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RESEARCH PAPER

KOLnet

By

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EXECUTIVE SUMMARY

What is KOLnet?

KOLnet is a unique fundraising platform that aims to revolutionise the cryptocurrency fundraising industry through the initial Marketing Offering (IMO), an alternative to the initial launchpad offering (ILO). The intuitive Proof of Marketing (PoM), a consensus method, allows projects to track and validate the performance of KOLs. The KOLs are compensated through presale allocations for their marketing efforts. This enables projects to launch resource-efficient marketing campaigns and gain a competitive edge. The presale allocations of KOLs are based on their ranking, derived from public on-chain behavioural and social media data. This allows projects to ensure that a KOL has relevant digital exposure and identifies artificial enhancement of social media metrics (i.e. follower purchasing). Fundamentally, it allows for an efficient, transparent, and fair process creating value for all stakeholders.

In order to achieve this, a team of cryptographic and data analysis professionals, equipped with work experience from tech-multinational companies (e.g. HP, O2, Microsoft, CGI), carries out the project. The KOLnet ecosystem has its native utility token of the total supply of one billion tokens with an initial circulating supply of 22,450,000 tokens. The initial market capitalisation is 267,400 USD. The native token is initially launched on the Polygon blockchain but will expand to other EVM-compliant chains at a later stage. The current utility of the KOLnet token is Staking, Means of payment, and Allocation Rights. The ecosystem plans to expand its token utility with: Bidding, Rewards, Discounts, and Farming

Industry Analysis

The proposed IMO solution positions itself in a competitive landscape with other fundraising methods such as IEO and ILO. These two are the most common methods to raise capital among blockchain-based start-ups. The ILO, often referred to as IDO, performs considerably better than its near counterpart IEO. However, 36 of 65 launchpads had negative returns in May of 2022, meaning that investors are, on average, losing money on their ILO investments.

The increasing cryptocurrency industry popularity decreases the cost of capital, increasing the accessibility of capital. Consequently, more blockchain start-ups are getting funded. Eventually, this leads to a saturated industry, which in turn leads to an inefficient market. KOLnet enables valuable projects to stand out from the crowd through cost-efficient marketing and aligning involved stakeholder incentives.

Competition

KOLnet and its IMO product face considerable pressure from its direct competitors, Launchpads and CEXs. Despite the fundraising landscape being relatively inefficient, there are many similar-sized launchpads, which tend to differentiate through innovation resulting in a competitive environment. The competitive landscape leads to moderate risk for KOLnet entering the market, which might affect its profitability and survivability.

Go-to-market Strategy

The KOLnet marketing strategy utilises three cornerstones; extensive community building, wide usage of Micro KOLs, and brand building. The intention is to create synergy between the pillars to create long-term sustainable ecosystem value. The KOLnet ecosystem has onboarded vital partners that will support the development and growth of the ecosystem. The primary benefit of onboarding significant ecosystem partners is the creation of long-term network effects and value through the partner's network and expertise to enhance the product of KOLnet.

Market Opportunity

KOLnet has a unique position whereby it can create long-term value through innovation. The marketing demands of the cryptocurrency industry are drastically increasing with the influx of new projects, leading to increasing marketing costs. KOLnet can provide resource-efficient marketing campaigns, allowing developers to predominantly focus on their project, leading to a potential competitive edge. Moreover, IMO employs the neglected micro-KOLs whose engagement rates are superior to the commonly used Macro-KOLs. Doing so reduces potential information asymmetry and allows for more diverse marketing strategies. Furthermore, regarding resource efficiency, PoM enables flexible budgeting, which is crucial for developing projects. The above factors represent KOLnet's unique selling point and signify its growth potential.

Risks

The KOLnet ecosystem is operating in a competitive industry, with many competitors of a similar size. The increase in rivalry, whereby the services are complementary, leads to most competitors utilizing a cost leadership approach. Eventually, this leads to lower profit margins and could push competitors out of the market. In the case of KOLnet, the argument could be made that they are differentiating through an innovative product, substantially different from the current products in the market. While that is true, commonly, projects tend to imitate successful products, whereby differentiation is just a temporarily unique selling point

The KOLnet ecosystem can further differentiate itself from its competitors by increasing the entry barriers for direct competitors. This could be achieved by establishing exclusivity rights on involved KOLs.

Ecosystem Overview

General Overview

Project Name: KOLnet

Ticker: KOL

Financial overview

IDO price: 0,012\$

Initial Market Capitalization: \$269,400

Initial Supply: 22,450,000

Total supply: 1,000,000,000

Circulating/total ratio: 2,2%

Hardcap: \$1,850,000

PRODUCT DIVE

Traditional Fundraising

The event of going public is one of the most critical events in a firm's lifespan. In the United States, firms traditionally go public through an initial public offering (IPO) (Zheng, 2020). An IPO is a process of offering shares of a private company to the public in a new stock issuance. The pricing of the IPO is determined by underwriters (i.e. investment banks), and these also play a crucial role in the securities distribution. An underwriting group is a temporary association of investment banks which intend to purchase a new issue of securities from the issuer to distribute the issue to investors at a profit. The group acquires the issuance from the issuer at a specified price and then sells it to the public. Additionally, underwriting groups are being used as a signalling tool to the market. If the underwriting group consists of prestige banks, it will significantly help to attract new investors. The IPO process utilises many intermediaries; therefore, it is resource-draining. Thus, established companies are using a more resource-efficient alternative: Direct Listing.

In 2018, the U.S. Securities and Exchange Commission (SEC) approved the filed direct listing proposal of the New York Stock Exchange, allowing companies to sell existing shares directly to the public without any intermediaries (SEC, 2018). The direct listing has multiple benefits that companies can capitalise on. For instance, the direct listing does not utilise the process of underwriting by an investment bank, significantly decreasing the involved listing costs. Additionally, shareholders have access to more liquidity, considering every shareholder can sell their shares on listing without complex vesting schedules. Hence, the stock price is determined by supply and demand, which ideally negates the likelihood of under-pricing, the issue that traditional IPO suffers from (Skaff, 2020). Multiple well-established firms (e.g. Spotify, Slack) utilised a direct listing to go public. Moreover, Coinbase, a Silicon valley crypto exchange, went public through a direct listing in mid-2021.

Start-up Fundraising

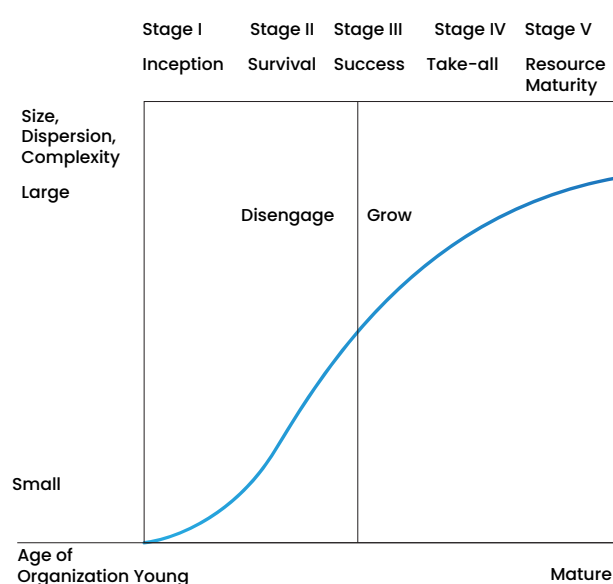
Start-up fundraising represents the capital needed to launch and operate a new firm. The growth path of start-ups is vital, according to the "Management Theory" (Gimeno, Folta, Cooper, & Woo, 1997). The Management Theory suggests five growth stages, whereby the first three stages are the most challenging (Figure 1). Subsequently, a start-up is more mature in the later stages; therefore, a company has access to more funding options, and its operations are stabilised. In "The Theory Of The Growth Of The Firm", Penrose (1959) suggested that managerial forces play a vital role in the growth path, external factors (Hannan & Freeman, 1989; Porter, 1980) and internal factors (Teece, Pisano, & Shuen, 1997; Boeker, 1997; Garnsey, 1998) have been highlighted as significant. The Penrose effect refers to the managerial constraint on the growth of a firm; when a company cannot scale according to the growth rate, this could lead to stagnation. The effects of external (e.g. market forces, type of funding) and internal factors (e.g. competence, culture, strategy) can further exacerbate the Penrose effect (Tan, 2016).

The type of funding a start-up receives critically influences innovation and product introduction timeframes (Hellman & Puri, 1999). These authors also concluded that venture capital-backed start-ups are more innovative, and product introduction timeframes are significantly shorter than traditional funded start-ups. Venture capital funding has specific unique characteristics that set it apart from the conventional capital market or debt financing alternatives (Gompers and Lerner, 1999). Venture capitals provide expertise to manage start-ups and create value through unique network effects. Additionally, venture capitals dedicate tremendous resources to understanding emerging technologies and industries and identifying promising start-ups. One of these emerging technologies and industries is blockchain technology and the cryptocurrency industry. The role of venture capital in the cryptocurrency industry will be highlighted in the "Venture Capital" chapter.

