Apple Doesn’t Sound So Different on a Mobile
Josep Valor
e-business Center PwC&IESE
09/09/05

Apple reigns in the digital player market with an overwhelming share of almost 80%. In the US, iPod has even become the generic term for any such similar device.
Nevertheless, the MP3 fleet has a long way to go before reaching the number of mobile phones sold throughout the world.
Compared with the 6 million iPods which Apple has sold during this year’s second quarter, mobile phone manufacturer Nokia has sold more than 60 million handsets; and the company estimates that in all, 740 million will be sold during the course of the year.

Looking only at absolute figures, the mobile phone market appears to be an extensive one in which many clients are still to be won over. However, when it comes to profit margins, the tables are turned. While mobile telephony equipment is sold for a fraction of its real price, due to telephone operator subsidies - with the aim of creating a large user market that generates a profitable movement of opinion and data - clients are willing to pay up to 300 euros for the so called MP3.

Therefore, any company capable of convincing its mobile phone clients to pay a price which allows the firm to obtain the same profit margin as that remaining after the sale of an MP3 player can be sure of a substantial source of revenue.

The barriers have been broken: the growing power of mobile phones has given the manufacturers the chance to add the function of MP3 file playback. But the new Motorola telephone, the Rokr E1, not only has the capacity to store 100 songs and play them, but also incorporates iTunes, the software from the successful online Apple music store.

Rokr plays songs in AAC, the format used for songs from the iTunes Music Store, which in July sold tune number 500 million. The fact of having turned itself into the standard channel for song distribution to mobile phones could crown Apple the king of mobiles.

Record companies have for some time been annoyed about the prices Apple charges for the songs sold at the iTunes Music Store: they all cost 0, 99 (euro) cents. As a result, top record labels were hoping that the popularity of mobile phones with MP3 would bring an end to Apple’s control over digital music.
Although Apple has reacted fast, to what extent will a client be prepared to pay for a mobile phone with iTunes—given that its great advantage is that it is highly usable—if it can only deal with a maximum of 100 songs? Without a doubt, other manufacturers will very possibly release similar offers using alternative software.

Motorola’s brilliant Rokr has not turned out to be exactly what Apple was hoping for. This probably means that the company with the apple logo will have to chew it over a few more times in order to think different once again.