

CASE TRACK 2: PLATFORM ECONOMICS

Auralist: Who Gets Paid?



Brief

A newly profitable music streaming platform cuts off royalties for its emerging artists to boost payouts for its biggest ones, and now has to decide whether the backlash is worth the money it actually saves.

Background

Auralist is a global music streaming platform with roughly 260 million subscribers, competing against a small number of similarly sized rivals in a business that has historically struggled to turn a real profit.

Music streaming as an industry has always run on thin margins: the platform collects subscription revenue, then pays out the majority of it to rights holders based on how many total streams an artist's music receives, with the pool divided proportionally across everyone on the platform, from global superstars to hobbyists uploading a handful of tracks.

Last year, Auralist reported its first genuinely profitable year, driven mostly by price increases and internal cost cuts rather than subscriber growth.

That milestone gave leadership confidence to make a change to the payout model that had been debated internally for years: a minimum streaming threshold, below which a track earns no royalties at all, with that money redistributed toward artists who cross the threshold.

The Situation

- Under the new policy, any track earning fewer than 1,000 streams in a year receives zero royalties.
- Auralist frames this as a fraud and noise filter, arguing that a huge share of the platform's lowest-performing tracks are either abandoned uploads, low-effort content, or targets of streaming fraud schemes, and that redistributing that money toward artists who are actually building an audience is a fairer use of a limited pool.
- Independent and hobbyist musicians see it differently. For an artist with a small but real following, a few hundred streams a year might represent actual fans, not fraud, and under the new policy, that artist now earns nothing for those plays, while the same money is redirected to artists who are already succeeding.
- The policy compounds an existing gap: artists above the threshold now earn roughly 3 percent more per stream than before the change, while those below it earn nothing at all.
- Musician advocacy groups have organized public campaigns, several well-known independent artists have publicly criticized the policy, and some are calling for a platform boycott.
- Auralist's leadership is watching two things closely: subscriber and revenue trends, which remain healthy so far, and artist sentiment, which is trending negative and beginning to show up in reduced new-release exclusivity deals with independent labels that supply a meaningful share of the platform's catalog diversity.
- A major independent label's licensing renewal is due in eight weeks, and that label has signaled the royalty policy is now part of the negotiation.

A Few Numbers

- The threshold policy affects roughly 35 percent of tracks on the platform by count, but those tracks represented only about 0.8 percent of total royalty payouts before the change, meaning the redistributed pool is real but modest relative to total payouts.
- Average payout per stream for artists above the threshold has risen by roughly 3 percent since the change.
- New independent artist sign-ups (new accounts uploading music for the first time) have dropped 12 percent quarter over quarter since the policy took effect.
- Subscriber growth and overall revenue have both continued to grow at pre-policy rates, with no measurable effect on listener behavior so far.

Stakeholder Voices

- Auralist's head of platform strategy: "We are not taking money away from real artists. We are taking it away from noise, and every real artist above the threshold is being paid more because of it."
- An independent musician with a modest following, in an open letter: "A few hundred people listening to my music every year is not noise. That's an audience I built over a decade, and now it's worth nothing to this platform."
- A major independent label executive, during renewal talks: "Our artists are asking us why we'd keep our catalog exclusive to a platform that just decided a meaningful chunk of them don't count."
- A music journalist covering the story: "The math clearly works for Auralist's biggest artists. Whether it works for the platform's long-term identity as a place where new artists get discovered is a different question."

The Decision Question

Auralist's leadership must decide, ahead of the independent label renewal, whether to:

1. Roll back the threshold entirely, restoring royalties for all streams regardless of volume.
2. Hold the policy as is, treating the current backlash as a manageable cost of a financially sound decision.
3. Adjust the policy, for example, lowering the threshold, phasing it in more gradually, or exempting certain artist categories, without fully reversing it.

Address in your response:

1. What each path means for Auralist's relationship with independent labels and emerging artists, not just its current subscriber base
2. How much weight the sign-up decline and label renewal risk deserve against the policy's stated fraud-filtering rationale
3. What reversing the policy under public pressure signals about how Auralist makes decisions going forward
4. Whether the actual financial stakes (a small share of total payouts) match the size of the public reaction

Ground your recommendation in the numbers and stakeholder positions given here, not general principle.