

Handsets tapping into MP3 market

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Mobile music phones charging onto the music scene could put a dent into the MP3 player market, taking steam away from industry giants Apple and Microsoft. Already, many consumers are snapping up mobile phones that play digital music and act as regular handsets, thereby killing two birds with one stone, according to analysts.

Adding to the attractiveness of mobile music phones is the notion of wireless mobile music stores. As a result, there's growing speculation that competitors Apple and Microsoft are racing to release wireless-capable portable media devices -- a feature that the mobile is based on.

In the June 2006 IDC study "U.S. Wireless Music 2006-2010 Forecast and Analysis," U.S. wireless music services will have over 50 million users and generate more than a billion dollars in revenue in 2010 -- five years after appearing in late 2005.

It also found that a total of 22 percent of respondents said they would buy at least one track from their service provider within the first three months of availability. Moreover, 8 percent of age 25 to 44 year olds said they would four or more tracks, which IDC analysts noted that this would be the "core base of wireless over-the-air service users."

"Wireless OTA music services... brings the music industry new opportunities to reach consumers and drive revenue," noted Susan Kevorkian, program manager of consumer markets: audio at the IT market research firm IDC. "Wireless music services... are expected to quickly gain traction during the forecast period. By the end of this year,

the number of U.S. OTA customers will be approximately half that of online music service users, but may surpass them by the end of the forecast period."

And the report also said "OTA mobile music storefronts are emerging as one of the most important new channels for fans to discover, purchase, and enjoy full-track music and related content."

This is good news for Apple at least, who has iTunes to fall back on, already armed with a deal with Motorola to bring the popular music service to Motorola's mobile handsets with phones including ROKR (launched last year, paving the road for music-enabled mobiles) and the SLVR.

In addition, Verizon too launched its music service called V Cast music, which allows users to sync DRM-protected WMA music stored on their PC as well as purchase music directly from their cell phones and works with phones including LG VX8100 or Samsung SCH-a950 phone.

IDC analysts also noted that in order for wireless music services to reach the masses, consumers would need access to such music-enabled devices, reporting that music-enabled mobile phone shipments would reach nearly 60 percent of all handsets shipped in the United States by 2010.

Other key drivers included deployment of broadband wireless networks, increased marketing efforts, and bundling and cross-promotion of music-related services, flat-rate pricing schemes along with music enabled handset penetration.

"What we see, in the U.S. and in other places, is that handset manufacturers are making the integration of music functionality a priority in their product lines," Kevorkian told UPI, noting that wireless carriers could see an increase of revenue stream.

This has been the case for Nokia, Motorola, Sony Ericsson, Samsung, and LG Electronics who are among those companies jumping on the music-enabled mobile bandwagon and releasing multiple devices ranging anywhere from \$350 to \$600, aiming to tap into the group of consumers who want a phone and their music, if not the MP3 market.

In fact of the handset makers, Sony Ericsson has seen the most recent success reporting Thursday that it had doubled its year-on-year income before taxes for the second quarter, due in part to the "momentum" of its three new Walkman branded phones -- W300, W700, and W425. The company even announced two new models the W850, a tri-band/UMTS slider phone, and the quad-band EDGE W710, the first sports Walkman with pedometer and jogging applications. And it began shipping out the W425 for KDDI for the Japanese market.

Meanwhile, taking on challenge of the storing the most tunes on the higher price scale per device, Nokia and Sony Ericsson leads releasing 4GB phones capable of holding up to 3,000 songs. And getting top bill for looking most like an MP3 player goes to LG Electronics who recently released its FUSIC mobile with a similar turn wheel on the outside of its clam-like shell resembling that of the iPod.

"One important trend in entertainment technology is the influx of new devices and integration of different features," Kevorkian said. "They are more choices tailored to new devices to fit different lifestyles and this is beneficial to both handset manufacturer and service providers."

Still, analysts like Kevorkian and her colleague Sean Ryan, a research analyst on mobile markets at IDC who worked on the same report, say music-enabled mobiles won't take over the MP3 player market but will put a dent in it.

"I don't think music mobiles will replace optimized devices but it'll eat

into the MP3 player market -- it's a definite threat," said Ryan, mentioning that portable media player companies are fighting back looking to launch wireless devices.

Still, Ryan notes that music-enabled mobiles are for the type of people who use their mobiles alot, won't leave home without it, and don't need to access their entire music library versus those who prefer optimized devices for that great music experience and a phone separately for communication.

And whereas portable audio/MP3 players don't compromise other functions, mobiles whose primary function is talking could be compromised among other things, including complex user interface, battery life, and connectivity, added Kevorkian.

Therefore, Ryan advises consumers who are interested in purchasing a music-enabled mobile to consider navigation, battery life, and memory as phones become more consolidated with other features such as video clips, music, and pictures.

"The (music-enabled) phones are good now, and they're getting better," Ryan said. "On the higher end, manufacturers are focused on music types but eventually music functionality will be a third, fourth, or fifth feature on all phones. They are bringing out more and more phones with different music capabilities and price ranges to fit different people in the market."

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