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Assignment Title – Creative Business Project Proposal

What is Rytex?

Rytex is an open marketplace where fans and investors alike have the opportunity to invest in music and earn money through the buying and selling of royalty revenue rights. Investors can speculate on the performance and royalty earnings of a song while helping to fund the careers of their favourite artists. This allows the unique opportunity for investors to earn a passive income from music. We aim to provide the largest open marketplace for music royalty rights in the world while taking a small % on every transaction made within our platform.

Our main goal is to help empower artists by allowing them to take the management of their catalogue and royalty rights into their own hands. This will be achieved by allowing artists to cash in on future royalty earnings and secure crowdfunded advances for future unreleased projects. This will be made possible by allowing fans to take a stakeholder position in their favourite artists careers like never before. As a result of this artists will have access to a new source of finance providing them with more options and therefore more flexibility and control over their career.

How Does it Work?

Rytex will provide an all-inclusive application through which artists and rights holders can offer the open market the opportunity to purchase the rights to the future royalty revenue of their already released songs. This can be done on an individual basis or by bundling a catalogue of songs together. The artist or rights holder will have full control over the percentage of the track that they are offering to the market. For example, if I owned 100% of the rights to a song, I could offer the market the opportunity to purchase 50% of the royalty revenues for this song for a fixed period of time. In essence we are securitising future royalty revenues with these royalties backed securities functioning similarly to a bond.

Once a song or catalogue of songs is offered to the market Investors can bid on these offerings similarly to how a Dutch Auction Stock IPO would be conducted. On our platform the price of the offering will be set after taking into account all bids in order to determine the highest price at which the total offering can be sold. In this type of auction, investors place a bid for the amount they are willing to buy in terms of quantity and price e.g. 2% @ £1000 (Chen, 2019). "Once all the bids are submitted, the allotted placement is assigned to the bidders from the highest bids down, until all of the allotted shares are assigned. However, the price that each bidder pays is based on the lowest price of all the allotted bidders, or essentially the last successful bid" (Chen, 2019). Therefore, even if you bid £1000 for 2% of the songs royalty rights, if the last successful bid is £800 for 2%, you will only have to pay £800 for your 2% (Chen, 2019).

At this stage investors can now buy and sell these royalty rights on the open market and the value of these royalty backed securities will go up or down depending on market demand. The holder of these rights will be entitled to these royalty payments at specific intervals much like how a stock dividend is paid out.

As well as the open market trading platform we will also provide a crowdfunding platform within the application where investors can help crowdfund new unreleased music in exchange for a % of the royalty revenue rights.

Market Factors

We are well placed to enter the market due to a number of recent trends in the industry. Firstly, with the growth of streaming and social media artists have the ability to distribute their music with ease while directly connecting with fans and growing their fanbases. The decreasing cost of recording, production and distribution have also increased the viability of many independent artists careers. This has led to the industry becoming more independent with the independent market share sitting at approximately 40% (Smirke, 2018). This has led to the emergence of a new middle class of independent musicians. These independent projects are notoriously hard to fund and require a supply of liquid cash for content production and marketing activities. These independent artists often have few options when seeking finance. As well as this the income generated from royalties can often take months or even years to arrive and these payments are made in quarterly increments. This makes financial planning extremely difficult.

We solve all these problems by allowing artists to use their back catalogue as a source of capital, exchanging long drawn out royalty payments for an upfront payment. This payment also takes the full value of their catalogue into account as the value is set by an open market. Thanks to Rytex artists can independently fund their future releases by either cashing in on their back catalogue or by allowing fans to crowdfund unreleased projects.

Competitors

Our main competitors are music related private equity firms such as Roundhill, Concord Music and HipGnosis as well as traditional labels such as UMG, Sony etc. We believe however that we have the advantage of being able to offer artists more capital in exchange for less equity in their music without taking on any of the associated risk. We also offer fans the opportunity to engage fans like never before, if fans have a monetary stake in an artist, they will be more likely to promote their music leading to a massive increase in organic growth.

Through our platform we will create a whole new demand for royalty backed securities while empowering artists to take more control over their own careers.

Bibliography

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