Staxe

Enabling music and creative economies on web3

Litepaper 1.0

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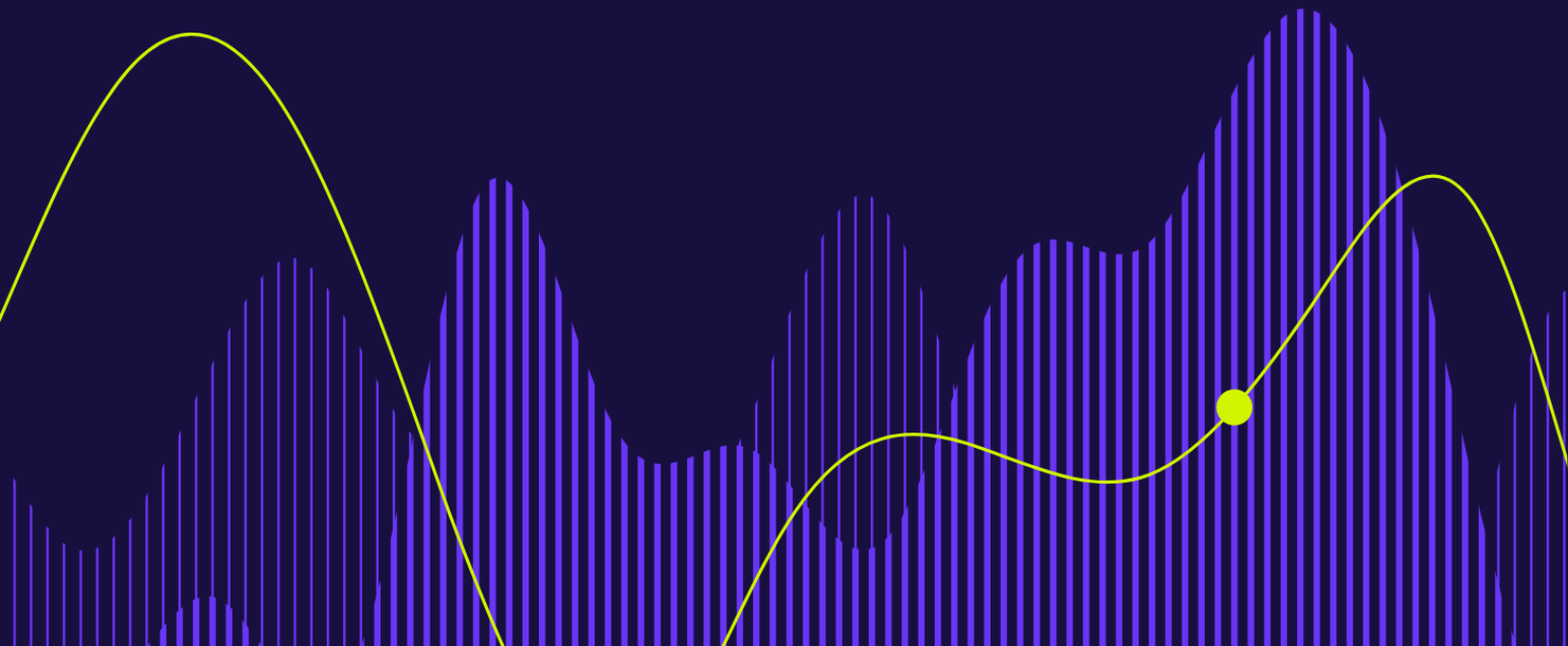
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Introduction

It is a well known fact that the music industry is broken. Unless artists make it to the top, it has become increasingly difficult to make a half-way decent living from their art. It takes on average around 300'000 streams to earn $1'000, which then even takes a long time to reach the artist and passes through layers of middlemen.

Many artists therefore have to rely on live performances. But concerts and festivals have been plagued by outright scams, incompetence and difficult market conditions (plus arent they also having to deal with same middlemen/promoters/labels as with published music?).

On the positive side, creators have started to experiment with blockchain based models, creating new connections with their 1.000 true fans[1], allowing them to create the art they love while generating a decent income.

At Staxe, we believe in permission-less, censor-resistant and decentralized platforms. We are building the Staxe ecosystem to allow artists, independent labels and event promoters to connect with their fans and align everybody's interests by tokenizing productions.

Problems with the Current State of the Music Market

Artists want to create pieces of artwork, in our case music. Music and potentially lyrics are created and fixed, resulting in copyright for the authors. The creators hereby face the following problems:

- While production costs have come down significantly, producing high quality recordings still takes upfront investment.

- Once recorded, music then needs to be distributed to reach the intended audience, the fans. Overwhelmingly, this distribution is now happening over streaming services.

