Autor(es): XU, Wei; WANG, Ting; CHEN, Runyu; ZHAO, Leon

Citação: XU et all. 2021

Tema:Prediction of initial coin offering success based on team knowledge and expert evaluation

Referência bibliográfica: XU et all. **Prediction of initial coin offering success based on team knowledge and expert evaluation**. 2021

Fichamento

|  |  |  |
| --- | --- | --- |
| Pagina | Texto | Comentário |
| 1 | Most cryptocurrencies (e.g., Ethereum) undergo a financing stage to increase money prior to public trading. Based on smart contract technology [3], a new financing method called initial coin offering (ICO) has been widely applied to cryptocurrency projects. ICOs are a special form of crowdfunding that raises funds from the public by issuing tokens [4]. The primary innovation of ICOs is that they allow entrepreneurs to raise large amounts of money in a short time with little effort while avoiding transaction costs [5]. ICO investors can obtain significant financial returns by selling or transferring their rewards to someone else in the secondary market, which cannot be achieved via traditional crowdfunding platforms [6]. The development and novel characteristics of ICOs have attracted the interest of many entrepreneurs and investors. According to ICObench,1 as of January 2021, more than 5000 projects had been launched by ICOs, raising more than $27 billion USD.  For investors, ICOs provide a good opportunity to invest in cryptocurrencies but can also present marked risk. Lack of regulation and information asymmetry are the primary causes of the high investment risk inherent to ICOs [7]. In such a high-risk investment environment, how to use limited information to judge the probability of ICO success is a key task. An ICO project is considered a failure if the raised money does not meet the predetermined goal within a specified time. Failed projects make it difficult for project members to implement their ideas and also hurt investors. Therefore, it is critical to evaluate ICO performance prior to investing. We aim to design an accurate prediction model that can identify the determinants of ICO success, which can alleviate investment risks and provide effective assistance to investors for decision making |  |
| 2 | Previous studies have demonstrated that online evaluations can influence customer purchase decisions [10,11]. Therefore, expert evaluations have a high probability of influencing potential investors in token purchase decisions.  ICO is a method for blockchain companies to increase funds by issuing tokens, which we also call cryptocurrencies (e.g., Ethereum) [7]. As a low threshold and fast financing method, ICOs provide a new development opportunity for small startups. As an open-source business model, all investors can participate in a project’s financing process by purchasing tokens, which is seen as a new form of crowdfunding but is completely decentralized. However, compared with other crowdfunding projects, the products of ICOs are relatively obscure and exhibit more information asymmetry and higher investment risks [5].  When launching an ICO project, a team typically publishes a whitepaper that describes the project in detail. The content of the whitepaper includes the project background, technical characteristics, team, quantity, price of the issued tokens, and the use plan after raising funds [8]. An ICO project usually lasts for a specific period, ranging from a few days to several months, as determined in advance by the project team. If the goal of an ICO is achieved or if the specified time runs out, then the ICO ends [7]. Some ICO projects have a presale before the official public offering, which is a private placement, primarily to attract some early investors to join the team. The price in the presale stage is lower than that of the official issue, and generally, more bonuses can be obtained after project completion [8]. An ICO project is considered successful if the money raised after the end of the project reaches the fundraising goal (soft cap or hard cap) set by the team; otherwise, the project is considered a failure.  If investors invest in a failed ICO project, then the purchased token may not be traded online, which will lead to great losses for investors. In addition, the entire ICO market lacks strict regulation, thus leading to a higher investment risk [7]. |  |
| 3 | In online commercial activities, information asymmetry is an important issue. To address this problem, many platforms use evaluations developed by previous users or authoritative experts to provide a reference for new users.  In e-commerce, many scholars have studied the impact of online evaluations on purchasing behavior and found that evaluations significantly influence customers’ purchase decisions and product sales performance [31–33].  . ICO is a special form of crowdfunding that raises money by issuing tokens. Deyet al. [35] explained that endorsement can help backers gain trust  Project teams increase funds by selling tokens during the ICO process. Thus, the role of tokens is similar to that of products in e-commerce. Because online evaluation analysis is valuable in both ecommerce and crowdfunding |  |
| 8 - 9 | The experimental results demonstrate that a team with heterogeneous team knowledge can have a higher probability of ICO success. Moreover, because ICO is a new form of crowdfunding and a special financing method, the results also provide some evidence that a team with heterogeneous knowledge may achieve better financial performance than a team with less heterogeneous knowledge.  Because ICO markets are still in the preliminary stage of development with high information asymmetry, this study has important managerial implications. Potential investors can prejudge the success probability of ICO projects to protect themselves from investment failures. ICO platforms such as ICObench can use the proposed model to select more quality cryptocurrency projects to be shown on their platforms. This study can also help cryptocurrency projects set a reasonable target amount before the ICO begins. Moreover, because ICO is a special financing tool, this study also provides critical insights: a team with heterogeneous knowledge may raise more money, which is valuable insight for startup companies to build an effective team. | Conclusão |