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Initial Coin Offering (ICO) as a Fundraising Strategy: A Multiple Case Study on Success Factors

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Abstract. *Cryptocurrencies and Initial Coin Offerings (ICO) are some of the more prominent examples of currently used blockchain technology applications. Especially software startups have leveraged ICOs to gain funding early on in their lifecycles, going on to develop and create new blockchain based applications. Recently, larger companies such as Facebook have also begun to show interest in cryptocurrency, although thus far not for funding purposes in the form of ICOs. In this paper, we investigate factors that positively affect the abilities of companies to meet their fundraising goals via ICOs. We first identify a set of factors from extant literature and then seek to further confirm the effect of these factors while uncovering new ones by means of a multiple case study of eight firms that have carried out an ICO with varying success. Based on the data, we highlight success factors for ICOs in funding use.*

I Introduction

Interest in blockchain technologies has grown rapidly in the recent years both among the academia and out on the field, especially following the spike in the price of Bitcoin in the autumn of 2017, which made the cryptocurrency a prominent topic of discussion in mainstream media for months. Various blockchain applications have been explored by banks, governments and private businesses alike [20]. The properties of blockchain related to security and traceability are of particular interest to the various parties exploring the possibilities of blockchain [20].

Initial Coin Offering is a method of financing projects through the Internet, in which new ventures sell tokens to a crowd of investors [7]. They are usually, as Fenu et al. [6] define them “public

offers of new cryptocurrencies in exchange of existing ones, aimed to finance projects in the blockchain development arena”. ICOs have been utilized as a form of crowdfunding [18], particularly by software startups. This method of funding can simplify the process of acquiring it compared to various traditional means. On the other hand, various fraudulent funding ICOs have already been witnessed [14]. Only a fraction of projects using ICOs as a source of funding were ultimately productive and innovative, although this is consistent with the failure rates of software startups and small companies in general. The way in which ICOs have sparked hype can at times seem reminiscent of the Dot Com Bubble of the 1990s, although some of the hype has since died down following the downward

trend of Bitcoin after its Autumn 2017 spike.

Nonetheless, ICOs show promise as a novel way of acquiring funding for firms and especially software startups. Software startups regularly struggle with funding as they search for a scalable, or even sustainable, business model early on in their lifecycles. While extant research has shown that the successful acquisition of funding has little bearing on the success of software startups [16], and that it can even influence it negatively [8], external funding is nonetheless a necessity for most software startups should they wish to keep operating. With hundreds of projects raising billions of dollars in total via ICOs in the United States alone, ICOs as a source of funding are becoming increasingly noteworthy [9].

In this paper, we seek to better understand what makes an ICO succeed. Few extant studies on the topic exist [1, 2, 6, 7] and all of these studies are quantitative in nature, conducted by utilizing secondary sources (more specifically, public information available on the Internet). To tackle this gap in the area, we conduct a qualitative study on the topic using primary data gathered directly from firms. We first look at extant literature in order to look at success factors already discovered, following which we conduct eight case studies of companies that have carried out an ICO in search of funding. Data from these cases is collected by means of semi-structured interviews. Specifically, we tackle the following research question:

RQ: What are the most important factors positively affecting the ability of firms to acquire funding by means of an ICO?

II Background

In this section, we first discuss the general background of ICOs in terms of blockchain and cryptocurrencies. Then, in the second subsection, we discuss ICOs in detail. In the third and final subsection, we examine extant literature on ICO success factors. As academic literature on the topic is still scarce, some grey literature sources are cited, although scientific ones are used where available.

II a Blockchain, Cryptocurrencies, and ICOs

While blockchain technology is often associated with cryptocurrency, and especially Bitcoin [11], the technology itself is not exclusive to cryptocurrency. Blockchain transactions are validated and recorded in a peer-to-peer network, becoming permanent, irreversible, and verifiable. This makes them notably secure and well-suited for all manners of financial transactions [4]. Indeed, as blockchain as a technology matures, it has become possible to tokenize various assets in addition to (digital) currency [17]. Though they both refer to cryptocurrency and are sometimes used interchangeably, a coin (e.g. Bitcoin) refers to a standalone cryptocurrency that functions on its own blockchain (platform), while a token refers to a cryptocurrency that requires a separate (coin) blockchain to function [2].

