

Idea Factory Whitepaper

Overview:

There are plenty of flaws with traditional startups funding models, including lack of access for everyday users, high risk for investors, and lack of rewards/safety with crowdsourcing methods. In the DeFi space, there are and have been several attempts at a solution to these problems such as The DAO, DuckDAO, gitcoin, polkastarter, etc. While I think that these solutions definitely have their place, and are still good solutions, I believe that they do not solve one core issue that causes startups to value, and that is sustainability/product-market fit, etc. The reason that the majority of startups fail is pretty simple, not enough users or lack of knowledge about product-market fit. When your company is being funded by investors with deep pockets or VCs, you are more likely to cater your product towards those investors when, in reality, they are not your everyday user. Idea Factory aims to solve these problems and provide a platform that incentivizes funding, creating and contributing to ideas, while allowing creators to build a dedicated community that wants to see them succeed and will actually use the product.

What is Idea Factory?

Idea Factory is a decentralized marketplace for ideas, allowing everyday users and VC/investors to find interesting new ideas and help them succeed while allowing the idea creators to bring their idea to life and grow a community at the same time. Idea Factory accomplishes this by:

- Providing a governance token called VOTE, which users can use to stake to ideas and make other decisions about the platform
- Creating a unique token for each idea created, with the price of that token pegged to the amount of VOTE staked to it
- Rewarding non-monetary contributions with a stake in the idea
- Allowing stakers to liquidate the idea, if the idea is not accomplishing certain milestones/progress
- Incentivizing voting on less popular ideas for the possibility of earning a higher reward
- Earning interest by staking vote to a pool of ideas which will then be divided among the ideas in that pool

Technical Overview:

For Idea Factory, we divide our users into three groups:

1. Funders
2. Founders
3. Contributors

Funders are users who fund ideas, Founders are users who create ideas, and Contributors are users who provide value to an idea in a non-monetary way. The typical flow in Idea Factory is as follows:

1. Users buy VOTE tokens at the current price of VOTE
2. Users can then
 - a. Found an idea by using VOTE
 - b. Fund an idea by using vote
3. By founding an idea, a user stakes x amount of VOTE, and assigns a symbol for their idea. This calls UMA's EMP creator contract to create a synthetic token with the assigned symbol/name and sets the collateral to VOTE. We then mint x amount of the idea token in exchange for the amount of VOTE staked. This sets the initial price of the idea
4. By funding an idea, a user also stakes x amount of vote, which mints x amount of idea token depending on the percentage that they have staked. For instance, if the price of an idea is 10 dollars and 10 more dollars were staked, the user that staked 10 dollars would receive 0.5 idea token, rather than 1 idea token. This token can then be used, in theory, as a normal ERC20 token but in most cases it is most beneficial to hold the token and wait for the price of the idea to rise.
5. A user can also contribute to an idea, which doesn't require any VOTE. By contributing, I mean provide advice, criticism, feedback, code, graphic design, marketing advice, etc. Basically anything that raises the value of the idea that is not monetary. When a user contributes, all other stakes can choose to vote on that idea, using their idea tokens. Depending on the percentage of votes that user gets for the contribution, the user is rewarded a percentage of the idea stake.

Tokenomics:

Idea Factory uses 2 tokens, the VOTE token and the IDEA tokens. The IDEA token is a unique token generated for each idea created on the platform, but for simplicity's sake we will consider it one token. The VOTE token is an indicator of the health/popularity of the entire platform, with the price currently being decided by the number of VOTES staked across the platform divided by the number of ideas across the platform. This means that users can buy or sell votes as they wish, but the price of VOTE doesn't change. The only times the price of VOTE change, is when a new idea is added, and when VOTE is staked on the platform. Of course, this means that we need to have measures in place to prevent users from spam creating ideas to try to cause the price to drop. This will most likely be done using the fact that you need to stake a vote in order to create an idea. We could also simply change the formula of determining the price of VOTE to the total number of VOTES staked divided by some number.

IDEA tokens are created when an idea is created and the price of the IDEA token is determined by the number of VOTE staked to that idea. This means that by staking VOTE to an idea, you are essentially betting that more people will also stake to that idea, causing the worth of the idea to go up. Again, like VOTE tokens, this exact formula could be changed in the future but right now, this is what we have settled on. The reason that we have chosen this formula is that we hope that this will incentivize funders to find ideas that no one else has funded, or that very little people have funded.

Future Plans:

In the future, we hope to add the following features:

1. A profit sharing token/equity sharing token so that non-crypto businesses can benefit from the platform
2. Enforcing the uniqueness of an idea and a patent for an idea
3. Creating a stock market of ideas (similar to above, but for less tangible ideas)
4. Enabling credit delegation for founders and funders
5. Scoring funders based on how successful ideas they funded are
6. Likewise for contributors
7. A karma based system for users that will reward users who contribute in positive ways
8. And potentially much more
9. Private “pools” almost akin to bitcoin in a way
10. Fund matching for founders that build on a certain platform/protocol/etc

Benefits:

The benefits to funding on Idea Factory or founding on Idea Factory is that there is a much lower barrier of entry to both funding on Idea Factory and founding on Idea Factory than any other platform. As well, If you are an existing platform/protocol that is looking to build your ecosystem that provides more value to your users, then you can fund a problem/category for your platform/protocol that incentivizes founders to build on your platform/protocol. Another key benefit is that by solving these key problems and making it easier to turn ideas into reality, then we also make it easier for people to benefit from those ideas. By founding on Idea Factory, you get the opportunity to gain feedback directly from your potential userbase, while also raising funds and growing a community that wants to see you succeed and will actually use your product on launch.