Cryptocurrency Capital Funding

The cryptocurrency industry aims to revolutionise the traditional industry by providing an accessible and resource-effective way to transfer ownership and data. The underlying blockchain layer offers several other advantages: transparency, accountability, and immutability. Ever since the invention of Bitcoin by Satoshi Nakamoto (Nakamoto, 2008), thousands of cryptocurrencies have emerged and are funded through various capital fundraiser mechanisms. In March 2022, the total market capitalisation of the cryptocurrency industry exceeded 1.8 trillion USD with an intraday volume of 100 billion USD. The traditional fundraising options for cryptocurrency start-ups are relatively limited, so most traditional lenders are unwilling to provide loans to cryptocurrency start-ups. Therefore, the lack of legal framework and regulatory clarity increases the perceived risk for conventional lenders. Hence, cryptocurrency start-ups are securing capital through several other alternatives. The private funding of blockchain projects is secured through business angels, venture capitals, and strategic partners. In the past, the public funding of blockchain projects traditionally went through ICOs; however, the market has shifted towards IEOs and IDOs. The following sub-chapters will further elaborate on distinctive sources of cryptocurrency capital funding.

Figure 1 Company Growth Cycle



Venture Capital

Venture capital funds consist of a pool of investors (i.e. Limited Partners) that invest in promising start-ups. Fund managers (i.e. General Partners) provide potential investors with a prospectus, a formal document required by and filed with the SEC that provides details about a public investment opportunity, inviting them to participate in the fund. The limited partners give capital to the general partners, who will perform all the due diligence and other operational and financial tasks. The fund managers determine the growth potential of promising start-ups and decide if the venture capital fund will engage with these start-ups. The general partners get rewarded for their efforts through a managerial fee and a carry-on fee (i.e. relative fee based on the profits). The limited partners' capital is released whenever the general partners need it to fund an investment.

Cryptocurrency and blockchain start-ups received over 32 billion USD in funding from venture capitalists in 2021 (Zhang, 2022). The number of cryptocurrency venture capital funds significantly rose in 2021, due to the high profitability of the cryptocurrency industry and an overall drastic increase in global venture investment. According to Crunchbase, the total global venture investment in 2021 was 643 billion USD, up from 335 billion USD in 2020, a 92% growth year-over-year (Teare, 2022).

The cryptocurrency industry is still in its infancy with high volatility, insufficient regulatory guidance, and overall high risk. Traditional venture capitalists are slowly but surely entering the crypto industry (e.g. a16z) (a16z, 2022); however, most are still on the sidelines. The cryptocurrency venture capital funds are relatively small and therefore, unable to create as much value as their traditional counterparties. Commonly, conventional venture capitals can create value through their network, expertise and branding. Traditional venture capitals generally want a spot on the board and other control mechanisms to prevent moral hazard and create company value. Most cryptocurrency venture capitals do not utilise such mechanisms and are misusing the term 'venture capital'. Commonly, these venture capitals are more close to a private equity fund, whereby the start-up receives funding and the fund does not provide any services or value. Furthermore, due to the extreme demand for financing within the cryptocurrency and the industry's infancy, cryptocurrency venture capitalists have a notorious reputation for unethical and financially damaging practices (e.g. aggressively selling tokens).

Initial Coin Offering

An ICO is a public fundraising method whereby cryptocurrency projects seek capital to create a new coin, product or service. ICOs allow investors to invest in a blockchain-based platform token (Sharma & Zhu, 2020). The investment in an ICO neither grants ownership nor voting rights in the company, as it is with a traditional Initial Product Offering (IPO). It is an investment in a blockchain-based product that is possibly appreciating in value in the future (Tiwari et al., 2019). The ease of execution, combined with the lack of a regulatory framework, oversight, and significantly lower issuance costs, brought up an alternative fundraising method (i.e. ICO) for financially constrained entrepreneurs (Preston, 2018).

Consequently, since 2013, the ICO industry has gained significant momentum and has attracted the attention of investors, academics, entrepreneurs, and regulators. The peak popularity of ICOs was in 2018 with 2,284 ICOs, with a total amount raised of 11.4 billion USD. In sharp contrast, there were only 5 ICOs in 2021, and only one of these is still actively developing (Icobench, n.d.). The downfall of ICOs has been caused by a wide array of issues such as reputational damage, regulatory crackdowns by market conduct authorities, and intuitive alternatives.

An ICO cannot be confused with equity crowdfunding. The two fundraising methods may seem identical but have a few significant differences. ICOs are generally being used by blockchain-based products, while crowdfunding has a much broader use case. Crowdfunding mechanisms are generally geographically constrained, whereas these restrictions do not bind ICOs. Last but not least, both mechanisms are bound to a different regulatory framework, and investors are exposed to different risks. Equity crowdfunders provide capital in exchange for a financial reward, while ICO participants buy a token. Additionally, ICO participants are not solely investors but also product users themselves. The excitement around cryptocurrencies and the fear of missing out (FOMO) has led to a surge in ICO investors. Ernst & Young (2018) estimated that around 4 billion USD was raised through ICOs in 2017. The lack of compliance due to a non-existent regulatory framework led to a wildfire of scams and frauds. It is estimated that at least 10% of the raised funds through ICOs in 2017 have been lost to fraud (EY, 2017). According to a research of Satis Group (2018), 78% of the ICOs were scams, which collectively raised over 1.3 billion USD. There are numerous cases of ICO fraud, whereby Pincoin and Ifan were the most significant scams, accounting for a total loss of 660 million USD.

On top of that, ICOs intentionally tended to make future outlooks seem more optimistic than they were. Research by Ernst & Young (2018) that analysed the top 2017 ICOs showed that 86% of the ICOs were below their listing price, resulting in 30% losing all value substantially in 2018. Additionally, only 29% had a working product or prototype a year later (EY, 2018).

The escalation of ICO frauds attracted market conduct authorities (i.e. SEC) to regulate the cryptocurrency industry further. The securities law of the US makes it mandatory for firms to disclose their financial information by registering their securities with the SEC to ensure transparency and allow the investor to make a rational decision based on all available financial data. However, most ICOs did not register their digital asset offering and were deemed unregistered securities by the SEC. In December 2020, the SEC charged Ripple, a popular cryptocurrency, and two of its executives for illegally raising more than 1.3 billion through an unregistered offering of digital asset securities (SEC, 2020). The SEC vs Ripple lawsuit is still ongoing as of June 2022. The SEC has increasingly prosecuted unregistered ICOs and is gradually building a regulatory framework to protect the retail investor.

The combination of reputation damage and increasing regulatory constraints pressured and led most cryptocurrency entrepreneurs away from ICOs to more regulated alternatives. Additionally, to prevent potential issues with crypto regulating countries, citizens of certain countries (e.g. U.S) are commonly not allowed to participate in any early cryptocurrency funding. Nowadays, most cryptocurrency projects either utilise an Initial Exchange Offering (IEO), Initial Decentralized Exchange Offering (IDO), or Initial Launchpad Offerings (ILO) to acquire capital. These fundraising methods will be highlighted in the upcoming paragraphs.

Initial Exchange Offering

An initial Exchange Offering (IEO) differs primarily from the typical ICO by the use of different token issuance methods. The IEO token issuance is mediated via a Centralised Exchange (CEX), whereas ICO sells tokens directly to investors. Similar to a traditional IPO, the exchange may vet the tokens. The CEX acts similarly to a crowdfunding platform, providing an investment opportunity while presenting the investor with sufficient information to make a rational decision. The first use of an IEO by a major CEX (Binance) was in January 2019. BitTorrent was the first IEO, raising 7.1 million USD in less than 18 minutes. Binance has launched 64 projects and raised approximately 131 million USD as of June 2022 (Binance, n.d.).

The IEO has a few benefits in comparison to the near counterpart ICO. Using an intermediary potentially decreases the perceived investor risk, assuming the due diligence of the CEX is par industry standards. Furthermore, credible CEXs Know Your Customer (KYC) and Anti Money Laundering (AML) perform measures on IEO investors, significantly decreasing regulatory risks. Consequently, IEOs create a protected investment ecosystem for retail investors by providing access to upcoming cryptocurrency projects on a vetted platform. As a result, IEOs are generally perceived as more credible, creating new listing opportunities through other cryptocurrency exchanges. However, this assumption is only valid if the intermediary is a trusted platform.

The asymmetric information increases, considering commonly investors are blindly trusting the vetting process of the CEX. Unfortunately, there are cases where CEXs are artificially increasing the price of IEOs while at the same time, selling tokens Over-The-Counter (OTC) at a much lower price. This leads to severe losses for retail investors, damaging the cryptocurrency industry.

Initial Decentralized Exchange Offering

The initial Decentralized Exchange Offering (IDO) is a cryptocurrency offering on a decentralised platform. A decentralised exchange (DEX) utilises a liquidity pool where traders can swap tokens, including stable coins. A DEX is a decentralised non-custodial solution whereby the user owns its private keys. The user solely needs a non-custodial wallet to interact with the DEX. The decentralised nature allows for some regulatory risks concerning Anti-Money Laundering (AML) and Know-Your-Customer (KYC). These measures are non-existent on DEXs. The user does not have to provide any personal information; therefore, they cannot be held responsible for any illegal activity on a DEX, making prosecution by market conduct entities more complex.

The IDO is generally perceived as more fair by users, considering how users tend to assume that IDOs have equal chances for all stakeholders. However, in reality, IDOs are not as fair as they seem to be. The main issue is that professional traders interact with the smart contract of the IDO instead of the front-end of the platform, which saves a few seconds of valuable time to execute specific trades. Thus, these traders can front-run the rest of the market and buy the token at the lowest price. Moreover, this brings instability to the market, whereby a small set of people has the majority of tokens, enabling them to manipulate a token's value. However, there are also a few benefits of an IDO in contrast to IEO. Any cryptocurrency project can list it on a DEX, and there are no required intermediaries, drastically lowering overhead costs.

