

Audible Royalties Ain't Royalties - How Audible Profits at the Expense of Authors – by Colleen Cross

What do Rights Holders Earn Per Audible Listener Credit?

Short Answer: Much less than you think.

As we await Audible to provide the audiobook returns data requested by authors and narrators since October 2020, it's time to question everything about ACX/Audible "royalty" payments, or lack thereof.

Despite producing and publishing more and more audiobooks, many of us see dramatic decreases in our earnings per audiobook. The sparse details on our ACX/Audible "royalty" statements don't provide enough information on returns or other adjustments made to our earnings.

Why?

What is ACX's Service

For clarity, ACX is not a separate company from Audible, despite what some ACX customer service reps tell us. **ACX.com is simply a website platform operated and controlled by Audible.**

Authors and rights holders invest thousands of dollars in each audiobook produced. "Royalty" Share (RS) narrators invest many hours in exchange for an uncertain future compensation. Narrators often have out of pocket production costs as well. It takes many hours to produce one hour of finished audio. As rights holders, many of us expected our upfront investment in audiobooks would lead to future profits. We further assumed our "royalty" to be based on the Audible retail selling price.

That is not the case.

Unlike authors and narrators, Audible/ACX makes zero investment in time and money in audiobook production. ACX offers these services:

- **A matching service for narrators and authors.** This is rife with scam books and narrators can be left spending hours and weeks on a project only to discover it will never be released. Their loss is not just in time but production costs.
- **Quality control and approval of audio quality prior to sale on Audible.** Since 2019, the time taken for this has stretched from an advertised four weeks to sometimes nine months. All for books for which payment has already been made or time invested by author and narrator with "royalty" share. This is potential income loss to authors and creates uncertainty with marketing.
- **Delivery of the book to Audible, Amazon and Apple Store.**
- **Calculate and pay "royalties."** [Audiblegate](#) outlines the issues with their opaque accounting and statements, and returns fraud.

Since ACX only supplies a service and Audible is simply a sales platform and retailer where we list our books, let's not call our income "royalties." It's sales income or sales earnings. What we pay Audible could be considered commission. This is an important distinction because 60% and 75% commission now sounds pretty expensive, right?

What about that lock in contract?

Once uploaded, authors' audiobooks are locked in to Audible for 7 years. They cannot be removed for any reason. In trade publishing, say, a publisher would use an exclusive contract in order to recover their investment in an author's book. This would include editing, cover, and promotion, even development of the author's career. ACX/Audible have no such investment, so why do they require a lock-in seven-year contract? KDP (Kindle Direct Publishing) doesn't require this for eBooks and Paperbacks.

Many authors requested removal of their audiobooks from Audible, only to be refused. While our audiobooks are locked-up, they are often used as a free incentive in a sneaky way. Audible calls this their **Great Listen Guarantee (GLG)**. This "free exchange" scheme is nothing more than a disguised lending library, which cements Audible's monopoly and pays nothing to authors and narrators, intellectual rights holders and creators.

All of this made me wonder what else besides returns (the subject of a future post) is eroding our Audible earnings. Is the Audible "royalty" calculation even fair?

Update Jan 2021: Since writing this post, Audible has announced an end to the seven-year lock in after campaigning by Alliance of Independent Authors and Fair Deal for Rights Holders and Narrators.

Let's review the Audible Listener (AL) royalty category.

This is the sales when an Audible member uses a credit to buy a book and is the second royalty category on your ACX monthly earnings statement. The sales in this "royalty" category have dramatically increased percentagewise vs. the a la carte (direct sales to non-members) and ALOP (sales to members not using a credit) categories over the last year. Coincidentally, AL is the most profitable category for Audible, and the easiest to manipulate.

The AL category now forms the bulk of rights holder earnings. This is understandable with Audible's aggressive marketing of the value of membership. It's to these same members Audible markets their "Great Listen Guarantee" to first sell them a subscription and then habituate them to continue. \$14.95 for as many audiobooks you like a month? That's a great deal for a listener.

Not so great, for authors when this unmonitored scheme is used as a perpetual library-style access to books. Royalties for this category are earned when members redeem a credit, but are clawed back each time a member returns or exchanges an audiobook. Members are led to believe Audible is funding this, not authors. Some even think it's a glitch because it's almost too good to be true.

It's all in the hidden math

If you've ever looked at the Audible ACX contract, you've seen the complicated sales earnings math (another future post). For now, let's focus only on the result: the amount of money which ends up in our bank.

