

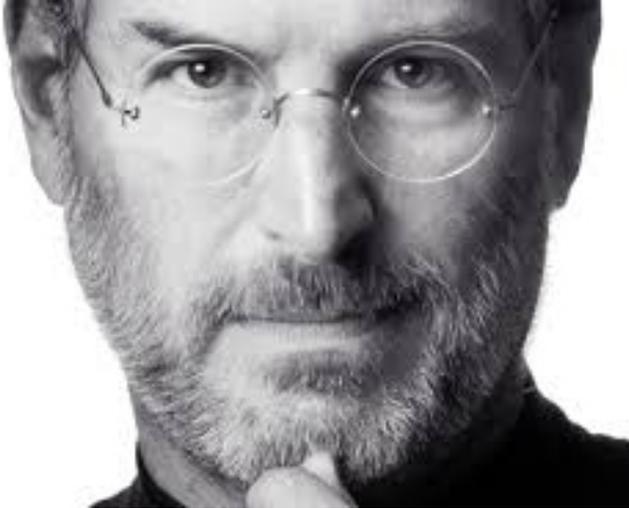
The Grouse House Gazette

Thoughts and Observations on **Music**, Nature, and Politics, from the Catskill Mountains

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THE MUSIC INDUSTRY REACHES ITS' "TIPPING POINT"

SPECIAL GAZETTE MUSIC ISSUE! PLUS... HOPE FOR THE FUTURE FOR TRUE MUSIC LOVERS THROUGH HIGH DEFINITION DOWNLOADS!



Fourteen years ago... just a few short weeks after the 2001 terrorist attacks... Steve Jobs took the stage at Apple's headquarters to introduce the world's first iPod.

Apple was a small part of the computer market at the time... a specialist product... that was popular in graphics and music studios. I was one of the "freaks" that got laughed at for embracing Mac computers over a PC having been an early user through both Photoshop for my photography and Pro Tools for my music production.

The original iPod was not that well received as only those with Mac computers could use the new device. And even some of the Mac fans were critical on web postings at the time with one person writing... "The Reality Distortion Field is starting to warp Steve's mind if he thinks for one second that this thing is gonna take off."

But then one year later in 2002... a new generation of iPod was introduced that was compatible with the MUCH LARGER market of Microsoft based PC users.

It took another year of convincing record labels to participate (and to work out the convoluted pricing structure of downloadable files) and on April 28th of 2003 Steve Jobs announced the opening of Apple's iTunes store.

The iTunes program was quickly included as an automatic "add on" to regular Mac software updates and also offered to users of Microsoft Windows based computers.

And the rest is now history... as the music labels embraced the new format as a savior of the industry. And most importantly... it still encouraged music fans to "collect" and "own" their music collections.

In his announcement of the new iTunes store Steve Jobs took aim in 2003 at not only the pirate sites such as Napster but also at the legal streaming services at the time... "Press Play" and "Rhapsody".

"These services treat you like a criminal. And they are subscription based and we think subscriptions are the wrong path. One of the reasons we think this is because people bought their music for as long as we can remember. We bought our music on LPs, we bought our music on cassettes, we bought our music on CDs. And we think people want to buy their music on the internet by buying downloads just like they bought LPs, just like they bought cassettes, just like they bought CDs. They're used to buying their music, and they're used to getting a broad set of rights with it. When you own your music it never goes away. When you own your music you have a broad set of personal use rights — you can listen to it however you want. People have told us over and over and over again, they don't want to rent their music... and just to make that perfectly clear, music's not like a video. Your favorite movie you might watch ten times in your life — your favorite song you're going to listen to a thousand times in your life. If it costs you \$10 a month or over a \$100 a year for a subscription fee to rent that song, that means for me to listen to my favorite song in 10 years I paid over a \$1,000 in subscription fees to listen to my favorite song ten years from now, and that just doesn't fly with customers. They don't want subscriptions."

And then... the man who almost certainly is the greatest genius to ever come out of the digital age... told Rolling Stone Magazine:

"The subscription model of buying music is bankrupt. I think you could make available the Second Coming in a subscription model and it might not be successful."