Additionally, it is much faster than an IEO as there is no vetting process by a CEX. Thus, IDOs are more accessible for projects to raise capital, which can benefit the wider industry. Nevertheless, this flexibility can lead to 'rugpulls' (i.e. fraud), since no controlling authority prevents malicious intent. The term IDO and ILO are being used interchangeably, however in sake of accuracy, the research makes a distinction between the terms.

Initial Launchpad Offering

The Initial Launchpad Offering (ILO) is a cryptocurrency offering on a cryptocurrency fundraising platform, often referred to as a launchpad. The launchpad allows retail investors to invest in early-stage cryptocurrency projects. The ILO has similar characteristics to the IEO, whereby a centralised authority (i.e. the launchpad) performs due diligence to ensure that investors are protected against malicious actors. Therefore, the projects are vetted, and the probability of rugpulls for investors significantly decreases. Furthermore, most launchpads comply with local regulatory frameworks and AML and KYC regulations.

The compensation structure of launchpads for their services is commonly a percentage fee based on the raised capital in the native token of the client. Thus, a financial incentive for the launchpad is created to maximise its efforts. In general, the client of a launchpad pays for a package of services, one of which is marketing. These marketing efforts are vital for the probability of success, considering the saturation of the cryptocurrency market, which ultimately leads to an inefficient market. As it is relatively hard to stand out from the crowd, marketing significantly increases the probability of standing out.

Participating in an ILO involves a whitelisting process whereby every user is KYC'ed. Additionally, the user needs a certain number of launchpad tokens (e.g. DAO, GameFi) to participate in the ILO. Therefore, the investor has to invest in a volatile asset to participate and thus, is exposed to capital risk. The amount of risk depends on the performance of the native launchpad token; commonly, if the launchpad provides the investor with good ILO projects, the native launchpad token increases in value. Thus, the investors' capital risk depends on the launchpad's due diligence regarding their ILOs. This includes creating a social and financial incentive for the launchpad to attract the best ILOs.

Initial Marketing Offerings

KOLnet aims to revolutionise early-stage cryptocurrency investing through new and intuitive features that promote transparency, accessibility, and resource efficiency (Figure 2). The Initial Marketing Offering (IMO) is a resource-efficient alternative to the ILO through Proof of Marketing (PoM). The ingenious consensus method allows projects to track and validate the performance of Key Opinion Leaders (KOLs), who are paid based on their social performance; this will be further highlighted in the chapter "Proof of Marketing". KOLs are similar to influencers, but commonly they have a more targeted audience. The primary clients' advantage is the possibility of tracking marketing campaigns, ensuring cost-efficiency and budgeting. As highlighted earlier in this research, the importance of marketing is increasing due to a saturated market. There are currently over 70 cryptocurrency launchpads (Cryptorank, n.d.), and over 19,000 cryptocurrencies (CoinMarketCap, n.d.). Hence, standing out from the crowd is getting increasingly harder; furthermore, achieving it through marketing is more expensive. Thus, the provision of a resource-efficient marketing tool that provides all necessary data gives the client a competitive edge.

A common problem with other early-stage cryptocurrency fundraising methods is that they are either inaccessible, unfair, or involve extensive market knowledge. KOLnet aims to tackle these issues through an intuitive user experience with accessible user interfaces. The ecosystem aims to remain fair and transparent to pay KOLs per performance on a set of supported platforms. Thus, the client (i.e. project) pays for the efforts of the KOL, ensuring resource efficiency. Furthermore, KOLnet vets projects to ensure that the ones listed on the ecosystem are on par with industry standards, effectively decreasing the required knowledge for users to invest in promising projects. In the upcoming chapters, these subjects will be explained in more detail.

Figure 2 Cryptocurrency Fundraising Comparison

	ICO	IEO	ILO	IMO
Type of Token Sale	Initial Coin Offering (ICO)	Initial Exchange Offering (IEO)	Initial Launchpad Offering (ILO)	Initial Marketing Offering (IMO)
Where Sale Takes Place	Token Issuer's Website	Exchange Platform	Launchpad	Launchpad
Centralized VS Decentralized	Centralized	Centralized	Centralized	Centralized
KYC Required	Yes	Usually	Sometimes	Yes
Due Diligence	By Participant	By Exchange and Participant	By Launchpad and participant	By Launchpad, KOL and Participant
Unique selling point	Fully decentralized	Direct listing on centralized exchange	Direct listing on a DEX/CEX	Cost efficient marketing
Popularity	Highest in 2017	Highest in 2018-19	Highest in 2020-22	To be discovered

Accessibility

An intuitive user experience is crucial for the adoption of applications; commonly, end-users prefer applications that are easier to use. The perceived ease of the user experience is defined as the degree to which an individual can confidently and effortlessly use a system or application (Davis, 1989). Consequently, if users perceive technology as effortless and easy-to-navigate, they would also perceive it as applicable (Bhatiasevi & Yoopecth, 2015; Kim, 2014). So, if the technology gets easier to use, its adoption by users will increase accordingly (Chen & Aklidikou, 2020). This conclusion is further strengthened by recent studies showing a positive correlation between perceived usefulness and usage (Chen & Aklidikou, 2020; Lu et al., 2019; Wang et al., 2020).

The cryptocurrency industry still has significant accessibility issues since cryptocurrencies are perceived as highly complex (Elsden et al., 2018; Eskandari et al., 2015) and have a high entry barrier for people with less technical knowledge (Glomann et al., 2020). Commonly, non-crypto investors will not utilise cryptocurrencies without correctly understanding how the technology works (Gao et al., 2016). Therefore, to overcome these issues, blockchain-based products' user interface must be easy to navigate and should focus on people who are not highly technically skilled (Froehlich et al., 2021). Additionally, the platform must be transparent, allowing users to make rational decisions based on all the available information. Unfortunately, crypto networks are still complicated and opaque, thus, scaring away potential users.

KOLNet aims to be an inclusive platform with multiple beneficiaries (e.g. KOL holders, projects, KOLs). The platform tries to achieve this through an intuitive user experience with straightforward user interfaces. Additionally, the platform is available on multiple devices, allowing users to utilise it wherever and whenever they want. Furthermore, the ecosystem provides powerful analytics to its clients (i.e. projects), such as: how much of the presale pool is filled, how the marketing campaign is progressing, and how many potential investors have been reached. KOLs can easily find projects through the search option and obtain all the required data to make a rational decision (e.g. reward structures, marketing requirements). The ecosystem utilises a self-governing consensus method, Proof of Marketing, to track, validate and settle marketing efforts. Last but not least, investors (i.e. stakers) earn rewards from the shared pool of presale tokens by staking their KOLNet tokens.

Proof of Marketing

Firms often use endorsement of KOLs, who utilise large numbers of followers and have compelling power in both social media coverage and consumer persuasion (Casaló et al., 2018; Freberg et al., 2011). Unfortunately, the power of KOLs is often being misused to promote malicious products. This leads to distrust in the long term, lowering the consumer trust and therefore, the probability of purchase (Baker & Rojek, 2021). Trust is critical when adopting a service (Choi et al., 2019). Consumers, looking daily at social media posts, commonly depend on the authenticity of KOLs (Audrezet et al., 2019).

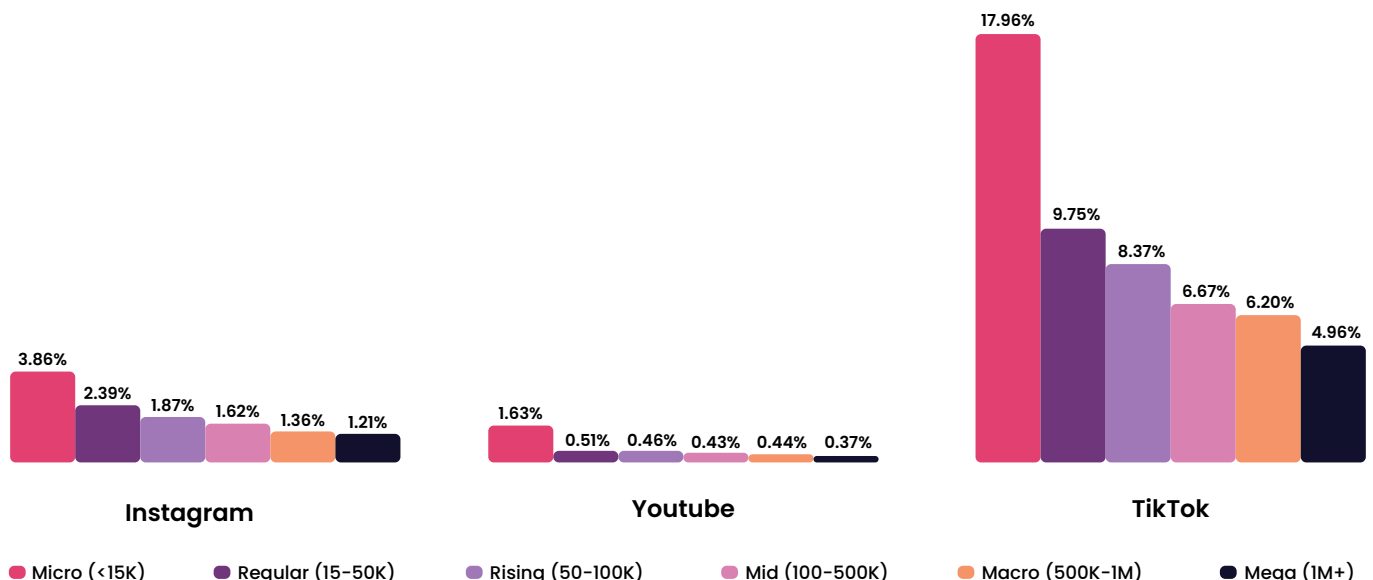
Moreover, consumers believe that a KOL is a third party that endorses a marketing message (Freberg et al., 2011). However, in reality, KOLs do not often disclose partnerships or stage paid sponsorships or fake credentials (e.g. social reach). Influencers can artificially enhance their following by buying followers, likes, and retweets. So, having a significant number of followers does not automatically lead to the perception of KOL as an opinion leader (De Veirman et al., 2017). Thus, audience size is not an accurate measure to estimate public influence and reach (Segev et al., 2018). This means that a combination of social and behavioural data has to be used to estimate the reach and public influence of a KOL.

