



ITCHY MUSIC

Industry Perspective & Whitepaper

Abstract

Blockchain technology has the power to change the legacy control dynamics of the entertainment industry. This technology presents a major disruption, enabling a future where content creators can retain “anytime and anywhere” consumption rights with true valuations determined by the market demand for their work.

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Industry Background

The economy that fuels traditional industries hasn't kept pace with the technologies that support creative arts. The proliferation of modern personal devices allows us to create films, music, songs, and other work of art with ease. These creations can be published directly as creative content on popular social media sites and other platforms, usually for free. As a result, everyone wants to be a star.

But to make art your livelihood, you'll have to overcome several hurdles. There's a long list of "parties of interest" including publishers, brokers, licensees and more that stand between you and the ability to receive the fair, monetary value of your creative work. Everyone involved wants their due.

Consequently, few artists take the risk of going completely DIY and there is still a lingering sentiment that getting "discovered" or "signed" is the answer. Those that choose to engage through traditional processes soon realize they are out-leveraged and have to make do with what little today's controlling entities decide to give them.

This is something that may change thanks to blockchain, a technology that helps to democratize money. Many experts believe that blockchain has the necessary elements to create platforms that can help the producers of art and creative content get their due.

One of the key challenges for the creative industry (music, films, writings, photos, etc.) is knowing which originators (labels and publishers, performers, authors, creators, songwriters and producers) own the rights to these works, and what their share of the royalties are supposed to be. Many believe that record keeping with Blockchain technology can help.

Although some free services and sites exist for content distribution, most of today's access lanes to monetization are corporate run gatekeepers to the largest content hubs like iTunes and Spotify. Now, there is the potential to leverage the blockchain to eliminate the need for those lanes altogether.

Through blockchain technology, advocates foresee a creative industry where every time art is consumed, payments on royalty splits would be clearer, faster and more secure. But it goes further than this, it could also change the control dynamics of how digital, (and specifically) independent art gets shared with the world in the first place.

To that end, it is iTCHY's professional belief that through continued advances in cloud computing and artificial intelligence, future uses of the blockchain could potentially include "anywhere" to this equation.

Fair and Trustworthy Transactions

A Blockchain is ultimately a tamper-proof database that maintains a continuously growing list of secure records. No one faction owns or controls it, which enables an inherent system of checks and balances to ensure accuracy. This decentralized network also serves as medium for exchange through the trade of a cryptocurrency, (i.e. Bitcoin, Ethereum, etc.) In the creative world, this direct fan-to-artist engagement would mean less middlemen and steps involved all around. This possibility is certainly reassuring for an industry riddled by trust issues and confusing processes.

As each record on the blockchain contains metadata, it could also become the single stop to publish all information about the making of a creative work, such as a song, film or book. The suggestion too is that Blockchain would devolve control to the original parties in the exchange. For instance, notaries could be replaced, as every transaction would be time stamped automatically and given a unique identifier. A cryptocurrency would also facilitate international settlements between collections societies by eliminating the exchange rate risk. The whole process would be streamlined and more accountable.

These are the characteristics that have enabled blockchain to disrupt many industries that previously relied on centralized brokers. Made popular by Bitcoin, the first application of blockchain, it enabled users to maintain and exchange digital money without the need for banks, clearing houses, credit companies and other financial middlemen.

It is this change of the control dynamic that presents several ways artists can benefit from blockchain and some early industry pioneers, including iTCHY are already exploring ways to change the way centralized hubs such as Netflix, Amazon, iTunes and Spotify dictate the rules for content, prices and royalties.

Nevertheless, for an industry increasingly preoccupied with the right input format of its metadata, the question arises as to when and where will the input of the data happen. A DIY band that is self-published might be disciplined enough to pay attention as they record what contribution is apportioned to this or that member of the group. But most musicians separate the act of creation from the record keeping of the business data, so it is unlikely that the messiness of the original data is going to magically disappear with Blockchain, (even with unique personal identifiers and an established cryptography). For these reasons, artists still need a strong business partner, with emphasis on the word “partner”.

iTCHY's platform runs on the Ethereum blockchain and is governed by the community of consumers and artists that constitute the network. Consumers pay for the network's content using ITCHY tokens, the company's proprietary cryptocurrency and these payments are then distributed back to the digital wallets of the content creators (artists). We've also included staking incentives to encourage users to publish and consume content through a global, aggregated brand. In this model, record keeping, data stewardship and transactional accuracy is paramount. Again, the blockchain's nature and its ability to handle both automation and microtransactions offers a lot of possibilities and opportunities of which, there are two primary benefits.

First is transparency, which means everyone can see the payment history of a specific creative work, and how those payments have been distributed between the involved parties. This is a break from the opacity that payments and royalties in both the music and film industry are fraught with.

Secondly, the blockchain creates a direct relationship between consumers and artists, which incentivizes a healthier economy. By knowing that their payments go directly to the people who helped create their favorite works of art instead of traditional institutions, users will become supporters. As such, they will be more encouraged to avoid getting involved in piracy and illegal distribution.

Crypto tokens have widely criticized in the media as holding no inherent value on their own. While this is true on the surface, the ability to create a viable crypto-based economy need only be fueled by market demand. If technology is the enabler, business process is the driver and iTCHY is keen on understanding and well experienced at structuring success strategies for this type of engagement model.

In order to execute quickly, iTCHY has partnered with SingularDTV for the token allocation and digital distribution channels in conjunction with the label's launch. Encouraging supporters to “Refresh the Industry”, initial ITCHY tokens can be purchased by exchanging them for Ethereum (ETH) on the SingularX crypto exchange. In addition to the financial mechanism, Singular's Ethervision commerce platform will host digital content created through iTCHY. This model enables independent content producers the ability to get their projects to market quickly utilizing the rights management capabilities of the blockchain.

Leveraging Smart Contracts

Probably the most disrupting factor of the blockchain is the use of smart contracts: transparent bits of code that run on the network without the need for a centralized application server. Smart contracts can automate processes such as rights management and distribution of funds between artists and producers.

Smart contracts can be used to automate and ensure fair, transparent and flexible distribution of payments. Artists can define smart contracts to set up rates, licensing terms and payment distribution rules for each creative work distributed through iTCHY's platform.

The smart contract determines the type of rights and license purchased by the buyer (personal use, commercial use...) based on the amount paid, and registers the user's purchase on the blockchain. The smart contract directly distributes the payment between the stakeholders based on its predefined rules. Aside from the automation of compensation, smart contracts add a layer of transparency that enables artists to clearly see how their content is being used and who's using it. It will also provide content consumers with an easy way to prove ownership of their license.

Metadata standards for creative works and specifically music, are still being developed. Some startups are using the blockchain to create a database of metadata description for creative content, a component that the industry has been lacking for a long time.

The basic ideas of blockchain for the creative arts are the same that apply to other industries: creating a platform where no single entity can unilaterally make rules for others, and where all the involved parties can act in unison and benefit from the betterment of the community as a whole. Centralized models have failed to yield such results. But as these case studies and the works of other startups show, blockchain might finally level the playing field and enable artists of all level of fame to be compensated for their contribution to making people's lives more enjoyable.