Hivergent

How Do You Analyze the Blockchain Industry? Reviewing the Top 55 Blockchains by Market Capitalization

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Recently, we asked a question about the blockchain industry: what is the most meaningful way to compare the largest blockchains and their attributes? Market capitalization is an okay standard, but given the depth and variety of different blockchain technologies, there must be a better way to measure their impacts. This started with our research into individual blockchains (Hivergent Scorecard (http://hivergent.com/?s=Hivergent+Scorecard)) and has started to spread to analyzing the industry as a whole.

Starting by researching blockchains on CoinMarketCap (https://coinmarketcap.com/), we've begun to apply a meaningful, objective criteria for reviewing which blockchains deserve further analysis. Our purpose is to pick a subgroup of blockchains that have analysis. Our purpose is to pick a subgroup of blockchains that have launched and made a contribution to the industry in a way that can be analyzed fairly.

For those interested, you can view our research to date here (https://docs.google.com/spreadsheets/d/1dUTbXthLvqv4yo9fS2qiq_Hsqi4E3bDxbNNUjiuW1I4/edit?usp=sharing).

Our Criteria

We started with all cryptocurrencies that had a valuation of over $10 million on July 15th, 2017 (date of market capitalization data extract). We picked $10 million dollars as our starting point because we deemed this point as an important threshold in the industry. Blockchains over $10 million have demonstrated an ability to find a user base who interact with their blockchain. In addition, blockchains with a valuation below $10 million are far more likely to be part of a market manipulation scheme or non-sustained boosts in market capitalization.

This resulted in 131 blockchains to be reviewed. To date, we have reviewed 55, and have included our findings in the document (https://docs.google.com/spreadsheets/d/1dUTbXthLvqv4yo9fS2qiq_Hsqi4E3bDxbNNUjiuW1I4/edit?usp=sharing). To further limit our list down, we wanted to focus on blockchains that had a particular set of characteristics, including:

Must Be An Infrastructure Token

An infrastructure blockchain is a network that requires it's own servers (through the form of miners or forgers) to maintain their network. Infrastructure blockchains have a native asset (infrastructure token) that is used to reward these miners/forger. This is in contrast to that is used to reward these miners/forger. This is in contrast to services tokens, which run on top of an already established blockchain and do not maintain their own servers.

As an example, Ethereum is an infrastructure blockchain, because it's software is directly supported by servers in the community (which are rewarded with ETH). ETH is an infrastructure token because is the native asset of the Ethereum blockchain. Gnosis is a services token, because it runs on the Ethereum blockchain and does not maintain it's own mining network. Gnosis is not the native asset of the network, instead deriving value from the smart contracts that Gnosis is able to unlock. The reason we are excluding services tokens is because we believe the market for these tokens is vastly different from traditional blockchain infrastructure and warrants it's own separate analysis.

Must Have Been Launched to Mainnet for 12 Months

The blockchain must have been running in production (aka on the 'mainnet') for a period of 12 months (starting on July 31st, 2017). The reason for this is because we want to analyze blockchains that have had a sufficient amount of time to launch, attract a community of miners and begin working towards their vision of the future.

Analyzing blockchains that have less than 12 months in production would rely too heavily on speculation as opposed to more object measures, which is why they're excluded from the analysis.

Market Capitalization must have been over $10 million for 6 Month

The market capitalization for the blockchain must have been over $10 million for the previous six months before beginning of the analysis (the cutoff date deemed January 31st, 2017). The reason for this restriction is because we want to focus on blockchains that have found a following in the market.

While not a perfect indicator of use, market capitalization is useful to understand if a cryptocurrency is exchanged beyond a speculative spike in usage. We first wanted to use $10 million as a simple threshold (did the cryptocurrency at one point have a value above $10 million?), but found that too many (https://www.reddit.com/r/CryptoCurrency/comments/6nxx41/nice_pump_and_dump/) cryptocurrencies (https://coinmarketcap.com/currencies/chaincoin/) had large, unsustained spikes in valuation. Because of this, we implemented this more rigorous longevity standard.

Out of 55 blockchains analyzed so far, only 16 have been able to pass our standards based on the criteria above:

The full review of how these were judged can be found here (https://docs.google.com/spreadsheets/d/1dUTbXthLvqv4yo9fS2qiq_Hsqi4E3bDxbNNUjiuW1I4/edit?usp=sharing).

Early Observations

1. Out of 55 blockchains reviewed, only 34 (61% of total) qualify as an infrastructure token. This means that 39% of the most

   valuable cryptocurrencies in the world are service tokens, many of which have yet to launch. In total, these comprise about $2 Billion in market capitalization.
2. Out of the 34 infrastructure tokens on our list, three have yet to

2. Out of the 34 infrastructure tokens on our list, three have yet to launch onto the ‘mainnet’. The most valuable of these cryptocurrencies, IOTA, is valued at $443 million.
3. For infrastructure tokens, the most popular year for a new blockchain going on the mainnet was 2016, with 11 blockchains in the top 55 reaching this level. 2015 and 2014 each have 5 mainnet launches, and before 2014, only six blockchains launched remain in the top 55 blockchains by market cap. These include:
    - Dogecoin (2013)
    - Nxt (2013)
    - Bytecoin (2012)
    - Ripple (2012)
    - Litecoin (2011)
    - Bitcoin (2009)

4. The lowest value cryptocurrency by market cap that is currently accepted into the analysis is ‘GameCredits’. Their platform for creating a payment network for gaming has been released since 2014 and has consistently maintained a valuation of over $10 million since January of 2017.
5. Ethereum Classic (ETC) warrants an explanation. Ethereum Classic (https://ethereumclassic.github.io/) started as a hard fork away from Ethereum after the now infamous DAO hack (https://www.cryptocompare.com/coins/guides/the-dao-the-hack-the-soft-fork-and-the-hard-fork/). While they technically have a shared lineage with the Ethereum blockchain, we considered theirmainnet launch as July 20th, 2016, as this was

   the day of the DAO hardfork. This is the date that the team behind Ethereum Classic started their vision of what Etheruem needed to become, which for our purposes was a ‘new’ start date for the blockchain. Fortunately, this date allows us to include for the blockchain. Fortunately, this date allows us to include Ethereum Classic in the analysis, albeit by only a few weeks.

Conclusion

Our goal is to review every blockchain with a market cap over $10 million by later this week. If you want to stay up to date on where this research is going, please sign-up for our newsletter (http://hivergent.us1.list-manage.com/subscribe?u=8f7944581bf39943b8bddeca0&id=eb7c150a5a), as that will be the first place we will be making announcement.

If you have any interesting insights you'd like to share, please let us know in the comments.

Comments

srinivas rachumallu says
July 18, 2017 at 4:54 pm (http://hivergent.com/how-do-you-analyze-the-blockchain-industry/#comment-50)

Good Any review on ant shares

Reply (http://hivergent.com/how-do-you-analyze-the-blockchain-industry/?replytocom=50#respond)

Brian Schuster says
July 18, 2017 at 5:11 pm (http://hivergent.com/how-do-you-analyze-the-blockchain-industry/#comment-51)

Unfortunately, I was having a great deal of difficulty finding definitive details on AntShare, as most of the details are in Mandarin. However, I do know that their mainnet went live in October 2016, which is outside of our window for analysis.

If we decide to do this same analysis next year, I think they'll be an interesting blockchain to review.

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