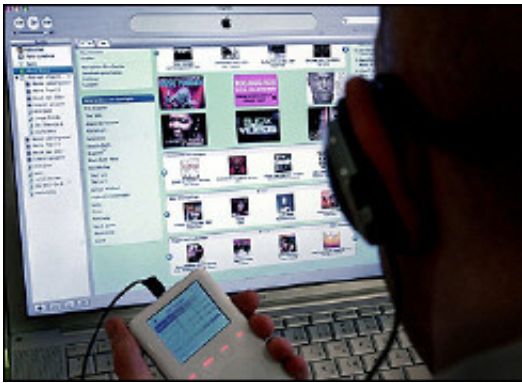


Google, Amazon to battle Apple's iTunes?

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Apple's iTunes may soon face challenges for digital music sales supremacy, if rumors of competition from Internet titans Google and Amazon are true.

According to a Financial Times report, both companies are in talks with big names inside the music industry about developing a legal music download service.

Apple's iTunes music store sells about 75 percent of all legally downloaded songs worldwide.

The report stated that Amazon is thought to be further along in its plans

and may debut a music store within the next few months. Google is said not to be as far along.

"Both companies have been thrown under the general heading of large online brands that could do this," said Mike McGuire, research director at analyst firm Gartner.

McGuire said that these are "constant rumors" that surround many successful Internet companies.

"How much of this is an actual strategy for either of these companies is unclear," he said.

Ted Schadler, analyst at Forrester Research, said that Google and Amazon could both match up with Apple in the public eye.

"Both are huge brands," he said, "probably bigger brands than Apple. Can they sell music really is the question."

McGuire said it would take a huge effort from any company to topple Apple's digital music dominance.

"Both companies have powerful online brands, but that's only one part of the battle," he said. "The challenge is not only to create a huge online store, but to have it be seamless."

McGuire said that Apple is in an advantageous position because iTunes is compatible with Apple's iPod, the world's most popular portable music device.

"Apple has the advantage," he said, "because they control the hardware, the software, and the source."

Michael Gartenberg, vice president and director of research at Jupiter Research, said that a company would need an MP3 player on par with the iPod to compete with iTunes.

"They'd need a device that can capture the hearts and minds of consumers," Gartenberg said. "No one's had a device that's even close to Apple in the marketplace."

Gartenberg noted that success in the MP3 player market requires more than just promotion.

"You need a good device," he said. "The iPod story wasn't just a marketing story."

McGuire agreed that a device would be key in the digital music downloading battle.

"From the consumer point of view, they see all these services, and try to find devices to support them," he said. "But there is nothing singular. They need to create an image in the consumer mind with a set of specific devices."

Though iTunes charges a flat fee of 99 cents per song download, most other services offer a subscription service where users don't own the music they download but are able to use it as long as they are a subscriber.

It's unclear what type of business model Google or Amazon would follow.

Gartenberg said that many consumers don't understand how subscription download services work, because they are accustomed to the paradigm of either hearing songs for free on the radio or buying music at the store

and owning it.

"Many don't know that this choice exists," he said.

McGuire said that consumers are unlikely to choose a service where they can only rent the ability to listen to a song.

"Consumers are used to owning music," he said. "Apple believes consumers want to own music, not rent it or lease it."

McGuire said that subscription services need to change how their licenses have been structured with record labels, so they can offer services more palatable to consumers.

"We're going to see some fine tuning," he said.

Though Amazon and Google have not publicly committed to creating a music store, MTV is set to debut its store, Urge, at some point in the first half of 2006.

Gartenberg said that MTV Urge may not be able to go toe-to-toe with Apple, but it could differentiate itself from the rest of the legal music download services.

"What you've got is a whole bunch of companies vying for second place," he said. "MTV has quite a bit of music domain expertise."

"When a major brand like MTV drops their service, that can change things," McGuire said.

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