

Spotify prompts industry debates on streaming

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Taylor Swift poses in the press room after receiving the Dick Clark award for excellence at the 42nd annual American Music Awards at Nokia Theatre L.A. Live on Sunday, Nov. 23, 2014, in Los Angeles. (Photo by Jordan Strauss/Invision/AP)

From board rooms in Japan to songwriter's rooms in Nashville, a debate is brewing in music industry circles about the financial and creative value of streaming music, even as its popularity and impact skyrocket.

Streaming music, predicted by many analysts to become the primary digital means for fans to consume music, has such influence now that Billboard will start tallying streaming numbers into the formula for its Billboard 200 chart. But even as consumers wrap their arms around the technology, many in the [music industry](#) question whether [streaming music](#) revenues will match up.

At a recent investor meeting in Tokyo, Sony Music Chief Financial Officer Kevin Kelleher said a lot of conversation had been happening about [streaming services](#) in light of pop star Taylor Swift's recent decision to pull her catalog off Spotify.

"The key question is: Are the free, ad-supported services taking away from how quickly and to what extent we can grow these paid services?" Kelleher said, according to a report in the Wall Street Journal.

A Spotify representative declined to comment to The Associated Press, but company CEO and co-founder Daniel Ek has addressed some critics on its website. He notes that the company has paid out \$2 billion since it started in 2008.

Swift's actions touched a nerve in Nashville, a microcosm of the vast shifts in the musical economy. Country artists Jason Aldean, Brantley Gilbert and Justin Moore followed in Swift's lead to remove or limit music that's available for free to Spotify's 50 million users.

Swift and Aldean have cited concerns about whether the service fairly compensates all the stakeholders who help make the music, a message that resonates among many Nashville artists.

"If I was in the position of Taylor, I would have done the same thing," up-and-coming country singer Chase Rice said. "You want people to buy your music."

Rice also sees potential with streaming music. He's built a fan base with his energetic live shows and his presence on Spotify, where he has more than 13 million streams so far.

"But for young artists like myself, Spotify is great because you can sell albums, but the most important thing is getting the music out there," Rice said recently. "However that happens. And Spotify allows that."

"All of the sudden the shift feels very seismic," said David Macias, founder of Thirty Tigers, a Nashville-based marketing, distribution and management company that works with Rice. "How do you reconcile getting 70 cents a download wholesale to six-tenths of a cent streaming? It doesn't intuitively feel correct."

Macias said musicians should mistrust the structures that pay them but notes that several artists he works with have made six figures off Spotify.

"I think when artists are saying they aren't getting paid, it's because of the label relationship they are in, not because Spotify is not paying," Macias said. "Somebody is getting paid."

Songwriters and publishers, who represent a large voice in country music, are unhappy with the "freemium" model, in which ads support the free part of the streaming service while trying to entice fans to sign up for subscription-based premium services, said Mike Steinberg, senior vice president for licensing for Broadcast Music, Inc., the performing rights organization that collects license fees on behalf of songwriters and publishers.

Spotify says 12.5 million of its users pay \$120 per year for its premium service.

"The ad revenue supporting the free-to-listener part of the Spotify model provides insufficient compensation to artists and labels for their creative work," Steinberg said. "And, since songwriters and publishers are getting only a small fraction of that, you can imagine the frustration and dissatisfaction we are hearing from them."

Rodney Clawson, who has written No. 1 country songs for artists such as Aldean, Luke Bryan, Blake Shelton, Florida Georgia Line and Tim McGraw, called the revenue he gets from [music](#) streaming so small, "it's an absolute joke."

"I personally think that streaming services are an amazing technology and have an exciting future—if they can figure out a way to properly compensate the people that are providing them with the product they are selling," Clawson said. "If they can't, they need to go out of business."

Paul Roper, president of Nashville-based Dualtone Music Group, said his act The Lumineers receives 1 million streams a week, which remains consistent even as album sales ebb and flow. He also gets valuable consumer data and exposure for his new artists such as Shakey Graves, who is benefiting from partnering with Spotify on playlists.

"We are in a unique moment in time where access model/streaming is starting to scale, but we haven't hit the full revenue potential of the model yet," Roper said in an email. "Once we hit subscriber numbers of 50 million, the debate will be nonexistent."

But Roper said Spotify has to be aggressive to keep those top name acts from abandoning the service too soon.

"Spotify is in a tough spot for what Taylor's precedent means for how other superstars will interact with the service," Roper said. "They are under a lot of pressure to increase premium subscribers and grow the per-play rate quickly. We are still in the infancy of this market and the general public is uninformed on how it works."

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