Apple in talks to sell iPod and iPhone with unlimited music

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Published: March 19 2008 02:00 | Last updated: March 19 2008 02:00

Apple is in discussions with the big music companies about a radical new business model that would give customers unlimited access to its entire iTunes music library in exchange for paying a premium for its iPod and iPhone devices.

The "all you can eat" model, a replica of Nokia's "comes with music" deal with Universal Music last December, could provide the struggling recorded music industry with a much-needed fillip, and drive demand for a new generation of Apple's hardware.

Apple would not comment on the plan, but executives familiar with the negotiations said they hinged on a dispute over the price the computer maker would be willing to pay for access to the labels' libraries.

Nokia is understood to be offering almost $80 (£40) per handset to music industry partners, to be divided according to their share of the market. However, Apple has so far offered only about $20 per device, two executives said. "It's who blinks first, and whether or not anyone does blink," one executive said.

Detailed market research has shown strong appetite among consumers for deals bundling music in with the cost of the device, or in exchange for a monthly subscription, executives said.

One executive said the research had shown that consumers would pay a premium of up to $100 for unlimited access to music for the lifetime of the device, or a monthly fee of $7-$8 for a subscription model.

Apple, which is thought to make relatively little money from the iTunes store compared with its hardware sales, is also understood to be examining a subscription model.

Subscriptions would work only for its iPhone devices, where it has a monthly billing relationship with customers through the mobile phone operators offering the device, while the "comes with music" model would work with iPhones and with iPods.

The subscription models under discussion in the music industry include the provision for customers to keep up to 40 or 50 tracks a year, which they would retain even if they changed their device or their subscription lapsed.

Other music groups are understood to be in talks with Nokia, which is keen to sign up as many of the major labels as possible before launching its first "comes with music" devices in the second half of this year.

Additional reporting by Kevin Allison in San Francisco

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