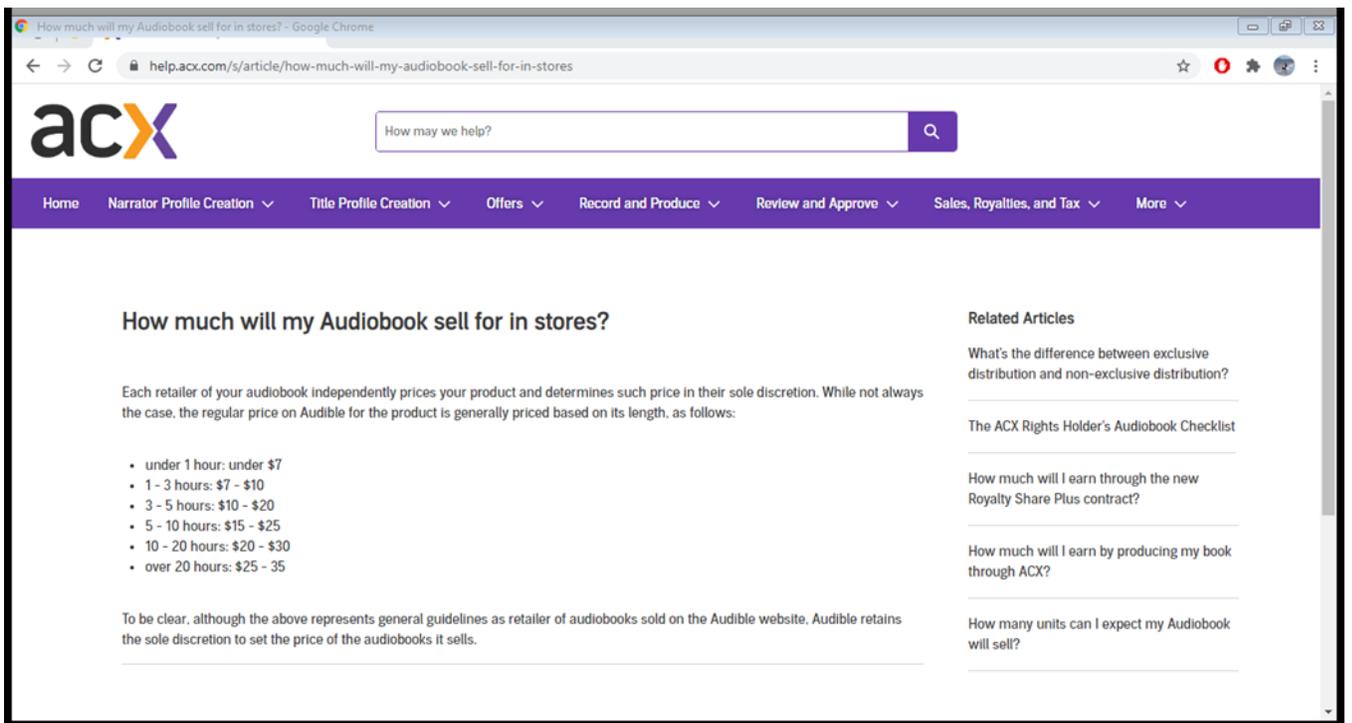
The Audible ACX contract states a 40% "royalty" or 25% "royalty," depending on which Audible distribution option is agreed, exclusive or non-exclusive. Cut that percentage in half if you are in an author/narrator "royalty share" agreement.

Well, prepare yourself for a nasty surprise.

It's not 40% for exclusive pay for production. It's not 25% for non-exclusive. Not even close. I compiled sales data from many Audible authors at different price points and came to the same conclusion for all. Authors are only paid a fraction of the stated "royalty" rate.

Why?

Because sales earnings are not calculated on the selling price on the Audible store like Audible implies here:



The screenshot shows a web browser window displaying the ACX help page. The page title is "How much will my Audiobook sell for in stores?". The ACX logo is at the top left, and a search bar is at the top center. The navigation menu includes: Home, Narrator Profile Creation, Title Profile Creation, Offers, Record and Produce, Review and Approve, Sales, Royalties, and Tax, and More. The main content area contains the following text:

How much will my Audiobook sell for in stores?

Each retailer of your audiobook independently prices your product and determines such price in their sole discretion. While not always the case, the regular price on Audible for the product is generally priced based on its length, as follows:

- under 1 hour: under \$7
- 1 - 3 hours: \$7 - \$10
- 3 - 5 hours: \$10 - \$20
- 5 - 10 hours: \$15 - \$25
- 10 - 20 hours: \$20 - \$30
- over 20 hours: \$25 - 35

To be clear, although the above represents general guidelines as retailer of audiobooks sold on the Audible website, Audible retains the sole discretion to set the price of the audiobooks it sells.

