Kindle Fire - The iPad Killer

Background

Last week Amazon CEO Jeff Bezos launched the latest salvo in the tablet wars. The Kindle Fire is Amazon's new version of their highly successful e-reader. However, this time around Bezos has a much bigger target in his sights. Fire is being positioned as Amazon's iPad killer, and Bezos has taken direct aim at what is arguably Apple's Achilles heel: price.

Details

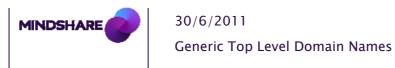
The Kindle Fire goes on sale November 15th at a fraction of the cost of an iPad. Fire will retail at around \$199 compared to Apple's cheapest iPad, which runs around \$500. However, unlike the iPad, Fire will only have Wi–Fi Internet access rather than carrier service. Furthermore, Fire will have a smaller screen and only 8 gigabytes of memory compared to the iPad's high–end 64 gigabyte model. To entice users to Fire, Amazon is offering users their own free "iCloud" like Web–based storage as well as a free month of Amazon Prime, which gives users access to an online library of 11,000 movies and TV programs.

Implications

Amazon is keen to keep their online retailing dominance as more content goes electronic. For example, e-book sales are booming while physical novel sales are in decline. In fact, Amazon recently announced that they are now selling more e-books than physical books. Consequently, to maintain their leadership position, Amazon needs to build on Kindle's success by expanding into other areas of their business, namely music, film, and TV, which of course puts them on a direct collision course with Apple's iTunes store. In fact, in addition to Amazon's 1 million e-book library, Bezos also has over 100,000 movies and TV shows and 17 million songs – only 1 million less than Apple's iTunes. However, while the Kindle has been a huge success with e-books, Amazon has lacked a full-color mobile entertainment distribution and access device like the iPad.

The Kindle Fire solves that problem. In addition to being substantially cheaper than an iPad, Fire also takes a page from Gillette's razor-blade playbook. By nearly giving Fire away, Amazon will lock consumers into their content library, thus generating significant revenue from future electronic film, TV, music, and book sales. Bezos hopes that Fire will not only bring new consumers to electronic content but also persuade Apple users to switch to the Amazon library. For marketers there are several potential implications to note:

- First, with Fire, Amazon is providing additional support and scale to Google's Android operating system, thus fueling further fragmentation in the application world. Amazon will sell applications for Fire from their own Appstore, which currently includes more than 16,000 apps, which is a tiny percentage of Apple's 425,000 apps. However, Amazon's embracement of Android will mean more brands will have to consider developing and selling for both the Apple and Android application ecosystems.
- While Amazon continues to offer their ad-supported Special Offers Kindle versions, they have not specifically mentioned any new advertising formats for Fire. However, richer interactive creative units may finally make an appearance on Kindle, all behaviorally targeted via Amazon's proprietary Silk browser and collaborative filtering algorithms. Could Amazon's version of Apple's iAd format and mobile network be around the corner?
- Marketers will have additional opportunities not only in applications but also in branded content.
 Non-linear and more democratic distribution channels like iTunes and Amazon will enable marketers to develop their own content without the constraints and expense of publisher or TV prime-time models.
- A cheap, mobile version of Amazon.com brings new e-commerce opportunities supported by virtual point-of-purchase advertising and features like AmazonLocal daily deals.



Summary

Competition in the tablet space can only be healthy for consumers. With prices dropping (or in Apple's case becoming more reasonable), more consumers will be able to buy devices, which will further fuel electronic content consumption. Kindle Fire seems like an ideal way to migrate conservative Amazon shoppers to this new world. It will be interesting to see how Apple counters Kindle Fire without losing their premium positioning. We may get our first glimpse of Apple's response with the upcoming Oct 4th launch of the new iPhone 5.