

The Startup Journey of Steemit Inc.

problem-solution fit, product-market fit & competition lockout

Ty Yiu

2019-07-28

Contents

Steemit Inc.	3
The Founding mission	3
Proposed change in behaviour	3
Founder's Key capabilities	4
Problem-Solution fit	4
Product-Market fit	5
Scaling fit	5
Competition lock-out	6
References	8

Abstract

A startup is a company that is not able to sustain itself without its founders, which is the reason for the relevance of the founder when performing analysis in the scenery of startups. The *Startup Journey* is the time-span from even before the actual foundation of a *company* and extends until the definition of *startup* does not hold on any further. Characteristically this journey is defined by the key hurdles to be commonly overcome by the founders and their startup in adjunction, which will be thoroughly analysed for how they were accomplished. This Essay analyses the *Startup Journey* of *Steemit Inc.*, "*a social media platform built on a decentralised database.*" (*Chrunchbase*, 2019). They utilise "*Blockchain*" and "*Cryptocurrency*" technology to provide the users ownership of their data and rewards for activity on the platform.

The interviewee, Josephine Toegemann is Chief administrative officer at *Appics*, closely working with Steemit and sometimes consulting and advising Steemit in partnership-models.

Steemit Inc.

Steemit Inc.’s product is “a social media platform built on a decentralised database.” (Crunchbase, 2019). They utilise “Blockchain” and “Cryptocurrency” technology to provide the users ownership of their data and rewards for activity on the platform.

The Founding mission

Their *Mission Statement* is to “*make great communities with financial inclusion*” (*About Steemit, 2019*). When regarding the founder journey it is advantageous to unveil the brand and product of the company in question. For Steemit Inc. the product is the actual platform itself, because it is the reason for an increase in customers count. When considering how Steemit may differ from a traditional startup, because of its decentralised nature, it makes sense to consider their brand in order to verify that the product is in fact as assumed, knowing what their goal is (change in behaviour), how to achieve it (solution of a commercial problem) and their audience and how those two relate to each other (partnership model & business model). Thus, their vision:

“Our vision is that steemit.com is a vibrant communities web app, expanding the boundaries of community coordination and online discussion by incorporating cryptocurrency as incentives.” (About Steemit, 2019)

Proposed change in behaviour

Knowing that, it is to be known to identify the brand, *Steemit’s proposed specific change in behaviour*. Above mentioned reason for incorporating cryptocurrency as a technology, which is the ownership and reward of activity, indicates the transition wished for. Henceforth, such transition would be from the abandonment of current behaviour of giving up data easily for other people’s gain to the adoption of an envisioned behaviour of being rewarded for online activity. Their tool to achieve that is again the underlying technology, which is required for the reason of *why* said behaviour would be adopted. Such reason is the realisation of the current circumstance and knowledge of a better alternative, which offers actual gains for oneself.

Josephine: “Like we at Appics, they want to reward users with cryptocurrencies for creating and curating content, activity. (... and appics brand) Steemit is more of a new social media platform, but appics more of a conjunction to existing or soon coming platforms.”

Founder's Key capabilities

Steemit is a very complex and hard to actually make concrete. Steemit was founded by two founders of which one was a blockchain developer, allowing him to concretise their *problem-solution* fit. The capabilities for concretising an undertaking as Steemit are thus dependent upon the skills to actually build a prototype that solves a problem.

My Cousin doesn't know much about the technicalities of blockchain, but about the networking and working around blockchain, thus she answered me from that perspective.

Josephine: "So, I don't know much about what you gotta be able to do, skill-wise, but I know about the struggles in a blockchain startup from a non-technical perspective."

There's a lot of hype currently regarding the topic that creates this polarisation of opinions for many people. It is really hard for me to talk to those that already have their minds set deeply in a belief about blockchain or steemit from half-truths and out of stubbornness.

Also, I always get a mouthful when people ask me "if I really knew what I was talking about" or "How does the CEO explain what you do", because it's hard to get around the topic to other people and not everyone, not even in the blockchain sector know much, actually, only a few really know what's going on."

Problem-Solution fit

This stage of the *startup-journey* is marked by the first meaningful solution to a problem, which doesn't necessarily need to be a commercial one. Thus, being the first prototype of the idea's physical representation. Returning users is what is being sought for, considering that a personal problem may be recurring or repetitive among a population.

For Steemit, the problem-solution fit, was the creation of the blockchain itself. As that is what solves the private problem, while the platform is what solves the commercial problem. The commercial and private problem may coincide, but should be distinguished in isolation, as for some people, the private problem is only solved with the commercial one.

Having users recurrently using the solution requires the solution to exist and accessible. Not to loads of people, as the problem-solution fit doesn't require the consensus of a majority, but rather the approval of the idea for the use of solving a problem, again not necessarily a commercial one.