The Ethereum project has been considered a turning point in blockchain, allowing for the creation of a large variety of decentralized applications and digital tokens created using blockchain and consequently making it possible to

represent a wide range of assets [3, 4]. In the wake of this development, the possibility of tokenizing entire projects and using ICOs to fund them also dawned on developers [4].

In 2012, Willett [19] wrote about the possibility of using ICOs as a source of fund-ing. Since then, thousands of projects have utilized ICOs to raise funding [9]. ICOs are an attractive way to raise funding primarily due to (1) the lack of regulation sur-rounding them; (2) cost efficiency resulting from the absence of intermediary costs; (3) a larger pool of potential investors resulting from there being no restrictions on investment or marketing; and (4) rapid liquidity for investors upon successful listing, as tokens can be sold almost immediately, at virtually no detriment to the project [2].

IIb Carrying out ICOs in Practice

ICOs are highly varied due to being nearly unregulated. The firm carrying out the ICO is free to choose whether to utilize an existing blockchain platform or develop a new one. Similarly, ICOs vary in duration, and the firm is free to decide what its minimum (soft cap) and maximum investment (hard cap) goals are, who can participate in the ICO, and which cryptocurrencies they accept.

In an attempt to more specifically categorize ICOs, Kaal & Dell’Erba [10] outlined a roadmap depicting the average ICO process. According to their roadmap, ICO pro-jects are typically first announced to the cryptocurrency community on one of the many community forums, such as Reddit. Then, an executive summary of the pro-ject is presented to project investors. The next

step of the process typically involves drafting a whitepaper describing the project in further detail which can be likened to a business plan. Out of the 253 ICOs studied by Adhami et al. [1], 16% did not have a whitepaper publicly available, underlining the quite varied nature of ICOs. The final step of this preliminary phase is drafting a yellowpaper which discusses the technical specifications of the project, as far as they are clear in such an early stage. [10]

An ICO is then launched in steps. Ryshin [15] list three stages an ICO may have once the sale begins: private sale, pre-sale, and crowd sale. The earlier stages are gen-erally for seeking larger investments from fewer investors who expect discounts. Some ICOs only feature a crowd sale, although a pre-ICO is typically first made available to selected investors. After the pre-ICO offers are signed, the public ICO is announced. This marks the start of a public marketing campaign. Once the crowd sale begins, the tokens can be listed for trade on cryptocurrency exchanges. [10]

IIc ICO Success Factors in Existing Literature

Due to the novelty of ICOs as a fundraising strategy, few studies on the topic current-ly exist. Four extant studies [1, 2, 6, 7] studying the success factors for ICOs were identified as of April 2019. The factors studied in these four papers are summarized in Table 1 below, along with the effect (positive, negative, mixed) of these factors.

If a factor was studied in multiple extant studies, the effect column is based on the average result of the relevant studies. E.g. if one study found a factor to

have no effect while one study found that same factor to have a positive effect, the effect is considered nonetheless positive across those two studies. If one study found a positive effect and one study found a negative one, the effect is considered mixed.

Table 1. ICO Success Factors Studied in Extant Literature

Factor	Effect	Studies and Explanation
White paper	Mixed	No effect. [1]. Page length increased chance of success [2]. A bad whitepaper decreases chance of success [7]
Use of Ethereum	Positive	Using Ethereum as a platform positively impact the chance to secure minimum funding goals [2, 6, 7]. On the other hand, it decreased overall funding received, possibly because big projects often develop their own platforms [2].
Code availability on GitHub	Positive	Positive effect [1, 2]. Good ratings on GitHub had a more positive impact [7]. GitHub generates transparency, allowing those interested to both ascertain code quality and track progress.
Pre-ICO	Mixed	Adhami et al. [1] argued pre-ICOs to have a positive impact. Amsden & Schweizer [2] found it to have a negative one. Pre-ICOs can signal uncertainty to investors.
Jurisdiction	Positive	Specifying jurisdiction in whitepaper had a positive effect [1]. Utilizing tax haven jurisdiction had no effect [2].
Social media use	Positive	Twitter had no impact [1, 7], possibly because nearly every firm had had one [7]. Use of Telegram impacted positively [2]
Accepting FIAT	Negative	Could make developers seem insecure about their ICO success. Considered to make project more liable to interventions by law enforcement and regulators (e.g. freezing bank accounts). [2]
ICO Bonus Schemes	Positive	Unaffected (2017). Slightly positive effect in terms of the token at least becoming tradable [2].
Use of utility tokens	Positive	Tokens that grant contributor(s) an access to the service and tokens which give profit rights positively affect ICO success [1]
Team	Positive	Not comprehensively studied. A CEO with a large network on LinkedIn (500+) seems to have a positive effect [2]. Team size had a positive effect in one study [2] but no effect in another [6].
Return and Volatility	Mixed	Return and volatility of the currency (e.g. Bitcoin) associated with the underlying blockchain seemed to have no effect [1] or a negative or positive effect depending on the situation [2]. Specifically, higher Ethereum price decreased the likelihood of investing in ICOs while higher volatility increased it [2].

