Google steals music march on Apple with subscription service

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Google has stolen a march on Apple with the launch of a subscription music service that represents a breakthrough in its relations with a key part of the traditional entertainment industry.

The news came as the internet search company's share price closed at $915.89, pushing its stock market value above $300bn for the first time.

A surge in Google's share price in recent months has provided a counterpoint to the slide at Apple, whose share price closed 3.4 per cent lower.

Google's success in winning over music labels to license their songs for its new subscription service, called All Access, marks a symbolic victory against Apple, which pioneered the commercial digital market with its iTunes music download store 10 years ago. Though still the dominant force in digital music, Apple has yet to break into the fastest-growing part of the digital music market and match newer streaming services based on subscriptions or internet radio.

It also comes despite years of tensions between the search engine and content owners. Last autumn, Google finally gave in to media industry demands that it remove links to illegal downloading sites from its search results. However, in February, the Recording Industry Association of America slammed Google's efforts, saying it "found no evidence that Google's policy has had a demonstrable impact on demoting sites with large amounts of piracy".

The company's launch-offer pricing of $7.99 per month also undercuts the standard $9.99 offered by existing subscription services such as Spotify and Rdio, although this is only available until the end of June.

Subscriptions only accounted for about 10 per cent of digital music sales last year but are growing fast, with 20m people now paying monthly fees, according to the industry trade body IFPI.

It is not yet clear what portion of this revenue Google will share with musicians and labels. The high rates that labels have demanded for streaming services have been a sticking point in negotiations with Apple and led analysts to question the financial sustainability of standalone streaming services such as Spotify.

The surge in Google share price, which has risen about 60 per cent in the past 10 months, came as investors shook off worries about a potential collapse in pricing for Google's advertising as users moved increasingly to mobile devices.

Fears that Facebook would steal the attention of users and eat into its advertising business have also receded as the social network has struggled to convince Wall Street that it can manage its own transition to mobile.

Apple's shares, meanwhile, have tumbled 38 per cent from their high point last September as investors have grown wary about its shrinking profit margins and a dearth of significant new products.

News of the new music service came at Google's annual developer day in San Francisco, where it showed off the latest technology advances for products like its Android and Chrome operating systems.

Colin Gillis, tech analyst at BGC Partners, said: "Google has incredible human capital, with some of the best code writers in the industry, which is important because revenues from their core business of owned sites is slowing.
"We want to see how the company will innovate in the hardware business after their purchase of Motorola, in the wearable computing space and in content."

Fonte: Financial Times, London, 15 maio 2013, International.