Blockchain just got boring. It’s time to invest

Working in the UK tech industry, I see a lot of crazy fads come and go. For example, one I’ve always hated is Bluetooth beacons (the little devices which locate you in shops). It’s not that I hate beacons technology per se – it’s just that most business models based on them are terrible. Not merely bad, but terrible. Accordingly, I wouldn’t recommend that you invest in this sector, until it’s got its act together.

But blockchain is a “fad” that’s entirely different. Blockchain is rapidly becoming the de facto technology choice, for a whole class of businesses. These firms require a publicly visible and reliable record of transactions. You will probably be most familiar with blockchain technology from its use underpinning cryptocurrencies like bitcoin. The spectacular gains in this sector are something you need to be keenly aware of – as there might be a lot of profit still to come. With every passing day, cryptocurrencies are looking less like a passing fad, and much more like a serious challenger to the conventional financial system and its irksome fiat currencies.

It’s a good time to look at how the blockchain works in principle.

The best explanation I’ve heard is that the blockchain is like a village wedding. While there are marriage certificates, the wedding itself actually serves as a very reliable record of who is married to whom. I actually think it unlikely that you will have ever checked any of your friends’ marriage certificates. What you rely on instead is a kind of “social blockchain”. That’s the shared memory of the wedding, held by all the guests. Because weddings are large and memorable social events, most people have a pretty good idea of who has married whom. Even for weddings you haven’t personally attended, you can easily check this “social blockchain”, by asking others.

This public social record therefore works very like a conventional blockchain. It’s not stored anywhere in particular – and anyone can either get a copy or access one. But it does serve as an immutable ledger: if you’re married, you can’t deny it afterwards. And that reliability is likely why weddings originally arose. Long before written records were available, marriages were used to manage issues such as fidelity, paternal support and inheritance. The “social blockchain” has a long history of success, as a way of storing information.

Now, back to the “real” blockchain.

Today, we can see that firms are now implementing this technology in a wide variety of business contexts. I’ll give you a couple of examples – just from my own work.

Firstly, I’m carrying out some academic work on the use of blockchain to deal with carbon emissions. The idea here is that as people pollute, they would have to buy equivalent permits for the pollution. These would be based on removing an equivalent amount of carbon from the atmosphere. A blockchain here would give a record of clean-up, based on a public database. This approach needs to be fast, reliable and cheap to operate – and, crucially, it can’t be vulnerable to being falsified. That’s important, as many carbon credit schemes have been subject to large-scale fraud.

Secondly, another firm I’m involved in is considering blockchain to record property events and transactions. Some countries have actually already implemented blockchain, instead of a land registry. That’s because it’s virtually fraud-proof. Instead of a record of ownership, the firm I’m involved with is potentially going to be using blockchain to record much more detail about individual properties – for example, whether they’ve had their gas safety check done. (I can’t talk too much about this venture, for reasons of commercial confidentiality.)

What’s important about the above examples aren’t the individual projects. (In fact, you shouldn’t really give any attention to them at all.) What really matters is that the blockchain is now seen as being a workable solution to everyday problems. It’s a solution to issues in business model development, and the design of business systems. Just like sewage treatment, the blockchain has now become boring. Boring is good; boring is reliable; boring is investable. I like boring businesses, because they are decent, dependable companies.

Once a technology or approach has become boring, it’s time to look at investing in its ecosystem. You wouldn’t want to try and build a smartphone app when the first mobile phones came out in the 80s. Your technology would be far too advanced to make any commercial sense. People who are too far a of their time are futurists, not entrepreneurs – and they are almost invariably a commercial disaster.

The best time to invest in ecosystems is actually when a technology has become boring. Blockchain is now moving towards

being a boring technology. That's great news for investors in companies that depend on it.

This crucial technology is going to become a more and more important part of our lives. Just as smart phones and the internet have become ubiquitous, blockchain will become a deeply-embedded part of society.

Cryptocurrencies are an obvious implementation of blockchain technology. In fact, they're the most developed of all applications. If you'd like to learn more about how to profit, you need to check out Sam Volkering's book on the subject. He is looking in great depth at how you can experience huge gains on tiny crypto investments. Literally just a few pounds invested could be enough to make you a small fortune – if his predictions are correct.

This revolution is not just about bitcoin and Ethereum – and there are many other coins and blockchains available. It can be confusing to know how to invest – but Sam is an acknowledged expert on the financial implications of this technology, and he's able to help you. Many investors have used crypto investments to achieve staggering financial gains, the like of which are ordinarily completely inaccessible to ordinary investors in other asset classes. If you want to get a piece of this action, it is critical that you get the information that's required to profit. You can claim a free copy of Sam's book here.

Best,

Andrew Lockley
Exponential Investor