III Research Methodology

This section is split into two subsections. First, we describe the eight case firms. We then discuss our data

collection and analysis methodologies in the second subsection.

IIIA Cases

The eight case companies all wished to remain anonymous upon data collection and thus the case companies are presented as companies A to H. Table 2 presents the general characteristics of the eight case companies.

Table 2. General Case Firm Characteristics

Case	Industry	Team size	Founded in	# Advisors
A	Advertising	19	2017	11
B	Finance	29	2017	7
C	Finance	10	2017	6
D	Finance	No info	2015	2
E	Finance	9	2014	No info
F	Cloud storage	16	2016	4
G	Gambling	7	No info	9

Below, in Table 3, we list the characteristics of the ICO of each company. The data we collected are based on the previous studies discussed in the preceding back-ground section. E.g. use of Telegram is included because an extant study [2] linked ICO success with Telegram use. Jurisdiction refers to the jurisdiction of reference for the token sale, which can be different from the physical location of the firm.

Table 3. ICO Characteristics by Case Firm

	A	B	C	D	E	F	G	H
Whitepaper	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ICO Year	2017-2018	2018	2017	2017	2017	2017	2017	2018
Prototype	No	No	No	No	No	No	No	Yes
Hard Cap	10 k ETH	50 m USD	200 k ETH	13.5 m USD	70 k ETH	29,6 m USD	12 m EUR	25 m EUR
% of hard cap reached by ICO	100%	100%	30%	104%	71%	39%	17%	78%
Platform	Ethereum	Ethereum	Ethereum	Nem	Ethereum	Ethereum	Ethereum	Ethereum
Code on GitHub	No	Yes	No	No	Yes	Yes	Yes	Yes
Telegram	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pre-ICO	Yes	Yes	Yes	Yes	No	Yes	No	No

Jurisdiction	Canada	UK	Estonia	Vanuatu	Singapore	Singapore	Austria	Gibraltar
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IIIb Data Collection and Analysis

Data from the eight cases were collected by means of semi-structured, qualitative interviews. The interviews were conducted by the first author. The interviews of six cases were conducted over video, using Google Hangouts, and recorded. The inter-views of two cases were conducted by having the respondents reply in writing due to scheduling issues. Where possible, we interviewed multiple respondents from each company, although in most cases we ultimately only interviewed one respondent. The titles of the respondents were highly varied from founder to marketing manager.

At the start of each interview, the respondents were asked to describe the most essential factors they felt had contributed to the success of their ICO. This was a question that had been sent to each respondent prior to the interviews, in order to let them think about their responses properly. To this end, they were also asked to discuss the question with their team if possible.

This approach to collecting success factors from companies was adapted from a study by Ojala & Tyrväinen [12] where they studied success factors in Japanese software markets. The respondents were asked to name the top five success factors in this fashion, and to rank the factors from one to five in order of importance. The definition of ICO success used here was adapted from Adhami et al. [1], i.e. the criteria for success was reaching the ICO soft cap set by the company.

Following this initial question, we went over each of the success factors studied in extant literature ([1, 2, 6, 8], as summarized in Table 1) in the following fashion: “Do you think that [factor] affected the success of your ICO? How? Why did you choose to use it?”. Then, at the end of each interview, the companies whose ICOs had not reached their hard caps were asked why they thought this was the case, and what they would have done differently in retrospect.

