

Google phone parts only cost AU\$189, says research firm

By Jonathan Ong

Posted 14 January 2010 @ 04:03 am AEST

Google's

newly launched Nexus One smart phone, which retails for US\$529 (AU\$574) without a service plan, is built from components that cost only about US\$174 (AU\$189), says a research report.

According to the teardown by research firm iSuppli, the cost of the Nexus One's various components, including US\$30.50 for the 1GHz Qualcomm Snapdragon processor and US\$17.50 for the Synaptics touch screen, totals only US\$174.16.

But in a note to investors last week, Goldman Sachs analyst James Mitchell estimates that the Nexus One's component costs were US\$300.

But market analysts believe the big gap between the components' costs and the phone's retail price tag does not necessarily mean the search giant was making a sizeable profit, since the retail price includes expenses such as licensing fees and marketing costs.

Charter Equity Research analyst Edward Snyder says smart phone vendors typically achieve gross margins around 30 percent.

The bill of materials cited by iSuppli, however, does not include other costs such as manufacturing, software and royalties - all of which are factored in when calculating gross profit margin on a product.

The Nexus One, which is made by Taiwan's HTC Corp, competes with Apple's iPhone and Research in Motion's Blackberry devices. It is the first of a variety of smart phones that Google said were in the pipeline as the company seeks to expand its reach from the PC to the mobile world and ensure its online products and ads get prominent placement.

Read the full article of:

<http://www.ibtimes.com.au/articles/20100113/google-phone-parts-only-cost-au-189-says-research-firm.htm>

This article is copyrighted by ibtimes.com.au.