Apple Set to Regain Media Tablet Market Share with Release of New iPad Model

With its new model and lower pricing on the popular iPad 2 model, Apple Inc. is poised to retake some of the media tablet market share lost to Android competitors in the fourth quarter of 2011.

Apple's share of global media tablet shipments for the full year 2012 is projected to amount to 61 percent, up from 57 percent in the fourth quarter of 2011, according to the IHS iSuppli Display Materials & Systems Service at information and analytics provider IHS (NYSE: IHS). While Apple's full-year 2012 share is expected to decline slightly from 62 percent in 2011, the company is set to maintain its majority position in the media tablet market into 2014, when it still will hold a 52 percent share of global shipments.

"With the release of the third-generation iPad, Apple is leapfrogging the competition, resetting the bar for media tablet performance," said Rhoda Alexander, senior manager, tablet and monitor research for IHS. "We expect demand for the new iPad—with its high-resolution, 2,048 by 1,536 display—to outstrip supply for much of the year. Meanwhile, more price-sensitive customers will flock to buy the freshly discounted iPad 2."

Total global media tablet shipments are on track to reach 124 million units in 2012, up 90 percent from 65 million in 2011, as presented in the figure attached. Although the annual rate of growth will slow in the coming years, the market will continue to expand robustly, with shipments projected to increase to 197 million in 2013, to 250 million in 2014, to 285 million in 2015 and to 311 million in 2016.

Pushing the envelope

Apple gave a hint of things to come in the iPad update with its announcement in mid-January of the iBooks 2 textbook app for the iPad.
The inclusion of higher-resolution images in the iPad iBooks app provided evidence that a higher-performance display was on the way. The higher-performance screen likely will prompt developers to rush to update and optimize their content to take advantage of the improvements.

For text-heavy apps from news, books and magazine publishers, the improvements will be welcome as they will provide a more print-like experience that had been lacking on earlier versions of the iPad. The higher-resolution screen also could encourage developers to offer apps and updates with significantly larger file sizes than before.

However, this will lead to fewer apps being available to download over mobile

networks while possibly also having implications on the iPad's storage capacity, driving consumers toward more expensive higher-memory-capacity models.
In addition to its high-resolution screen, at 264 pixels per inch (PPI)—the highest pixel density among current media tablet offerings—the new iPad also features a faster A5X processor, a microphone and voice dictation capability, 1080p recording capability and 4G Long Term Evolution (LTE) on its wireless models. Entry-level pricing for the new iPad is $499, while the iPad 2 pricing now starts at $399.

"Apple constantly pushes the performance envelope, which is a key part of its ongoing success." Alexander noted. "While not always first to market with a particular feature, Apple engineers are careful to select new attributes that are sure to improve the overall end-user experience. This design philosophy and capability to execute sets Apple apart from the pack."

Moving beyond consumers

One of the largest potential market opportunities for media tablets is in education, both in institutional purchases and in direct sales to students. Apple has been aggressively courting educators, hosting events at its Cupertino, Calif., campus and expanding its offerings of digital textbooks and educational applications.
"The iPad 2 will play a substantial role in the education market, as school districts work to match ever-shrinking budgets with demand for the latest technology," Alexander said.

Apple also is expanding into corporate and specialty markets, such as medical and transportation. The capability to reach beyond the consumer segment provides additional insulation for Apple from the price wars currently besetting the Android marketplace.

Implications for competitors

The field of iPad competitors continues to shift, with some of the early entrants fleeing the field even as new players join the market.

The price slashing that accompanied the entry of the Kindle Fire from Amazon in the fourth quarter of 2011 took a toll on many players in the Android space. The shipment gains for Android tablets in the second half of 2011 were secured at the cost of a 41 percent decline in the average street price for Android tablets. Apple retained 74 percent of the revenue share of the tablet market in the fourth quarter of 2011, even as its unit share declined to 57 percent, down from 64 percent in the third quarter.

"None of the iPad competitors has demonstrated the capability to compete head to head with Apple at a premium price point," Alexander said. "With the arrival Windows 8 on ARM microprocessors postponed to 2013, and most of the Android competitors now regrouping, IHS has lowered the media tablet forecast for Apple competitors in 2012. This means Apple will continue to capture the majority of the market well into 2014."

Future developments

Although it will be careful to maintain its premium price position, Apple may still have an additional product for cost-sensitive consumers in late 2012. Reports from component suppliers point to a smaller version of the iPad, which reportedly would utilize a 7.85-inch, XGA display. Apple has yet to confirm that such a product will be part of its product strategy, but suppliers anticipate its release in the fourth quarter.

For more information, please click here [1].

Posted by Ron M. Seidel, Editorial Intern

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