offer more storage. For instance, IHS estimates the 32-gigabyte version of the iPad Air only costs Apple an additional \$8.40 to make yet sells for \$100 more than the 16-gigabyte model.

Lowering the bill for making the iPad Air could help Apple reverse a recent slump in its profits that has contributed to a 25 percent drop from the company's peak stock price in September 2012. The stock dipped \$1.25 Tuesday to close at \$525.45.

Apple's earnings have fallen from the previous year in each of the last three quarters as more people buy devices selling for less than the Cupertino, California, company's latest iPads and iPhones.

Besides snapping up cheaper products that compete against Apple, more consumers have been settling for older iPhones and smaller iPads with lower price tags, too.

The phenomenon is causing Apple's average selling prices to fall. For instance, iPads sold for an average of \$439 in Apple's latest quarter ending in late September, a 14 percent decline from \$508 at the same

time last year.

The iPad Mini, Apple's first tablet with a screen smaller than the standard 10-inch (25-centimeter) display, is the main reason prices came down. The prices for the iPad Mini, which debuted late year, initially started at \$329. That model is now selling for as low as \$299 as Apple prepares to release a more sophisticated version of the Mini featuring a high-definition screen later this month. The top-of-the-line Mini will sell for \$399 to help cover the costs for a more vibrant display.

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