

OIKOS MUSIC Supports Sustainable Musical Activities

—Promotion of investment in music and culture through the buying and selling of music rights—



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1. Current situation surrounding the music industry

In today's VUCA (volatility, uncertainty, complexity, ambiguity) era, the music industry is not exempt from the oncoming wave of IT, and it is undergoing a rapid "digital shift" from its traditional industrial structure. As this digital shift gathers pace, the process of creating music and the opportunities to experience music have become more diverse than ever before; consequently, the music industry is becoming one of the industries that is growing alongside the rise of new business opportunities. The most-significant changes affecting the music industry are manifested in music distribution, opportunities for consumers to experience music, and operational organization of musical activities of artists (increase in so-called "DIY artists").

As for the first change, music distribution is shifting from physical media (CDs) to streaming. As shown in Figure 1, streaming accounts for 67.3% of global music-industry revenue (2023 results), namely, a proportion that makes streaming the mainstream music distribution, and the market size of streaming has grown to nearly four times that of physical media (CDs). Moreover, as shown in Figure 2, even in Japan, where physical media (CDs and videos) accounts for a high proportion of music-industry revenue, streaming grew to a market size (105.6 billion yen) approaching that of physical media (146.3 billion yen) in

2023. In consideration that only five years ago, sales of physical music media were more than five-times those of streaming music, the extent to which streaming has taken off in Japan since then has been remarkable.

Reference: IFPI "Global Music Report 2024," Recording Industry Association of Japan "RIAJ2024"

Figure 1: IFPI "Global Music Report 2024"

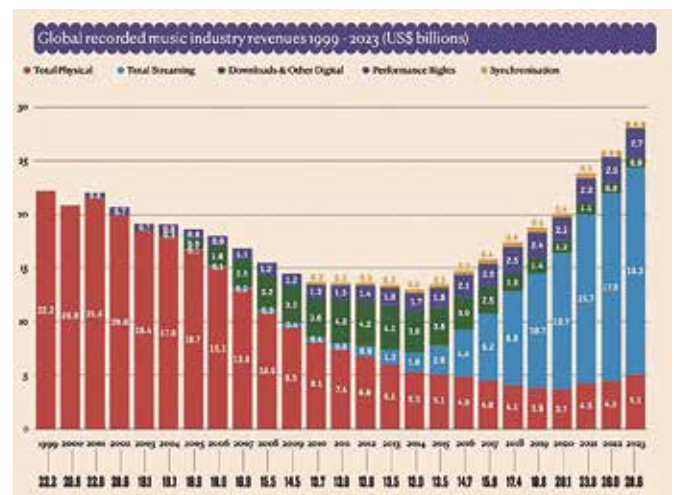
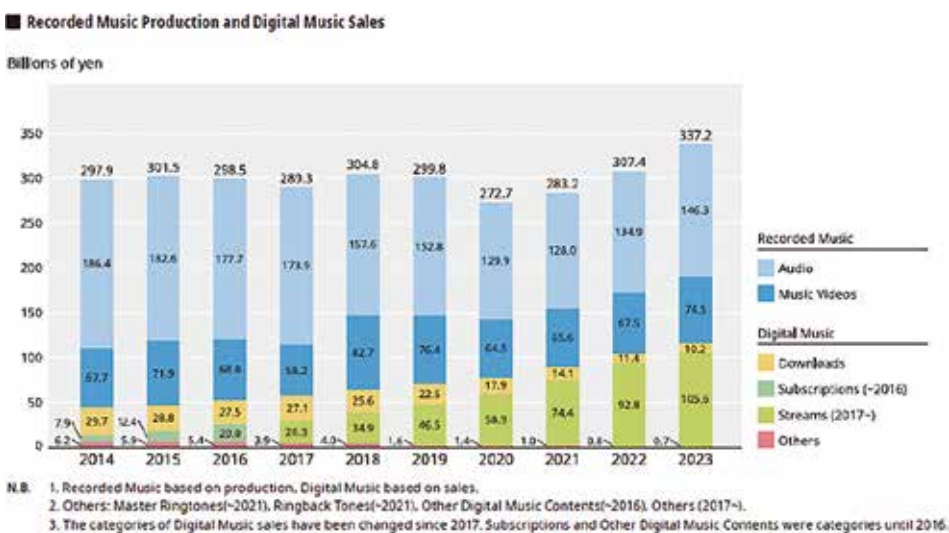