The PoM consensus method allows for a transparent and fair process, creating value for all stakeholders. KOLnet utilises social media data of KOLs, gained through web2 API connections from various social media channels (i.e. Tiktok, YouTube, Instagram, Twitter, Facebook), to construct a benchmark. Additionally, public on-chain behavioural data is utilised to understand the asset management behaviour of a KOL. The combined social and behavioural information is used to create a KOL's ranking system; based on an awarded rank, the KOL can access a certain amount of presale allocation. The ranking system is a dynamic mechanism continually being updated with new data. Thus, engaging KOLs are put higher on the leaderboards and receive more rewards. So, there is a financial and social incentive for KOLs to improve their performance and increase their rank on the leaderboards. However, a few risks are involved with the leaderboard approach, which will be highlighted in the "Risk" chapter.

The ranking system tackles an industry-wide problem whereby social media accounts are using methods to artificially increase their followers in order to attract the interest of potential projects. The issue is that by artificially increasing followers, KOL's social engagement temporarily increases but by a non-targeted audience. Cryptocurrency projects that intend to improve their social reach wish to acquire an audience through like-minded KOLs (i.e. Cryptotwitter). KOLnet aims to tackle this issue by getting all required social data to understand the audience and public reach of a KOL. The ecosystem prefers engaging audiences over the number of followers, allowing micro KOLs (e.g. KOLs with <10,000 followers) to participate in IMOs.

Moreover, recent studies have shown that micro KOLs commonly have the highest engagement rates with their audiences (figure 3) (Lashbrook, 2021). The relationship with the micro KOL and their audience is more personal, allowing them to have more persuasion power. Consequently, Micro KOLs have a higher engagement rate and are therefore valuable. The niche audiences and personal connections of these micro KOLS allow for a narrow target audience and consequently, a more cost-efficient marketing campaign.

Figure 3 Influencer Post Engagement Rates



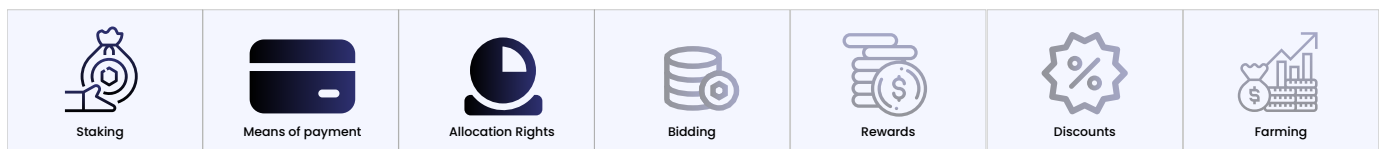
TOKEN OVERVIEW

KOLnet Token

The KOLNET token is the native utility token of the KOLnet ecosystem. The total supply is 1,000,000,000 tokens, with an initial circulating supply of 22,450,000 tokens (figure 1 in the appendix). The initial market capitalisation of KOL is 269,400 USD. The token is funded through a seed sale, private sale, strategic sale, and an ILO (figure 2 in the appendix). The ILO will be offered on Gamestarter, Thorstarter, and Infinity Pad.

The native token is initially solely available on Polygon but will be multi-chain at a later stage. The ecosystem aims to expand to more EVM-compliant chains (e.g. BNB smart chain, Polkadot, Ethereum), allowing KOLnet to create IMOs for projects that are planning to launch on these blockchain networks. The current utility of the native token is Staking, Means of payment, and Allocation rights. The ecosystem intends to expand its token utility with: Bidding, Rewards, Discounts, and Farming (Figure 4).

Figure 4 Native Token Utility



Staking

Staking is a prevalent cryptocurrency mechanism, and initially, it was mainly used by Proof of Stake ecosystems. By staking your assets on a POS chain, you become a validator, provided that your stake (i.e. the number of tokens) is deemed sufficient by the ecosystem (Li et al., 2017). However, most cryptocurrency projects nowadays use staking as a marketing tool to artificially increase the Total Value Locked (TVL) of an ecosystem. Consequently, token inflation rises through the given staking rewards and therefore, the selling pressure on the native token increases. KOLnet recognises this issue and utilises staking to provide investors with non-native presale tokens. The token holder can stake his KOLNET tokens and earn rewards from the shared pool of non-native presale tokens received by KOLnet as service fees. Thus, anyone can start earning through the KOL staking program. Additionally, this potentially creates buy-pressure by investors; if a presale token performs well, it creates a financial incentive to acquire more KOLNET tokens and a more significant presale allocation for future projects. Furthermore, by providing presale tokens instead of native tokens, there is no increased sell pressure by investors (i.e. stakers), thus potentially lowering downside volatility.

Allocation Rights

KOLnet incentivises KOLs and clients (i.e. cryptocurrency projects) to hold their native token through an intuitive allocation program. The token holders, will get early access to fill pools of high-demand projects in exchange for marketing efforts. Projects holding KOLnet tokens will get access to advanced features involving analytics on performance marketing, which enables them to optimise their marketing campaign. This creates financial incentives for involved stakeholders to acquire and hold the native token and helps to generate organic demand, increasing buying pressure in the long run for new and established incoming stakeholders.

TEAM OVERVIEW

Executive
Summary

Product Dive

Token
OverviewTeam
OverviewIndustry
AnalysisCompetition
AnalysisGo-to-Market
StrategyMarket
Opportunity

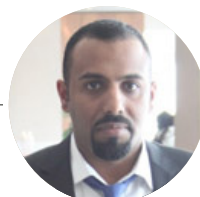
Risk

Team Overview

The KOLnet teams consist of diverse individuals with broad cryptography and data analytics expertise. The team currently consists of 11 people. It has an operational team led by Ryan Deen and Atif Tab and consists of 4 team members (Figure 5). The operational team has a vast background with previous work experiences at multinationals such as HP, O2, Microsoft, and CGI. The tech experience of the team is vital for revolutionising an existing tech industry. KOLnet aims to change the cryptocurrency fundraising industry through its IMOs and PoMs. The operational team will further expand based on service demand and market conditions.

Sami leads the blockchain team of 7 developers with an impressive background and previous work experiences at Orion Protocol and Block Zero labs, and notably David Atkinson, the commercial director of Holochain as technical advisor. The blockchain team will expand based on the demand for new features and the maintenance of existing features.

Figure 5 Team Overview



Ryan Deen

Co-Founder

- Former System Integration Consultant at HP, O2
- 10+ years' of experience in consulting technology companies



Atif Tab

Co-founder

- 15+ years' of experience in building start-ups



Abdul Sami J

Blockchain tech lead

- Former Blockchain Engineer at Blockzero Labs
- 3+ years' of experience as a blockchain developer



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- Current Commercial Director at Holochain
- 5+ years' of experience as a Commercial director

INDUSTRY ANALYSIS

Industry Analysis

Innovative start-ups play a significant role within the global market for human capital; however, they are often limited in their growth potential due to restricted access to the capital market (Wilson 2015). Commonly, young start-ups are relatively financially constrained, in comparison with large firms, due to a weaker track record on which financial institutions can base their decisions (Hall 2009). Furthermore, start-ups commonly do not have a considerable amount of tangible assets, making it hard to access traditional funding through banks or other financial institutions. An increase in the interest rate by the bank to compensate for the risk could lead to credit imperfections since it may create the incentive for disproportionate risk-taking by the counterparty (i.e. start-up) (Stiglitz et al., 1981). Therefore, start-ups must rely on innovative traditional funding alternatives (e.g. crowdfunding, private equity, venture capital, angel finance). However, as highlighted earlier in this study, blockchain-based options are available to fund start-ups through token issuance (e.g. ICO, IEO, IDO). These token issuance fundraising methods have different characteristics and may have advantages and disadvantages. ICOs are not commonly used anymore, and the market has shifted to IEOs and ILOs. The differences in features and benefits are well covered in the research papers; however, the growth perspective of the two most common blockchain-based fundraising methods (i.e. IEO and ILO) has not been highlighted yet. The growth of these fundraising methods will be measured by benchmarking the top 10 platforms. The platforms have been selected through a combination of the variables; all-time high and current return of the last ten performed fundraising events (i.e. IEO, ILO).

Figure 6 ILO Projects Comparison

Name	Dao Maker	BSCPpad	Infinity pad	Red Kite	GameFi	Paid Network	Seedify	PolkaStarter	Trustpad	Avalaunch	Volatility	Median	Average
Current Performance	12,214	5,14	2,547	1,743	1,714444444	1,627	1,467	1,189	1,04	0,997	3,46848534	1,67072222	2,967844
ATH Performance	21,525	11,941	11,87	7,493	7,988888889	3,233	5,469	4,95	4,074	3,883	5,61642546	6,481	8,242689
Delta (ATH-Current)	9,311	6,801	9,323	5,75	6,274444444	1,606	4,002	3,761	3,034	2,886	2,67358432	4,876	5,274844

Source: Coingecko | Data Extracted in May

The current performance of ILO launchpads (figure 6) is, on average, significantly worse than IEO pads (figure 7). Additionally, IEOs have, on average, higher ATH performance. However, the volatility of the average performance of IEO pads is significantly higher than their counterparts' ILO pads. The high volatility is due to Binance being an outlier, increasing the overall performance spread. Thus, the overall performance of IEOs is better than ILOs based on the top 10 platforms. However, what is not taken into account yet are external factors that could influence the performance of a project.

