

Beats buy could broaden Apple's reach

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An Apple buy-out of hip headphone maker Beats Electronics could expand the iPhone maker's lucrative domain and play into plans for its next big thing, analysts said Friday.

Apple's reported multi-billion-dollar acquisition of Beats, seemingly confirmed by Beats founder Dr. Dre in a video clip posted to YouTube, could make Apple's coveted gadgets more enticing and broaden its "ecosystem" for selling music and other digital content.

Apple and Beats both declined to comment on the reports of a \$3.2 billion take-over deal but rapper and business mogul Dre boasted in the clip of becoming "the first billionaire from hip-hop."

Apple likely sees mobile audio as a growing opportunity and wants to not

only Beats' music streaming service also to cash-in on delivering premium listening experiences from earphones or wireless speakers to in-car sound systems, according to analysts.

The premium headphone market in the United States grew 20 percent last year while sales of wireless speakers more than doubled, according to industry tracker NPD.

Beats was reported to have claimed 60 percent of the billion-dollars spent on top-end earphones in the US last year.

"The association with Beats allows Apple to extend their ecosystem," NPD analyst Ben Arnold told AFP.

Bringing Beats into the Apple fold would provide opportunities to weave iTunes Radio service into more devices, and even spread the App Store for mini-programs to other products, according to Arnold.

"I could see a connection with Apple TV," Arnold said of Beats technology.

"You pair the Apple TV with a wireless speaker or sound bar and that further builds their presence in the living room."

Rumors have swirled for years that an innovatively overhauled Apple TV was being created at the Cupertino, California-based maker of iPhones, iPads, iPods, and Macintosh computers.

Much speculation of late has focused on Apple getting into the wearable computing market, perhaps with an Internet-linked watch.

To that end, headphones are arguably among the first wearable technology gadgets.

Still, some analysts considered the idea of Apple paying billions of dollars for Beats a "head-scratcher."

Apple could license audio technology, or even turn to its own engineers to create their own for far less money, analysts contended.

If the target was Beats streaming music service, said to have a relatively small number of users, a broader audience could be gotten with a buy of Spotify or Rhapsody.

A possible explanation is that Apple wants to buy its way into fashion with young Beats fans, given that Apple devotees tend to be older adults, according to independent Silicon Valley analyst Rob Enderle.

Such a take-over could also be a sign that Apple is pushing back release of its keenly-anticipated next big thing to "make it perfect" and buying Beats is a shot at giving the company new rhythm, the analyst said.

Apple shares were down slightly more than one percent to \$581.91 on the rumor, evidently because "people are having a hard time wrapping their heads around" why the company would write a big check for Beats, according to Enderle.

"This is puzzling," Forrester analyst Frank Gillett said of an Apple buy of Beats.

"Maybe there is something we can't see; some technology not yet on the market," he continued. "The whole idea that this is about headphones makes absolutely no sense to me."

Apple would buy not only the Dr. Dre brand of headphones and other sound equipment but also the music streaming service that Beats Electronics launched recently, known as Beats Music.

The deal valued at \$3.2 billion would mark the biggest acquisition ever carried out by Apple and prompted questions by analysts regarding the evolution of the company without its iconic co-founder Steve Jobs, who died in 2011.

Jobs was known for his drive to exquisitely fuse technology and design, and for masterfully marketing Apple creations.

"They never backfilled Steve, and buying companies that are trendy is not going to fix this," Enderle said of Apple.

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