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In Its New Era, Can SoundCloud Go From Career Launchpad to Destination?

An enthusiastic team of industry veterans is charting an ambitious course forward for the platform that could make it a major player in the new creator economy.

BY DAN RYS



From left: Eliah Seton, Michael Weissman and Lauren Wirtzer-Seawood photographed by Wesley Mann on Dec. 15, 2021 at SoundCloud in New York. On Site Production by Rebecca Karamehmedovic at Sway-NY.



Can I be, like, a huge nerd and draw something on the whiteboard — like a graduate school thing?” asks Eliah Seton, the president of SoundCloud, glancing at one covering the wall of a conference room in the company’s New York office. Standing, he begins drawing a pyramid sectioned off like Maslow’s hierarchy of needs, with each step, he explains, representing an increased level of support that SoundCloud wants to offer artists.

“You have millions of creators here — one of them could be Ed Sheeran, another could be my dog,” he says, gesturing upward from the pyramid’s base. “But you start to create opportunities to monetize and distribute for them, and whether they’re succeeding or not, they’re accessing tools at scale. It’s about having a solution for artists at all phases of their career. And that’s — in a poorly drawn way — ultimately what the vision is.”

Seton, 40, may not be looking at a future with his artwork hanging in the Met. But alongside the rest of SoundCloud’s newly installed senior executive team — led by CEO Michael Weissman, COO/CFO Drew Wilson, chief marketing and content officer Lauren Wirtzer-Seawood and chief product officer Rohit Agarwal, all new to their roles within the past year — he’s anticipating a future for the music business in which artists are truly independent, and in which SoundCloud can transcend its reputation as a playground for discovering artists who are just emerging from their basements.

That, at least, is the hope. SoundCloud, founded in Berlin in 2007 as an indie-first audio sharing platform where users could upload music for free and connect directly with their fans and fellow creators, has always catered to artists very early in their careers, when they are first casting about for a fan base. “SoundCloud was a pioneer platform — not just the community that was on it, but how they got to interact with the music, with the artists that were posting the music,” says Solomon Sounds, who managed XXXTentacion before the artist’s death in 2018 and is now a senior vp of A&R at Capitol Music Group. “It was way ahead — before the DSPs [digital service providers] were even a thing. Everybody was going there to get this music for free when it cost money to get more professional things elsewhere.”

But now, the company is charting a more ambitious course. If it pans out, SoundCloud could transform from talent incubator to destination for artists looking to grow to any level, from the wide base of SoundCloud's streaming service — which was at 175 million global monthly users five years ago (the company has not released updated figures since, but says that number has grown) — to the rarefied air atop the music business pyramid, and all points in between. And in a creator economy that encompasses some 50 million people and growing — over 90% of them amateurs — there are plenty of companies, from YouTube to TikTok, also looking to help boost talent.

When Weissman and his Vimeo colleague Kerry Trainor joined SoundCloud as COO and CEO, respectively, in 2017, the company was at a crossroads. More culturally relevant than ever thanks to the wave of “SoundCloud rap” artists like XXXTentacion, Trippie Redd, Juice WRLD, Post Malone and Lil Uzi Vert — who found audiences and fame by uploading their often rough, unmastered demos to the platform and changed the face of popular hip-hop — SoundCloud was also on the brink of bankruptcy, having laid off 40% of its staff amid a global consolidation, and lost half of its once \$700 million valuation.

Over the following three years, Trainor and Weissman managed to right the ship, securing a \$170 million infusion led by The Raine Group and Temasek as they arrived in 2017, outsourcing its U.S. ad sales to Pandora in a mutually beneficial partnership in 2018 and accepting a \$75 million investment from Pandora parent SiriusXM in exchange for a minority stake in the company in 2020. SoundCloud also doubled down on artist services in 2019 with the \$15 million acquisition of distributor Repost Network, allowing it to offer Repost's tools to the 30 million people who have uploaded works to SoundCloud. In the third quarter of 2020, the company announced its first-ever profitable quarter; currently, it says it has an annual revenue run rate of \$300 million through a combination of its creator services offerings, consumer subscriptions and advertising.

Trainor, who retains a seat on the board, stepped aside at the end of 2020, promoting Weissman to take his place — and allowing him to implement a new strategy. “The vision when I came in as CEO was, ‘How do you redefine what a music entertainment company looks like in the future?’” recalls Weissman, 41, who, like his executive colleagues, projects an air of calm and

reserved confidence. “You need access to fans, so you can speak to the consumer directly; you need technology, both to speak to those fans but also to help emerging artists distribute their music to all the streaming services; you need incredible amounts of data and analytics on what’s happening all around you; and you need a close relationship with independent, emerging talent. And I looked at SoundCloud and was like, ‘Wow, we have all that in one place.’”



