RanchiMall
16th November 2019.

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 Bitcoins introduced some radical ideas in Computer Science and economics.

The first is artificial scarcity can create wealth.

Second is 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.

Any economic system has producers and consumers.

Our objective is to get the consumers and producer relationship to become mutually self beneficial through rules for that token system.

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Blockchain offers us various mechanisms to redefine relationship between producers, investors and consumers through definitions of economic interactions between them.

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

Investors seek a rapidly growing consumption system.

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

A balanced token system is a self re-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. The aim of token system is to create those dynamics.

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We introduce a notion of benchmark valuation for token system which is mathematically calculated valuation linked to growth in consumption.

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

Then the target is to get median valuation of all investors close to 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: then 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 investors valuation will agree with 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 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 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 principle will be agreed.

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

Investors have to feel confident, no matter what torrent system will always continue.

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

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

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

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So now we will try to find out
that hypothetical buyer of last resort.

Suppose consumption of torrents
increase in a certain proportion.

And a certain ratio of those increased
consumers buy the new tokens.

Then if we can statistical establish 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 buyer
of last resort, and we will clearly establish the link
between more 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 buyer of last resort will buy
consumption based tokens.

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

This can be attained if for instance the torrent system creates a Netflix like interface in blockchain mode. Then will be suitors for such a technology, which can act as additional value for hypothetical buyer of last resort.

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

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Assuming the underlying system has very passionate community, then access to that community has valuation potential for hypothetical buyer of last resort.

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

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

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Sometimes access to distribution channels represented by consumption token system can be extremely valuable just by itself, 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 it is realized by advertisement conventionally, but less intrusive and elegant methods can be designed as well.

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

For instance if we consider Twitter as a consumption system for tweets, then some users would pay tohave sponsored tweets.

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In real world, that 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 previous investing group.

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Basic Conditions to create valuation from 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:
These are consumers who will turn investors

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

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Drivers for Valuation

1. 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 Entrant over an existing competitor.

4. Access to Passionate Community Valuation.

5. If good coders come together and owners have rights to set technology direction.

6. Geographically Concentrated consumers.

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

8. Buying the attention of token consumer (like a less intrusive advertisements).

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

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Key System Features:

1. System must have positive feedback between critical producer and consumers.

2. Investor at bootstrap stage must have special privileges.

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Key Metrics:

Consumer Investor conversion Ratio:
What percentage of your consumers are turning investors.

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Key Metrics:

Producer Progression Ratio:

What percentage of your producers become high quality producers.

Buyer of Last Resort Valuation:

How much will hypothetical buyer of last resort pay for entire ecosystem.

Per Unit Production Valuation:

What is the valuation of each unit of high quality production.

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Guaranteed continuity of operations

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 rate of growth of consumption.

If growth stops, then valuation increase will also stop.

Then as system manager, you have to create innovation of some kind and increase consumption again.

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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 community can take
a majority of overhead workloads.

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