Figure 2: Recording Industry Association of Japan "RIAJ2024"



2. “OIKOS MUSIC”: A Master-license Marketplace

As for the second change, opportunities to experience artists' music have expanded, so many new challenges have arisen. One challenge is the revenue structure of streaming services. The amount that artists receive from streaming revenues is 0.4 to 1 yen per play of their songs. Streaming services are primarily funded by subscription revenues or advertising revenues, and the unit price is inevitably lower than that of CDs. Unlike a one-time purchase, a streaming service is a semi-permanent system that generates revenue, so if an artist's music is not streamed, income will not be generated and passed to the artist. The key to getting an artist's songs streamed is to fully utilize digital tools like social media and take advantage of the current flow of information via such media. If we consider the songs and artists that make it onto the music charts, even artists signed to major labels can sometimes struggle on streaming services. On the contrary, we are now living in a world in which ever more music is created by DIY artists.

Born under this historical background, OIKOS MUSIC is a ‘master-recording-rights marketplace’ where music rights, known as ‘OIKOS,’ can be bought by listeners. These OIKOS, represented as NFTs, grant the holder the right to receive a portion of the revenue generated by subscription music-distribution services. In that way, it provides artists with new monetization and promotional opportunities. By using this marketplace, artists will receive revenue from sales and music distribution on OIKOS MUSIC and support for music distribution. OIKOS MUSIC strives to support as many artists as possible so that they can pursue their musical careers sustainably.

The most-unique feature of this marketplace is revenue sharing with fans and listeners. When OIKOS are bought by a fan or a listener, a give-and-take relationship can be brought to fans and artists, and that relationship creates an interactive structure similar to that of a social-networking site. Conventionally, music is structured so that artists unilaterally deliver experiential or spiritual value to listeners in exchange for a return in a manner that creates “fandom participation.” However, OIKOS MUSIC goes a step further and allows fans and listeners to become owners of their favorite music. In other words, fans and listeners can also play a part in music production. In addition to returning revenue to listeners, OIKOS MUSIC also has a function for granting privileges that makes it possible to use it like a fan club.

The solution to achieve the above-described functions is the use of Ethereum-based NFTs. The original recording information is written into the NFT, which is then used to distribute revenue to listeners. The source of the return is based on streaming play counts, and the specification allows that return to be estimated from data.

■ Figure 3: Business model



At present, the actual accomplishment of OIKOS MUSIC is that it is primarily used by independent artists. It is being used by artists as a way to get revenue opportunities and a form of promotion. In fact, some artists are beginning to use the proceeds from OIKOS MUSIC to support their musical activities (e.g., paying expenses for planning and organizing live performances and for using studios). On the contrary, in terms of fan rewards, if the music is not streamed, revenue will not be generated, so OIKOS MUSIC has not yet reached a level where it can be considered a success. We believe it is important to produce enough hit songs from the OIKOS MUSIC platform to give back to the fans and listeners who own OIKOS.

3. Future developments

Our vision is to support artists in creating sustainable culture and to make investment in music and culture a part of Japanese society. Right now, we must focus on growing our business so that OIKOS MUSIC can be a catalyst for realizing this vision.

Currently, OIKOS MUSIC is more like a start-up investment, a strong aspect of which is fan-supported investment; even so, if we can develop it into a platform that can increase the rate of return to fans, we believe it will get closer to realizing our vision. Incidentally, from a global perspective, the buying and selling of music rights is becoming more widespread. In particular, many of us have seen news of popular artists in Western countries selling their rights to major record companies and fund companies at high prices. In addition to those settled cases, music investment is beginning to take root among the general population in Korea, where the entertainment sector is a national policy. By encouraging a similar approach to music investment in Japan, we can drive the Japanese music industry toward greater success.