

Apple's Purchase of Beats Unlikely

Written by Nick Graves
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Reports have emerged from the *Financial Times* suggesting that Apple is in negotiation to acquire the fashion headphone company and embryonic streaming music player, Beats.

The figure quoted of \$3.2B would be Apple's largest ever, and diametrically different to anything the company has done before.



At every level this deal seems unlikely. Apple has always been wary of major acquisitions, amidst concerns about cultural fit and uncertain value. A more typical purchase is of much smaller units, with a valued technology, or occasionally important staff, that are easily absorbed, which then re-emerge some time later as part of an Apple product.

Good examples in the last few years have been **Siri**, which took 18 months to be blended into iOS 5, and more recently **AuthenTec** in 2012, which led to the finger-print scanner in the iPhone 5S, just over a year later.

Acquisitions by Apple of companies valued for their business rather than their technology are much more rare. One example was the purchase of **eMagic**, the German creator of the Logic suite of pro-audio products, in 2002. This was a commercial deal, in which other than dropping Windows support, the business continued to run, and was only gradually absorbed into the Apple organisation. Integration was reported to be challenging, and only the small scale of

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eMagic prevented deeper disruption.

One historic example bucks the trend, namely **FileMaker**. Originally acquired from Nashoba Systems in 1988, FileMaker ran as part of Apple's software business, then renamed Claris, and now continues as a wholly-owned but very independent subsidiary. (It is notable that FileMaker has a poor record of early adoption of Apple technologies, demonstrating how removed it is from the Apple product teams).



All of which begs the question: **why would Apple want Beats**. The headphone business was reinvented by Dr Dre and Jimmy Iovine in its original joint venture with Monster. Now divorced from Monster, the business is often seen as more fashion than technology - the preferred headgear of rappers and professional sportsmen, it is clearly a strong brand, the strongest in its category.

Apple has carried Beats in its Apple Stores from the product's launch, and indeed had exclusive supply for the first few months (longer in Europe). However the brand values of Beats do seem significantly different to the purist product-led positioning that Apple has espoused.

An alternative motive could be the embryonic Beats Music streaming service, launched in January. However this would also seem far-fetched, as Apple has its own streaming service, and it is unlikely that Beats Music contains any unique technology worth paying \$3.2B for.

