New iPad Is More Expensive To Make

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NEW YORK (AP) — Apple appears to be making less of a profit from each new iPad than it did when it launched the previous model a year ago, according to a research firm's analysis.

IHS iSuppli took apart a new iPad on Friday, the day the device went on sale in the U.S. and nine other countries, and found that the components are more expensive than those of the iPad 2.

The third iPad comes in several versions starting at $499, the same price as the iPad 2 at launch.

Apple has priced all three generations of the tablet aggressively, making it hard for competitors to match its features at the same price. It makes less from each iPad than from each iPhone.

As a whole, Apple is wildly profitable, earning $33 billion in net income on $81 billion in revenue in the last calendar year.

ISuppli said a new iPad with 32 gigabytes of RAM and a cellular modem, which costs $729 in stores, costs $364.35 to manufacture. That's 9 percent more than the $335 it cost to make the corresponding iPad 2 a year ago, when it came out.

The corresponding version of the first iPad cost about $276 to make in 2010, according to iSuppli's estimate.

The higher-resolution display and the larger battery needed to support it are the main reasons the new iPad is more expensive than the iPad 2. It has four times as many pixels as the iPad 2's screen. ISuppli estimates the display costs Apple $87, plus $40 for the touch-sensitive layer.

The new iPad battery has 70 percent more capacity, but the new display consumes all that additional power, so the battery life is the same as for the old model.

Also contributing to the cost increase is the new cellular modem in some models. It can use faster "4G LTE" networks in the U.S. and Canada.

Samsung Electronics Co. remains the largest single supplier of iPad components. It made the display in the unit iSuppli examined and it supplies all iPad processors. ISuppli suspects Samsung also made the battery and supplies flash storage memory for some versions of the new iPad.

In fact, half of the new iPad's "bill of materials" may be for Samsung components, iSuppli said.

Apple and Samsung don't comment on their business relationships.

Samsung also makes its own tablets and they have succeeded better than most competitors.

ISuppli's cost estimate does not include packaging or overhead costs like design, marketing and software.

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