On the right side, there is a "Related Articles" section with the following links:

- What's the difference between exclusive distribution and non-exclusive distribution?
- The ACX Rights Holder's Audiobook Checklist
- How much will I earn through the new Royalty Share Plus contract?
- How much will I earn by producing my book through ACX?
- How many units can I expect my Audiobook will sell?

This leads authors to believe their audiobooks **will primarily sell at the retail price**, unless there is an occasional sales promotion. It also implies the selling price is the basis for the "royalty" calculation. Makes sense. Why wouldn't it be calculated on the retail sales price? In assessing the viability of turning your books into audiobooks, you'd likely assess the probable payback on your investment, like this:

Cost: Narrator cost per finished hour (PFH) of \$200 x Audiobook length 7 hours = \$1,400

Earnings per audiobook: 40% x \$19.95 retail price = \$7.98

Breakeven point: \$1400/\$7.98 = 175.4 audiobooks

You need to sell 175 audiobooks, each earning \$7.98 at 40% “royalty,” to break even on your \$1400 investment.

That’s a smart way to assess the viability of your audiobook. Unfortunately, it’s wrong!

Audible never pays authors the stated “royalty” rate. Instead, they base the “royalty” on “Net Sales,” a number so heavily manipulated by Audible, that these “Net Sales” adjustments amount to a 50% deduction from the retail selling price.

This is the figure upon which authors’ share of the sale is calculated. Not retail price.

Does Audible deserve their lion’s share cut?

What, exactly, does Audible do to earn near 50% right off the top, before even calculating the split between you and them?

Audible didn’t produce the audiobook. They didn’t pay the narrator. They certainly didn’t write the book. One could even argue there has been no investment in the ACX interface since the launch of the company back in 2011. So, no author tech investment, either. No explanation has been given on the necessity to deduct almost half the retail price to arrive at this “Net Sales” amount.

So, let’s do the true ROI calculation

Rights holders need to understand the true breakeven point to make informed business decisions about audiobook production. So, now **let’s adjust the math to what the real breakeven point is for this same 7-hour audiobook, using “Net Sales”**.

Cost: Narrator cost per finished hour (PFH) of \$200 x Audiobook length 7 hours = \$1,400

Earnings per audiobook: 40% x \$10.37 Net Sales* = \$4.15

Breakeven point: \$1400/\$4.15 = 338 audiobooks

***the actual per unit payment for a 7-hour audiobook, per Audible earnings statement**

Based on Audible math, you need to sell 338 audiobooks before you break even on your 7-hour audiobook investment. That’s near twice as much as the 175 audiobooks needed to break even when the “royalty” is based on the Audible retail price (not Net Sales).

You need to sell nearly an audiobook a day for a year to earn back your cash outlay, and that's only if Audible doesn't lower the price, or allow Audible listeners some of those "Great Listen Guarantee" returns. This represents a huge hurdle before you even make a penny beyond your original investment.

Okay, so hit me with the real "royalty"!

The above example assumes you chose the 40% exclusive to Audible rate. If you chose the 25% non-exclusive rate, your earnings—and breakeven point—will differ. Same if you are "royalty"-sharing with a narrator. Each "royalty" option is illustrated in the tables below, which compare the stated "royalty" % (what you think you get) vs. the effective "royalty" % (what you actually get).

In this Exclusive, Pay for Production example on a 7-hour book, you only received a 21% "royalty", not the 40% stated "royalty" rate.

Apologies for the math. **Painful as it is, it's best to be fully informed before you lock yourself into a 7-year contract with a business partner who makes all the rules and takes 79-87% of the money.**

A further warning if you think non-exclusive is the answer

Many authors are now deciding to produce audiobooks on non-ACX platforms. Others have postponed or even stopped audiobook production altogether. If you decide to produce audiobooks elsewhere, please be aware most or all other audiobook distributors also use ACX or they use a boilerplate contract the same as ACX's to publish to Audible, you will also be subject to the same sales earnings and losses from returns less the distributor cut.

Ask what terms apply on audiobooks they distribute to Audible.

If instead you choose to sell your audio rights to an audiobook publisher, be aware they are also likely locked in to the ACX contract. Ask them about Audible terms before signing a contract. Also know that the publisher royalty rates are a percentage of a percentage. For example, a 30% royalty rate will be 30% times the ACX non-exclusive rate of 13%, which amounts to less than 4% of retail price. Whatever road you take, ensure you are fully informed. Do the math if you paid for the production yourself. How much quicker would you own the book and be making clear profit?

Now the math

See the tables at the end of this post to determine the net sales earnings you will receive under the four types if you contract directly with ACX.

Now you are informed and can make business decisions based on fact. It's time for Audible to fairly compensate the content providers who supply the bulk of Audible audiobook content. Authors and narrators deserve to be paid fairly for their work. That's all we ask.

