

Will \$99 Tablets Ruin Apple's Business Model?

Apple has sold 25 million iPads since their April 2010 release. [They currently possess 82% of the market](#) and seem to show no signs of letting up with the iPad 3 coming soon. With a price tag ranging from \$499 to \$829 (depending on the iPad model) the iPad has proved to be a profitable piece of Apple's business model.

So obviously there is a demand for tablets, even if the price is as much as a low-end laptop. The question is how long will Apple be able to hold their ground as the tablet market leader? Many companies have tried and failed to compete with the iPad but the most recent "failure" by HP may have uncovered a weakness in Apple's business model. If this weakness were to be strategically attacked we could see a worthy tablet competitor as early as next year.

The HP Touchpad "Failure"

The HP "failure" I'm talking about is the HP Touchpad tablet which recently sold out at all Best Buy stores. Originally the Touchpads were priced at \$499 then lowered to \$399. But when HP announced it was ending all webOS devices they held a clearance sale and the price dropped to \$99.

HP decided to discontinue the Touchpad and wanted to get rid of what they had left. So you could say the HP Touchpad lost the battle against the iPad, as so many tablets have, but it also uncovered a key that may enable someone (not mentioning any names Amazon) to eventually win the war against the almighty iPad.



The Gillette Business Model Poses Threat to Apple

The HP Touchpad “failure” proved there is a demand for a lower priced tablet. And if a company can implement the Gillette business model and sell tablets at a loss in order to increase market share then that company could pose a serious threat to Apple and its prestigious iPad.

Apple and Steve Jobs have done an extraordinary job marketing their brand to our culture. Apple is synonymous with quality, cutting edge and cool design. Some people call it Apple’s “magic”. So it’s difficult to compete with a business model that has so much meaning or “magic” built into it. But it’s not impossible.

Who Stands a Chance Against Apple?

What company has a business model that could compete with a heavyweight like Apple? All signs point to a duo of Amazon and Android. Amazon is the perfect company to employ the Gillette business model and Android could provide the hardware to do it. And while \$99 may not be a realistic price, \$299 is.

Think about it. If an Amazon/Android tablet appeared on the scene at \$299 and could do everything a \$499 iPad could, which would you choose (I already know what all you die hard Apple enthusiasts would say but not all of us bleed white and grey)?

Amazon may never boast an impressive 82% market share but what if they could get at least 5%? From there 10% doesn’t seem so far-fetched. And it can be done if Amazon uses a business model that risked breaking even or even losing money on hardware while making up for it with their extensive store (books, apps, music).



Would We See a \$300 iPad?

If Amazon/Android started to chip away at Apple's market would we see a \$300 iPad? Or would Apple do what they do best and innovate their way out with say, a budget-friendly tablet (maybe not an iPad at all)?

HP may have lost the battle but Amazon/Android could win the war. OK, well maybe not the "war" but they could at least provoke Apple to lower the high price on their tablets while also gaining a foothold in the tablet market.