Michael Weissman photographed Dec. 15, 2021 at SoundCloud in New York.
Wesley Mann

What Weissman didn't have was a leadership team with the music industry experience to redefine that future — particularly for a tech-focused company

that has had its share of licensing run-ins with rights holders. “My view of it was that we had to go deeper into music. A lot of the other streaming services, I think, are moving out of music; Spotify in particular with podcasting,” he says. “So I thought, ‘I need to build the best team in the music industry.’” In Seton, who spent a dozen years at Warner Music Group, the last six in charge of its indie distributor, Alternative Distribution Alliance (ADA), and Wirtzer-Seawood, an Island Def Jam veteran who also held executive roles at Beyoncé’s Parkwood Entertainment and Instagram and most recently was president of UnitedMasters, Weissman found the expertise he needed.

Over the past year, as that core team came together, SoundCloud has taken several steps toward achieving that vision, expanding the Repost staff — significantly enough that it has already outgrown the Los Angeles office it moved into just before the pandemic — and doubling down on industry outreach. But for a company synonymous with helping artists get their footing before they step up to other, larger platforms, there’s much work to be done and no guarantee of success. “What we’re trying to pull together is the next great, big iconic music company of the future,” says Weissman. “And we have all the pieces. But the story of what we’re building is just being told.”

Lil Pump was weighing his options.

It was summer 2021, and the 21-year-old rapper — who broke out of the SoundCloud rap bubble with his 2017 hit “Gucci Gang” and has since landed two top 10 albums on the **Billboard 200** (<https://www.billboard.com/charts/billboard-200/>) — was at the end of his Warner Music deal and deciding what to do next.

“We had a couple opportunities, and [one was] to go back and sign again with Warner,” says Dooney Battle, founder/CEO of Tha Lights Global, who helped put the SoundCloud deal together for Pump. “We ended up taking a meeting with SoundCloud, and we thought they were the best opportunity for what we were trying to do as an independent artist — that they’re going to help us optimize and take us to the next level.”

In 2022, Pump will be among the first artists participating in what SoundCloud has identified as the top of that pyramid of support Seton drew: its roster. The initial slate of eight artists — ranging from rookies to more established names — also includes Nigerian singer-songwriter Tekno and Atlanta-based MC MadeinTYO, artists who, like Pump, had some experience in the major-label system but wanted to chart a new course by going back to their roots on SoundCloud.

“Our definition of ‘roster’ is not what a traditional label would think of,” Seton says. “It’s about bringing the all-star team to make the best possible solution for an artist at that point in their career.” Artists are signed to various types of deals: some exclusive, most not; some in partnership with other labels and distributors, others joint ventures; and some with advances and marketing budgets from SoundCloud itself. But each is structured as a license, with artists maintaining control of their masters and creativity, and SoundCloud backing them, both creatively and financially.

To a burgeoning act, such deals have an inherent appeal: Rather than leave the SoundCloud nest, they can expand their brand while continuing on the path that got them where they are. “We’ve been using SoundCloud for years, from when we were making music for fun and for the love of it,” says Mario Onoh, founder/CEO of PWRS and Tekno’s manager. “With this, it’s like, ‘All right, we’ve already been using your platform — now you just want us to keep doing it *and* you’re going to give us money?’ It’s kind of a no-brainer.”



Elijah Seton photographed Dec. 15, 2021 at SoundCloud in New York.
Wesley Mann

SoundCloud is not the first DSP to venture into label-like waters. In 2018, Spotify rolled out a program allowing independent artists to directly upload

their music, bypassing labels and distributors, and began offering six-figure advances and improved royalty payouts to managers to license their artists' work directly to the platform. The move was met with immediate backlash from labels — which saw it as an affront to their core business — and the program was shuttered in under a year.

SoundCloud is in a different boat than Spotify, which makes up more than a quarter of major labels' revenue, according to one person familiar with the figures. It is much smaller, and accounts for a small fraction of revenue, making it much less of a threat from an economic standpoint; it has also never positioned itself as a service that can allow artists to bypass the label system. Instead, Seton and Wirtzer-Seawood have emphasized a more collaborative, open approach in moving toward these more “high-touch” relationships, stressing partnerships with other label-services and distribution companies and an open dialogue with the label community to avoid the friction and mistrust that characterized Spotify's forays, which had caught the labels by surprise.