In 2021, DAO Maker, the most successful ILO pad by performance, launched 75 SHOs (i.e. ILOs) and managed to raise over 24 million USD. Binance Launchpad, the most successful IEO pad by performance, launched 64 projects and managed to raise over 129.9 million USD from 2018 to 2022. ILO pads commonly launch more projects than CEXs (i.e. IEO launchpads), which could lead to skewed returns. In 2022, there were 53 IEOs launched by Binance (3), Huobi (11), ByBit (3), and Gate.io (35). As stated, the latest ten fundraising events have been selected, meaning that 60% of the selected IEO launchpads didn't launch any project this year, and solely 26% of the total sample size was launched this year. In contrast to the selected ILO launchpads, they have launched 95% of the sample size in 2022. Thus, the timeframe of both sample sizes is significantly different, making it more complex to compare. Especially considering the extremely high positive altcoin/bitcoin correlation, meaning that if Bitcoin loses value, the rest of the cryptocurrency market follows. The cryptocurrency market has been losing market cap for most of 2022, while the market conditions were significantly better in 2021 (CoinGecko, n.d.).

Figure 7 IEO Projects Comparison

Name	Binance	Huobi	BitForex	FTX	Kucoin	Bybit	Ascendex	Bitmart	Bittrex	Gate.io	Volatility	Median	Average
Current Performance	38,04	8,4	7,81	3,58	3,53	3,35	2,65	1,98	1,74	0,53	11,1382708	3,44	7,161
ATH Performance	76,55	14,65	24,96	75,21	67,24	17,38	33,84	19,6	11,19	4,73	27,7440385	22,28	34,535
Delta (ATH-Current)	38,51	6,25	17,15	71,63	63,71	14,03	31,19	17,62	9,45	4,2	23,8041342	17,385	27,374

Source: Coingecko | Data Extracted in May

In November 2021, Bitcoin hit a new ATH of approximately 69,000 USD. The market was bullish; overall, IDOs performed better than in May 2022. In comparison, 71% of the ten best-ever performing projects of the selected platforms were launched in 2021. The assumption can be made that projects launched in a favourable market are more successful in the long term, despite the fundraising method. The reasoning is that if a project launches in a promising market, the cost of capital is lower and, therefore, more accessible. Thus, projects can accelerate faster while at a lower cost of capital. Thus, the previous comparison is invalid and has significant data bias. To take the bias into account, the top 10 best-performing projects of 2021 of the selected ILO pad will be considered instead.

In 2021, ILO pads performed exceptionally better than in 2022, outperforming IEOs with a significant margin of 21.9% (figure 8). However, the volatility went up, and it is also worth noting that the ranking sequence of ILO pads differs. The reason for the increased volatility is the higher spread in performance. This is partly caused by the quality delta between launchpad services and due diligence processes. Additionally, it could have been caused by external factors (e.g. market forces, regulatory forces). The assumption can be made that the selected ILO pads are, on average, performing better than IEOs in certain market conditions.

Figure 8 Adjusted ILO Projects Comparison

Name	Dao Maker	Red Kite	Polkastarter	Seedify	Trustpad	BSCPpad	GameFi	Paid Network	Avalaunch	Infinity pad	Volatility	Median	Average
Current Performance	19,746	11,529	10,666	8,977	7,971	7,411	7,331111	7,154	4,586	1,93	4,75119875	7,691	8,730111
ATH Performance	147,514	143,345	151,826	115,169	100,581	165,764	171,1211	95,799	55,259	11,604	51,3797455	129,257	115,7782
Delta (ATH-Current)	127,768	131,816	140,96	106,192	92,61	158,353	163,79	88,645	50,673	9,674	48,59395141	116,981	107,0481

Source: Coingecko | Data Extracted in May

Fundraising Industry Forecast

The cryptocurrency industry is getting increasingly widespread, with more traditional companies entering the market (e.g. PayPal, Cash App, JP Morgan). The accessibility to cryptocurrency exposure is improving through ETFs, fiat on/off ramps, and accelerated KYC procedures. Hence, it is easier to deploy traditional capital into the cryptocurrency industry. Thus, the overall amount of money flowing into the sector is increasing; therefore, the cost of capital is decreasing. Consequently, more projects get funded because the capital is widely accessible, leading to a higher intensity of rivalry. The increase in the number of projects and the resulting competition leads to market saturation, whereby a large portion of projects will eventually fade due to changes in market dynamics. As a result, the average return of projects decreases and normalises with fewer outliers (i.e. 100x return). Entrepreneurs will find innovative ways to fundraise with admirable benefits, and the cycle is renewed. This particular phenomenon has been observed with ICOs, IEOs and IDOs.

IMOs are a new innovative way to combine fundraising and marketing while decreasing information asymmetry and overhead costs. Additionally, it might reduce the cost of capital if the IMOs are significantly more efficient than other blockchain-based alternatives. In the short term, the higher average performance of IMOs could lead to a lower cost of capital; however, assuming the market is efficient, this should only be temporary. Considering that competitors will quickly arise if the average performance is higher than the market. In the long term, the increased efficiency and first mover advantage could lead to a competitive edge over direct competitors, whereby KOLnet could lead an innovative rally. However, the first mover advantage could be temporary if KOLnet does not protect its IP through entry barriers.

Value Drivers

Commonly, cryptocurrency projects are constantly searching for the lowest possible cost of capital. The lower the cost of capital, the lower the required return to justify a specific opportunity. Therefore, companies need to have the lowest possible cost of capital to maximise value. In the current cryptocurrency industry, the cost of capital is meagre and due to that, capital is very accessible. However, this could change due to macroeconomic decisions (e.g. interest hikes). This means that the interest on loans increases, consequently increasing market risk, and therefore the cost of the Weighted Average Cost of Capital (WACC) also increases.

KOLnet might decrease the cost of capital, as stated in the previous chapter, in the short and long term through a clear efficiency edge over direct competitors. Thus, attracting a comprehensive set of clients and KOLs, and funding the projects efficiently.

COMPETITION

Threat For New Entrants

Fundraising is the backbone of the cryptocurrency industry; it allows innovative projects to flourish and accelerate. Liquidity is one of the cornerstones of fundraising, enabling new and established projects to have broad access to capital. However, regulatory forces make it more complex for projects to raise capital as non-registered security. As highlighted earlier, the market conduct authorities are more aggressively prosecuting cryptocurrencies that do fail to register as security. Governments are also tightening the law surrounding cryptocurrencies (European Parliament, 2022). The issue is that the current legal framework for most countries is insufficient for cryptocurrencies due to the unique characteristics of the financial asset. Therefore, a new regulatory framework must be made, which is time-consuming. Hence, most projects operate in an often referred to as a 'grey area', where regulatory clarity is lacking.

Consequently, this setting makes it more challenging for new entrants to join the industry. Furthermore, artificial consumer brand loyalty, created by ILO pads, should be considered. Launchpads tend to lock investors in through artificial brand building. To get access to presale allocations, users commonly have to stake a number of native tokens (e.g. GAFI on GameFi, DAO on DAO Maker). Thus, a portion of the investors' funds are locked in and cannot be utilised for other launchpads, increasing the entry barriers for new entrants.

There exist several barriers that the new entrants must face, such as the regulation rigour and the process of establishing customer brand loyalty. These are not negligible; therefore, the assumption can be made that the threat from the new entrants is moderate.

Rivalry Among Existing Competitors

The current ILO landscape is relatively inefficient, whereby 36 of 65 launchpads have negative returns in May of 2022, meaning that, on average, investors lose capital on their ILO investments. Furthermore, the ILOs native tokens decrease in value accordingly due to the decrease in the value proposition. Secondly, the ILO landscape is relatively competitive because of high-profit margins and high demand for projects to launch. The competitors are similar in size, leading to a low degree of concentration within the industry, prolonged competition, and innovation usage as a unique selling point. Thus, rivalry among competitors rises, which might lead to product differentiation. However, there is a clear quality difference between competitors. For instance, the difference is apparent regarding the consistent performance of the selected ILO launchpads (Figure 6). To further strengthen the high rivalry conclusion, a launchpad can perfectly co-exist with other products (e.g. DeFi products, CEX, DEX), allowing existing cryptocurrency platforms to diversify the risk, create synergy, and lower their entry barriers which consequently increase the competition.

The existence of many similar-sized projects and the low cost of integration are the pivotal drivers of the competitive environment in the industry. Thus, it might be assumed that the perceived risk from the existing competitors is moderate to high.

Bargaining Powers Of Suppliers

The fundraising industry has a unique mix of characteristics, leading to the moderate bargaining power of suppliers (i.e. projects). However, the amount of power depends on the perceived quality of the project. Commonly, if a project is perceived as valuable and potentially profitable, it has a wide choice of launchpads. However, as highlighted in the previous chapter, more than 50% of the launchpads are not profitable for retail investors and therefore, not as attractive to these projects. Hence, both parties, namely fundraisers and projects, equally depend on each other and cannot exist without each other. Projects tend to utilise numerous launchpads to lower the dependency and benefit from the additional marketing services. However, an argument may be raised that projects do not necessarily rely on launchpads, considering they can utilise other fundraising methods. Although this is a valid argument, in theory, the cryptocurrency market is abnormally sensitive to marketing. As stated earlier, it is getting harder to stand out from the crowd from the project perspective due to the existing oversaturation in the industry. Therefore, utilising a launchpad allows projects to benefit from marketing endeavours and increase the probability of long-term success.

