

Samsung Clinches iPod Chip Deal

By Jay Lyman

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Apple is likely benefiting from lower prices thanks to its existing NAND business with Samsung, Semico Research Analyst Michell Prunty told MacNewsWorld. In addition, the move may signal retail price drops for new iPods or additional features, such as a rumored touchpad.

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Samsung this week revealed that it has won the rights to make media processors for Apple's (Nasdaq: AAPL) popular iPod multimedia players.

PortalPlayer, the company that has been making the chips for iPods thus far, announced last week that its chips had not been selected for next-generation iPods, which are expected to come in several models.

Samsung was a favorite for the deal given its existing relationship providing Apple with NAND flash chips for iPods, as well as its ability to mass produce the chips.

"At the end of the day, it's a big win for Samsung, and a loss for PortalPlayer," JupiterResearch Vice President Micheal Gartenberg told MacNewsWorld. "As features and cost continue to change and everyone is looking for the right mix between consumer cost and user convenience, these changes are inevitable."

Developing Devices

The switch to Samsung was likely driven by a desire to offer more features at lower cost, Mercury Research President Dean McCarron agreed.

"The motivation for change is almost always present in consumer electronics," he told MacNewsWorld.

Although Apple's iPods enjoy brisk business of millions of units per year, the margins on such products are tight, particularly when it comes to the semiconductor components for them, McCarron added.

Although PortalPlayer lost this time, the ever-changing nature of consumer electronics does not ensure Samsung will stay in its spot for good, however.

"Nothing is final in the world of consumer electronics," he said.

The Right Mix

The deal is significant for Samsung, but buyers won't care, Gartenberg said. Consumers aren't concerned as to where their devices' inner components come from, Gartenberg said.

The only real challenge for Apple in assessing possible iPod chip suppliers was to maintain the right "mix of features, price and design."

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"We're expecting something," she said.