“We're a major A&R source for what's next in music, and there's a major opportunity for partnering with the majors and other independent distributors and services companies,” says Seton. “We're working with an EMPIRE, with a Capitol, with a Warner, trying to take a much more flexible approach that is centered around having a bespoke solution to that particular artist relationship. So I don't think we would be seen as trying to replace Atlantic Records.”

“SoundCloud's vision for forging artist partnerships and collaboration is truly exciting and fully aligned with CMG's approach to finding and developing new talent, as well as enhancing the careers of established and superstar artists,” Capitol Music Group chair/CEO Michelle Jubelirer told *Billboard*. “We are always exploring new ways to amplify the voices of our artists and deepening their connections with fans, and SoundCloud is a crucial partner in helping us to achieve those aims.”

The company will also have to balance prioritizing releases on SoundCloud — where it is still trying to grow its fledgling subscription service, SoundCloud Go+ — with marketing on major platforms like Apple, Spotify and Amazon,

where the majority of commercial activity for its acts will naturally occur. “We have to do our job for our roster business of making sure that we can market to the universe of fans wherever they may be,” says Wirtzer-Seawood. “But what we know is that we can do that in ways that have never been done before on SoundCloud as well.”

The real dream is to see an artist bubble up from the bottom of the pyramid to its apex — one that emerges from the sandbox of SoundCloud’s free streaming service, builds a following using some of its creator tools through Repost, grows through its distribution division and graduates to a roster deal.

“If you started a new industry, took a clean sheet of paper and wrote down how music works in the best interests of artists and fans, this is the model you would build,” says Seton. “So I think it’s not just about what’s next for fans. It’s about what’s next for music.”

On a warm mid-November afternoon, SoundCloud’s director of music intelligence and analytics, Wyatt Marshall, is presenting a visual snapshot of what “what’s next in music” actually means on SoundCloud. Dubbed the Creator Network Map, it resembles a world atlas, made up of dots of varying sizes and colors, each of which corresponds to a creator within a scene bunched together with other users who interact with each other’s work, or share genre tags, or who are growing particularly quickly in terms of streams or listeners — a proprietary A&R tool with which SoundCloud can almost literally watch as new sounds and scenes form, evolve and grow.

“We have data that helps us see around the corner a little bit in fascinating ways around micro-genres and new communities that are blossoming in spaces that nobody else really realizes coming down the pipe,” says Wirtzer-Seawood. “So we’re using access to that data and paying attention to what’s happening in the community, where the artist-and-fan interaction happens, to make some interesting bets on some of those artists.”

It’s those artists that SoundCloud hopes to identify early and bring into the fold — and who could benefit from the company’s entry into one of the industry’s most protracted debates: how streaming royalties are paid.



Lauren Wirtzer-Seawood photographed Dec. 15, 2021 at SoundCloud in New York.
Wesley Mann

In March, SoundCloud launched Fan-Powered Royalties (FPR), a version of the user-centric royalty payment model that has been debated in music-

economist circles ever since Spotify made streaming a big business. Unlike the current “pro rata” model — in which streaming income is collected and divvied up among rights holders according to their share of total streams — user-centric royalties are distributed according to which artists a given user listens to, with their subscription dollars divided among those acts.

“It changes streaming from what today is just accessing a catalog of music into truly more of a community platform,” says Weissman. “We can provide an enormous amount of information back to artist managers and major labels to actually get at the heart of this, which is, ‘Who are the 10,000 people who are my true fans? That over 30% of their listening time is going to that artist?’”

It is a more intuitive way for the streaming royalty model to work, and one that has been explored to varying degrees by TIDAL and Deezer. And even if it’s not likely to be adopted by the biggest streaming platforms anytime soon — which would require renegotiating licenses with all rights holders, not to mention a major push, most likely from the artist community, to change the status quo — it would, in theory, help to level the playing field of streaming payouts, ensuring that fans who only listen to independent artists, for example, won’t have some of their \$9.99 per month ending up in Drake’s pocket.

In July, SoundCloud helped put the theory to the test in partnership with U.K. trip-hop trio Portishead, which released a cover of ABBA’s “S.O.S.” on SoundCloud using the FPR model; two months later, the company said streams of “S.O.S.” had generated 400% more streaming revenue through FPR than the pro rata model would have. (The money was donated to charity.) On average, SoundCloud says artists using FPR are generating 60% more streaming revenue than they would have otherwise, with payouts of over \$1 million per month and growing.



Portishead

SOS

Share

There is some debate as to whether FPR, or user-centric models generally, would move the needle for many artists. Given the rights agreements tied up in artist contracts, only truly independent artists who own their work can take advantage of FPR, and only for monetization on SoundCloud, significantly restricting the quantity of artists and dollars affected. According to SoundCloud, it had a 50% year-over-year increase in the number of artists using its distribution tools that make them eligible to use FPR, and it is in talks with all three majors and the independent trade group Merlin to renegotiate agreements to allow for FPR. Though none have been completed as of yet, at least one of the majors is close to signing on, while negotiations with the others are said to be progressing well.

