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Google Nexus One phone parts cost \$174: iSuppli

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By [Alexei Oreskovic](#)

SAN FRANCISCO (Reuters) - Google Inc's new Nexus One smartphone, which retails for \$529 without a service plan, is built from components that cost about \$174, according to a research report.

But analysts said the big gap between the components' costs and the phone's price tag did not necessarily mean the Internet giant was making a hefty profit, since the retail price includes expenses such as licensing fees and marketing costs.

"You can't base margins off of costs alone," said Canaccord Adams analyst Peter Misek, noting that a variety of expenses are not reflected in so-called teardown reports, which dissect an electronics device and take inventory of the various parts.

Google began selling the Nexus One, which is made by HTC Corp, on its website last week, its first foray into selling electronics devices directly to consumers. The retail price is \$529, but if a buyer agrees to a two-year contract with Deutsche Telekom's T-Mobile USA, the carrier will subsidize the phone and it costs only \$179.

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

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

The bill of materials cited by iSuppli 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.

Charter Equity Research analyst Edward Snyder said smartphone vendors typically achieve gross margins around 30 percent.

He said the iSuppli report suggested Google would make a "decent" margin on the product, but added that it was impossible to know exactly how much.

Analysts also noted that the component costs are the costs borne by HTC to produce the phone, with Google then likely paying HTC a mark-up to buy and resell the phones.

The Nexus One, which competes with Apple's iPhone and Research in Motion's Blackberry devices, is the first of a variety of smartphones 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.

During an event unveiling the phone last week, Google Vice President of Engineering Andy Rubin said the company had an opportunity for an undisclosed margin selling the Nexus One.

(Reporting by Alexei Oreskovic; editing by John Wallace)



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