- Creators earn money on their copyrighted materials, i.e. royalties. Collecting these is a slow and costly process with a lot of middlemen included.

- Currently, the vast majority of royalties are generated through streams on streaming services, which pay a fractional amount as compared to traditional royalty generating

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[1] [NFTs and a Thousand True Fans - Chris Dixon](#)

sources (i.e. radio, song/album sales). Artists must then share these diminishing streaming royalties with the middlemen involved.

Due to these problems, artists usually turn to labels for help. Labels perform the following services:

- **Curation:** labels scan the market for new talent, who they then try to take under contract

- **Finance:** labels finance the creation and promotion of music, for a share in the royalty revenues

- **Promotion:** labels finance and coordinate the promotion of music productions

- **Distribution and royalty collection:** while labels do not do the distribution and royalty collection themselves, they interact with these entities on behalf of the creatives

The problem with **labels** is that they wield great power over the artists. Frequently, all royalties collected are first used to recoup the costs of production and promotion, before artists get to see any money. Long-term contracts keep artists dependent on the labels, who on the other hand can reduce financial and promotional support at their discretion. To be clear, not all labels are bad, but there is definitely an **imbalance of power** at play here.

Distributors are responsible to make the music available to the audience, the fans. What used to be mostly physical and then digital sales distribution has now overwhelmingly become streaming. Platforms like Spotify, Apple Music or YouTube host music in their catalogs that their users then can stream and listen to. Unfortunately, these services **pay very little per streamed piece of music** (around 300'000 streams for $1'000 at the time of writing).

Royalty collectors on the other hand are responsible for collecting the different kinds of royalties, such as from streaming, radio, use in movies or commercials, use in public (e.g. bars) and various others. It is a cumbersome, slow and costly endeavor, resulting in **late and reduced payouts to artists**.

At the other end of the chain are the music consumers , the fans. While they can consume music more easily, cheaply and conveniently than ever before, it has become much harder to actually own music. Buying music in digital formats online usually doesn't give the user **ownership**, just the right to listen to the music.

Music has thus become a **commodity**, with fans turning into passive consumers. Through all these layers, fans find it more difficult to connect and interact with their favorite artists. Likewise, it has become hard for artists to identify their most loyal fans.

Solution

At Staxe, we believe that there must be a better way for music to be produced, distributed, monetized and consumed. In the end, we think that the existing ecosystem should be replaced by something better, built on the blockchain.

One of the big problems of the music industry is its opacity and the many middlemen. Blockchains and web3 offer a way to make all of this transparent, fluid and immutable. If music is monetized by artists on the blockchain, then there is no need to have middlemen collecting royalties.

An ecosystem fully on-chain would allow for completely transparent flow of value without delays of payouts.

While all problems in the wider ecosystem are worth solving, Staxe will concentrate on the following:

- enable artists and independent labels to seek new forms of financing over our platform

- community building for artists to improve the connection with their most loyal fans

- enable fans to be much closer to their favorite artists

At its most basic level, any creator can come to the Staxe platform and create tokens or NFTs for her upcoming production. As Staxe will be a decentralized platform, it is permissionless, leveling the playing field and removing traditional gatekeepers. The creator will define all parameters before tokens are generated; this includes the amount she wishes to raise, as well as what fans will get in return.

In order to align the incentives of fans and creators, creators will have to share something of value with the token buyers. For recorded music, this usually is a share in the different royalties stemming from the copyright of the creation. Other incentives, like a share in the actual copyright, are possible, but more complex.

Oftentimes, for larger buyers or the most loyal fans, creators will offer additional perks or incentives on top of what is offered at the more basic levels of fan support. (e.g. AMAs with artists, IRL meetings, exclusive content).

