

# Apple asks record labels for exclusive iTunes releases

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Apple Inc. has begun pressuring the major record companies to offer new releases exclusively through its iTunes store - a move that would initially block availability on streaming services such as Spotify or Beats Music, according to several people familiar with the matter.

Apple executives contend that on-demand music services have begun to cannibalize download sales, and its representatives are demanding the labels create a period reserved for digital purchasing.

Music industry insiders, who spoke on condition of anonymity for fear of reprisals from the industry's dominant retailer, said Apple's push for a new release window - similar to the one that some Hollywood studios impose for films newly released for home viewing - shows the Cupertino, Calif., tech giant is scrambling to retain its competitive advantage in an evolving digital music market.

"These are really changing times, and I think everybody's going to be trying different things, whether it's iTunes, Spotify or the labels," said Irving Azoff, manager of the Eagles, Christina Aguilera and other acts. "It's kind of up for grabs."

Apple's iTunes online store accounts for about 80 percent of all download sales in the U.S. But after a decade of uninterrupted growth domestically, digital song and album sales began to slump in 2013 and continued to slide this year.

Song downloads were down 12 percent through the first eight weeks of this year compared with a year earlier, and digital album sales were off 13 percent, according to data from Nielsen SoundScan.

Industry insiders attribute the decline to a variety of factors, including the growing popularity of streaming services, as well as increased competition for the consumer's ear.

Mobile devices have become the digital era's equivalent of the Sony Walkman. Some 48 percent of smartphone owners use their portable devices every day to listen to streaming music, as opposed to 42 percent who use them for downloading music, according to Nielsen.

Although Apple remains the single largest manufacturer of smartphones, more U.S. consumers now own Android devices running Google's software, according to researcher the Yankee Group. As consumers gravitate to Google-powered smartphones, they lose access to the world's biggest and most widely recognized music retailer, Apple's iTunes.

Apple has been meeting with major label executives, and approaching individual artists, in a bid to secure exclusivity to bolster sales. A spokesman declined comment for this report.

"I've never had anyone (at Apple) say 'streaming is killing our business,' " said Jim Guerinot, whose Rebel Waltz Management handles No Doubt, Trent Reznor and other acts. "They've been very specific for 10 years about wanting extra content - just like Best Buy, Wal-Mart and Target. They're very aggressive about trying to do something that will differentiate them from everybody else."

In meetings with music industry representatives, people familiar with the matter say Apple has cited the brisk sales of Beyonce's fifth studio album in December, which was offered solely through iTunes and

became the fastest-selling album in the digital store.

Though few artists enjoy the popularity of Beyonce, Apple uses the example to buttress its argument that withholding albums from streaming services can spur sales.

But Beyonce's album also provoked a backlash from retailers Target and Amazon.com, which refused to carry the CD when it was released.

More recently, hip-hop artist Kid Cudi's release, "Satellite Flight: The Journey to Mother Moon," was made available as an album purchase only through iTunes and other digital retailers. It debuted last week at No. 4 on Billboard's Top 200 album charts, selling 87,000 units.

Another rap act relied heavily on streaming to build awareness for a forthcoming release - and debuted at the top of Billboard's album chart last week.

Schoolboy Q's "Oxymoron," which was heavily promoted on Spotify, sold nearly 139,000 copies in its first week. The rapper, whose two earlier albums, "Setbacks" and "Habits & Contradictions," sold 17,000 and 48,000 units respectively, hardly enough for a lock on the top spot.

Spotify users in the U.S. had listened to 3.3 million streams in the months ahead of the album debut.

"It's not a great strategy to try to dictate how people consume music when they're clearly asking for and in fact doing something different on a wide scale," said Spotify Chief Content Officer Ken Parks. "It just doesn't work for anyone."

Longtime music industry analyst Mark Mulligan said streaming services may be luring away Apple's most devoted [music](#) customers.

"It's not that streaming is replacing downloads in a larger sense," Mulligan said. "What it is doing is going right after the spending of some of the most valuable download customers there are - and Apple's most valuable download customer."

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