

Music streaming under fire, but soaring

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Singer/songwriter Shane McAnally and Kacey Musgraves perform during 'Spotify presents An Intimate Evening With Shane McAnally at the Rosewall', in Nashville, Tennessee, on November 2, 2014

Taylor Swift has unleashed a debate on streaming by pulling her music from Spotify, but plenty of others are rushing to join in, rather than trying—in the singer's words—to shake it off.

The rapid growth in [music](#) streaming shows that the main question may not be whether services like Spotify, which lets users listen instantly to

millions of songs, will survive, but how they will evolve.

Swift, whose album "1989," featuring the dance tune "Shake It Off," stunned the industry by selling more in the first week than any album in 12 years in the United States.

The pop star fired a salvo last week by removing all of her music from Spotify.

Swift called Spotify "a grand experiment" and likened it to allowing a spectator at a museum to tear off a piece of a painting and say "it's theirs now and they don't have to pay for it."

"I'm not willing to contribute my life's work to an experiment that I don't feel fairly compensates the writers, producers, artists and creators of this music," she said in an interview with Yahoo Music.

Spotify first responded with humor, offering an alternative playlist in Swift's absence that included Elvis Presley's "Don't Be Cruel." But chief executive Daniel Ek later defended Spotify at length, telling artists: "Our interests are totally aligned with yours."

The Swedish CEO said that Spotify had paid \$2 billion to artists and songwriters since its 2008 launch, in contrast to zero revenue from widely available pirated music.

"We're getting fans to pay for music again," Ek wrote in a blog post, promising heftier payouts if and when Spotify grows.

Rapid growth

Spotify is not a listed company and it is unclear whether it has reached profitability. Its last update said it had 50 million subscribers, of whom

12.5 million pay for the premium service which is advertisement-free.



Singer Taylor Swift performs on stage at the MTV Video Music Awards (VMA), at The Forum in Inglewood, California, on August 24, 2014

While it is the largest streaming service, Spotify has plenty of competitors, notably Pandora. Apple last year launched iTunes Radio amid increasing pressure on its once-untouchable iTunes, which revolutionized music in 2001 by letting users buy digital songs or albums individually.

Kobalt, which represents songwriters and artists, said last week that revenues from Spotify had surpassed those from iTunes in Europe in the

first quarter of 2014.

YouTube, the free video site which has far more users than Spotify, on Wednesday announced its own subscription service that would offer commercial-free access to songs.

The Google-owned company launched YouTube Music Key in Britain, Spain, Italy, Finland, Portugal, Ireland and the United States.

Industry insiders say streaming is the way of the future, despite protest from some artists today.

"Streaming is the future, whether people like it or not. Within five years it will be ubiquitous," Adele's manager Jonathan Dickins recently told a conference in Dublin, as quoted by industry journal Billboard.

On the other side of the world, Taiwan-based KKBOX, founded before Spotify with an emphasis on Asian pop music, saw a ringing endorsement in August when Singapore's sovereign wealth fund invested \$104 million as part of its expansion plans.

And at least four streaming services are vying to take off in India, a potentially huge market.

Russ Crupnick, managing partner of research group MusicWatch Inc., said that many consumers will easily juggle multiple streaming services and not drop one because an artist—such as Taylor Swift—was not available.



Spotify founder and CEO Daniel Ek addresses a press conference in New York, on December 11, 2013

While expecting more dust-ups in the future on payments and other issues, Crupnick said: "The reality is streaming is here to stay."

Finding a payment model

Many musicians have argued that payouts are simply too small. Country star Rosanne Cash testified to the US Congress earlier this year that she earned just \$114 for 600,000 streams of her songs over 18 months.

"I can tell you that I see young musicians give up their dreams every single day because they cannot make a living," she said.

The Recording Industry Association of America said that US revenue from streaming shot up 28 percent in the first six months of 2014

compared with a year earlier, even as the industry's overall proceeds fell.



Spotify program runs on a tablet during 'An Intimate Evening With Shane McAnally at the Rosewall' music event, in Nashville, Tennessee, on November 2, 2014

Streaming advocates contend that a more appropriate analogy is not to album sales but to radio stations, which in the United States are not required to pay anything to performers for playing their songs.

Ek argued that album sales were down even outside the 58 countries where Spotify is present.

And the iTunes precedent shows that few artists will hold out indefinitely. The Beatles refused to put music on iTunes until late 2010.

While the foursome's music is not on Spotify, the company last month clinched a deal to stream the solo works of John Lennon.

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