

Will Streaming End CD?

INTERNET STREAMING IS TAKING OVER MUSIC DELIVERY IN THE HOME. ANDREW EVERARD EXAMINES THE CURRENT STATE OF PLAY AND SPECULATES ON HOW IT WILL IMPACT OUR FUTURES

Head an interesting piece on the radio the other night, about a prisoner in the States who'd accidentally been let out of jail a year early: he had been in the slammer for going with an armed accomplice to steal CDs. "Why?" blustered the New York-based presenter, "I mean no-one even uses CDs anymore".

It seems that physical media are, like, so last century, replaced by always-on-tap streaming of everything you could possibly want: the whole recorded catalogue of music available on demand, like the ultimate audio sweetshop, never mind any video content.

No more hunting through the collection for that disc you know you bought years ago; no searching the internet for an obscure recording you simply must have, then waiting for the postman to bring it; no poring over download websites to find the recording you want in the format you want at the price you want. Click a button, and everything is laid before you; build a playlist and your favourites are always to hand; and you can stream all that music to your phone or your tablet or your computer or even your hi-fi system.

The age of ownership is over; the age of unlimited access for all is here.

Does that sound like a utopian vision, or a nightmare? Those living in the streaming world, where music has no intrinsic value beyond a monthly subscription, say that the future is already here: CD player sales are in decline; revenues from sales of music are declining; and everyone has more choice than ever, with access to this global mega-jukebox.

After all, the story goes, Spotify already has over 40m active users worldwide, and Apple is regularly rumoured to be starting its own streaming service to rival that market leadership by turning iTunes into a streaming subscription service rather than a purchase portal. Indeed, the ways these things happen it may even be offering that service by the time you read this, if you believe those who suggest Apple's \$3.2bn purchase of the Beats brand was as much about getting hold of that company's Beats Music streaming service, as it was about its well hyped range of fashionable Beats by Dre hardware.

It seems hardly a day goes by without some new announcement of a streaming service with an ever-more-unfeasible name. While many of the major hardware players are already signed up to Spotify (many with Spotify Connect, which allows a track to be selected using a portable device, and then the connection is handed over for playback *via* a hi-fi system or whatever), it seems the pressure is on to ensure the latest product also ticks as many boxes as possible, whether it's Qobuz, Deezer or any one of a huge number of rival offerings.

Bluesound's multiroom speakers now feature Spotify Connect...



ANDREW EVERARD

Collecting or Consuming?

And yet maybe it's not quite as simple as it looks: mentioning to the publisher of *Jazzwise* magazine (for which I write a monthly column), that I might struggle to write a round-up of affordable CD players, so pervasive has streaming become, I was met with the rejoinder that the majority of jazz enthusiasts buy most of their music on CD, and are more likely to be hunting down secondhand discs (or even LPs), rather than abandoning themselves to streaming.

With another hat on, it's noticeable that the majority of new releases reviewed by the long-established classical music title *Gramophone* are on CD. Yes, they may also be available as downloads; and yes, classical music fans may use a service such as Spotify or Qobuz to preview releases. But most of their listening is to CDs. The reviews index of the latest issue I have before me (tellingly, on my *iPad* rather than in printed form) runs to two pages of fairly small type, covering works by composers both familiar and less so.

What's more, the list of new releases from budget classical label Naxos, which has just popped into my inbox, includes 15 titles, most of them by unfamiliar composers, while even smaller labels have a decent range of titles in their monthly schedule: five from BIS, seven from CPO and nine from Russian label Melodiya.

The thing is, enthusiasts and collectors are just that – collectors – and they like to own their favourite recordings. Of course, they no more own the recording when they have a CD or LP than when they stream it from an online site. You actually buy just the physical carrier, and only licence the recording it contains, along with the right to listen to it whenever you wish. But the presence of a physical copy of the music is reassuring. And for many of us it's a much more tangible sign of the presence of that recording in our lives than a file stored on a hard disk or the availability of that music via our computer screen and a broadband connection.

But is that way of thinking just the rearguard action of a cornered and dwindling minority? Or are we simply in denial when faced with a sea-change in the way we listen? Before we haul all those boxes of discs downstairs, shut ourselves in our acoustically-treated bunkers and wait for the inevitable, it's worth looking at some of the facts surrounding the whole streaming 'revolution'.

The Streaming Revolution

Yes, Spotify has more than 40m active users. But the number of people who think the service is sufficiently compelling actually to consider paying for it is rather smaller, at about 10m worldwide.

True, that's still plenty, but the number of users



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willing to pay £9.99 a month for the Premium service's better sound quality (around 320kbps, dependent on the content, which is roughly double that for free users), downloading ability (somewhat limited by rights management) and the removal of advertising, is well below those simply using it as a means of listening to favourite music for free. (Subscribers seem to be running at around 25% of users, according to Spotify.)

Spotify's own website for artists, designed to encourage more to sign up to have their music available via the service (it can be found at www.spotifyartists.com) explains that while sales of music on 'physical media' have declined over the last 15 years, the rising value of downloaded music (*ie* the stuff that's paid for, not the still-massive pirated 'market') has failed to fill the gap.

Monetisation?

Spotify sees itself as saving the music industry from the pirate sites, by taking consumers: "away from piracy and less monetised platforms and allow[ing] them to generate far greater royalties than they were before."

"Once they are using our free tier, we drive users to our premium subscription tier, at least doubling the amount that they spend on music, from less than \$5 per month (the average spent by download consumers in the US) to \$9.99 per month for Spotify."

It tells artists that: "Spotify's model aims to regenerate this lost value by converting music fans from these poorly monetised formats to our paid streaming format, which produces far more value per listener." It goes on to claim that it has so far paid out over \$1bn in royalties, half of that in 2013 alone, with 70% of its revenues going to the rights holders, and 30% being kept by Spotify.

Trouble is, to those of us who spend quite a lot on buying music, the numbers attached to the value of users seem very small indeed. In the US, we're told, the average value of a music buyer to the industry is just \$55.45 a year – let's say five CDs – compared to \$120 for a Spotify Premium subscriber.

Or, in Spotify-speak: "A Spotify Premium user delivers more than 2 x the amount of revenue to the