

Rytex Proposal

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What is Rytex?

Rytex is an open marketplace where anyone can invest in their favourite music artists and earn money doing so.

How does it work?

An artist releases a portion or all their of their royalty income of a song or catalogue of songs for a chosen time period. Investors can then make offers to purchase this from the artist in a similar way to how a debt security works.¹ The investor can then keep hold of it, buy other trading securities and sell owned securities all on the open marketplace. The investor will earn royalties over time from the securities they own. Rytex then will make revenue from this process by taking a small percentage cut from every transaction on the platform.

For unreleased music, the platform will accommodate a crowdfunding type system. Artists can pitch unreleased music to secure a crowdfunding advance. Currently we are looking into several crowdfunding models.

An inventive based system could be one, especially for projects in the early stages of development. In this type of system, we would see two primary campaigns types, direct to fan and pre-order. In a direct to fan campaign, backers would not be charged until the campaign target has been reached. In the pre-order campaign, fans would be charged immediately. Both types would facilitate a large array of incentive types that the artist may want to provide to appeal to more backers.

An alternative could be one that provides these early backers with a royalty or full rights cut which can then be traded once the song goes live, this would tie into the open marketplace and would financially reward early backers of a successful project.

Currently artists and labels have to wait months or years for a song to make a profit. Money is spent on the creation and marketing of the music with little insurance that their profits targets will be met. The Rytex platform offers rights holders a way of securing their earnings by estimating the value of their future royalties and then receive payment as soon as investors are given the opportunity to buy.

We envision a future in which artists and labels have more options and flexibility over how they manage their income streams and music rights.

¹ A debt security represents money that is borrowed and must be repaid, it entitles their holder to the regular payment of interest. They are typically issued for a fixed term, at the end of which they can be redeemed by the issuer.

Where does it belong?

The platform will provide a marketplace for many different groups to operate in and earn money. The key parties are as follows:

The Artist

Challenge 1:

- Low income for “middle class” artists, especially independents and royalty income is not a stable and predictable revenue stream

Solution:

- Rytex will allow artists to gain advances on their royalties
- Rytex will allow artists to fund ongoing projects through a crowdfunding type system

Challenge 2:

- Difficult to encourage fan engagement

Solution:

- Fans can now have a monetary stake in an artist’s music, they are therefore more likely to promote the artist as they have a financial incentive to do so

Challenge 3:

- Lack of negotiation leverage with music companies

Solution:

- Rytex will act as a revenue and fan engagement driver for the artist, allowing them to be in a stronger position when negotiating label deals

Challenge 3:

- There are very few options to gain advances or funding without giving away significant portions of their rights

Solution:

- On the platform, artists keep hold of all their rights. They only sell futures on their royalty income for a time frame they decide, which is eventually returned to them once the period of time expires.

The Fan

Challenge 1:

- Many fans seek opportunities to be closer to their favourite artists beyond that of just listening and going to their shows

Solution:

- Fans have the opportunity to become part of the “team” and also reap financial rewards for doing so via investing and backing projects

The Professional Investor/Trader

Challenge 1:

- Investors currently have no way to trade in this way. Currently, the only way an investor can make a passive income from an artist is by buying their catalogue outright for often an enormous sum

Solution:

- It opens up the market to all levels of traders and provides flexibility by allowing investors to choose how much they want to invest rather than having to pay the full amount. Potentially, there could be multiple investors all buying up portions making up to the total amount that the artist released on the open market

Key roles we need going forward?

CTO – Currently our biggest weakness is the lack of a team member who has the knowledge to actually build this software. Searching for this type of person is one of our key aims’ currently and we are doing our best to set up meetings and begin dialogues with people who are experienced in these types of roles.

Data Scientist – We will need an expert who can manage the data we will require for the platform. Finding trends, highlighting key technologies and companies which can be used to develop the platform more effectively.

Lawyer – Music rights management and financial regulation can be a tricky area to navigate. We will require an expert(s) who can ensure we are operating legally.

UX/UI Designer – The front end of this platform must be intuitive and easy to use. It must feel modern and streamlined. A professional UX/UI designer is a must to ensure that this platform won’t be riddled with uninformed design choices and counterproductive front-end systems.

Report

For the report, I will be writing about how this business will be built and function. My own research and interviews with key people in the music industry will be used to help shape a sustainable business model. My Reflective analysis will focus on how the business idea evolves over the coming months and what can be done in the future to ensure that the platform is built.