There is a mutually beneficial relationship between launchpads and projects. This may indicate that the suppliers' bargaining power is present. Thus, it might be assumed that the risk originating from the suppliers is moderate.

The existence of many similar-sized projects and the low cost of integration are the pivotal drivers of the competitive environment in the industry. Thus, it might be assumed that the perceived risk from the existing competitors is moderate to high.

Bargaining Powers of Buyers

The consumer has a wide choice of launchpads and has access to substitutes such as IEOs. Although the user has a broad array of options, the user's financial resources are commonly restricted. As stated earlier in this research, launchpads attempt to lock in consumers through a long-term staking program. They are required to hold a certain number of native launchpad tokens to have an opportunity to win a presale allocation. Thus, the switching costs for the consumer are high.

The launchpad lottery system, a commonly used mechanism to determine winners, gives users a limited allocation size, while most of these ILOs are oversubscribed. Therefore, the number of ILO tickets linearly scales with the number of tokens; thus, an investor with more tokens has a higher probability of winning a presale allocation. Consequently, investors with more resources have a higher winning chance, favouring wealthy investors.

The inefficiency of the ILO landscape is partly caused by non-transparency. The problem is asymmetric information within the pool of involved parties, meaning that parties do not have access to the same information flow (Akerlof 1970). A particular set of actors can leverage their position to capitalise and decrease their risk while increasing the counterparty's risk. Consequently, the retail investor is at a significant disadvantage compared to early funders (e.g. venture capitals). The retail investor acquires the asset later, meaning it pays a premium for each token. It is also expected that early-stage investors have a better understanding of a project than retail investors due to the diligence processes of early-stage investors.

The lock-in system limits the bargaining power of consumers; thus, it might be assumed that the risk coming from buyers is low.

Threat of Substitute Products

The number of new launching projects keeps increasing. In turn, the number of launchpads increases accordingly. However, launchpads are not the only platform to raise capital. As already mentioned, alternatives to ILO (e.g. IEO, IDO, ICO) exist; however, these are usually less resource efficient, making these fundraising methods inferior to the IMO. The primary advantage of the IMO is cost-efficient marketing, whereby clients can significantly gain a competitive edge and create long-term value.

The argument can be made that IEOs provide marketing services, combined with a credible reputation through marketing efforts. However, IEOs on reputable platforms (e.g. Binance) can be a considerable cost for cryptocurrency projects. Furthermore, Binance is exceptionally selective for its IEO making the onboarding process challenging and in most cases, unfruitful. Launchpads generally launch and incubate more projects than CEXs. The service fees of launchpads are commonly lower than CEXs, and therefore are more accessible for start-ups. However, the difference in the quality of launchpads is significant, so projects must be more careful.

Thus, it might be assumed that the perceived risk coming from the substitutes is medium-to-low. The switching costs from ILO to IDO are low, but if a project decides to utilise the more credible IEO, this will be costly. However, if a project chooses to raise funds through IDO, it will predominantly expose itself to regulatory risk.

GO-TO-MARKET STRATEGY

Marketing Strategy

The KOLnet marketing strategy utilises three cornerstones; Extensive Community building, wide usage of Micro KOLs, and brand building. The ecosystem recognises the value of creating a tight community through social events (e.g. AMAs, Twitter Spaces). Additionally, KOLnet encourages the community to provide input through financial incentives (e.g. giveaways). Moreover, to strengthen the community, the KOLnet ecosystem hosts voice chat sessions on Telegram to give the community a voice within the project and to spread the word about the project's progress. According to research by Wallace (2004), loyalty towards a particular retailer or entity is of pivotal interest because high customer acquisition costs are challenging to regain without commitment and recurring customer engagement (Wallace, Giese, & Johnson, 2004). Thus, building a community by engaging with investors to renew their interest in a project is vital for a cost-efficient marketing strategy.

The second pillar of the marketing strategy is Micro KOLs. As stated earlier in this research, Micro KOLs are KOLs with a follower count of less than 10,000 on any social media platform. The main advantage of Micro KOLs is that the audiences are commonly relatively niche. Therefore, differential value can be created considering almost no cryptocurrency projects are using Micro KOLs in their marketing strategy. In general, cryptocurrency projects utilise Macro KOLs, particularly a KOL with an audience of 100K or more, to increase social exposure. Micro KOLs have a few advantages in comparison with Macro KOLs.

The relationship between the Micro KOL and their audience is more personal, and commonly, Micro KOLs are more selective about potential endorsement due to the emotional connection with their audience. Furthermore, they are generally more cost-efficient due to higher engagement rates compared to their counterparts Macro KOLs. The cost-efficiency is an essential aspect of any marketing campaign, and the cryptocurrency market is increasingly competitive. Therefore, utilising untapped marketing sources is a considerable advantage and will significantly decrease costs and increase resource efficiency. Currently, KOLnet managed to onboard over 200 Micro KOLs with a total following of 35 million followers.

Strategic Partners

The significance of strategic partners in a fast-shifting and volatile industry is crucial for creating network effects and long-term value. The KOLnet ecosystem has onboarded a few vital partners that will support the development and growth of the ecosystem. The primary benefit of onboarding significant ecosystem partners is the creation of long-term network effects and value through the partner's network and expertise to enhance the product of KOLnet (figure 3 in the appendix).

The public launch of the ecosystem will happen on three different platforms, Infinity Pad, GameStarter, and ThorStarter. These launchpads have previously launched other significant projects such as Calo, Project SEED, and more. The IDO of KOLnet is aiming to raise 400,000 USD through these three launchpads.

The ecosystem is backed by prominent incubators and venture capitals such as NGC, GBIC, and HG ventures. NGC ventures have previously invested in major projects (e.g. Solana, Elrond, Polkastarter) and have vast expertise in developing projects.

The KOLnet ecosystem has multiple partners that create value through their products, network, and digital presence. Lossless is a blockchain cyber security project that freezes fraudulent transactions under objective fraud identification parameters and returns stolen funds to the rightful owner.

Digital Presence

The digital presence of KOLnet has been stagnant over the last few weeks. The number of Twitter followers increased slightly in the previous week to 17,600 (figure 9), while the Telegram grew to 8,000 followers (figure 10). The current uptick in the growth of the digital presence is caused by the marketing efforts of KOLnet. The team has been attending numerous Ask me Anything (AMA) events to introduce the ecosystem to new audiences. Additionally, it is expected that the size of the community will significantly increase if the first IMO launches, considering this allows KOLs and Stakers to benefit from their KOLnet tokens.

The IMOs enable KOLnet to onboard more KOLs, and therefore ramp up the marketing efforts for the ecosystem and IMO clients. Thus, communities will be introduced to the KOLnet ecosystem and its favourable characteristics. Eventually, this might convince potential investors to be part of the ecosystem.

Figure 9 Digital Presence: Twitter

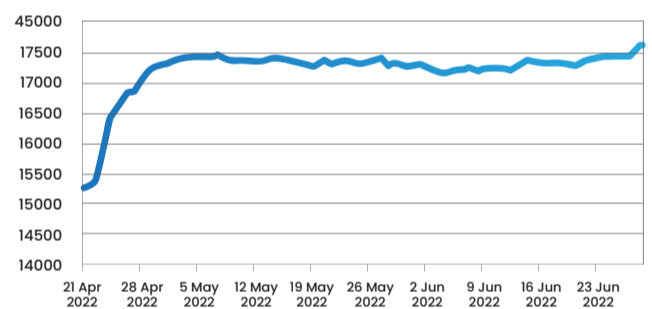
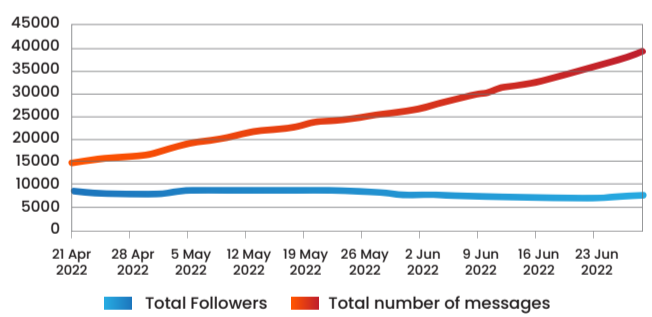


