

Streaming music gathers steam from tech titans, startups alike

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The founders of Skype are betting that a musical era is ending - that chapter where people stored their music in digital files on a computer hard drive, an era that began in 2001 with Apple's iTunes.

Instead, they see a time where digital music streams to phones, televisions and cars from the "celestial jukebox" of the Internet, allowing listeners to play virtually any song, any time, anywhere, through a variety of Internet-linked devices.

"We're moving to music on demand in your car," said Malthe Sigurdsson, a product design executive with Rdio, a San Francisco-based Internet music [streaming service](#) launched in August by [Skype](#) founders Niklas Zennstrom and Janus Friis. "Do you want to have move your little USB stick out there to the car, and then back to the computer, and back and forth to the clock radio and so forth to have access to your music? It cannot be the future."

Rdio is one of several companies that say streaming digital music will soon replace those MP3 files on a your laptop or phone - and perhaps even that rack of aging CDs in your living room. Rdio, along with Berkeley, Calif.-based Mog, a similar subscription cloud [music service](#) that allows listeners to choose from millions of songs stored on the Internet, was among a host of tech and music companies at this year's South By Southwest festival in Austin, Texas, pushing cloud music services.

The rise of smartphones that allow people to connect to the Internet from almost anywhere, the rapidly shrinking cost of [data storage](#) on the Internet, and the willingness of the major record labels to offer unlimited access to their catalogues for a \$10 monthly fee are prompting predictions that on-demand cloud music could soon rival CDs and a la carte downloads for digital music ownership. Some proponents predict that switch within three years, despite needing to convince consumers to rent access to their music, rather than owning it.

Amazon.com Inc. this week launched a cloud-based streaming music service tied to its MP3 store. Google and Apple are also working on streaming music services, while Spotify, a European cloud music service trying to gain access to the U.S. market, announced this month that it has reached a million paid subscribers. And San Diego-based Slacker Radio, an Internet radio service like Pandora that streams "stations" of similar-genre songs, plans to launch an on-demand service in April.

Google is believed to be working on a cloud service, which will stream specific songs from the Internet that users can show they have already purchased through a service like iTunes, according to industry sources who have been briefed on the company's plans. Apple, meanwhile, bought music-streaming service Lala in 2009 and shut it down last year, triggering speculation that Apple would incorporate streaming music features to iTunes before the end of 2010. Google and Apple declined to comment.

Cloud music proponents like Steve Savoca of New York-based Domino Recording Co. believe listeners will trade ownership for access to any song, any time.

"It's a behavior thing, and it takes a long time to get there," said Savoca, whose company has invested in the technology to easily transfer its record catalogue to cloud services. For companies like Mog and Rdio,

"it's early days, but they've got great products," he said, and "I don't think retailers will have the stomach to carry CDs much longer."

Mog and Rdio offer subscribers unlimited access for a set monthly fee - \$9.99 for both companies. For that amount, subscribers can select any song from a catalog of 8 to 10 million tunes, and listen through any device connected to the Internet, including smartphones and Internet-linked TVs and Blu-ray players. For times they lack an Internet connection, subscribers can store songs to a phone or laptop, music they can use as long as they subscribe.

"You can play, 'I Will Always Love You' by Whitney Houston 10,000 times in a row if you choose, or play nothing but one album during the entire day, just Jimi Hendrix or U2," Sigurdsson said.

"The era of music on the hard drive is going to be seen as this weird period, as something that was an anomaly," Mog CEO David Hyman said at the South By Southwest unveiling of a 2011 Mini Cooper with Mog integrated into the car's dashboard - the first on-demand [Internet music](#) service integrated into an automobile.

Obstacles remain, however, to transform a model from where people own their music, whether on a CD or an MP3 file, to a model where people essentially rent access on the Internet. Older cloud services like Rhapsody, which has over 750,000 subscribers, have yet to find mass market acceptance.

Smaller independent record labels may lack the technical ability to transfer their catalogs to the cloud, meaning that it may be harder for cloud services to satisfy obscure or eclectic musical tastes. And as one skeptic at a South By Southwest panel on cloud music services asked: How many couples will be willing to pay \$240 a year for music they don't even own?

Sigurdsson acknowledged Rdio's own research shows people remain skeptical.

"There is still a whole ton of work to convince people that they want to select what they want to listen to - that they don't want to just turn on the radio and listen to the country channel," he said.

And "it is emotional, of course it is" to give up ownership of CDs and MP3s, he said, but "you give up ownership of something for the benefit of access to much more."

Hyman, the former CEO of Gracenote, a company that allows services like iTunes to incorporate data such as album art when people rip tracks from CDs to their computers, says the music industry will move away from a need for devices like the iPod and iPhone with huge amounts of storage capacity.

Mog, Rdio and Rhapsody are competing to integrate their services into other car makes. BMW's Mini Cooper features Mog on a display inside the car's speedometer, controlled by a joy stick to the right of the driver.

The competition to place music services in cars is crucial, Hyman said, because people listen to so much of their music while they drive. The Mini Cooper system, which requires a [smartphone](#) running a Mog app, goes on sale this spring.

"Our goal for Mog is to be ubiquitous," Hyman said, "like air."

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