

Apple cuts prices on lower-end iPads, releases red iPhones

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This photo provided by Apple shows the family of iPads, from left, the iPad mini 4, the new iPad, the 9.7-inch iPad Pro and the 12.9-inch one, along with the Apple Pencil. On Tuesday, March 21, 2017, Apple cut prices on two iPad models and introduced red iPhones, but the company held back on updating its higher-end iPad Pro tablets. (Apple via AP)

Apple is cutting prices on two iPad models and introducing red iPhones, but the company held back on updating its higher-end iPad Pro tablets.

A much-speculated 10.5-inch iPad Pro didn't materialize, nor did new

versions of existing sizes in the Pro lineup, which is aimed at businesses and creative professionals. The new devices are mostly refreshes of existing models. Apple unveiled them through press releases Tuesday rather than a staged event, as it typically does for bigger product releases.

The iPad updates come as the tablet market continues to decline, after a few years of rapid growth. According to IDC, tablet shipments fell 20 percent to 53 million worldwide in the final three months of 2016, compared with the same period in 2015.

THE NEW LINEUP

The iPad Air 2 is replaced by a new model simply called the iPad. It retains a 9.7-inch screen, but gains a little weight and thickness. The display is brighter and the processor faster. Its price starts at \$329 for 32 gigabytes of storage, down from \$399. The standard-size iPad is now cheaper than the smaller Mini model.

The 7.9-inch iPad Mini 4 now comes with 128 gigabytes of storage starting at \$399, rather than \$499 before. Apple is eliminating the 32-gigabyte model, which used to sell for \$399. Nothing else is changing.

Apple is also releasing a red edition of the iPhone 7 and 7 Plus; for each phone sold, Apple is donating an unspecified amount to HIV and AIDS programs. And Apple is doubling the storage on the smaller iPhone SE while keeping the \$399 starting price.

The new iPad Mini 4 is available right away, while the standard-size iPad comes out next week, with orders to begin Friday. The new iPhone SE comes out Friday, while the red iPhones are expected by the end of the month, with advance orders beginning Friday.

THE MISSING DEVICE

IDC analyst Jorge Vela had high hopes for a 10.5-inch iPad. He said such a size might have offered room for a better keyboard, compared with the 9.7-inch iPad Pro, and it wouldn't have been as bulky as the 12.9-inch version.

And Apple typically sparks consumer interest when it has new sizes and designs, Vela said, as seen by a jump in sales following the introduction of larger iPhones in 2014 (iPhone sales have since dropped.) Vela said a 10.5-inch version might have been enough for existing iPad owners to upgrade.

A 10.5-inch version may still come this year, closer to the holiday shopping season, along with updates to existing Pro sizes.

Jackdaw Research analyst Jan Dawson said Tuesday's announcement makes it "even clearer that there are two very distinct iPad tiers now—the iPad Pro and the basic iPads. The iPad Pros will likely continue to get all the best new features, while the basic iPad will get occasional updates and new features a little later than the Pros, lagging a generation or two behind."

The processor in the new standard-size iPad, for instance, is akin to what's in the iPhone 6S from 2015. The Mini's processor is even older.

DOWN BUT NOT OUT

In the last three months of 2016, iPhones generated 10 times the revenue as iPads. Unit sales of iPads fell 19 percent from the previous year. Yet Apple CEO Tim Cook has expressed optimism because many people were buying iPads for the first time, indicating that the market had yet to reach saturation, the point at which everyone who wants a particular

product already has one.

Dawson agrees that the number of tablet owners is still growing, even if overall sales are declining because people aren't upgrading often. He said the new \$329 price for the 9.7-inch iPad should help spur sales. New 9.7-inch models have previously cost at least \$499.

Far from holding a clearance sale, Vela said Apple is merely taking advantage of lower prices for older components. And Apple might be able to preserve higher profit margins by pushing people into a model with four times the storage, or 128 gigabytes; the extra storage costs Apple far less than the extra \$100 that model sells for, Vela said.

CHALLENGERS

Apple remains the market leader, accounting for about a quarter of all tablets shipped in the fourth quarter, according to IDC.

Samsung beat Apple to a tablet announcement by nearly a month, though Samsung's Android-based Galaxy Tab S3 doesn't actually start selling until this Friday, for \$600.

Vela doesn't consider it a serious threat to Apple. Even though the Tab S3 is more in line with iPad Pros in quality, Vela said people tend to buy Samsung tablets as media-consumption devices, something they can do with the cheaper iPads.

Samsung also has two Windows 10 tablets coming. Called the Galaxy Book, the Windows devices are more likely to challenge Microsoft's Surface than iPads. Microsoft is due for a refresh of its Surface Pro tablet, last updated in October 2015.

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