

Rising Competition in Cellphone Music

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[Verizon Wireless](#) announced yesterday that it would begin selling phones that allow users to download songs over the airwaves. The company's decision to move into the music business through the cellphone market poses a potential threat to the makers of portable music players, like [Apple Computer](#).

Verizon's new service will create competition for [Sprint](#), which in October introduced a phone that lets consumers download songs through its wireless network for \$2.50.

Verizon will charge \$1.99 for a song sent over the air. It will also sell songs downloadable to phones through a PC from a Verizon music site for 99 cents each, the same price charged by online music stores like Apple iTunes.

Cellphones, though, have limited storage, a potential factor in competing against portable digital players.

The 30-gigabyte Apple [iPod](#), for example, can hold 7,500 songs. Verizon's three new phones able to play music, which will go on sale Jan. 16, store far fewer songs.

The phones will come with a relatively small amount of memory and an expansion slot for additional storage. Verizon said users could buy a 128-megabyte memory card able to hold 250 songs for about \$30; a one-gigabyte memory card costing \$100, it said, can hold up to 600 songs.

Dennis F. Strigl, chief executive of Verizon Wireless, said at an event introducing the cellphone in Las Vegas yesterday: "On the one device that 200 million Americans won't leave home without, you can have your music player. We're not after the narrow music player market - what we have created is a whole new world of content distribution."

The company's chief marketing officer, John Stratton, said that as the cost of memory chips fell and storage capacity grew, the handsets would compete with stand-alone portable music devices, in part because they are so convenient.

"When you leave your house in the morning," he said, "what do you take with you? Your keys, wallet and phone. To the degree that we can deliver a great music experience, we take away the necessity to carry" a portable music player.

The biggest hurdle for Verizon Wireless and some of its rivals - Cingular Wireless is also planning a music offering - is not one of technology but perception. To persuade consumers that a cellphone can be a good music device, and even a substitute for an iPod, Verizon plans an all-out marketing campaign.

Mr. Stratton said the new development put the phone squarely in the category of a multimedia device allowing consumers to share electronic content among devices.

"This is a real marriage of the PC and the mobile device," Mr. Stratton said, adding the new service is "without question and by a pretty substantial margin the most significant product launch we've ever had."

The stakes are high for Verizon Wireless and other cellular providers, given that most Americans already have basic mobile phone service. While the wireless carriers are generating revenue from data services, like text messaging, that market has not grown as quickly in the United States as overseas.

The carriers "are scrambling for a story that makes sense to investors" in how they will increase revenue and earnings, said Ed Snyder, a telecommunications industry analyst with Charter Research.

Mr. Snyder said there was no doubt that it was possible to add a music player to a cellphone. He said it was less difficult and expensive than adding cameras to phones, which the major carriers had already done.

But he said that did not mean consumers would want to download songs over the air to their phones. Instead, he expects them to transfer their existing music collections onto their phones, or other portable music players, or to download songs free over the Internet.

A result, he said, is that while new cellphones with MP3 players may become a threat to makers of portable players, the downloading service may not develop into a big revenue stream for wireless carriers. This means that "Apple gets hurt and the carriers don't get helped," Mr. Snyder said.

For its part, Sprint declined to say how many songs listeners had downloaded over the air using its service. The Sprint library has 300,000 songs; Verizon said that it would have a million songs available for sale within 90 days and that more would be added.

Consumers using these cellular services also pay for the network time they use downloading the songs over the air.

Another hurdle for cellphone music services is a potential drain on handset-battery life. Mr. Stratton said Verizon Wireless would be selling phones with ample power even when doubling as music players.

Initially, it will sell three such phones, made by LG, Samsung and [UTStarcom](#). The least expensive one will cost \$99 for customers who sign up for two-year service contracts. Mr. Stratton said some existing [Verizon phones](#) could be upgraded to make them able to download music.

Roger Entner, an analyst with the research firm Ovum, said a challenge for the mobile phone companies would be creating user-friendly software programs to store songs, navigate the menu and play music. While other companies have sought to emulate Apple, none have done so successfully, he said.

Whether or not the music phones appeal to consumers "comes down to usability," Mr. Entner said. "We're in the early days of the mobile music world," he said, and in the case of MP3 players "they played around with it for two to three years before Apple finally got it right."

Cingular, the nation's largest mobile phone company, has not yet introduced an over-the-air music service. It plans one sometime this year, said Mark Nagel, the company's director of entertainment services.

In September, Cingular and Apple made a big splash when they introduced the [Motorola Rokr](#) phone, which allows users to transfer up to 100 songs from their personal computers to play on the phone.

The option of downloading music over the air "is an offering every carrier is going to have," Mr. Nagel said, adding that the real questions would be timing and consumer interest.