Audible, are you listening?

Audible “Royalty” Tables

AL PAY FOR PRODUCTION (EXCLUSIVE)

- Content Creators get 21% royalty, not the 40% stated royalty.
- Audible gets ongoing 79%, despite \$0 content creation investment.

A	B	C	D	E	F	G	H
Audiobook Length	Retail Price	Net Sales \$ Per ACX Report	Stated Earned Royalty %	Expected Royalty at stated %	Effective Royalty %	Actual royalty per unit	Calculated Royalty Shortage per Unit
Hrs			%	\$	%	\$	
< 1 hr	3.95	2.05	40%	1.58	21%	0.82	0.76
1-3 hrs	6.95	3.61	40%	2.78	21%	1.45	1.33
3-5 hrs	14.95	7.77	40%	5.98	21%	3.10	2.88
5 hrs to 10 hrs	19.95	10.37	40%	7.98	21%	4.15	3.83
10 hrs to 20 hrs	24.95	12.97	40%	9.98	21%	5.19	4.79
20 hrs+	29.95	15.57	40%	11.98	21%	6.23	5.75

AL PAY FOR PRODUCTION (NON EXCLUSIVE)

- Content Creators get 13% royalty, not the 25% stated royalty.
- Audible gets an ongoing 87%, despite \$0 content creation investment.

A	B	C	D	E	F	G	H
Audiobook Length	Retail Price	Net Sales \$ Per ACX Report	Stated Earned Royalty %	Expected Royalty at stated %	Effective Royalty %	Actual royalty per unit	Calculated Royalty Shortage per Unit
Hrs			%	\$	%		
< 1 hr	3.95	2.05	25%	0.99	13%	0.51	0.48
1-3 hrs	6.95	3.61	25%	1.74	13%	0.91	0.83
3-5 hrs	14.95	7.77	25%	3.74	13%	1.94	1.80
5hrsto 10 hrs	19.95	10.37	25%	4.99	13%	2.59	2.40
10hrsto 20 hrs	24.95	12.97	25%	6.24	13%	3.24	3.00
20hrs+	29.95	15.57	25%	7.49	13%	3.89	3.60

AL ROYALTY SHARE (EXCLUSIVE)

- Content creators stated royalty is 20% x 2, yet they get only 10% x 2
- Audible gets an ongoing 79%, despite \$0 content creation investment.

Royalty Share (each partner's share) - exclusive							
A	B	C	D	E	F	G	H
Audiobook Length	Retail Price	Net Sales \$ Per ACX Report	Stated Earned Royalty %	Expected Royalty at stated %	Effective Royalty %	Actual royalty per unit	Calculated Royalty Shortage per Unit
Hrs			%	\$	%	\$	
<1 hr	3.95	2.05	20%	0.79	10%	0.41	0.38
1-3 hrs	6.95	3.61	20%	1.39	10%	0.72	0.67
3-5 hrs	14.95	7.77	20%	2.99	10%	1.55	1.44
5 hrs to 10 hrs	19.95	10.37	20%	3.99	10%	2.07	1.92
10 hrs to 20 hrs	24.95	12.97	20%	4.99	10%	2.59	2.40
20 hrs+	29.95	15.57	20%	5.99	10%	3.11	2.88

AL ROYALTY SHARE (NON EXCLUSIVE)

- Content creators get 6.5% x 2 = shared 13%
- Audible gets an ongoing 87%, despite \$0 content creation investment.

Royalty Share (each partner's share) - non exclusive							
A	B	C	D	E	F	G	H
Audiobook Length	Retail Price	Net Sales \$ Per ACX Report	Stated Earned Royalty %	Expected Royalty at stated %	Effective Royalty %	Actual royalty per unit	Calculated Royalty Shortage per Unit
Hrs			%	\$	%	\$	
<1 hr	3.95	2.05	12.50%	0.49	7%	0.26	0.23
1-3 hrs	6.95	3.61	12.50%	0.87	7%	0.46	0.41
3-5 hrs	14.95	7.77	12.50%	1.87	6%	0.97	0.90
5 hrs to 10 hrs	19.95	10.37	12.50%	2.49	7%	1.30	1.19
10 hrs to 20 hrs	24.95	12.21	12.50%	3.12	6%	1.62	1.50
20 hrs+	29.95	15.57	12.50%	3.74	7%	1.95	1.79

Colleen Cross Bio

Colleen Cross writes financial thrillers and white-collar true crime, drawn from her background in forensic accounting and fraud investigation. She is a CPA with CFO/finance executive experience at large multinational corporations. She follows the money to find the truth.

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