Figure 10 Digital Presence: Telegram

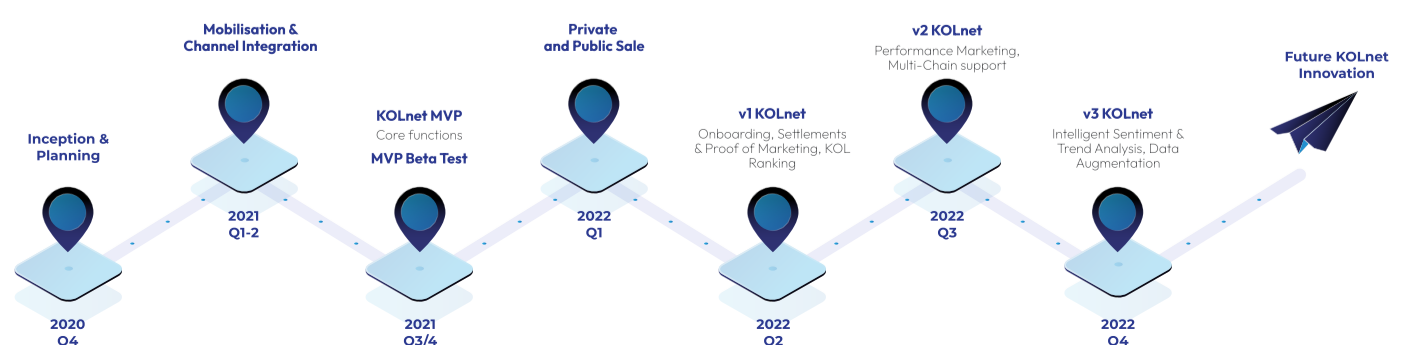


Roadmap Analysis

The roadmap of KOLnet is extensive and provides milestones up to Q4 of 2022 (figure 11). The inception of the ecosystem was in Q4 2020, meaning that the team is already working for over 18 months on the project. The Minimal Viable Product (MVP) was available in Q3/Q4 of 2021, implying that the product went through multiple beta and alpha stages. The product's first version will be released in Q2, presumably when the project goes live. In the upcoming quarters, KOLnet will further tweak and develop the product to allow users and projects to gain more data insights. It is crucial that users can track the performance of the marketing campaigns in a transparent, accessible, and accurate way. Thus, the KOLnet team will add more features to the track system (e.g. AI). Furthermore, in Q3, Multi-Chain support will be added, enabling more users to utilise the product by improving the product accessibility.

The KOLnet roadmap is overall reasonable for its team size; the milestones are well-defined and are not over-ambitious. The investors are provided with a good understanding of the near future and can balance their portfolios accordingly.

Figure 11 Roadmap of KOLnet



MARKET OPPORTUNITY

Resource-efficient Marketing

The cryptocurrency industry is getting more saturated and specific profitable industries are gaining abnormal traction. Therefore, projects are getting harder to stand out from the crowd. The influx of new projects makes it hard for investors to identify promising projects. Eventually, the market turns inefficient due to the information asymmetry between the investor and the market, making it harder for investors to make rational investment decisions.

The efficient hypothesis of FAMA highlights that a financial market is, in theory, efficient if all public and non-public information is instantaneously incorporated into the asset price (Fama, 1970). However, financial markets are commonly not efficient due to information asymmetry between stakeholders and parties. In the case of the cryptocurrency industry, asset pricing often depends on the project's overall digital traction, making the market extremely vulnerable to malicious intent. There are numerous cases whereby projects used extensive marketing efforts to attract investors, to deceive them later by pulling market liquidity (IEEE, 2021).

The dependency on marketing and the feeling of Fear-Of-Missing-Out (FOMO) pushes most projects into cost-inefficient marketing campaigns. In most cases, Macro KOLs are extensively used to promote cryptocurrency projects, and Micro KOLs are commonly neglected due to their size. However, when entities utilise similar marketing strategies, the effectiveness of these strategies significantly decreases. This means that the margin of effectivity lowers, and therefore the cost-efficiency lowers accordingly.

Additionally, there is a significant risk of information asymmetry. KOLs can artificially increase their followers to enhance their digital appearance and deceive the counterparty. This practice is relatively common on social media, making it increasingly harder for projects to partner with genuine KOLs. As stated earlier in this research, having a significant number of followers does not necessarily equalise a high digital reach. Eventually, this will lead to a lemon market whereby most genuine projects are unwilling to utilise KOLs anymore due to a low conversion rate and hence low cost-efficiency rate.

KOLnet can revolutionise how marketing campaigns are being executed by projects while also having a significant influence on user perception. The cost efficiency of most cryptocurrency marketing campaigns is low, drastically increasing overhead costs and decreasing liquid capital. KOLnet aims to improve resource efficiency through a tailored marketing campaign that utilises niche target audiences, which micro-KOLs have at their disposal. The ecosystem has partnered up with over 200 Micro KOLs, with a total following of over 35 million followers.

Focus on Expertise

Start-up teams are commonly relatively small and scale accordingly to demand. Typical cryptocurrency teams primarily consist of developers, who generally do not have sufficient knowledge about marketing campaigns, let alone resource-efficient marketing campaigns. A standard marketing approach is a 4P strategy, whereby the Product, Price, Promotion, and Place are highlighted. The 4P method, often referred to as the marketing mix, is a conceptual framework and provides a set of tools that helps manage to design a product or service that meets consumers' demands (Goi, 2009). The first and most essential component is Product. The product life cycle, branding, and product control contribute to a marketing strategy. Another component influencing marketing decisions is the Price, whereby contributing factors such as competition and company goals should be considered. The planning and executing of a marketing plan is resource-consuming and could significantly hinder the development of a protocol.

The IMO allows developers to focus on their expertise, while KOLnet will handle all the marketing processes, allowing for resource-efficient marketing campaigns. Considering the sizes of newly established cryptocurrency projects, this could lead to a significant competitive edge and long-term value creation. The PoM consensus method enables projects to track and assess the performance of individual KOLs, allowing for flexible budgeting and a competitive environment. The flexibility in budgeting is crucial, considering that the cryptocurrency industry is highly volatile. Therefore, it is essential that cryptocurrency projects can tighten or widen marketing budgets to mutate the cash position accordingly.

RISKS

Competitive Market

The cryptocurrency industry is getting more competitive, as highlighted earlier in this research. This has a few implications on cryptocurrency projects' and stakeholders' profitability and survivability. The increase in competition will decrease the profit margins for all involved entities, considering that a cost leadership strategy is commonly used to attract new customers. This will lead to a negative spiral, whereby competitors will decrease prices until they are close to the cost price. This assumption relies on the argument that all competitors provide the same or similar service, making it hard for consumers or clients to differentiate. In the case of KOLnet, the argument could be made that they are differentiating through an innovative product, substantially different from the current products on the market. While that is true, commonly, projects tend to imitate successful products, whereby differentiation is just a temporarily unique selling point.

The argument can be made that KOLnet has a first mover advantage and therefore has a competitive edge. While this is true, a first mover advantage in cryptocurrency is not as significant as for traditional companies. Products and Intellectual Properties (IPs) are not being well-protected in the cryptocurrency industry. Therefore, a first mover advantage is commonly a short-term benefit and cannot be considered long-term sustainable leverage.

The KOLnet ecosystem can further differentiate itself from its competition by increasing the entry barriers for direct competitors. This could be achieved by establishing exclusivity rights on involved KOLs. Consequently, developing a partner system whereby KOLs can turn into KOLnet partners and get certain financial and social benefits. Furthermore, KOLnet could increase the lock-in costs to prevent KOLs and users from changing platforms.

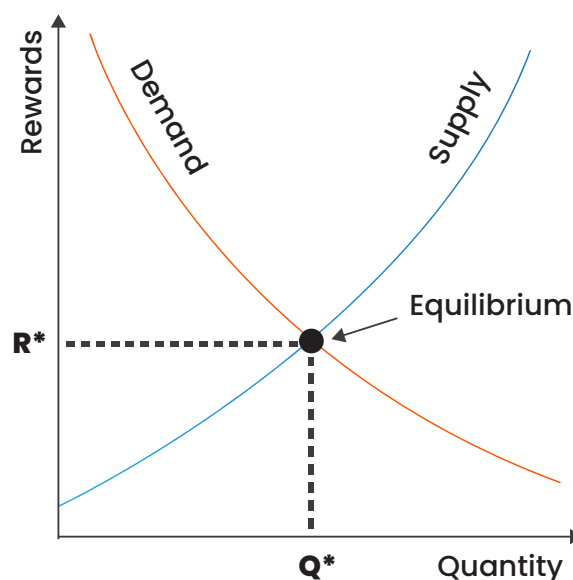
Information Asymmetry

The KOLnet ecosystem utilises a ranking system based on social and behavioural data to determine the reward of a KOL. The exact outline of the ranking system is unclear to prevent exploitation by malicious actors. However, this increases the information asymmetry between stakeholders and could lead to a lemon market. The pool of presale allocation is a fixed number, while the amount for each KOL is a variable number; so, if the pool of KOLs increases, the amount of allocation for each KOL slightly decreases. In a market without information asymmetry, eventually, an equilibrium will be achieved whereby the demand is equal to the supply (Figure 12). However, considering the unclarity surrounding the establishment of ranking and the allocation amount, the KOL is missing crucial information to develop a rational decision. This could lead to productive KOLs leaving the ecosystem while unfruitful KOLs (e.g. lemons) stay to extract the rewards. Eventually, this will erode the IMO fundraising mechanism and the ecosystem.

The information asymmetry issue is a relatively complex issue to solve. It is a double-edged sword, whereby if KOLnet provides a great deal of information, it could lead to exploitation. Therefore, the KOLnet ecosystem should allocate resources to educate onboarding KOLs to lower information asymmetry. Additionally, a governance system could be developed where KOLs can provide feedback and construct proposals. To ensure a fair and equal governance ecosystem, the voting mechanism should be similar to a traditional voting system whereby every individual has one vote.

KOLnet is recognising this issue, and is currently in the works of setting up a KOL group to provide educational material and to share expertise to KOLs on how to utilise the KOLnet platform.

