

Napster cuts music plan to \$5 a month

May 19 2009, By RYAN NAKASHIMA , AP Business Writer



(AP) -- Napster.com on Monday cut the price of its online music streaming service to \$5 a month from \$12.95, and threw in five song downloads for customers in a move to better compete with rival iTunes.

The Los Angeles-based company gained notoriety in the early years of music downloading with its free browser-style music swapping service, but following copyright lawsuits emerged as a subscription-based service. It has struggled to grow its user base from over 700,000 last August, and compete with music retailers like Apple Inc.'s iTunes store.

It was acquired by Best Buy Inc. in October for about \$122 million in cash.

[Napster](#) Chief Executive Chris Gorog said the new offering stands up well against iTunes because 5 songs a month will cost just \$5 even if

they are new releases. By comparison, Apple Inc.'s iTunes recently began charging up to \$1.29 for newer, more popular tracks.

Napster also allows unlimited full-length song previews versus iTunes' 30-second samples.

"It's a killer offer we believe stands up nicely across any competitive lens you put it through," Gorog said.

Subscribers can also buy additional MP3-format songs priced between 69 cents and \$1.29.

Gorog would not say how Napster's \$12.95-a-month [streaming service](#) had been affected by other sites that stream songs for free, such as MySpace Music, which launched in September.

Sites such as MySpace, Pandora and imeem pay for song streams with advertising revenue, but Napster does not have any ads.

Music analyst Rob Enderle of the Enderle Group said the offering lacked real synergy with its acquirer, consumer electronics retailer Best Buy.

"I'm struggling to see how this helps Best Buy," Enderle said. "I don't see how you get store traffic with this."

Gorog said the plan will be marketed through Best Buy stores starting Tuesday including with pre-paid cards that will cost from \$5 for one month to up to \$60 for a 12-month subscription. Online buyers of lengthier subscriptions will get a few extra song download credits thrown in.

He said the company plans to offer a streaming service on mobile

devices in the future.

Users of Napster's existing \$12.95-per-month computer-based [music](#) streaming service will be switched over automatically on their next billing cycle.

Others who pay \$14.95 a month to be able to download unlimited numbers of songs and play them from portable devices, will be given a choice to stick with their plan or switch to the new plan. Subscribers who pay \$7.49 to have five over-the-air song downloads to mobile phones will not be affected.

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Citation: Napster cuts music plan to \$5 a month (2009, May 19) retrieved 25 April 2024 from <https://phys.org/news/2009-05-napster-music-month.html>

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