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Digitalia

Amazon launches two new, cheaper Kindles

Online book giant starts forcing prices of dedicated e-readers lower in wake of iPad's success

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Jeff Bezos isn't just confident you'll want a Kindle e-book reader. The CEO of Amazon.com is bracing for a future in which you'll also want ones for your kid heading to college, your spouse in a book club and perhaps even Grandpa.

And despite increased competition from Apple Inc.'s flashy iPad and other e-readers, that future could be coming soon – Aug. 27, actually, when online retailer Amazon.com Inc. releases two new Kindle models.

With both versions costing less than \$200 (all prices in U.S. dollars unless otherwise noted), and one not far above the \$99 psychological tipping point for gadget-buying, Bezos expects people to buy multiple devices for their households. If he's right, the new Kindles could help cement the company's status as the reigning e-reader and e-book champ, even in the face of an ever-growing field of challengers.

Sitting at the head of a conference-room table at Amazon's new headquarters on a late July afternoon, Bezos flips over a skinny, dark grey device. It's the upcoming Kindle, and he's excited to show it off.

Bezos zips through the new Kindle's features, rattling off a bevy of percentages. It's 21 per cent smaller and 15 per cent lighter than the current Kindle, he says, though its display is the same size. Its electronic ink display has 50 per cent higher contrast for improved reading in low and bright light. It turns pages 20 per cent faster.

Amazon began taking pre-orders on the devices this week for delivery Aug. 27. Available in dark grey or white, the third-generation Kindle will have Wi-Fi access for the first time. Previous versions had only 3G cellular access for downloading books and other content.

A version with both 3G and Wi-Fi will cost \$189 – the same price as the current Kindle. A Wi-Fi-only version, which can only download books when you're in a wireless hotspot, will cost \$139.

Both versions are available to Canadian buyers at the U.S. prices, plus shipping costs.

The \$139 price tag makes the Wi-Fi-only Kindle \$10 cheaper than the Wi-Fi-only Nook, an e-reader sold by competitor Barnes & Noble Inc. It will cost \$11 less than Sony Corp.'s low-end e-reader, the Reader Pocket Edition, which doesn't have wireless connectivity.

That lower price is also less than half of the \$399 that Amazon charged when it released the first Kindle in late 2007.

In Canada, the Kindle also has to compete with the \$149 (Cdn.) Kobo e-reader from Chapters-Indigo. The Kobo has an electronic ink display like the Kindle but it doesn't include Wi-Fi or wireless connectivity; users upload books by linking their e-readers to a home computer via cable.

James McQuivey, a Forrester Research analyst, expects the new low Kindle price will “shatter the bottom” of the e-reader market.

“Anything that doesn't have any kind of connectivity, like the Sony Pocket Reader, has to drop to \$99 by the end of the year,” he says. “Why would you buy that non-wireless device if you have the choice for the same or less money to buy a Wi-Fi-enabled Kindle?”

If Bezos has his way, you wouldn't – maybe you'd buy a Kindle with 3G and Wi-Fi for yourself, since you travel a lot, and a Wi-Fi-only one for your brother, who does most of his reading at home.

But even if the lower-price Kindle stimulates new demand, it will likely be hard to gauge how well they're really selling. While Apple happily touts sales milestones for the iPad, which starts at \$499 and can be used to read e-books, surf the Web and more, Amazon has never divulged how many Kindles it has sold, beyond saying that readers have snapped up “millions” of the skinny e-readers.

Bezos said Amazon is so secretive with its sales figures because releasing the information could help competitors, making it easier for them to estimate how many e-readers they should manufacture, for example.

Forrester estimates that Amazon has sold 4 million Kindles so far in the U.S. and expects it will have sold more than 6 million by the end of the year.

That would fit with hints from Amazon that cutting the Kindle's price has helped. Amazon recently announced that Kindle sales growth accelerated since the company dropped the device's price to \$189 from \$259 in late June, a cut that came a few hours after Barnes & Noble announced a similar slash to the price of its Nook e-reader, which now costs \$199.

The company also said Kindle book sales now outpace sales of hardcover books on Amazon. Amazon's Kindle store now offers more than 630,000 books, including a number of free, out-of-copyright titles. When the device first launched, there were only 90,000.

Bezos expects e-book sales growth to keep up, predicting Kindle books will outsell paperbacks on Amazon.com in the next nine months to a year. Eventually, he expects to sell more Kindle books than hardcovers and paperbacks combined.

“When that happens, because of the convenience of electronic reading, people will just be reading more,” he says.

Although many of them will likely be clicking from page to page on \$139 Kindles, plenty of others may not even bother to buy the hardware.

The company offers free Kindle reading software for several devices, including Apple's iPhone and iPad and smart phones that run Google Inc.'s Android operating software. There's also software for personal computers. That allows people to access Kindle content whether or not they have a Kindle device; Amazon still makes money selling the e-books.

For the foreseeable future, however, Amazon will need to watch out for competitors such as the iPad and the Nook. While Apple, with its iBookstore e-book store, is less of a threat to the Kindle Store and software, its iPad is a looming presence on the hardware side, McQuivey says. The Nook, meanwhile, is unlikely to catch up to Amazon, he says, but still something the online retailer can't ignore.

“The question is, are they ready for what they started?” McQuivey asks.

Bezos seems to think so, even as gadgets that can do everything from giving directions to supporting video chat proliferate.

“As far as e-books go, our point of view is that reading can be made better with a purpose-built device,” he says.