Apple Will Roll Out Cheap iPhone in 2013

Apple will release a cheap iPhone in the second half of 2013, according to a report from DigiTimes [1]. The media outlet cites unnamed supply-chain sources.

It isn't the first time this report has surfaced. Speculation has been rampant for months that Apple would soon roll out a low-cost iPhone aimed primarily at the emerging markets.

(What does Samsung's guidance [2] say about Apple's quarter?)

Google (NASDAQ: GOOG [3]) gives away its Android operating system for free, and lets many hardware makers use it to power their devices. Thus, there are many different Android handsets available at a variety of price points.

The cheaper Android-powered phones have appealed to consumers in emerging markets, who simply lack the purchasing power to afford Apple's iPhone. Even though the iPhone is wildly popular in the U.S., it has a paltry share of the global market, with Android commanding a solid 70+ percent.

Like the mini iPad, a cheaper iPhone might simply be a strategy Apple undertakes to protect its operating system. The more people use iOS, the more attractive it is for app developers to code for it. The more apps iOS has, the more attractive the devices are to users.

Despite the lower price point, DigiTimes claims the cheap iPhone will have a larger screen, following the trend pioneered by Samsung and other Android makers.

For Apple investors, the question will be one of margin: How much, if at all, will a cheap iPhone reduce Apple's margins?

For Apple consumers, it will be of availability: Will this cheaper iPhone make its way to the U.S., perhaps as an option for those who stay on prepaid mobile plans? And, if the device is sporting a larger screen, does this mean that the next version of the flagship iPhone (5s, 6) will aswell?

Shares of Apple traded near $526 on Tuesday, nearly flat on the session.

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