For the purpose of data analysis, the interview recordings were transcribed. From the transcripts, factors affect ICO either positive, negatively, or ones that had had no notable effect (neutral) were highlighted. The effect of each factor was also briefly described in the transcripts. These edited transcripts were then sent back to the respondents who corrected any inaccuracies before sending them back.

Ordinal scale measurement method was used to analyze which factors were the most important ones from the point of view of the firms. This is again in line with the work of Ojala & Tyrväinen [12] on success factors in another context.

Finally, to ascertain (some of) the claims made by the respondents in the interview data and to collect additional data on the case companies, we consulted secondary sources such as the websites of the companies, their (ICO) project whitepapers, and from external sources such as Icobench and Icowatchlist.

IV Results

In Table 5, below, we present our analysis of the respondents' five most important success factors. The factors are scored based on the respondents' factor rankings.

Factor	A	B	C	D	E	F	G	H	Avg.	Total Score
Inspiring idea that will sell		2.5	2	5	5	5		5	3.1	18.6
Efficient building of a community of supporters		1	3		1	3	4	4	2	12.0
Effective marketing / SMM	2		3	3	2		3	3	2	12.0
Professional team		2.5	4.5		4			2	1.6	6.4
Clarity of problem and solution	5	3.5				4			1.6	4.8
Partnership / advisors	3				3				0.8	1.6
Perceived vs. actual progress	4					2			0.8	1.6
Transparency / creating trust				4			2		0.8	1.6
PR	1					1			0.3	1.6
Legal compliance								5	0.6	0.6
Market research / potential		0.5		1					0.2	0.4
Correct timing			2						0.3	0.3
Translations		2							0.3	0.3
Real business practice				2					0.3	0.3
Video content / campaign							1		0.1	0.2
Token economics		1.5							0.2	0.2
Passion / trust in success								1	0.1	0.1
Technical preparation			0.5						0.1	0.1
YouTube influencers		1							0.1	0.1
Telegram Use		0.5							0.1	0.1

The scores were distributed so that the top of choice of each respondent received five points, the second choice received four points, and so on. Each firm thus allocated 15 points (5+4+3+2+1) to their top five choices. In cases where multiple respondents were interviewed in one case company, the score values placed by each respondent were divided by the number of the respondents for that case. I.e. each firm could only assign the total of 15 points no matter how many respondents represented it.

All the recognized success factors are arranged in decreasing order of

importance based on their total score (total score = average * frequency, where average = sum / number of cases) in the table. In the subsections of this section, we then discuss further the top five success factors arising from this data. We omitted frequency from Table 5 as an explicit column, as it can be determined from the firm-specific scores.

In the following subsections, we discuss the five most important factors that emerged from this analysis in detail. The following five subsections (4.1-4.5) discuss one factor each, elaborating on them based on the interview data.

Subsection 4.6 then presents our results in relation to the negative factors uncovered, and in 4.7 we compare our results to extant literature. Finally, subsection 4.8 summarizes our re-sults.

IVa Inspiring idea that will sell

The most important success factor based on the scores given was the idea itself, with four case companies ranking it as their number one success factor. Specifically, as firm D elaborated, the idea should showcase real use of a blockchain technology as opposed to a speculative new cryptocurrency. They felt that it was important for the idea to show a blockchain technology that has the potential to improve the current state of the (blockchain) field or to create a useful product or an entirely new indus-try.

The idea or value proposition was considered important not only in relation to be-ing attractive in the eyes of potential investors but also in keeping the team motivat-ed. Company H noted that at the start of their project, the team was working full day with no pay and half of the team was even living together in order to work more ef-fectively. This, they felt, was only possible because they truly believed in their own idea.

IVb Efficient building of a community of supporters

Many of the respondents felt that building a community begins before a whitepaper is published or even before the company has a website. Community building should start when the idea is formulated, and it never truly ends as long as the firm operat-ing. All case firms agreed that finding supporters who love

the project and share the mission or vision, and who are ready to spread the idea in their own networks are important for the project and specifically for its ICO success.

