RanchiMall
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CONSUMPTION IS VALUATION

BLOCKCHAIN
POSSIBILITIES

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Assuming there is a digital commodity
with rapidly increasing consumption
but no sales revenue.

Can we monetize it using a token system ?

Can we create a publicly acceptable
valuation for it ?

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Satoshi Nakamoto, the designer of Bitcoin introduced two radical ideas into computer science and economics.

1. Artificial scarcity can create wealth.

2. Economic incentives can solve computer science problems.

We will use these principles to seek valuation through pure consumption.

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Artificial Scarcity can be engineered
through a blockchain token system.

AI economic systems have
producers and consumers.

Our objective is to make the consumer-producer
relationship mutually beneficial through creating
token system rules.

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Blockchain offers various mechanisms to redefine relationships between producers, investors and consumers through defining economic interactions.

Growth in consumption denotes growth in the user community which underpins possible revenue opportunities.

Investors seek a rapidly growing consumption system.

And critical producers must be incentivized to provide higher quality products.

A balanced token system is a self enforcing positive feedback system between consumers, critical producers and investors.

As consumption grows, valuation increases. As a result, investors gain, and critical producers earn more. Creating this dynamic is the aim of a token system.

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We introduce a notion of benchmark valuation for token systems; mathematically calculated valuation linked to growth in consumption.

We will assume traded market valuation is the median valuation of all investors participating in this token system.

The target is to get the median valuation of all investors close to the benchmark valuation.

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If the cost of continuous operations can be made so low that even if token valuation is close to zero, the system will continue to operate and investors will accept consumption to token value relationship.

In other words, if the consumption numbers are publicly established and accepted, and continuity of operations are assured even at zero token value, then the investors' valuation will be equal to the benchmark guidance valuation.

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For instance, in stock markets, investors in high technology companies never see profits. Profits are mostly retained by the companies themselves.

But investors have a consensus that valuation of enterprise is a certain multiple of enterprise profits.

And stock market valuation reflects that consensus.

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Now assuming the majority of investors agreed on general valuation of a token system based on some consumption numbers and, backed that valuation with real money, then the remaining investors will have to agree.

Over time such consumption linked token valuation principles will be agreed upon.

Of course, for this to apply, continuity of operations is a necessary condition.

Investors have to feel confident, that no matter what torrent system is being used, itwill always continue.

A pure blockchain system makes it easy to create that confidence.

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Valuation of last resort:
This idea becomes even stronger if some kind of hypothetical last resort purchaser is available.

If that hypothetical last resort buyer system can be created, this system will become iron-clad.

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Now we will try to identify the hypothetical last resort buyer.

Suppose consumption of torrents increases by a certain proportion, and, a certain ratio of those consumers buys the new tokens.

Then, if we can statistically establish an increase in new token buyers as a result of more consumption, then we will have a direct linkage between increased consumption and higher valuation.

And this will create the hypothetical last resort buyer and, we will clearly establish the link between increased consumption and higher valuation.

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However, consumption user pool
to investor conversion only provides
a minimum level of valuation.

There are more reasons why
a last resort buyer will buy
consumption-based tokens.

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Suppose the technology underpinning the system represented by the consumption token system fills a vital technology gap for an existing large technology player, this would increase the valuation for the hypothetical investor of last resort.

This can be attained if for instance the torrent system creates a Netflix like interface in blockchain mode. The users of this technology, increase the value for the hypothetical buyer of last resort.

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Similarly, if the underlying system is valuable to a competitor of an existing large technology player, the hypothetical buyer of last resort will pay higher for it.

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Assuming the underlying system has a very passionate community. Access to that community has valuation potential for the hypothetical buyer of last resort.

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In an open source world, there is additional valuation if good coders come together. The owner of system gets the privilege of setting the technology direction, and getting version change acceptance rights.

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Some kinds of consumption can be geographically concentrated and, can have strategic value to the buyer of last resort.

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Sometimes access to distribution channels represented by a consumption token system can be extremely valuable just by themselves and, would represent additional valuation.

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If the consumption user base is large, buying the attention to it has valuation potential. Usually this is achieved through advertising but, less intrusive and elegant methods can be designed.

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One big source of value in a consumption-led system is the desire of some consumers to be given priority over other consumers.

For instance, if we consider Twitter as a consumption system for tweets, then some users gain priority by paying tohave sponsored tweets.

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In the real world, the buyer of
last resort may never be needed.

But just proving the existence of it is
sufficient to convince an investing group
of valuation just on the basis of consumption.

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Once a valuation basis is established, then a subsequent investing group can assume the consumption token rights of the previous investing group.

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Basic Conditions to create valuation from a token system:

1. Create artificial scarcity of tokens

2. Provide selective entry to initial investors and consumers

3. Ensure guaranteed continuity of operations

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Key entities in the scheme:

1. Critical Producer:
Those who provide highest quality of production.

2. Consumer:
Those who will consume.

3. Investors:
Consumers who will become investors.

4. Hypothetical purchaser of last resort:
A fictitious entity who will purchase the entire token ecosystem. This helps establish the baseline valuation.

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Drivers for Valuation

1. A certain proportion of your consumers believe in the system to the point of investing in it.

2. Technology Gap Valuation. The system produces a new technology, which has value.

3. Competitive gains to new entrants over an existing competitor.

4. Access to Passionate Community Valuation.

5. Good coders come together and owners have rights to set the technology direction.

6. Geographically Concentrated consumers.

7. Access to a distribution channel represented by consumers of the token system.

8. Buying the attention of the token consumer (with a non-intrusive advertisement).

9. Priority Access provided to some consumers who will pay for such access.

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Key System Features:

1. The system must have positive feedback between the critical producer and consumers.

2. Investors at the bootstrap stage must have special privileges.

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Key Metrics:

Consumer Investor conversion Ratio:
The percentage of your consumers that become investors.

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Key Metrics:

Producer Progression Ratio:

The percentage of your producers that become high quality producers.

Buyer of Last Resort Valuation:

The amount the hypothetical buyer of last resort would pay for the entire ecosystem.

Per Unit Production Valuation:

The valuation of each unit of high quality production.

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Guaranteed continuity of operations

A blockchain ecosystem can be created where blockchain costs and cloud costs are provided as an infrastructure service against the tokens.

The community must provide for key people to handle the system.

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Valuation is dependent on the rate of growth of consumption.

If growth stops, then valuation increase will also stop.

Then system managers have to create innovations of some kind to increase consumption.

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Not all consumption is same.

Kinds of consumption that can find
direct valuation easily:

a. Consumption of digital nature.
b. Consumption where cost of operations is low.
c. Consumption where the community can take
a majority of overhead workloads.

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