Figure 12 Supply and Demand Equilibrium



Appendix

Figure 1 KOLnet Tokenomics

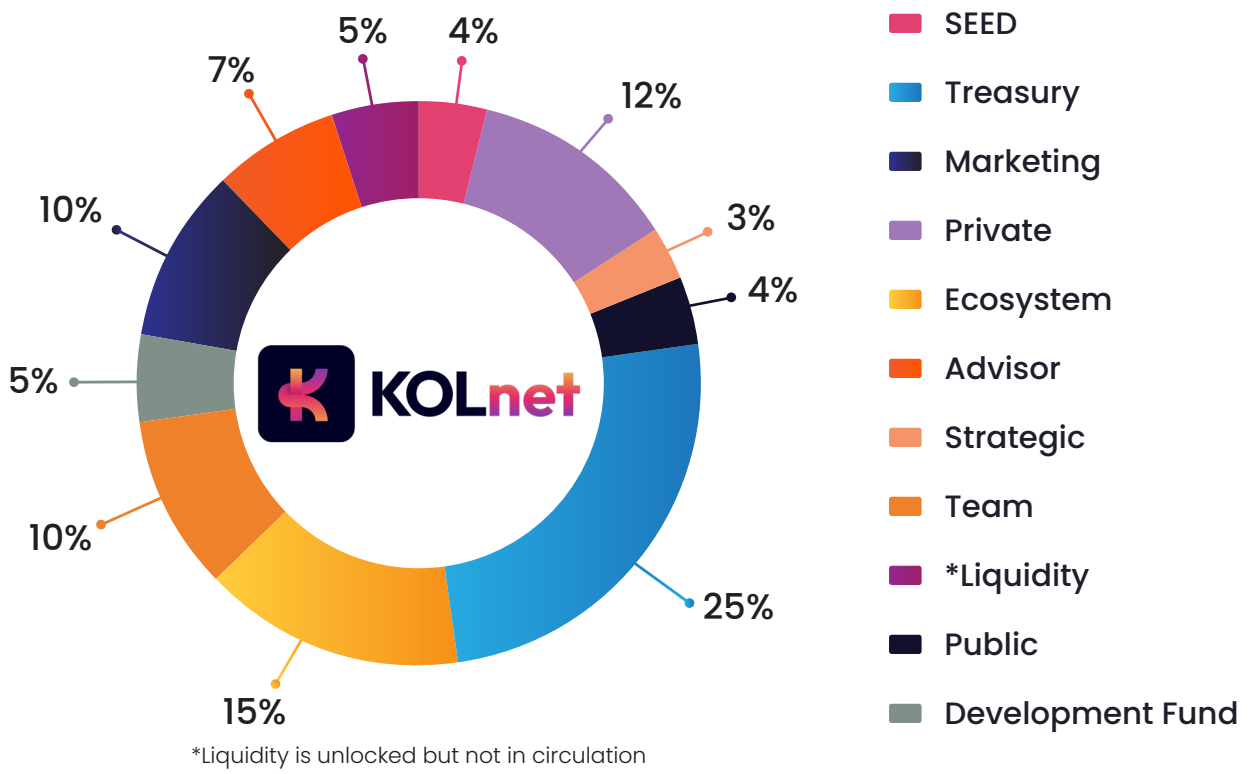


Figure 2 Native Token Distribution

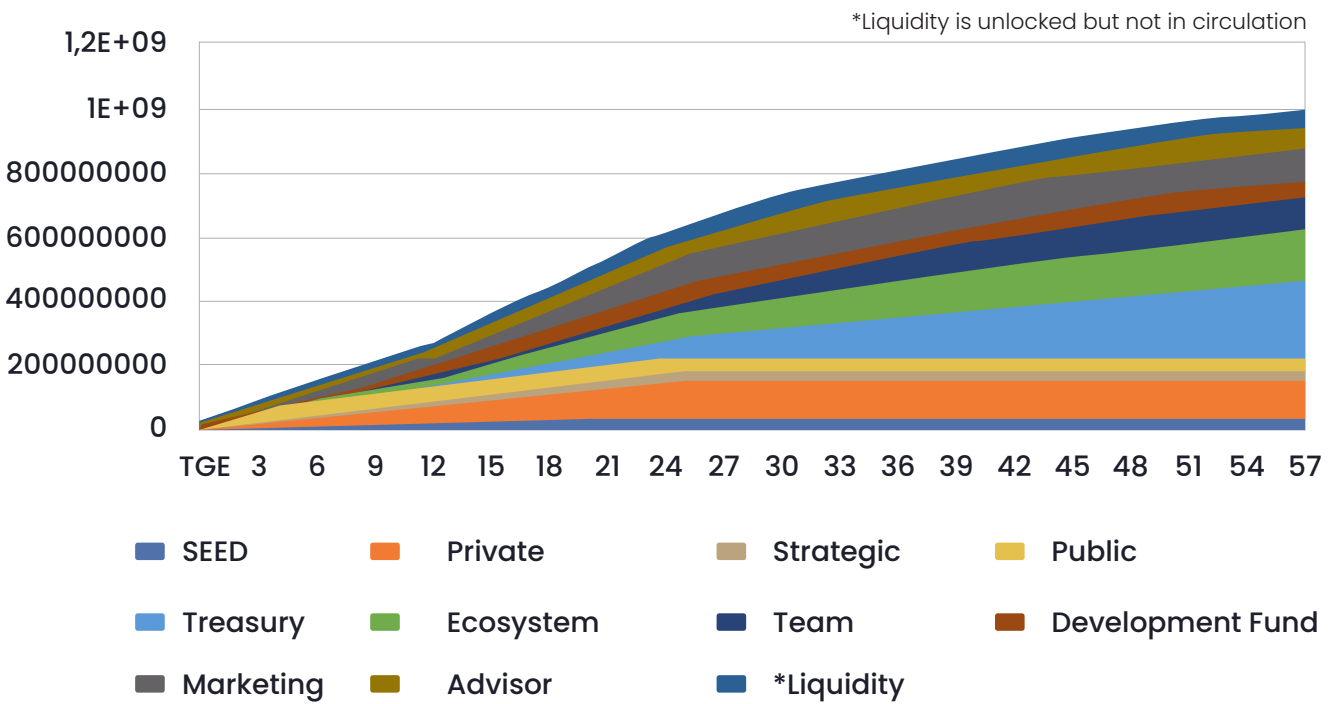
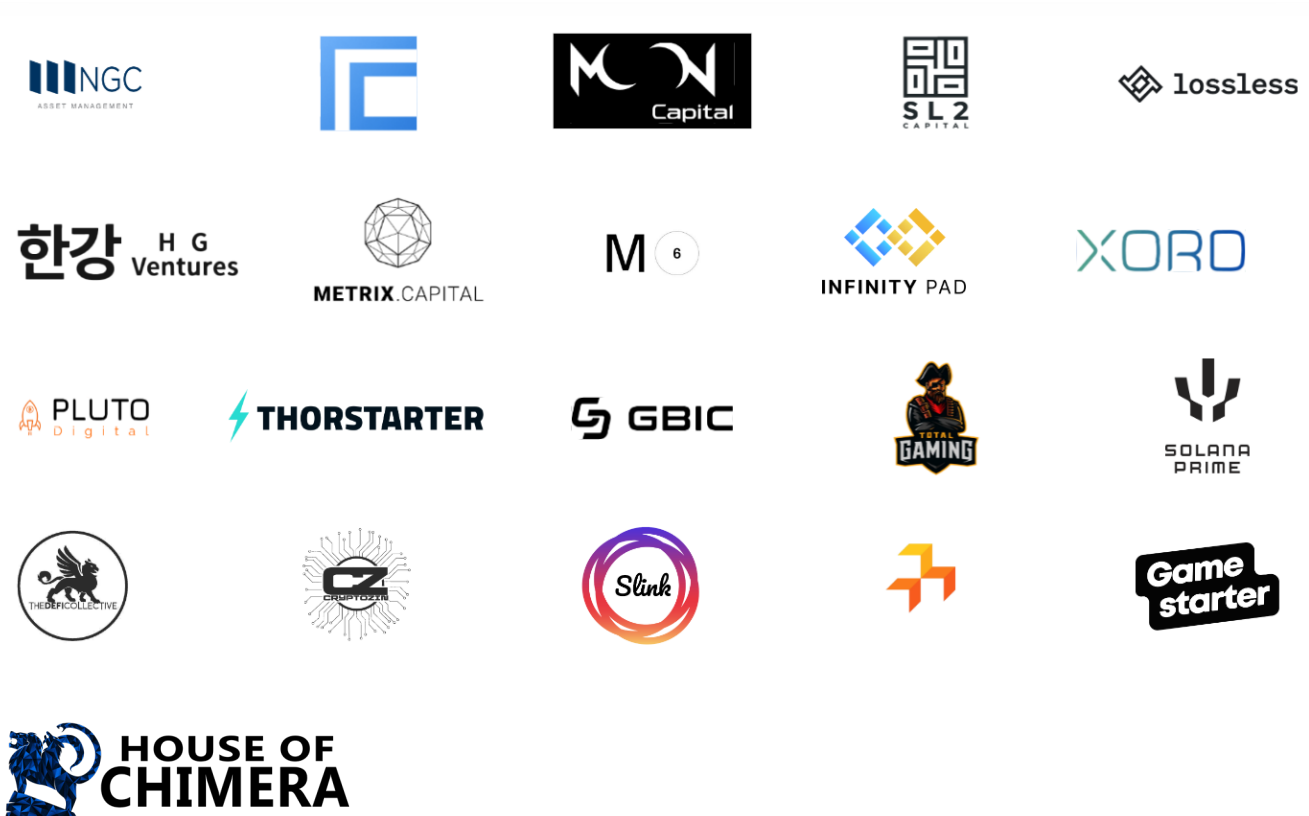


Figure 3 Strategic Partner Overview



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