Some firms entered the crowdsale or public phase of their ICO with their soft cap already reached. Firm C discussed what they referred to as “book building” as a form of community building, referring to the idea of approaching investors in private be-fore the ICO and ensuring their participation in the upcoming ICO. This, they added, was important because it helped them build momentum for the very first moments of the actual ICO. Seeing other investors choose to invest into a new ICO can encourage potential investors who may otherwise be on the fence about doing so. This idea of momentum was shared by firm F in relation to community building in general. A small community had to exist for the community to grow at all.

Firms C, G, and H also discussed the importance of community management in building a community. The respondents felt that it was important to interact with the community on the level of individual community members or investors. The firm should answer every question the members may have, actively support active mem-bers, and encourage new members to become active by means of various incentives.

IVc Effective marketing

Going global, the firms felt, was the key to success in marketing in preparation for an ICO. However, according to firms A and C, it was notably challenging to gain expo-sure with how much competition there was. Ways of advertising cryptocurrency pro-jects are

limited, and companies largely have to invest into crypto-specific advertisement networks to reach the relevant audiences. Another way of advertising discussed by the respondents was engaging industry influencers such as big Youtube channels.

One specific facet of marketing discussed by the companies was memorability to e.g. website visitors. While actively advertising the project was also needed, the companies felt that it was also important to make people talk about the project to their own contacts. E.g., the respondents of firm C felt that the interactive cartoon characters on their website and the overall design of their website had been a big factor in making people talk about their project.

Social media use was a prominent theme discussed by the case firms in relation to marketing. According to firm D, most, if not all, investors first look at the social media profiles of the firm or the project to gauge how active, engaging, and popular they are. Social media should be used actively (e.g., one post a day). The social media content should display progress on the project or have a clear and interesting message. The team members should also eventually show their faces to the community, e.g. by making video content, in order to generate trust. Utilizing platforms aimed at cryptocurrency enthusiasts such as bitcointalk.org was also considered mandatory.

As the effect of Telegram use was studied in the past, we asked the respondents how they felt their use of Telegram had affected their success. In response, all respondents agreed that it had had a positive effect, with firm D

noting that Telegram was the preferred messenger application in cryptocurrency communities. However, the firms noted that focusing on just one channel is not enough, as different channels are useful for reaching different audiences.

IVd Professional team

An anecdotal wisdom often heard in relation to startup firms is that an idea alone is worth nothing until a capable team manages to execute it. According to firm C, the team has to have the required capabilities and resources to carry out the project. However, this alone is not enough, as the team also has to be attractive to potential investors, assuring them that they do have the needs to carry out the project.

To this end, the LinkedIn profiles and the personal GitHub profiles of the team members are often used by investors to evaluate the team. For example, some of the respondents noted that the CEO's lack of prior experience had reflected poorly on the project in the eyes of potential investors. The firms felt that an experienced CEO was a positive factor to ICO success. Firm B advised that an inexperienced team should focus on having a prototype to show in place of past achievements and experience.

In gauging the credibility of a team, firms A and G added that team size is also important. Investors typically look at team size in gauging whether the team has the resources to carry out the project. While team size can help a team carry out more tasks simultaneously, the firms stressed quality over quantity. This was also true for project advisors. Firms A, B, C, D, F, and G all agreed that the number of quality of advisors was more important

than quantity. One advisor famous in the crypto community can be worth more than ten unknown ones in the eyes of investors.

IVe Clarity of problem and solution

No matter how attractive the idea is, it has to be communicated well. In communicating the problem and solution, one should formulate a clear message explaining: (1) why it is important to solve the problem; (2) how the firm intends to solve it, (3) whether they have all the capabilities required to do so; and (4) why their particular solution is the best one to solve it. Clear use cases help sell the service, as people are then able to understand why they (or someone else) would need it.

Firm F summarized this by noting that there are very smart people out there with very good ideas to solve existing problems, but who are bad at branding themselves and communicating their ideas. This, they added, applies to ideas, projects, or even entire companies. Ultimately, this ties to the idea of effective marketing as well.

