

Why ‘Now’ May Well Be the Right Time to Start a Blockchain Company

With the crypto market growing again, here are the three main factors to watch out for if you’re starting, or investing, in a company in the space.

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A little over two years ago, I was at my company’s holiday dinner, and the only topic of conversation was the stratospheric rise of cryptocurrencies like Bitcoin, Ethereum and those others that were lesser known but certainly more amusingly named (like Putincoin).

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With Bitcoin at that time topping \$20,000 and Crypto Kitties also hitting the world by storm, something momentous was afoot; and we all wanted in. Yet, my company’s CTO called a halt to our excitement, cautioning that a deep decline was coming. The reason he gave: The potential of the blockchain – the platform through which cryptocurrencies are built – to create real-world applications with strong customer use cases had yet to be realized.

“Raising \$10 million from retail investors on a two-page paper is not enough,” our CTO said.

Boy, was he ever right. What came next was that massive slump, in which Bitcoin lost over 80 percent of its value, and

the swiftness with which the SEC put an end to initial coin offering scams.

Yet, a few weeks ago, as I was attending a demo day for Binance Labs – a kind of accelerator program but for blockchain startups – I saw that some of our initial energy had returned.

In particular, I was struck at the focus and discipline of these entrepreneurs from Binance Labs, the venture arm of Binance. Rather than releasing a white paper and trying to raise money on ideas and theory alone, these people had already fully built their product, conceived of applicable real-world use cases and secured strong early customer traction.

More important: They were focusing, as has startup fundraising has traditionally done, on getting skilled investors on board, the kind of investors who contribute so much more than just capital.

This got me thinking: Is *now the time* to invest in or start a blockchain-focused company? What are the factors that entrepreneurs and investors should be looking for in this space?

To quote the words of *Wired* founding Editor Kevin Kelly, *now* (yes, right now) is the best time to start something (never mind that he wrote those words in 2014). This mindset, in my opinion, is extraordinarily applicable to the blockchain which, as it matures, presents more and more opportunities to create new solutions. To take advantage of this trend, entrepreneurs and investors should seek opportunities that present an immediate real-world application as well as customer traction.

And these investors should be ones whose value-add is more than just capital; the colleagues they bring in, meanwhile, should be the type interested in the long-term impact of the

technology.

Real-world traction matters.

At Binance's demo day, nearly all presenting companies had some early customer buy-in and traction. Whether it was a brand signing up for a test run on a new decentralized loyalty platform or a marketplace touting the growth of its supply-side volume, customer-use cases won the day. Many entrepreneurs commented that with blockchain solutions slowly gaining acceptance among everyday consumers, it was only appropriate to demonstrate real-world adoption

A case in point: Cerebellum Network; a decentralized version of Salesforce's famed CRM. Rather than publish a white paper, the founders built a product and tested it, to positive feedback, with early customers like Benefit Cosmetics. Because of this, Cerebellum's founders were able to secure significant early investment from the likes of Arrington XRP Capital and others.

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Are you starting or investing in a blockchain company? If so, the first question to ask yourself is: What real-world problem are you solving for consumers? For instance, an entrepreneur friend of mine is planning to start a next-generation nomadic home-sharing platform that will allow members to hop from house to house at exciting locations around the world.

While the entirety of the database, billing and identity components of the product will be built on the blockchain, that's not what the founder is excited about. Rather, he's psyched about bringing to market a product that people have expressed a desire for. In this instance, blockchain technology is just acting as the enabler.

Seek investors who add more than just capital.

During the height of “Crypto Mania,” it was not uncommon to see new ICOs floated to retail investors, and see coin prices shoot skywards in a matter of hours, if not minutes. These cryptocurrencies were an incredibly efficient way to acquire capital to scale a business.

Yet, this process misses the most important point: Advice and help from investors is often more important than money in early-stage companies. Yes, this includes blockchain companies, as well.

Early-stage investors offer so much more than just capital. They offer connections to talent, first-mover customers and additional investors. Some, like Match.com co-Founder Will Bunker use help as a form of due diligence. Even if he does not invest in a prospective company, Bunker goes out of the way to offer help and guidance because he knows that that’s what matters to early-stage companies.

So, if you’re launching a business, seek investors who offer resources help, and guidance, even this route it costs you a bit more than other fund-raising channels do. Even if you’re paying a little more now, you will be able to maximize your valuation down the road.

Seek out long-term colleagues who “get it.”

Sitting down on my friend’s couch one night, talking crypto with others I was struck by how short-term many of those attendees’ thinking seemed. Rather than building a sustainable, real-world application, my friends were more interested in releasing a hot new coin and pumping value out

of it, rather than in the long-term transformative nature of their product.

Of course I understand that any new field will generate a lot of buzz, excitement and FOMO or fear of missing out. Like moths to a flame, people often flock to what's "hot" rather than what's sustainable.

Yet this instinct of theirs misses the foundational point of cryptocurrencies and blockchain: their long-term revolution and transformation. The potential of cryptocurrencies to fundamentally alter our global economy, trade pathways, financial system and supply networks cannot be understated. According to investor Lou Kerner, blockchain is "the biggest thing to happen in the history of humanity." Okay, maybe that's over the top, but Kerner follows up that phrase by cautioning that this revolution will be a long time in the making.

Naturally, founders should seek out colleagues, partners and even investors that understand the long-term nature of the space and are willing to invest the time, capital and yes, the patience needed in order to make something happen.

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Right now is the best time to start something.

With crypto prices recovering, albeit slightly, and the market opening up to new entrants and applications, now may be the best time to start a blockchain powered company. While the technology offers unlimited opportunities, when starting a new business, founders should not ignore the key points. Namely: Build a product that people want; seek out investors who are true advisors and partners; and hire colleagues who are in it

for long-term gain.

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