Yet, a 2018 study co-authored by former Spotify chief economist Will Page also found that, while user-centric royalties did chip away at the income of music's crème de la crème, the other 99.4% of artists in the ecosystem would see an average increase of less than 5% of royalties, a figure that could be offset by the administrative costs required to switch to the model in the first place. (SoundCloud has already made that switch.) Other studies found that any shift would be largely “symbolic” in terms of how much money would change hands. One major-label source says that, while their company is not against a

move toward a user-centric model, it would simply equate to moving money from one bucket into another.

SoundCloud, of course, doesn't see it that way. "We want artists to understand that that fan connection that they've built over the entirety of their career, even if they're just starting out, actually matters on SoundCloud," says Wirtzer-Seawood. Further, and more significantly, the model ensures that if 15% of an artist's listenership is responsible for 65% of his or her streams on the platform, artists and their teams are privy to that information. "Fan-powered royalties give us the ability to have specific data around who those fans are," Wirtzer-Seawood continues, "and we can now unlock those relationships with the superfans and communicate with them, to sell them something or whatnot."

That data, according to the company, is the biggest game-changer in the transition to user-centric payments — and one of its biggest selling points when negotiating with creators. "In a world in which 60,000 tracks a day are being uploaded, it's not enough to rely on streams to feed yourself as an artist," says Seton. "Commercializing that direct artist-to-fan engagement so that there's more than just streams, but merchandise and virtual merch and exclusives, will mean there's a whole lot more commercial opportunity through a fan-powered relationship than a streaming relationship. We're not talking about dividing up a specific pie — we're talking about putting more pies on the table."

And the data creates the foundation for the next step in the pyramid that SoundCloud is trying to build — one that is based on Repost, the distribution company it acquired in 2019 that allows all artists to upload their works to not only SoundCloud but any DSP. In 2022, the company will relaunch Repost and expand the tools it will offer to creators. Currently, Repost has two tiers: one, at \$30 per month, that provides distribution, monetization and playlist pitching; another, which is invite-only, that involves a tailored marketing and promotional plan, with bigger opportunities for artists who need a more hands-on, full-service approach. The new-look Repost will allow creators to graduate up the pyramid with additional resources and services — and stay within the system — stemming the tide of once-inevitable moves off SoundCloud and into label deals and exclusive agreements.

“Repost is the core engine that underlies and underpins a lot of what we’re doing,” says Weissman. “It’s about, ‘How do we maintain that relationship and, as talent comes through SoundCloud, put the right relationships in place with that artist and not try to force them into something unnatural?’”

Just in the past year, as artists have gained more leverage, independent distribution has become one of the fastest-growing areas of the music business, with big valuations and new players wanting in. Just this year, TuneCore parent Believe Music listed on the Euronext Paris Stock Exchange at a \$2 billion valuation, DistroKid raised funds from Insight Partners at a \$1.3 billion valuation and UnitedMasters raised two rounds of \$50 million in series B and C funding, one led by Alphabet and Apple in March and another by Andreessen Horowitz in October, valuing it at \$550 million. Meanwhile, Sony announced its intention to purchase AWAL and Kobalt Neighboring Rights for \$430 million (the deal is under regulatory review) in February; Warner overhauled the global leadership structure of ADA to make it “more agile” and efficient over the course of the past year; and Universal rebranded its Caroline division as Virgin Music Label & Artist Services, in part to take advantage of the global name recognition of Richard Branson’s original Virgin Records.

It’s a crowded space, and an increasingly challenging one in which to stand out. But for SoundCloud, building a full distribution service on top of a streaming discovery platform gives it an inherent advantage. “What we’re doing is something that has never been done before in music: You’ve never married a distributor/rights holder to a DSP,” says Jeff Ponchick, co-founder of Repost and head of creator at SoundCloud. “What we’re going to try and do is take the best of SoundCloud and the best of Repost and bring it all together in a unified product in a way that’s super clear, super simple, super digestible and provides value to any artist or label owner at any stage of their career.”