Fans can then buy tokens and NFTs, which on top of the collective value can come with rights and perks as described in the callout. Fans are now more than consumers, they are stakeholders and as such their incentives are aligned with the creator.
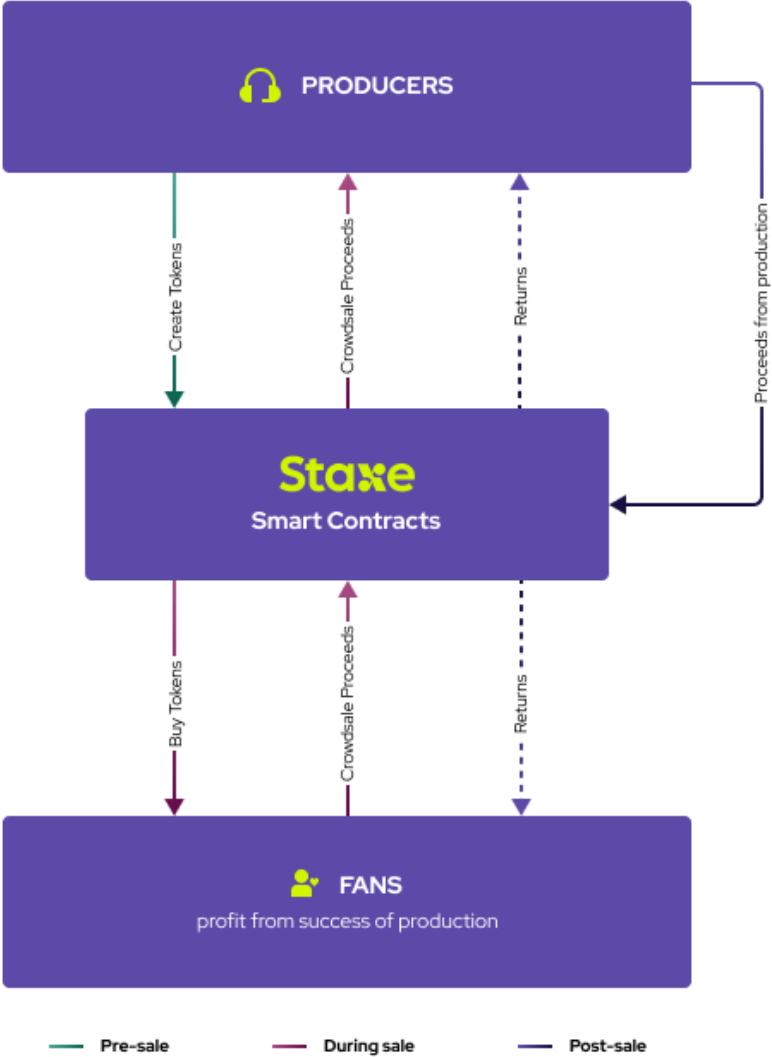
The creator, via the Staxe platform, can then tap into his fan base to connect with fans and to promote the production; in the end, fans share in the success of the artist. The Staxe platform will

provide many ways for creators to connect with their fans and to further incentivize them (e.g. additional perks for sharing promotional content on social media).

Market

Out of the €643B (TAM) pre-covid European Cultural and Creative Industries (CCIs) turnover[2] Staxe's focus in the music sector alone is worth €42B and thus our serviceable obtainable market (SOM) to bring on-chain.

While music and tokens is a novel market, it has been validated in 2021 by over 1'500 productions being tokenized[3], generating over $86M. The numbers show that there is a huge potential to bring a much bigger share of the overall music market to web3.

Business Model and STXE Token

The Staxe platform is functioning as a marketplace. As such it will take a fee on all transactions – i.e. selling of tokens and NFTs – that are executed over the platform. Currently this fee is set to 10%, but can be changed in the future (see below).

Platform fees are collected in the treasury. A configurable part of the money accrued in the treasury will be used for

> paying the maintenance
>
> buying back STXE token from the market

Buying tokens from the open market generates buying pressure, which over time should lead to an increase in the STXE floor price. In order to avoid front running, currently this cannot be done completely automated.

STXE tokens bought from the market are then:

- burned, reducing the supply;
- used for incentives to participants of the ecosystem and curators; or

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[2] [2019. Sources: Eurostat; GESAC; professional organizations; EY modeling and analysis 2020](#)
[3] [2021 MUSIC NFT SALES ANALYSIS || WATER & MUSIC](#)

- paid out as interest in the staking pools.

As laid out above, Staxe is building a decentralized and permissionless platform that in the future shall be governed by the community. By buying STXE tokens, fans can become members of the Staxe community.

We envision the following functionality for the STXE token:

- **Governance:** as is usual for decentralized platforms, the community can govern operational aspects of the platform (e.g. % of platform fees) as well as the future direction of the platform

- **Curation:** members can suggest productions to invest in. A part of the treasury is reserved for such investments coming directly from the STXE community, determined by voting of the token holders. Curators of successful productions can be remunerated with STXE tokens, creating a positive feedback loop.

- **Staking Pool:** STXE token holders can stake their tokens in a pool should they wish to do so. Depending on the time they commit to staking, stakers will receive different APYs in the form of additional STXE tokens.

- **Bond:** in the future, we plan to introduce the need for providing a bond in STXE tokens for participants of the ecosystem. The bond is meant as a collateral against misuse of the platform.

Further utility will be added to the STXE token over time, determined by community governance.

The STXE token is the primary vehicle to align the participants of the ecosystem. Artists, independent labels, curators, fans and others will be using the platform to promote their own interest. They are therefore incentivized to be part of the platform and to participate in its governance. As they become stakeholders, they will profit from the success of STXE, creating a positive feedback loop.