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Is the mobile phone the next iPod Killer?

By Bernhard Warner, Reuters

LONDON — English photographer Alastair Daly was in the market recently for an affordable digital music player capable of storing enough songs to pass the time on his hour-long commute through the capital city's clogged streets.

So, instead he bought an SPVC500 smartphone, a new phone from European mobile telecoms service provider Orange Plc, that can store nine albums' worth of music on a memory card.

While the smartphone's memory capacity is a fraction of the 20-gigabyte Apple iPod, the sound quality is comparable, Daly said. And, at about \$135 it's cheaper than iPod, whose midline price in Britain is about \$382. Plus, it functions as a personal digital assistant (PDA) as well.

"It means I don't have to carry a phone, an iPod and a PDA with me everywhere I go," said Daly, 32. "I may still get an MP3 player for all my music, but I just don't have the money right now."

Actually, Daly paid nothing for the phone. Orange was giving away the phones as part of a promotion — a staple gimmick in the telecoms industry to kickstart usage.

Daly's only expense was a 512-megabyte memory card for \$143 that slides into the bottom of the phone.

Turn up the mobile

The days of a mobile phone that functions merely as a communications device capable of playing only off-key ringtone renditions are coming to an abrupt end.

A raft of new phones with souped-up storage, bright color screens and stereo-quality sound systems are hitting the market, mainly to compete with an array of PDAs that themselves double as a phone.

Together, these new gadgets have morphed into an entertainment device to challenge Apple's dominance in the MP3 player market, some analysts say.

The introduction of Samsung's new SPH-V5400 handset last month is considered one of the most interesting developments in the MP3 market as it is the first mobile phone with a built-in hard drive.

Not surprisingly, the prospect of millions of consumers paying for song downloads that can be stored directly onto their handsets has the music industry buzzing.

"The mobile phone MP3 player is interesting to us," said Richard Wheeler, head of new technology developments at London-based record label and artist management firm Sanctuary Group.

"I wouldn't say it's an iPod killer. The iPod will probably always

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sound better and have better storage. But there will be a market as long as the price is competitive," said Wheeler.

Discounting the players

The mobile phone service operators have a long history of discounting handsets with the aim of making back money on monthly contracts and add-on services from text messages to news headlines, and, with the advent of 3G services in Europe, video highlights of pro soccer matches and music videos.

If the practice of subsidizing continues with MP3 player phones, it could jump-start the nascent market, Wheeler said.

"The phone industry is in a unique position. They can subsidize the hardware. Apple cannot afford to do that," Wheeler added.

While pricing and bandwidth constraints remain the biggest obstacles for mobile phone song download services in the near term, it hasn't stopped the world's largest music labels and mobile phone services from rushing to market new song services.

Universal Music has deals with T-Mobile in to allow European fans of the Black Eyed Peas to download the band's videos and listen to a variety of tracks on the Motorola E398 model.

Siemens, meanwhile, has developed a handset that functions as a pocket sized jukebox. The Siemens SX1 Music smartphone has a replaceable memory chip that can store up to 120 songs; higher-capacity cards are hitting the market all the time.

Some analysts believe the mobile phone with hard disc capacity could revolutionize the MP3 player market just as the camera phone did for the photography world.

"There's no reason to think we won't have a five-gigabyte hard drive on the market next year," said Hubert Gertis, a technology analyst for Berlin-based consultancy Gertis Media.

He added top-of-the-line mobile phones could have hard drive capacity of 400 GB by 2007 — or 10 times the capacity of Apple's top-end iPod that now stores 10,000 songs.

Of course, memory capacity for all pocket-size devices is growing at an alarming rate, too. At the current rate of innovation, a PDA or MP3 player is forecast to hold 1.6 terabytes of data — the equivalent of 400,000 songs — by the end of the decade, said Gertis.

"The only question is: Does a person really need to store that much music?" Gertis asks.

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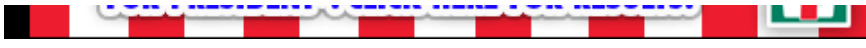
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