Josephine didn't really have much to say to this point:

Josephine: "Steemit as many companies alike pivot and needed to adapt their vision to the reality of business. I think that's what's meant with the adoption"

to a commercial problem, but I am unsure about how the first meaningful paint started out. I know that Dan (Steemit co-founder, crypto-developer) probably did it, but not how or the circumstances."

Product-Market fit

Product-Market fit is achieved after having a solution to a commercial problem. For Steemit, that is the identification of the potential win-win situation that social media consumers could find themselves in and the thus following implementation of the idea towards that commercial problem. The commercial problem is thus the difference between the *To-be* and the *As-is* situation. That difference can even be quantified in terms of the money that one can gain or the amount of data *not* given up when using Steemit.

I asked Josephine: "What do you think is the commercial problem that Steem it trying to solve?"

To which she answered:

Josephine: "Mhh, the problem is the situation the world of data is in and how nobody cares et cetera, you know the drill, but that all is changing and the awareness of the benefits of blockchain increases slowly but steadily. In a few years, the use of instagram compared to a blockchain powered version would seem like using horse carriages instead of cars.

The HOW they are going to do that is ha ha... blockchain, it solves the problem by itself, because it allows people to do the things they are already doing but better."

So, from that we can deduce that blockchain is an *enabling technology*, which solves product-market fit by itself, which seems odd at first, but becomes more clear when considering the nature of it being *enabling*.

Scaling fit

Gratitude to the fact of technology's progression today, it is very easy to scale an operation such as Steemit's. In actuality, the nature of the underlying technology, being blockchain, requires being scaled for its best effectiveness of intended use.

The practical scaling is performed by hackers, decentralising and maintaining the platform, as the protocol should handle scaling itself, by itself. The underlying assumptions are that blocks are continuously mined for a continuous STEEM token supply. To that, my cousin had the following to say:

Josephine: "Differently to bitcoin, they aren't intended to be used like a currency, which is why the process of acquiring them is different. That's why, scaling STEEM is also different. It won't end in being the third of the world's electricity consumer ha ha."

So, the mechanisms are different and that differs how to scale the system. The decentralised nature relies on nodes instead of big servers, known from traditional digital services and alike of how instagram, as an indirect competitor, does it. For instagram to scale requires more processing and storage capacity in physical form, for Steemit it means more users, as the users' device is for-scaling required capacity.

Competition lock-out

Due to the competition being few to non-existent, there is little to lock out for Steemit Inc. One could define competition so specific, that only companies within the social media sector with the goal of rewarding users with rewards for their activity. Where one could also argue, that such reward could be a better, more tailored experience, which may be complemented in function with profiling of ones data.

My cousin Josephine told me that Appics is not competing with Steemit.

Josephine: "In a sense, we do the customer acquisition for Steemit. You know, Steemit itself isn't making revenue from people using their platform, but from the result of that, the platform growing. And we use their platform for our use, which isn't a problem for Steemit, because its worth to them to have us grow their network and tech.. But what Steemit will do in the future is another question."

"APPICS is a mobile social media application that runs on top of the STEEM Blockchain and was created with full support of Steemit Inc." (Announcing: Appics, 2019)

That means, that there is no direct competition between Steemit and Appics, which locks out most competition from above mentioned pool of possible companies that could compete with Steemit directly.

When enlarging that pool and considering for example social media companies in general, then companies like instagram are locked out via the barrier of technology, which differentiates the two in how they change behaviour.

Identification of scarce-resource The timing of the undertaking of the operation of Steemit Inc. is contributor to one of the elemental scarce-resources being constituent parts of the company, the developers and tech-savvy hustlers, hackers and hipsters confident in knowledge and application of the employed bleeding-edge technologies.

Thus, as the resources to create such technologies is already a scarce resource, the result of such is also a scarce resource, as the nature of such, out of rarity created, resource needs to be out of few.

My Cousin agrees undeniably with this aspect:

Josephine: "I have worked for a few years in the field now and I still don't really understand blockchain itself. It's super hard to understand, especially in context of like a business and an idea like Steemits' or Appics' so it must be a hell of a lot harder to actually build these systems.

It costs a lot of money and also time. For me I always see the biggest consumer of that in the communication problems between the tech guys and lets say marketing or administration. I struggle a lot with them, or they with me haha, because it is me who doesnt tells them clearly enough of what to do."

References

Steemit Inc. (2019). Crunchbase. Retrieved 28 July 2019, from here

About Steemit (2019). Steemit. Retrieved 30 July 2019, from <https://steemit.com/about.html>

Announcing: Appics (2019). Steemit.com. Retrieved 29 July 2019, from here

APPICS (2019). Appics.com. Retrieved 29 July 2019, from here

Interview with *Josephine Toegemann*. CAO of Appics. Conducted on 26 July 2019