SOURCE: <http://www.theverge.com/2015/6/8/8744963/steve-jobs-jesus-people-dont-want-music-subscriptions>

However... Apple was never really that interested in selling music... as the real money and growth was in the hardware. Like Thomas Edison a century before him... Jobs' vision was to own the train... the tracks... and the station.

Apple's insistence upon emphasizing the selling of "tracks" rather than "albums" unfortunately pointed toward a future where the "album" would soon become meaningless.

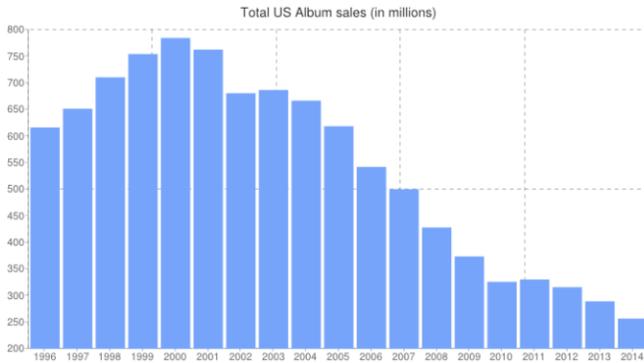
Why buy an entire album when you only want one or two songs?

This had an enormous impact not only on record labels and recording artists but also on songwriters who once could make a living having their songs included on “albums” driven by the sales of other hit songs.

Subscription streaming services have multiplied and exploded since Jobs moved on to the great digital beyond with companies such as Spotify and Pandora becoming enormously successful (at least for themselves).

Here is an historical graph of U.S. “album” sales.

Note the downhill slide since 2003.



And then... the company Jobs left behind... announced two weeks ago that Apple was launching a \$10.00 a month subscription service of their own. There is no word yet on whether “The Second Coming” will be streamed by Apple!

This essentially brings to an end the world of “collecting” and personal music ownership within the mainstream music market and you would be hard pressed to find ANY musicians that would agree that streaming has become (or ever will be) hugely successful.

For musicians... streaming is truly a disaster.

Just ask Pharrell Williams... whose song “Happy” is perhaps the single most successful song of the past few years in terms of global reach.

“Happy” was actually a HIT IN IRAN!

Williams got a royalty statement this year showing that his song “Happy” had been streamed 43 MILLION times on Pandora as of the end of 2014.

And his royalty off of this MASSIVE “hit” stream of “Happy” on Pandora?

\$2,700! And yes... that IS the correct number of zeros!

If Williams made less than \$3K... you can imagine what other artists make.

Source: <http://www.businessinsider.com/pharrell-made-only-2700-in-songwriter-royalties-from-43-million-plays-of-happy-on-pandora-2014-12>

In the year 2014 Taylor Swift was the only artist in America with a platinum album.

Yes... there was only ONE!

Ten years ago there could be anywhere between twenty and fifty albums at that level. The guys that manufactured the “platinum award” plaques for record executive’s walls must have all gone out of business!

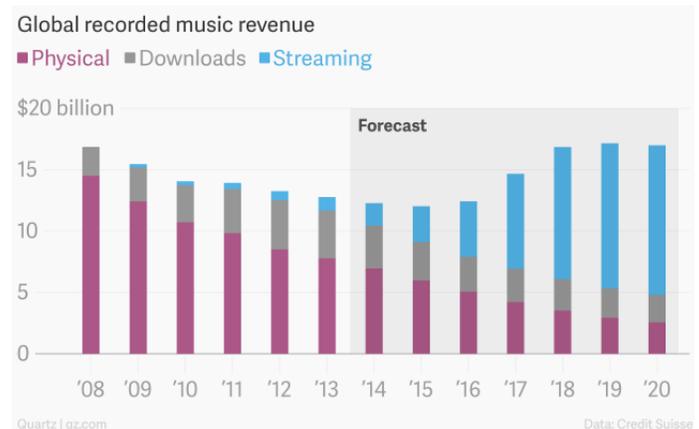
Swift’s sales were the direct result of her having held back her latest album from Spotify.

Since fans couldn’t stream the songs... essentially for FREE... they had to buy the album.

And they did... the album has now just hit the five million sales mark!

