Top music labels try to raise prices for downloads
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Some leading music labels are in talks with online retailers to raise wholesale prices for digital music downloads in an attempt to capitalise on burgeoning demand for legal online music.

The moves, which suggest the labels want a bigger slice of the fledgling market's spoils, has angered Steve Jobs, the Apple Computer chief executive behind the iTunes online music store.

But music executives expressed caution about their ability to push through unilateral price increases. Among the biggest groups, Universal Music and Sony BMG are known to be particularly reluctant to disrupt the market for downloads.

One top label said it would not raise wholesale prices now because the market was not yet mature enough for an increase. The three other music labels - which also include EMI and Warner - refused to comment.

Analysts, meanwhile, are warning that price rises could exacerbate internet piracy, which is thought to cost the industry about $2.4bn (£1.2bn) a year.

Music industry executives said introductory wholesale prices for digital tracks had been set low to stimulate demand, but Apple's success had prompted concern that they may now be too low.

The effort suggests several labels believe demand for online music is robust enough to withstand higher prices, despite the fact that online sales are estimated to account for about 2 per cent of total music sales.

Michael McGuire, analyst at Gartner, said the move could backfire because consumers who buy music over the internet are accustomed to paying 99 cents or less for downloads.

Wholesale prices are thought to be about 65 cents. "It seems to me to be singularly bad timing," he said, adding that an increase could send fans back to underground services where they could get illegal music tracks free.

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