

Apple's Toughest Competition in the Fourth-Quarter Tablet Market Was - Apple

Although soaring sales of Amazon's Kindle Fire and other low-priced tablets trimmed Apple Inc.'s media tablet market share in the fourth-quarter, it was Apple's own newly introduced iPhone 4S that proved to be the strongest competitor for the iPad during the final three months of 2011.

Apple shipped 15.4 million iPads during the fourth quarter of 2011, according to the IHS iSuppli Display Materials & Systems Service at information and analysis provider IHS (NYSE: IHS). But while shipments were up 39 percent from 11.1 million in the third quarter, Apple's share of the global media tablet market slipped to 57 percent in the fourth quarter, down from 64 percent in the third quarter, as presented in the table below.

"Shipments of the iPad line fell short of IHS estimates in the fourth quarter as many loyal Apple customers devoted their dollars to shiny new alternatives," said Rhoda Alexander, senior manager, tablet and monitor research for IHS. "However, the primary alternative wasn't the Kindle Fire—which debuted to solid sales in the fourth quarter—but Apple's own iPhone 4S smartphone. The rollout of the iPhone 4S in October generated intense competition for Apple purchasers' disposable income, doing more to limit iPad shipment growth than competition from the Kindle Fire and other media tablets."

Amazon opens Fire on Apple

The debut performance of the Kindle Fire played a strong role in the share shift as well, particularly in the U.S. market, which accounted for more than half of global fourth-quarter media tablet sales. Amazon shipped 3.9 million Fire tablets in the fourth quarter, allowing the company to garner a double-digit share of the market, at 14.3 percent. This drove Amazon to become the world's second-largest tablet shipper in the fourth quarter, surpassing Samsung Electronics.

"Kindle Fire shipments in the fourth quarter came right in line with the IHS early December forecast of 3.9 million units, representing a respectable start for the Fire." Alexander noted. "However, the long-term viability of the product will hinge on the success of Amazon's business gamble, which depends on tablet sales driving substantial new online merchandise sales at Amazon.com in order to attain profitability."

Sharing the tablet wealth

For the entire year of 2011, Apple shipped 40.5 million iPads, up 168 percent from 15.1 million in 2010. This gave the company a 62 percent share for the year, down from the dominant 87 percent in 2010, when Apple had the media tablet market all to itself for most of the year.

Despite Amazon's strong showing at the end of the year, Samsung held on to

second place, with shipments of its Galaxy Tab line amounting to 6.1 million units, or 9.4 percent of the 2011 market. Amazon's share for the year amounted to 6 percent.

Stress tablets

The fourth-quarter introduction of value-priced tablets, most notably the Kindle Fire and Barnes & Noble's Nook, created chaos across the Android tablet marketplace, forcing competitors to slash pricing in order to clear inventory.

"The surge in non-iPad shipments in the fourth quarter was achieved at considerable financial cost, with sharp price reductions across most of the competing Android tablets and actual product giveaways from a number of vendors as part of promotional efforts for other electronic products," Alexander noted. In the wake of the new low bar for pricing set by the Fire and the Nook and the looming Google acquisition of Motorola Mobility, manufacturers and branded vendors are looking to Windows 8 tablets as a more profitable alternative. Watch for a surge of Windows 8 and ARM microprocessor-based tablets in late 2012 and early 2013.

Apple's tablet plans

Apple is set to reclaim its tablet market share when it commences volume shipments of the next version of the iPad, which is expected in the second quarter of this year.

IHS iSuppli anticipates strong sales for the next iPad refresh, with demand expected to outstrip supply for several months. The new device is reported to feature a QXGA retina display with a pixel format of 2,048 by 1,536, as well as SIRI, the popular voice interface of the iPhone 4S. As with previous iPad releases, Apple is anticipated to stage a staggered rollout, introducing the new product in different countries around the globe as supply improves.

Media tablet 2011 results

Year-end media tablet shipments came in at 65.2 million units, slightly above the IHS forecast of 64.7 million units.

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