One Sunday morning in late August, SZA tweeted “dumping random thoughts” with a link to a SoundCloud account titled “.” The link turned out to be a collection of three previously unreleased SZA songs, including “I Hate U,” which quickly crossed over to and exploded on TikTok, before it was taken down from SoundCloud. By the time she officially released the song through Top Dawg Entertainment/RCA Records in December, the fan frenzy pushed it

to a No. 1 debut on *Billboard*'s **[Hot R&B/Hip-Hop Songs](https://www.billboard.com/charts/r-b-hip-hop-songs/)** (<https://www.billboard.com/charts/r-b-hip-hop-songs/>) chart and a No. 7 debut on the **[Hot 100](https://www.billboard.com/charts/hot-100/)** (<https://www.billboard.com/charts/hot-100/>) — SZA's highest solo mark to date, for a song that she called “an experiment on SoundCloud.”

“It was a creative thing — she wanted to put out music for her fans without the pressures of dropping a ‘single,’” says Terrence “Punch” Henderson, SZA's manager and president of TDE. “That's how we used to do it back in the day: We'd just throw something on SoundCloud to feed the people directly. So doing it now was just a return to that. It was about not doing what the norm is, and the norm now is going directly to the DSPs. It built up a lot of anticipation there, and people wanted to hear it [get officially released].”

For the SoundCloud team, SZA's surprise release — essentially an exclusive track from one of R&B's biggest artists — was proof that, no matter how removed from an artist's early career, SoundCloud can still play a significant role in helping break a song. “That just makes it exciting: an artist that's as big as SZA comes here, her day one, where she wants her core fan base that has been there from the beginning to hear it first,” says Erika Montes, vp of artist relations at SoundCloud. “It brings some excitement back to where it's not so strategic, like, ‘We have to plan it out, give it a month in advance.’ Instead, it's just like, ‘Here it is!’ That's the beauty of music, just being excited to share things as a surprise one day.”

SZA - I Hate U (Official Lyric Video)



Still, SZA's foray back to her roots is not one that many artists have taken of late, preferring to go to the major DSPs, where there's more money to be made.

"Artists tend to 'graduate' from SoundCloud, but I don't think it's by choice," says Daniel "Bird" Desir, CEO of Timeless Music and manager for Internet Money, the production crew behind some of the biggest SoundCloud rap hits by artists like Juice WRLD, Lil Tecca and XXXTentacion. "For the labels, it's a business, so they want to make sure that you can put your music somewhere where they can get their return on investment. So they'll stay away from SoundCloud. They'll tend to say, 'Let's just go to the DSPs and make a bigger impact.'"

SoundCloud has reinvented itself in the past; its underground roots as the "Wild West of music," as one artist manager puts it, evolved into the fully licensed, subscription-tiered service with formidable behind-the-scenes muscle that it is today. But at its heart, it's still a tool for discovery. Its users can often credibly claim to be ahead of any particular curve in genre shifts, but its reputation as a starting point, not a destination, remains tough to overcome.

"As an A&R, as a manager, I still look for those little niche communities that are on SoundCloud that are growing whatever the next thing is," says Capitol's Sounds. "But I think [artists] get to a space where they've signed some deals, they're in some partnerships and now that music has to be monetized, because so much goes into creating it. I think that's the one downside about it."

The company is well aware of how it is perceived. "We have a good amount of work to do to help strengthen the brand in a way that helps make it as relevant as it was years back when everybody was consuming on SoundCloud first," says Wirtzer-Seawood, who is charged with executing much of that rebranding. "How we message the brand, how we appear in the marketplace, how we talk about how SoundCloud matters, how we make SoundCloud more relevant to younger consumers, how we globalize the brand in ways that can be

translated across many different cohorts of users — all those things are really important, and we're really focused on that.”

Whether the new SoundCloud team can pull it off remains to be seen. There is a mountain of licensing negotiations, technical details and proofs-of-concept ahead that will determine whether this new iteration of the company succeeds, and whether it can compete with some of the biggest music and entertainment brands in the world. It will roll out new features and products for creators as it builds out from the data gleaned from FPR and the relaunched Repost. It has a partnership with Fortnite, and negotiations for others in the gaming metaverse are in the works as well. Tekno's first release with SoundCloud is set for early February, and Lil Pump's first single is slated for later that month, with a major marketing and radio push behind it.

“They're going to help us a lot. They've got a lot of analytics and data that [Pump is] going to be able to capitalize on, and they're super excited,” Battle says. “If he graduated, I guess this is grad school.”

There are many measures of success, however, and even with all of its ambition, SoundCloud's executive team is trying to keep it simple.

“The beauty of the independent nature of the future of music is that the artist will continue to be able to have a choice,” Seton says. “And if artists keep coming back to us, then we're doing something right. Because the whole point is we're giving them another option, and the nature of the value proposition is that they're going to have that choice again a few years later, and if we haven't done right by them, we won't be able to continue that relationship. And maybe that's how we should define success.”

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