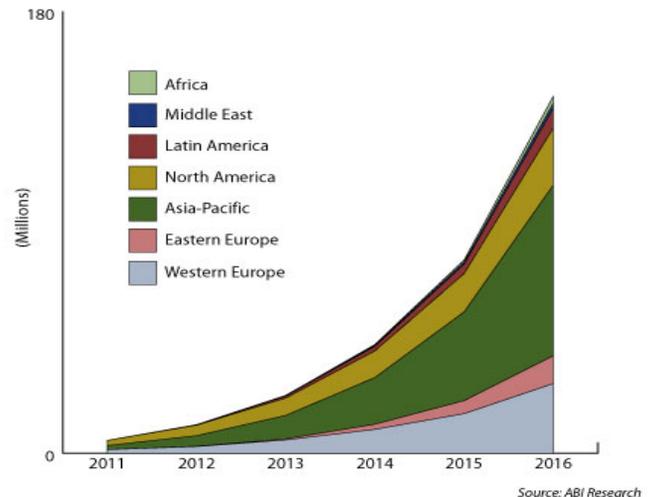
Check out this GLOBAL chart below of the growth of streaming over physical CDs and download music sales.

The dismal outlook for artists in the future is painfully revealed.



And here is a chart dramatically showing the future of streaming.

Mobile Music Streaming Subscribers World Market, Forecast: 2011 - 2016



When Apple first announced the coming launch of their new streaming service they informed the labels and artists that they wouldn’t be paying ANY royalties on songs streamed during their free “trial period” for Apple customers. Can you imagine if back in the days of record stores... a major retailer had announced that they would give albums away at new store openings for the first couple of weeks and that they weren’t going to pay anything to anyone for doing it?

Taylor Swift famously fired back on Twitter... forcing the most valuable corporation in America (Yes... Apple today is bigger than General Motors!) to change their policy and announce that they WOULD be paying artist royalties after all. Though considering Pharrell Williams' experience... it certainly won't be much money anyway.

So then Swift caved... and Apple will now be streaming her new album as well.

When the streaming services cut deals with the so called "major labels" for the usage of their massive catalogs... they paid tens of millions of dollars as "advances" against future sales. The cash strapped and desperate labels would do ANYTHING at the time to prop up their horribly declining bottom lines after downsizing themselves over the previous fifteen to twenty years. Spotify paid Sony Music \$51.5 million dollars for streaming rights in a deal that would pay their artists \$.00225 per stream.

Source: <http://www.digitalmusicnews.com/permalink/2015/05/19/spotify-gave-sony-51-5m-in-advances-and-ad-space-over-three-years>

But because the artists whose works were licensed for streaming to Spotify (and other streaming services) had not technically SOLD (or had their songs streamed) yet... this advance money was not passed on to the people who had actually created the music. Talk about "trickle down" economics!

On the part of the major labels it was a textbook case of "desperate moves" toward a short-term gain for year-end bottom-line figures and executive bonuses.

There was obviously NO PLAN as to what the labels would do in the dimly unfolding future of a world of subscription services that Steve Jobs was so right in condemning over ten years ago. But as I suspect that most music executives today spend much of their time on "job search" web sites... the long-term future of their own companies probably isn't something that they spend much time thinking about.

With the launch of their streaming service Apple has essentially pushed the entire music business forward... past the "tipping point"... over the cliff... toward its' inevitable complete demise. And it's certainly downhill from here for musician incomes derived from recordings.

Musicians in the future had better be able to play live... have a "day job"... and sell a lot of T-Shirts!

Gilbert Hetherwick



The Gazette "publisher" relaxing at home at The Grouse House

HDtracks

HOPE FOR TRUE MUSIC FANS THROUGH HIGH DEFINITION AUDIO!

A big part of the changes in the music industry today are also the result of a seismic shift in the way that people today experience music within their lives.

Whereas music was once the "steak on the plate" within the world of popular culture today it has become more like the parsley off to the side... something that is primarily an accompaniment to some other activity... like jogging... driving... or doing the laundry.

But thankfully there are still a few among us who still love actually LISTENING to music and strive for the best audio quality possible. For those among us who remain TRUE music aficionados and listeners... there is at least the promise of high definition audio through files that are "owned"... rather than "rented"... and with sound FAR BETTER than compact discs of LPs.

Just as high definition photos and video reveal more detail in the digital age... the same is true for music files. The original CD resolution specs were not nearly what they should have been but fortunately for the past couple of decades a lot of progress has been made toward producing higher resolution audio recordings.

