

Beyond Cryptocurrency: 5 Do's and Don'ts for Using Blockchain in Your Business

If bitcoin is all you know about blockchain, you have a lot to learn.



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Often described as a distributed ledger, blockchain is a [technology](#) that allows companies a transparent and secure way to store data in ordered records. Blockchain is also associated with "Bitcoin" (a popular token), "cryptocurrency" (digital tokens of all kinds) and ICO's (Initial Coin Offerings). And currently the new celebrity accessory is a cryptocurrency endorsement pre-ICO. Paris Hilton, Floyd Mayweather, and WuTang Klan's Ghostface Killah have jumped onto the cryptocurrency fad hoping to make fast cash by promoting ICO's to their fans.

Yet with all the buzz and hype around [money](#) being raised from the sale of digital tokens, there is a growing misconception around the actual value of building a business. This notion needs to be recognized by [entrepreneurs](#) that want look past the buzz of cryptocurrency and focus on the underlying Blockchain technology to create new value.

Here are five nuggets of sound advice for entrepreneurs looking to optimize their business with blockchain.

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1. Think customer management.

One example of a company focused on customer thinking design is SAP, the software corporation with \$22B a year in revenue. SAP Leonardo helps entrepreneurs with design thinking, and really creates a value proposition with the customer lifecycle in mind. Companies including Deutsche Telekom and Benjamin Moore Co are working with SAP to design and innovate with Blockchain technology solutions.

"Blockchain is changing business process and we think about that in terms of the whole customer management lifecycle," says Penny Delgadillo, SAP's SVP, Global Audience & Strategic Partner Ecosystem Marketing.

2. Don't launch a business as a token.

The rise of cryptocurrencies has allowed Blockchain technology to grow, and its role as a digital public record of accounting has proven to be foundational to the success of Bitcoin. However, the transparent peer-to-peer network and timestamping server is different from the cryptocurrency. Think about it this way -- one is a database and the other is a form of money.

This in mind, a business should be centered around solving a problem. No one makes a business that is focused on "monopoly money." For instance, a token is a feature of a blockchain business, not a business or a product. You can't build a business focused on a feature without a product. We have seen too many examples of companies that launch as a feature that solves only part of the problem, but not the problem holistically. A token, like bitcoin, can be used to pay for goods and services that are being sold by companies, but you also need to have a solution oriented value proposition as the foundation of your business.

Unfortunately, more often than not entrepreneurs are joining the blockchain gold rush looking to make quick cash, but forgetting to actually build a business. Entrepreneurs need to educate themselves on the blockchain and cryptocurrency markets before jumping in and launching a business as a token.

"A token is a feature of a business, not a business to itself," says Jaroslav Kacina, Founder and CEO of SophiaTX, an enterprise business blockchain solution and SAP partner that is solving the problem faced by many supply chain management businesses, particularly for big pharma.

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3. Build a business with the token as a feature.

Instead of latching on to hype, entrepreneurs should focus on solving a real business problem. Entrepreneurs shouldn't be looking to make a quick buck or two on an ICO. Often times Investors will see right through this trend and will want nothing to do with you in the long run if they get burned on a "get rich quick" scheme.

Rather, blockchain businesses should address business problems that are easily solved with a blockchain solution. As the name suggests, Blockchain systems are organized into "blocks," each one carrying a unique timestamp that can be linked back to the previous block in a chain of events. That's really useful to business sectors whose foundations are in it's ability to track information by time and event.

One good example of blockchain technology applied in the real world is supply chain management. Once data has been recorded in a block, it can't be retroactively changed, which means accuracy verifies transactions.

For instance, there are problems in the pharmaceutical supply chains when it comes to counterfeit products. Increased demand, supply shortage and other market factors open doors to non-authentic drug manufacturers, an issue observable in both branded and generic products.

The SophiaTX blockchain product can be used to address key challenges faced by the

pharmaceutical industry. In combination with market leading enterprise systems such as SAP Leonardo, SophiaTX can reach the pharmaceutical industry because the top 20 prescription drugs are produced by SAP customers leveraging SAP software products across their sourcing, manufacturing and supply chain process.

These drugs are not as obvious as complete counterfeit labeling or mislabeled substances, such as generic antibiotics. Often the counterfeit bulk ingredients, manufactured cheaply particularly in developing countries, are put into finished products. Because pharmaceutical production doesn't have adequate measurement on the supply chain management side, Blockchain is a perfect solution. There's a huge vulnerability, despite the pharmaceutical industry being one of the most regulated sectors in the global economy, that can be addressed with blockchain products in the SAP Leonardo ecosystem like SophiaTX.

Providing the product authenticity in the blockchain enables pharmaceutical companies to address counterfeit issues, helping to decrease the number of counterfeits on the market and consequently eliminating adverse effects on the end user. Data about pharmaceutical drugs can easily be transmitted to blockchain for each particular drug shipment and be verified against the instructions provided by the manufacturer.

Here's a [video](#) that explains more.

Related: [6 Cryptocurrencies You Should Know About \(and None of Them Are Bitcoin\)](#)

4. Don't substitute raising a series A with an ICO.

Tomasz Tunguz of RedPoint Ventures writes, "Initial Coin Offerings, a fundraising mechanism for companies using cryptocurrencies as a mechanism to buy their service, seem to be upending the world of venture capital. Filecoin raised \$250M through an ICO. Tezos raised \$232M. Bancor raised \$153M. These are massive amounts of money. Recently, I've been wondering how prevalent ICOs are and whether they could potentially be a substitute for venture capital." <https://www.linkedin.com/pulse/just-how-disruptive-icos-classic-vc-model-tomasz-tunguz/>

An ICO should not be widely viewed as an alternative to raising a series A. Many VCs are seeing ICOs as a new way of financing startups, but the reality is that if the business model does not line up with the blockchain, then the company is just raising monopoly money. Bitcoin is an example of a digital token that has done very well, but that's because it has excellent technology. Bitcoin is not a business, it is a protocol. If you want to build a business on a blockchain, then focus on design thinking and building an innovative business within the parameters of a blockchain. Don't just assume that creating a digital token on a blockchain without a business function in mind is going to raise real money.

Related: [How Digital Wallets and Mobile Payments Are Evolving and What It Means for You](#)

5. Focus on a real business and less on the ICOs.

When it's appropriate to focus on an ICO, then it's appropriate. However, try and learn more about blockchain technology before jumping on the bandwagon of the ICO craze.



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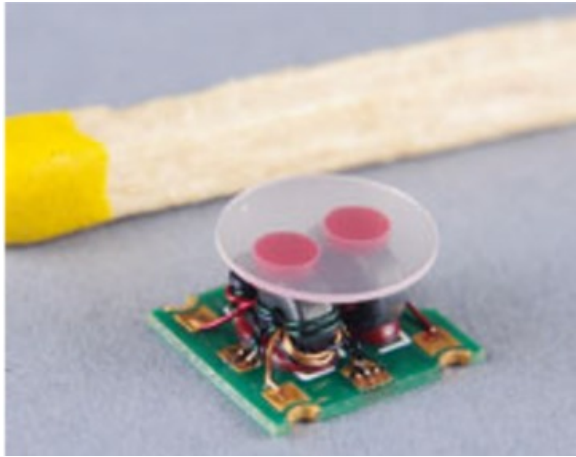
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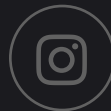
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