

ICOs Are Your Ticket into the Future of Startups

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You might have heard the phrase “initial coin offering” (ICO) being bandied about by investors. But what does it mean?

An ICO is a new way of funding startup companies. Normally, when a firm wants to raise capital, it issues shares. But what if that firm’s product is some kind of cryptocurrency? In such cases, the firm might raise money by selling its new cryptocurrency, as an alternative. This is an initial coin offering – an ICO.

In case this is all sounding a bit confusing, let’s take a step back. For a start, it might be best to explain why a new type of cryptocurrency might be needed. Why don’t people just use bitcoin?

Actually, different cryptocurrencies are designed to do very different things. Bitcoin, for example, takes a relatively long time to complete transactions. This means it’s not great for buying coffee – as you’d be standing in line for a while. But it’s fine if you want to use it to buy a service on the internet, which won’t be delivered instantly. That’s why you might find bitcoin accepted at some online merchants.

Other types of cryptocurrency are designed to do completely different things. For example, SolarCoin is designed to record how much solar energy is generated. Similarly, Sweatcoin is designed to monitor the amount of exercise you’re taking. You might view these projects as experimental at best, bizarre at worst. However, there are a very wide variety of cryptocurrencies, and many have some kind of open-market value. People are willing to pay for them – and if there’s a genuine market, they’re almost certainly performing some kind of social role.

So what if you’re interested in ICOs?

If you’re interested in a particular company that’s using an ICO to raise funds, then there’s normally what’s known as a “white paper” available. This is rather like a business plan; it sets out the company’s ideas and ambitions. For example, I read a white paper today, which was about using people’s engagement with an internet bank to generate a special kind of cryptocurrency. This was designed to be used to monitor and reward customer behaviour – thus avoiding paid marketing costs, for the bank. Now, I haven’t had anything like enough time to determine whether that’s a good business or not. Frankly, it’s probably not. Most new businesses are rubbish, and you shouldn’t invest without appraising them with great care.

Nevertheless, you should ensure you’re familiar with the idea of an ICO. More and more companies are beginning to use blockchain technology for carrying out core parts of their business model. This means that they lend themselves naturally to an ICO, as a way of raising funds. Furthermore, for investors who hold wealth in cryptocurrencies, this is a good opportunity to invest – rather than just holding them speculatively. If these investments do well, the new investors will get a new cryptocurrency that grows faster than their previous holding.

If you’re serious about learning the ways that cryptocurrencies are being used in the modern economy, you’ll need to read up. We’re working hard to make sure that we bring you the best information from this exciting new sector. Not only can ICOs be used to help companies fundraising easily, they have a myriad of other uses – from spending to speculation. Now, while I wouldn’t recommend holding any asset that has no value other than to speculators, the clear evidence is that cryptocurrencies are finding a wide variety of uses throughout the economy. In fact, some people are even predicting they could ultimately replace cash. That’s why Sam Volkering has put together a new book on cryptocurrencies – and, as a *Exponential Investor* reader, you can download it for free [here](#).

If you’re serious about catching the profit opportunities from a market which has seen people turn investments of just a few spare notes into hundreds of thousands of pounds, then you need to read up on exactly how to do it. This is a brand new way for economies to function, and it’s vital that all investors are aware of its importance.

So, please do [check out Sam’s book right away](#). We’ll be coming back to blockchain and cryptocurrency a lot, soon. This new-found knowledge you’ll gain from Sam’s book will help you make the best use of our forthcoming research – as well as to help you keep abreast of the latest developments in the cryptocurrency space.

Best,

Andrew Lockley
Exponential Investor

