



WTF?

**Yes, Taylor.
Stop pretending
to be surprised:
You're the
only musician
who matters
By Devin Leonard**

Scott Borchetta, founder of Big Machine Records, Taylor Swift's Nashville-based label, picks up a deluxe edition of *1989*, the singer's current hit record. He carefully slips the white case off the special edition CD, which fans can buy exclusively at Target for \$13.99.

Inside, in addition to an actual CD, is a packet of Polaroid pictures of Swift in various states of dreamy repose. There's one of her riding the ferry in New York Harbor, another in which she's lounging wistfully in bed, and a third of her posing in a purple long-sleeved shirt, a version of which (the shirt, that is) fans can buy on her website for \$60. At the bottom of each shot there's a handwritten line from one of the album's songs. Borchetta says the Polaroid gimmick, created by Swift's marketing team, led to a flurry of online love between Swift and her fans. On Oct. 27, the day of the album's release, Borchetta says Swift called to say she'd been retweeting fans' pictures of the Polaroids. "She said, 'Oh, my God! We're just having so much fun!'" Borchetta says.

It's a Friday afternoon in early November, 11 days after the debut of *1989*, which Swift, who came up in Nashville's country music scene, described in an August Yahoo! Live stream as "her very first, documented, official pop album." In *1989*'s first week, 1.29 million copies were sold. That was 22 percent of all album sales in the U.S., according to Nielsen SoundScan. It's the largest sales week for a record since Eminem's *The Eminem Show* in 2002, and the biggest release in the past two years by far, topping heavy hitters such as Beyoncé, Coldplay, and Lady Gaga. That week, Swift had five songs on the Billboard Hot 100, including *Shake It Off*, the album's first single, which was, and still is, sitting comfortably at No. 1. She also had two other albums on the Billboard 200—her 2012 album, *Red*, at No. 84, and her 2008 release, *Fearless*, on the chart for its 221st week, at No. 117.

Swift's success is an anomaly in an ailing industry that's been in decline since 2000. Last month the Recording Industry Association of America reported that sales of CDs for the first half of 2014 were down 19 percent from the year before, to 56 million. In 2002 total album sales in the U.S. hovered at 681 million (down from 2001's 763 million). The top 10 albums of 2002, after *The Eminem Show* and the *8 Mile* soundtrack, included *Nellyville* (4.9 million albums sold), Avril Lavigne's *Let Go* (4.1 million), and the Dixie Chicks' *Home* (3.7 million). Compare that with this year: Before *1989*, the year's biggest album was Coldplay's *Ghost Story*, which did a piddling 383,000 copies in its first week and has sold a total of 737,000 since its release in May. That's roughly a third of Swift's first-week

sales, and *1989* is expected to sell another 400,000 copies in its second week. Swift is so far ahead of the pack that they can't even see her.

For a while, there was hope that digital downloads would make up for low album sales, but the RIAA reports that sales for this format declined by 14 percent in the first six months of 2014. Meanwhile, revenue from streaming services like Spotify rose 28 percent. But artists are often paid a fraction of a penny each time users stream a song. "For a digital download, Taylor Swift will probably take home 50 percent of retail," says Alice Enders, a London-based music industry analyst. "So that's 50¢ or 60¢, a lot of money compared to a fraction of a penny," she says.

For that reason, Borchetta and Swift chose to initially withhold *1989* from Spotify. They did the same thing with *Red* in its early weeks. "We're not against anybody, but we're not responsible for new business models," Borchetta says. "If they work, fantastic, but it can't be at the detriment of our own business. That's what Spotify is."

Spotify released a statement suggesting that Swift was giving the back of her hand to her followers on the service. "There are over 40 million music fans on Spotify, and Taylor Swift has nearly 2 million active followers who will be disappointed by this decision," a Spotify spokesman told *Mashable* on Oct. 29.

Swift and Borchetta then pulled her entire catalog from the service on Nov. 3. Borchetta says it was a short conversation: "I went to her and said, 'If we're going to make a statement, let's be very specific and bold. All of your music has value.' And she agreed." (Swift declined to comment for this article.)