IVf Negative Impact Factors

Case firms C, E, F, G, and H did not reach the hard caps of their ICOs. We thus asked these firms why they felt that they had fallen short of their goal in relation to their hard caps, even if their ICOs had been successful in reaching their soft caps. The firms listed the following reasons they felt had in part prevented them from reaching their hard caps:

- ❖ Time pressure (finding and satisfying early investors)
- ❖ Being late to the market

- ❖ Hard cap too high
- ❖ Fraudulent activities by attackers (e.g. phishing sites)
- ❖ Ethereum price crash
- ❖ Legislative changes (ICO ban in China)
- ❖ Lack of knowledge about the target (customer) group in the crypto sphere
- ❖ Underestimating the needed marketing budget

While the focus of this study is on success factors, we collected this data to potentially provide better managerial implications in this study. We relate these findings to extant research in the discussion.

IVg Findings in Relation to Success Factors Studied in Extant Research

In addition to studying which factors the firms considered most important for ICO success, we also asked the respondents how important they thought the factors studied so far in academic literature had been for their ICO success. These factors were ultimately considered to be of little importance, as their absence in Table 5 indicates. Our findings in relation to these factors are compared to extant literature in Table 6 below.

E.g., while code availability on GitHub was perceived generally positive due to its role in enabling investors to see tangible progress on the project, it was not considered to have had a notable impact on ICO success. Moreover, in relation to GitHub specifically, the respondents noted that it could also be negative because the code could be utilized by attackers looking for weaknesses.

Table 6. Comparison of our Data in Relation to Factors Studied Extant Literature

Factor	Effect in Extant Research	Our Results
Whitepaper	Mixed [1, 2, 7]	Not studied.
Ethereum platform	Positive [2, 6, 7]	Positive or Neutral
Code on GitHub	Positive [1, 2, 7]	Positive
Pre-ICO	Mixed [1, 2]	Mixed
Jurisdiction	Positive [1] Neutral [2]	Positive or Neutral
Accepting FIAT	Negative [2]	Positive or Neutral. Only one company actually accepted FIAT, leading their answers to be speculative.
Bonus schemes	Neutral. Techniques vary. [2]	Mixed. Different firms had different opinions of different types of bonuses.
Return and volatility	No effect [1]. High value decreases ICO investments while high volatility increases them [2].	Mixed. Firms could only speculate how the return and volatility could have affected their ICOs, aside from considering the early 2018 crypto crash negative.

IVh Results Summary

To summarize our results, we present them as four Primary Empirical Conclusions (PECs). These PECs are also utilized to present a clearer discussion of our results:

- **PEC1:** The most important success factors for ICO success are: (1) inspiring idea that will sell, (2) efficient building of a community of supporters, (3) effective marketing, (4) professional team, and (5) clarity of problem and solution.
- **PEC2:** Factors that can negatively affect ICO success are: (1) time pressure; (2) hard cap too high; (3) fraudulent activities by attackers; (4) Ethereum (or other associated cryptocurrency) price crash; (5) legislative changes; (6) lack of knowledge about the target (customer) group in the crypto sphere; (7) underestimating the needed marketing budget

- **PEC3:** Our data supports the notion in extant literature that the utilization of Telegram and the use of utility tokens have a positive effect on ICO success.
- **PEC4:** Factors from extant literature other than those in PEC3 that play a role (positive, negative, or neutral) in ICO success, depending on the project: whitepaper, use of Ethereum platform/ERC20 token, code availability on GitHub, pre-ICO, choice of jurisdiction, accepting FIAT, bonus schemes, BTC/ETH price and volatility prior to and during ICO. Team size and number of advisors are included in PEC1 under professional team as one key success factor.

V Discussion

Our results present some novel findings in the context of ICO success in the academic literature. Extant studies on

the topic have been quantitative in nature, relying on secondary data available online. While we looked at the factors studied in these ex-tant studies, we wished to uncover ones not present in them.

PEC1 (see PECs 1-4 in section 4.8 above) summarizes the five most important factors uncovered across the eight cases of this study. Out of these factors, two have been studied in existing studies while others are new in the context of ICOs, although not new in business studies in general. First, teams in relation to ICOs have only been studied in terms of team size, number of advisors, and the LinkedIn network size of the CEO. As the case firms of this study emphasized the importance of team member and CEO experience and public image, we consider our findings to be in line with the idea the networks of a CEO affecting ICO success. Secondly, the positive effect of Telegram use found in existing literature [2] could be likened to effective marketing.

