

# Rhapsody cuts monthly music plan to \$10 at spinoff

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(AP) -- Subscription music service Rhapsody is dropping its monthly price to \$9.99 from \$14.99, hoping that loads of iPhone users who sampled it will now pay for all-you-can-listen access.

Several companies have announced their intention to launch similar music plans that let people listen to songs that are stored on remote computers and streamed to their [smart phones](#) wirelessly. Such music services, based on so-called "cloud" computing, are challenging Apple Inc.'s system of having consumers buy and download tracks for playback on iPhones and iPods.

The subscription plans have yet to take off. But as cell phone networks have gotten faster and more capable of handling large amounts of data, more companies are beginning to offer cloud-based music services.

Apple itself is believed to be developing a cloud-based [music](#) offering after its acquisition in December of Lala.com. That site lets people purchase songs to stream online from a digital locker for 10 cents apiece.

[Rhapsody](#) says it has an advantage over other subscription plans because it has an established user base - about 675,000 at the end of 2009. Also, it received about \$51 million last week when it spun off from parents RealNetworks Inc. and Viacom Inc., although much of that money is earmarked for advertising on [Viacom](#) cable channels such as MTV and VH1.

Jon Irwin, the president of the newly independent company, Rhapsody International Inc., said the company plans to be profitable by the end of the year. Rhapsody has annual revenue of about \$130 million but has seen its subscriber base fall from a peak of 800,000 in the first quarter of last year.

Sensing a shift in consumers' habits, recording companies have recently agreed to lower the royalty rates they demand from subscription services, in hopes of giving the services the potential to grow faster. Sales of songs on Apple's iTunes have yet to offset the decline in CD sales.

Rhapsody launched an iPhone application in September that allowed plays of some 9.5 million songs as long as the device was within cell phone or wireless Internet range. Although 1.5 million people downloaded the application, very few signed up to pay after the seven-day free trial period. Most users said the service was too expensive, Irwin said.

Current subscribers of the Rhapsody To Go service will be kept on the more expensive plan, which allows usage on multiple mobile devices, unless they opt to scale down to the \$9.99 Rhapsody Premier plan, which works on only one device.

Rhapsody also is launching an application for smart phones that use Google Inc.'s Android operating system.

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