Her decision prompted a long and impassioned essay by Daniel Ek, Spotify's chief executive officer, who said his service was on track to pay Swift \$6 million in 2014 (and has already paid \$2 billion in total royalties) and argued that she was encouraging music piracy by not sharing her songs via the accessible and popular Spotify. "In the old days, multiple artists sold multiple millions every year. That just doesn't happen anymore; people's listening habits have changed—and they're not going to change back. You can't look at Spotify in isolation," wrote Ek.

Borchetta isn't swayed. He says that if he had his way, he would take another of his big acts, Florida Georgia Line, off

Spotify, but he can't because of a deal with Universal Music Group's Republic Records. "That's a side conversation we're having," says Borchetta. (Spotify pays 70 percent of its revenue to record labels and music publishers, a large part of which goes to three major companies, Sony Music Entertainment, Warner Music Group, and Universal.)

The impact of pulling the catalog isn't yet clear—though it may have helped move some physical CDs—but other artists and managers are paying close attention. Clarence Spaulding, a prominent Nashville manager, says his client Jason Aldean, one of the biggest-selling country music acts, is one of them. "He is very seriously contemplating the same thing right now," he says.

All of that is a pretty good week of work for the 52-year-old head of a record company most people haven't heard of. Borchetta has a ruddy complexion and a mass of black, curly hair that makes him look like the bad guy in an '80s movie. Swift, who's over 6 feet tall in heels, towers over him. In pictures of them together, she's often bending down, a look of mild exertion on her face. Today Borchetta's clad all in black—he grew up in Los Angeles playing punk rock and likes to wear leather—and is standing at his workstation in his office on Nashville's Music Row. In the hallway, portraits of Big Machine's artists, including Tim McGraw and Reba McEntire, hang from chains. Light fixtures dangle from tire rims and exhaust pipes, in honor of Borchetta's passion for expensive cars.

The week of *1989*'s debut, the Big Machine Label Group had eight songs on Billboard's Hot Country Songs chart, more than its better-known competitors, including Capitol Nashville and MCA Nashville. Big Machine bills itself as an indie label, but since launching in 2005 it has evolved into a company with 88 employees who work in music publishing, management, and merchandising, and occupy four buildings. The business has multiple

record labels. Two of them, Big Machine and Valory Music, are controlled entirely by Borchetta and his partners. (Borchetta owns 60 percent of Big Machine; other reported equity holders include the Swift family and country singer Toby Keith.) Two other labels, Republic Nashville and Dot Records, are joint ventures with Republic Records, a division of Universal, the world's largest record company. In 2012, Borchetta struck a deal to market and distribute the original music from *Nashville*, ABC's hit prime-time soap opera. "He started as a Valley boy and now is running all of Nashville," says Dawn Soler, senior vice president for music at ABC Television.

Despite their respective success, Borchetta and Swift both describe themselves as outsiders. Swift, who splits her time between homes in New York, Nashville, L.A., and Rhode Island (her estate there has eight fireplaces) and has a net worth of \$200 million, according to *Forbes*, still presents herself as a former high school nerd. Much has been made of her aw-shucks persona, including an entire Internet meme dedicated to the singer's "surprised face," the shocked look she gets when she wins yet another award. Borchetta, for his part, casts himself as a country music outlaw. He often speaks of getting "respect."

"There's a little bit of an underdog complex in Nashville," Borchetta says. A little later the underdog is driving to lunch in his black Ferrari, bopping along to Pharrell's *Happy*. The valet parking attendants at Etch, a restaurant in the city's gentrifying downtown, say, "Welcome, Mr. Borchetta," as he eases his car into the space in front of the entrance.

Over Turkish fish tacos, Borchetta talks about how he got to Nashville. His father, Mike Borchetta, was a country music record promoter who spent much of his time driving around to radio stations and trying to get them to play albums he carried in the trunk of his car. He moved to Nashville after divorcing Scott's mother and marrying an aspiring



Borchetta (center) and wife Sandi (left), in Big Machine's Nashville office

OPENING SPREAD: GETTY IMAGES (2); REUTERS (2); PHOTOGRAPH BY ALEX WELSH FOR BLOOMBERG BUSINESSWEEK

"He started as a Valley boy and now is running all of Nashville"



