

The Impact of Non-Fungible Tokens (NFTs) on Concerts

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The Impact of Non- Fungible Tokens (NFTs) on Concerts

Introduction

Since the invention of sound recording back in 1877, the music industry has been tightly bound to technology. From the first discs to streaming services like Spotify and Apple Music, from record altering to the rise of modern electronic music, technological advances have shaped how music is created, performed, preserved, distributed, and consumed. This year, non-fungible tokens (NFTs) took the world of music by storm. The new technology piqued the interest of dozens of singers and musicians, including young multi-hyphenate artists like Grimes and legendary bands like the Rolling Stones. Some of these performers have increased their earnings by millions of dollars by using the new technology. Selling tokenized versions of their tracks, digital art, or bundles of virtual and real-world merchandise. NFTs and fan tokens have the power to reform the

entire music industry. We are witnessing a profound, lasting change in how artists produce music and engage with their fans.

❖ **What are Non-Fungible Tokens (NFTs)?**

Non-fungible tokens (NFTs) are a "token" or a digital crypto asset which represents an object (e.g., art, video, music, collectibles, etc.) and are generally encoded and stored on a blockchain with the same underlying software as cryptos. These tokens are described as "non-fungible" because they are unique and are not replaceable or interchangeable with others of their kind. In simple terms, a token is a string of numbers and letters that may represent a physical or digital asset. Tokens are stored on a blockchain (i.e., a distributed ledger), which provides an immutable, time-stamped record of transactions. Therefore, when NFTs are transferred to other users on a blockchain, this transaction is permanently recorded.

The immutable nature of these tokens is the key to their success as a reliable form of authentication of original work in the digital world, where anyone can create, share, download, and reproduce a piece of digital content, often at no cost. The transfer of NFTs takes place using code referred to as "smart contracts" (i.e., instructions in a coding language which are automatically executable on the blockchain ledger): these enable automated fund and NFT transfers from one digital wallet to another. Smart contract code can also be used to automate commission payments to the creators of the underlying work upon subsequent sales. Non-fungible tokens are an extremely powerful kind of token that allows for a flexible way to represent non-fungible assets on a blockchain.

❖ **The potential of NFTs in the music industry**



So, how can NFTs be applied to the music industry right now? Aside from the collectibles and artistic pieces being currently offered by some artists, there are so many things that can be packaged as a one-off collectible and sold as NFTs, including concert tickets, special access and private NFT holder-only performances, live stream interviews and shows, and limited-edition albums.

Almost anything can be stored on the blockchain as a limited-edition collectible. The entire distribution network, from artist to fan, is verifiable. NFTs also give the creator complete control and ownership over how his or her property is distributed.

NFTs (or Non-Fungible Tokens) are ushering in the next era of internet creative commerce, and they offer the potential to shift the current trajectory of today's music industry. But for so many artists, it's just another complicated digital space to worry about, of which there are many already. Additionally, artists need to take into consideration the current environmental impact of blockchain technology in deciding whether or not this is a worthwhile option to pursue.

❖ **NFT Transactions**

Crypto transactions are secure and instant. There are no middlemen in the exchange, which makes NFTs so enticing for artists and fans.

Instead of exchanging cryptocurrencies, artists exchange NFTs. These come in the form of concert tickets, limited-edition experiences, digital content, merchandise, and music. Fans participate in auctions for these tokens, and the highest bidders receive the content in their digital wallets in a secure transaction. In these exchanges, artists can raise money for the content they auction off and keep all of it because the exchanges don't involve a record company. Fans pay the price to get a unique piece of content, and the artist collects it without having to split it with anyone else.

❖ **Benefits of NFTs**

Year 2020 turned the music industry upside down when it eliminated live concerts, a significant income stream for artists and their labels. As long as the world remains digital, artists are looking for ways to connect and create for their audiences, and NFTs provide a new outlet for them with several benefits.

Convenience

The first significant asset of NFTs is their convenience. Fans just need to create a digital wallet to have the chance to receive the content and then participate in an auction for a chance to win. This makes winning content as easy as online shopping.

NO MORE MIDDLEMAN



No Middlemen

There are a lot of middlemen in the music industry. When fans buy an album, stream a song, or purchase merchandise, some of that money makes it to the artist, but a lot of it goes to the record company or the streaming platform. The same middlemen are present even when we buy tickets for concerts. Record companies take a portion of ticket sales, and while artists make money there too, COVID-19 shut down the live concert market in 2020.

As a fundamental asset to the crypto exchange, NFT transactions are direct transfers between the participants. The artist gets the money, and the fan receives the content in their digital wallet.

Unique Content and Experiences

Artists have a lot of flexibility over the items they want to auction off. These tokens can be digital, but they can also be physical. Albums, digital art, sound bites, merchandise, and concert tickets are all forms of non-fungible tokens that artists are exchanging.

Fans are happy to receive these rare experiences and are willing to pay for the chance to receive them.

❖ **NFTs present an opportunity for stronger artist-fan relationships**

NFTs allow fans to own something directly from their favorite artist, whether it's a concert ticket that shows undeniable proof of their attendance or a special limited-edition collectible. When it's coming directly from the artist and not from a distribution platform, it has a deeper meaning. This creates a much stronger artist-to-fan relationship.

With middlemen and third parties removed, it creates a more rewarding experience for the fans and a more financially rewarding situation for the artist. It's truly a win-win opportunity for both sides, which is the main reason we will see NFTs take the music industry by storm.

❖ **Potential Drawbacks of NFTs**

Not all change is good, and there are certainly those who will not benefit from the rise of NFTs. As it stands, it is a growing trend, and only time will tell if it is here to revolutionize the music industry further or die out.

Emerging artists face challenges.

The demand for a token comes from the market for art by a particular musician. Popular or established acts have no problem putting up tokens for auction and drawing in eager fans. For emerging artists, this demand doesn't exist yet. Newer artists don't have as much opportunity to benefit from the latest music trend as older ones.

Legal Obligations

Some artists have auctioned off the rights for fans to use sample packs in their music. The fan purchases the ownership of the samples for complete creative control. This is one kind of token that can create legal trouble later on for the musician.

Established musicians often agree to a contract when they work with a record label. As the artist creates and releases tokens, they must be careful not to violate any terms of these contracts

Conclusion

NFTs allow artists to create new possibilities and experiences with their fans. Musicians are continuing to be creative with what they offer to their fan bases. As the situation with NFTs develops, it could completely revolutionize the music industry, much like the internet did.

About the Author

Darren Olayan is a blockchain advocate deeply experienced in the development, promotion, and services. Through both positive and negative experiences, Olayan has become proficient in the vague constantly shifting regulation side of blockchain and spent years advising companies on licensing procedures. Darren is adamant that the NFT technology will change the world of technology and has the potential to level the playing field worldwide.

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