I have been a major advocate of IMPROVING audio fidelity since my earliest beginnings in the music business thirty years ago. I "grew up" in the business working for audio/business geniuses Bob Woods and Jack Renner at Telarc International in Cleveland in the late 1980s. Later when I moved on to BMG and Sony I was a major supporter of the SACD format and fought a hard (but losing) battle for the format's success against higher-level executives who showed no support for the SACD at a time when cheap MP3s and low-resolution Apple files were flooding the market.

They all believed that Apple would be their salvation.

Even when I was running Sony's classical division (whose hardware division actually developed the SACD) I had to QUIETLY release our albums as SACDs. We barely mentioned it on the packaging but knew that the audiophiles would find out through audio publications. Which of course my bosses never read.

When top executives from Sony's audio hardware division in Japan met with me to ask if I could help convince the music company's pop labels to release SACDs... I had to actually tell them that not only could I not help... but that they shouldn't use me as an example or even tell anyone that I was doing it. As I would be forced to quit releasing them if people figured it out. No one in the music division other than myself seemed to believe in the format. You talk about a lack of corporate synergy!

In the interest of full disclosure... after being "downsized" from Sony in 2007 the Chesky brothers hired me as a consultant for their HDTracks high definition download company.

I work for them occasionally because I BELIEVE in what they do and that high definition music is the answer for the remaining TRUE music fans that still actually LISTEN to music.

When they began... HDTracks was primarily a catalog of indie label material.

But today HDTracks is a massive TRULY high definition catalog of selections that range from The Eagles... to Led Zeppelin... Joni Mitchell... Miles Davis... all of the major classical labels... and THOUSANDS of indie titles. And perhaps best of all for musicians and music labels... HDTracks specializes in selling "ALBUMS" rather than simply tracks.

The "ALBUM" is alive and well at HDTracks!



Despite the "doom and gloom" of the overall business... I still believe enormously in the future of high definition audio.

As apparently does Neil Young... who has been working for the past few years toward the launch of his own high definition music company called "Pono". Pono... like Apple... also sells their own HD player... while HDTracks only sells music... (the HDTracks files can be played on a wide variety of players and computer apps).

I regularly AMAZE friends and visitors with the vastly improved sonic representation of high definition downloads as albums that they have heard for decades suddenly sound new and fresh. It's as if they are listening to them for the first time or even sitting in the room at the original sessions.

My close friend and former music executive David Weyner came to visit me awhile back here in The Catskills and later told me he was up half the night with excitement after I had played him The Who's Tommy and several Rolling Stones albums in high definition. He simply couldn't believe it. All you have to do is hear the opening acoustic guitar of Keith Richards on "Love In Vain" to be sold for life. I honestly could tell it was a Gibson!

When those of us that are old enough originally heard these LPs in the sixties... we were hearing them several generations from the original analog masters as copies upon copies were made and spread

around the world to pressing plants for local manufacturing. HDTracks seeks out the best possible masters to assure near PERFECT mirror images of them at a resolution that is far beyond the sound of the CD.

It is particularly effective on older analog recordings but also on newer recordings originally produced at the higher resolution. Unfortunately there will always be a "dark ages" of digital from the early digital years when the original recordings were only made at standard CD resolution.

My strong belief in the future of high resolution is why it was so distressing to read a recent AP wire service story that actually "bad mouthed" the value of high definition audio. Although much of the negativity of the story was about the fact that the Pono company was promoting itself as high definition even though many of their files were in standard resolution ripped directly from Compact Discs. HDTracks... despite being around for close to ten years... was not even mentioned in the article. Which is a shame... as the Chesky brothers have gone to great lengths to assure their passionate audiophile fans that their files are indeed TRULY high definition.

So although the overall music business may be careening into an abyss of corporate self-destruction... at least high definition audio gives hope to us remaining music freaks.

And if you haven't listened to high definition music on a nice sound system... do yourself a favor and do so soon.

Listen to the future...

As it all certainly sounds a lot better in high definition!

Gilbert Hetherwick

Write to me at Hetherwick@me.com

And to learn more about HDTracks go to... www.HDTracks.com

And check out studio at www.Grouse-House.com

