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## Apple's Netbook Foray Will Flop

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Like a moth to a hot trend, **Apple** ([AAPL](#)) will fly into the netbook flame and get burned.

The company will unveil a 10-inch touch-screen tablet computer sometime this year, say analysts. Not only does Apple want to showcase its design prowess, the company desperately needs a new hit to revitalize its computer line-up. Mac sales fell 16% from year-ago levels last month.

No question, the tablet will dazzle Apple fans who typically don't think twice about paying upwards of \$2,000 for the latest, greatest Mac. But beyond the core fan base, Apple will discover what other PC makers have known for a while: Consumers find big tablets hard to swallow.

### Archivals: Netbooks vs. Apple

(My colleague [James Rogers](#) writes about how [Apple could have decent margins](#) on Netbooks.)

**Hewlett-Packard** ([HPQ](#)), **Gateway**, **Lenovo** all make tablet notebooks for around \$1,400, and none score well on any popularity indexes.

There's a more eye-opening index that Apple investors should probably heed. Nine of the 10 bestselling computers at Amazon as of today were netbooks. And only one sold for more than \$400. In contrast, the average price of an Apple computer is \$1,400, or the equivalent of three-and-a-half netbooks.

Apple isn't entirely oblivious to the cheapness behind the netbook's popularity; it's just that the company has always believed that design trumps price. The iPod, for example, crushed the cheaper competition in music players.

Last year, well before netbooks became the obvious consumer hit, Apple chief Steve Jobs saw the direction computers were headed and started work on a tablet sub-notebook, according to people familiar with the development plans.

At the time, it wasn't clear what type of user would be interested in a tablet. Early guessers saw it as a niche device for hospital staffs or a good fit with the education market. Today, it's a little clearer, but the economics of netbooks don't work in Apple's favor.

Nonetheless, design hubris and slumping sales will cause Apple to tap a hot segment of computer market.

One prediction: The Apple tablet, instead of being a stunning iPhone-like innovation, will probably end up with a fate more like the MacBook Air. Remember that blade-thin metal-design, \$2,400 laptop? It's sitting at No. 52 on the Amazon bestselling notebook list. The tablet will be lucky to fall anywhere in the top 100.

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