Block Isn’t Even Remotely Dead: Instead, It’s Tokenizing the Sharing Economy Using Utility Tokens

Crypto may be tanking right now, but blockchain technology has huge potential overall. It’s going to be interesting to see what the world ends up using it for.

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The past few months have given most people the impression that blockchain advocates have headed for the hills. And there may be good reason for that assumption: CCN reported last week, for instance, that, “In the past 24 hours, the cryptocurrency market lost more than $6 billion, as its valuation dropped from $142 billion to $136 billion.”

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CNN went on to deliver negative news about even the strongest of the cryptocurrencies, Bitcoin, noting: “Bitcoin, which seemed to be demonstrating a fairly strong price movement in the last two days from November 28 to 29, experienced a $150 price drop, becoming vulnerable to falling below the $4,000 mark.”

ETH, BTC, and other altcoins have also taken some major losses and punishment over the past few weeks. Yet all this sour news may indicate positive news for investors: As Warren

Buffett has always said, “*Be greedy when others are fearful, and fearful while others are greedy*.” So, for speculative investors, this could be the time to buy – or not. Who knows?

What no one doubts is that the market is volatile, and that none of us has a crystal ball. But, this is only the cryptocurrency market we are talking about, a market that represents only one case of blockchain technology. Blockchain as a technology, overall, has tremendous implications; it can and will continue to provide value to the world as a software utility involving tokens.

Need a refresher on what that means? As Quora has explained, tokenization is the process of converting the rights to an asset into a digital token, which is then stored on a blockchain. This is arguably the most popular use-case for the technology today, and has raised considerable interest from financial entities and developers alike.

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Tokenization has the potential to actually transform how we conceive of ownership and to introduce both greater flexibility and security to the sharing economy.

Why tokens are on the rise

Blockchain has made ownership of tokens possible due to the cryptographic security a blockchain provides. Ownership is registered on a public, immutable ledger, thereby removing any confusion as to who owns any particular token and ensuring that no one can alter that information. You can think of blockchain as a permanent record book – because that’s exactly what it is.

Tokenization further simplifies and homogenizes assets. Commodity exchanges perform a similar role, but they rely on

trusted centralized participants. In addition, the overhead costs involved in centralized infrastructure systems are massive – and that is why blockchain-based tokens hold so much promise for the future, because they provide a solution to problems that stem from costly centralization.

Blockchain-based tokens: security and utility tokens

The SEC has made it clear that most digital assets are security tokens. Security tokens are similar to traditional securities – tradable financial assets like bonds, debentures, notes, shares and other investment vehicles. Tokenizing a security allows you to break the asset up into smaller shares, which is sometimes infeasible in traditional markets like real estate. In that way, even retail investors can buy a portion of it.

Couple this with the fact that every physical asset or financial instrument can be tokenized, and there are now more opportunities than ever for investment.

In addition to security tokens, there are also utility tokens. Owning one is not the same as owning a share of an asset; rather, utility tokens entitle their owners to the *use* of that asset, usually for goods or services provided by the entity that sold the utility tokens in the first place.

Utility tokens, in a sense, are digital coupons for the service being developed. For example, a company called Primalbase uses a token to represent a portion of ownership in a physical office space; owning the company's tokens gives the owner the ability to *use* any of Primalbase's office spaces across the world. Token owners are guaranteed a desk, and those who own multiple tokens are guaranteed an office.

An indirect benefit of this kind of utility model is that it

encourages an active community and communication between a company and token holder. Because the purpose of a utility token is for users to leverage that token for goods and services, the transaction requires intense product engagement to ensure that the tokens work to serve their communities' best interests.

Leasing tokens

Once an asset has been tokenized, it can also be leased by others. Leasing is beneficial in a number of ways.

Consider the example of the shared working space: Leasing allows the token holder to have zero downtime on his or her asset; the working space can be used even when the holder is elsewhere, and meanwhile this person can still earn money. This has the potential to reduce waste across many industries and to be a logical extension of the sharing economy.

In the same way that Uber attempts to solve the issue of unnecessary car journeys by filling empty seats, introducing the leasing functionality to tokenization brings the same principle to any asset.

The secondary market

The fact that a token can be sold once the holder has no further use for it means that holders can recoup their initial outlay plus whatever additional value that token has accrued during ownership. Of course, if the selling company flops, the value of its token typically crashes with it. But for any investor dealing with stable or growing companies, this can be a risk worth taking.

The future of utility tokens

Tokenization is just the beginning, and the use of utility tokens will find its way into a host of different industries. Utility tokens are here to stay, and they will continue to evolve. For the development of this type of token to work, it is necessary to use them correctly: There must be a clear logic to using this technical solution. For example, blockchain could work with all kinds of digital memberships, like those for gyms, private member clubs, country clubs, etc.

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Ultimately, utility tokens offer holders a different incentive than that of traditional securities and security tokens. Because the utility token holder is entitled to a service or a product, the token has intrinsic value that some securities do not. And that is just one of the many reasons why utility tokens are so unique.

Moving forward, it’s going to be interesting to see what the world ends up digitizing with blockchain.

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