

iPod nano Special Report: things you may want to know

By AppleInsider Staff

Sep-09-2005 05:00 PM

Following Apple's iPod nano announcement

<http://www.appleinsider.com/article.php?id=1267>

In another one of its boneheaded moves, Apple has managed to keep some early iPod nano adopters waiting in excess of one month before they'll be able to own the lanyard accessory, which comes with built in earphones and allows the new music player to be worn around the neck. Of course that's not half as bad as reports that some Apple authorized resellers have been quoted three-week wait times for volume orders of the new iPod itself.

Nevertheless, in its second straight day the iPod nano continues to gain praise and draw gazes. Says the Wall Street Journal's Walter Mossberg, "I have been testing a nano for the past few days, and I am smitten." The Personal Technology columnist claims "the nano has the best combination of beauty and functionality of any music player" he's ever tested. We'd have to concur.

By utilizing flash memory instead of miniature hard disk drives, Apple was able to design the nano to be nearly two-thirds the size of its predecessor, the iPod mini. The new players are so thin and compact that they're aesthetically stunning; but these great looks and new form factor may be costing Apple a pretty penny. According to PiperJaffray analyst Gene Munster, Apple's switch to flash memory in the iPod nano may have raised the company's component costs by as much as 50%. If true, this would mean that Apple is making far less off of each nano than it did with the mini.

Market intelligence firms Semico and iSuppli believe 1GB of flash memory in the volume market presently costs about \$45. Thus, the 2GB iPod Nano, which sells for \$199, potentially contains around \$90 worth of flash memory, while the \$249 4GB version would require approximately \$180 worth of flash memory, a Semico's analyst said.

However, earlier reports hinted that Apple had struck a deal with Samsung in which the iPod maker would purchase as much as 40% of Samsung's second-half flash memory output in exchange for a significant volume price reduction. Some analysts speculate that Samsung offered Apple a 50% discount, which would bring Apple's per-Gigabyte cost for flash memory inline with that of the hard disk drive-based storage used in the iPod mini.

"I can't tell you the discount rate, but it stands to reason that we expand the range of discount rates for a big buyer like Apple," said Samsung executive Joo Woo-sik. "Samsung didn't mean to do any harm to domestic MP3 manufacturers." But already some Korean MP3 player makers are miffed by the release of the nano and accuse Apple of "cutting corners" by using Samsung flash chips. They say there is no way for them to declare a price war with Apple and instead will counter the iPod nano with "new concept products."

Meanwhile, leave it to the Japanese to promptly purchase an iPod nano and then bust it to bits. The photos from this iPod nano dissection confirm the player is using flash memory from Samsung and also reveal a stereo codec chip from Wolfson Microelectronics, an ATA flash disk controller from SST, and what appears to be a USB chip from Texas Instruments.

One previous iPod component maker now absent from the aforementioned list is Synaptics, whose shares slipped further on Thursday as analysts confirmed that Apple is no longer using the company's click-wheel solutions in new iPods such as the nano. Synaptics had previously been Apple's primary supplier of both laptop trackpads and iPod scroll-wheels until Apple decided to develop its own solutions in order to gain more control over its intellectual property.

To combat the iPod nano, Apple's competitors may take action in different ways. Only hours after Apple unveiled the nano, Sony said it plans to start selling "advanced Walkman" digital music players later this year. They'll come in 6GB and 20GB capacities, but their color-tinted translucent enclosures are seemingly lacking the iPod's finesse.

On the other hand, reports indicate that Creative could be mulling whether to file suit against Apple, saying its use of the term "nano" is an attempt to trade on the name of an already established Creative product. In March the iPod competitor launched its flash-based "Zen Nano" player overseas. Unfortunately for Creative, about the only thing the two players share in common is the use of the term "nano," which also happens to be a unit of measurement.

Apple stock closed today at an all time high of \$51.31, up \$1.53 or 3.07%.

AppleInsider © 1997-2004

Please review our [Privacy Policy](#).

Written/Edited/Compiled by the AppleInsider Staff.