

Warner CEO sees e-book 'fracas' as helping music

February 9 2010, By RYAN NAKASHIMA , AP Business Writer

(AP) -- The head of Warner Music Group expressed hope on Tuesday that the recent "fracas" over the price of e-books would help give content creators such as his company more pricing power over device makers.

CEO Edgar Bronfman Jr. made the comments as the No. 3 recording company reported a net loss for its fiscal first quarter, as a slight uptick in digital revenue failed to make up for falling CD sales.

Amazon.com Inc. was pitted in a pricing dispute with publisher Macmillan last week over e-books made available on Amazon's Kindle e-book reader. Amazon typically sells [e-books](#) at a flat rate of \$9.99, even for best-sellers and new releases, but Macmillan and other publishers believe that price is too low and threatens the value of books overall.

Amazon eventually agreed under pressure to raise the price to a range of \$12.99 to \$14.99 when first released, with prices changing over time. The move is seen as a way to protect the value of higher-priced hardcover [print books](#).

"I think what this signals is that content is going to have more pricing flexibility over time rather than less, because frankly, the only thing that drives iPhones, iPads, Kindles, Zunes and other kinds of devices is content," Bronfman said. "I think the power of content in that little fracas with Amazon was clearly evident."

Bronfman is no stranger to pricing disputes with device makers. [Warner Music Group](#) Corp. and other major recording companies long had been haggling with Apple Inc. over the fixed 99-cent price for songs sold at Apple's iTunes store. The recording companies finally got Apple to agree last April to prices ranging from 69 cents to \$1.29.

Although the song-price change "probably couldn't have come at a worse time," with the economy in the midst of a [recession](#), Bronfman said the flexibility has nevertheless boosted the company's revenue, though he provided no details on how much. The resolution of the e-book dispute in favor of content companies can only help, he said.

Despite his comments during an earnings conference call with analysts, the company is still suffering from falling CD sales, as is the rest of the music industry.

Warner Music posted a loss of \$17 million, or 11 cents per share, for the three months that ended Dec. 31. That's down from a profit of \$23 million, or 15 cents per share, in the same quarter a year ago, although that period benefited by \$36 million, or 24 cents per share, from the sale of an interest in talent agency Front Line Management to Ticketmaster.

Overall revenue was up 3 percent year-over-year to \$918 million, but only because of foreign currency swings. Adjusting for those changes, revenue fell 2 percent, reflecting weakness in the U.S., Japan and parts of Europe. Sales were stronger in the U.K., France and Italy.

Digital sales, which now make up about 20 percent of the company's revenue, grew 8 percent to \$184 million, helped largely by overseas growth.

Warner said its biggest sellers during the quarter were Michael Buble, Enya and Muse, along with soundtrack albums from such movies as

"The Twilight Saga: New Moon."

On average, analysts polled by Thomson Reuters had expected a larger loss of 14 cents per share on lower sales of \$872 million. After the release of results, shares of the New York-based company rose 23 cents, or 4.8 percent, to close Tuesday at \$5.02.

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