



UNIVERSITY *of* NICOSIA

Week 6, Session 12

Applications of Tokens in Real World

BLOC 528: Token Economics

Today's Overview

- Objective #1: To understand how to build hype / momentum.
- Objective #2: To understand how tokens can play a role in advancing causes and business impact.
- Objective #3: To obtain greater context behind tokens for credentials and self-sovereign identities.

Building Momentum (But Don't Contribute Noise)

As Keynes famously said “markets can be irrational longer than you can stay solvent.”

- Not quite right as clearly markets still exist, so they would eventually all implode if he was right.
- But still a kernel of truth that expectations can deviate from fundamentals.

How do you leverage momentum, but not contribute to noise and irrationality in the market?

1. Be tough on yourself when building models – better for you to be transparent with yourself than for the market to catch you when it matters most.
2. Pay attention to the data you're using to train models – you don't want to rely on faulty or incomplete data where you have to impute missing values and then give the impression of having higher confidence when really it's not there.

Steps for Building Hype Around NFT Projects

- What is your “why” and who is the exact customer? Add personal context.
- What is your technology stack? Explain why the L1 of your choice is aligned.
- Build out your tech stack and do the hard work. There is no substitute for writing the code that underpins the smart contracts for the transactions.
- Create community – ideally long before you launch. Use Web2 tools and start in advance.
- Pursue a diversified media strategy – magazine articles, interviews, AMAs, influencer marketing, guest blogging, traditional Web2 platforms, giveaways, mailing lists, professional photos, and more.
- Ground your digital content in physical reality – the more you can create physical/digital analogues, the more authentic and personal it’s going to become.
- Stress test the website – make sure it does not experience an outage or crash, and not vulnerable!
- Consider airdrops and governance capabilities – these give additional reasons to reach out to the audience and cast a wider net (but be weary of the possible downsides to governance abilities).

Examples of Technical Questions to Resolve

- Will your NFTs live on-chain or off-chain?
- Will you take royalties from resale of the NFTs?
- What is the maximum mint amount?
- Will you mint the NFTs, or will you allow the public to mint them?
- What are the built-in features such as randomness, rarity, and voting rights?
- Is there any additional utility built into your NFTs? Do they double as tickets to an exclusive event? Do you give owners the intellectual property rights to the NFTs? Can they access exclusive media using the NFTs?

<https://queue-it.com/blog/successful-nft-drop/>

Tokens for Driving Value in Business

Tokens as a differentiated digital mechanism

- What can tokens do that regular physical, web1/web2 methods cannot?
- Do not use NFTs for the sake of NFTs – you might gain some from the buzz, but you'll lose a lot and add needless complexity to the fundraising and attempted value creation.
- Most NFT projects are just producing digital art and trying to sell off to celebrities by gaining a lot of hype and trying to establish relevance – understandable, but falls short of fully leveraging tokens.
- The real culprit behind most problems is not a lack of funding, but a problem of incentives and structure.

Then, it comes down to utility... so many examples, but here are two very different ones:

- The Giving Block – nonprofit crypto fundraising platform that aims to provide a portal for philanthropic causes to raise funds without having to create their own NFT projects.
- Lens Protocol – users create and maintain content using NFTs and activity is fueled through Polygon.

Example from Steemit

How Steemit works

- Steemit is a decentralized application that runs on the Steem blockchain.
- Steemit.com provide also the option to advertise your items through Steemit posts
 - [https://steemit.com/faq.html#Can I sell goods and services on Steemit](https://steemit.com/faq.html#Can_I_sell_goods_and_services_on_Steemit)
- All data is public on the ledger, so no institution owns your transaction data.
- Contributors to the network are rewarded with network tokens.
- Your reward is a function of the number of contributions and their popularity.
- While it was extremely novel at the time and uses delegated proof of stake as a consensus mechanism, today it is outdated and there are many better alternatives (e.g., can make dApps without needing own L1).

Steemit token economics

- The token STEEM are transferable and new tokens are created each day.
- A Smart Media Token (SMT) is a native digital asset on the Steem blockchain.
- Steem power is a reputation token and can be converted into STEEM.
- Steem dollar (SBD) is a stable coin pegged to the US dollar in a 1:1 ratio.
- Some problems with bots voting certain posts and transferring tokens to one another.

Example from Basic Attention Token

- We have experienced several technology revolutions – from agriculture to industrial to marketing.
- Now we're in an attention economy – too much information, so everyone is competing for it.
- Today, we are effectively giving away our data for free to centralized institutions – and they profit from it – so the Basic Attention Token uses tokens to create a decentralized advertising system with the Brave browser: an application that communicates with the Ethereum network.
- A BAT token can be used as a transfer of value between publishers, advertisers, and users in a way that: (i) users are compensated for viewing ads in a privacy preserving manner, (ii) publishers receive a bigger stake of the ad revenue than they would today, and (iii) advertisers gain a better return on investment and more accurate data. Users thus opt to see certain ads from companies if they are interested in them.
- Basic Attention Metrics (BAM) are what allow for accurate tracking and reporting of user attention in the browser – and while there is some tracking, it is anonymized and never leaves the browser on the local machine, meaning that it is not sent to a centralized entity to “securitize” the data and sell it.
- In sum: advertisers pay publishers BAT to display ads that are filtered by the browser based on locally collected data, then when users view the ads, that unlocks BAT tokens to compensate the user with up to 70% of the advertising revenue. The publisher receives the rest of the revenue.
- Brave is a centralized approach using blockchain, but ultimately empowers users with tokens.

Guest Lecture: Taylor Kendal on the Learning Economy Foundation



UNIVERSITY *of* NICOSIA

Questions?

Contact:

Christos A. Makridis | Professor | Makridis.c@unic.ac.cy

Evgenia Kapassa | Teaching and Research Associate | kapassa.e@unic.ac.cy