Otherwise, these five success factors have not been studied in the context of ICOs. However, e.g. teams and marketing have been widely studied across disciplines. Our findings thus point to the factors unique to ICOs not bearing a particularly notable impact on ICO success. Companies seeking funds via ICOs seem to be similar to any other mature firm or startup operating in another market. Indeed, we would highlight Business Model Canvas (BMC) [13] in this context. All of these top five factors of PEC1 can be allocated to some of the nine building blocks of the business model canvas. E.g. “inspiring idea that will sell” and “the clarity of the problem and solution” can be likened to the value

proposition of the BMC, while investors at different ICO stages are customer segments for such a firm. Following this line of thought, we would urge firms seeking to carry out ICOs to utilize this tool, and to follow established good business practices in general.

In this regard, we would also highlight the importance of the team as perceived by the case firms. The team behind the project was considered important both in terms of capabilities required to carry out the project, as well as in terms of public image so as to be able to convince potential investors to invest. The importance of the team is also an anecdotal wisdom among startup investors. This brings us to suggest that the BMC [13] may in fact be lacking a team component, given the importance placed on the team by the teams themselves as well as investors in various business contexts.

Out of the negative factors discussed in PEC2, only one has been studied thus far. Amsden & Schweizer [2] found that higher Ethereum price decreased the likelihood of participation in ICOs while a higher level of volatility increased it. The “Ethereum price crash” in our data, on the other hand, referred to the particularly notable cryp-tocurrency crash of early 2018 that (negatively) affected the value of most if not all larger cryptocurrencies at the time, including Ethereum and Bitcoin. Thus this particularly noteworthy event can hardly be linked to the findings of Amsden & Schweizer [2] either, leaving it a rather context-specific occurring.

Among the other factors of PEC2, most are not unique to ICOs. Lack of knowledge about one's target customer group or segment is a common business

issue, as are a hard cap too high (i.e. overestimated target goal in fundraising), time pressure, and underestimating the required marketing budget. These have been studied in other business-related literature in various contexts and our findings offer little to these discussions past the notion of them also being relevant in the context of ICOs.

On the other hand, PEC3 fully supports extant literature on ICOs. All firms agreed that the use of utility tokens had a positive effect on their ICO success, in line with the findings of Adhami et al. [1]. Utility tokens make legal compliance easier, and among our case firms supported the use cases of some of the firms well. As for the use of Telegram, all companies agreed that having a Telegram channel for a bi-directional communication with a community positively affected ICO success, which is in line with findings of Amsden & Schweizer [2]. However, the firms also agreed that the social media use of a company preparing for an ICO should not be limited to just a Telegram but include other channels as well.

Finally, the factors listed in PEC4 have been noted to have varying effects across studies. Our findings in terms of these factors (Table 6) are largely in line with extant literature. The one clear exception is the firms' perception on the acceptance of FIAT. However, only one of our eight case companies actually accepted FIAT while the other firms could only speculate what effect it could have on an ICO. We thus do not consider our findings to go against extant literature in this regard.

Finally, we would highlight PEC1 in relation to whitepapers (Table 6). As the purpose of a whitepaper is to ultimately

describe the idea of a firm, it is likely that the idea described therein and how well it is described (marketing and clarity of problem and solution in PEC1) are far more important than the mere existence of a whitepaper. We thus consider PEC1 in relation to whitepapers to partially support the findings of Amsden & Schweizer [2] who found the length of a whitepaper to have a positive effect on ICO success. Longer papers are likely to better describe ideas, although a needlessly long one may also indicate a lack of clarity in describing one's idea.

Va Limitations of the Study

The generalizability of the findings of case studies in theory building is a long-standing topic of discussion. We turn to Eisenhardt & Graebner [5], in arguing that case studies are useful for novel research areas. In this case, while some studies have been conducted in relation to ICOs, they have relied solely on secondary sources. We thus consider our approach novel in this area and we consider our results to contribute to the budding discussion in the area. Moreover, Eisenhardt & Graebner [5] argue that 4 to 10 cases is usually a good number of cases. Our eight cases fall inside this range.

VI Conclusions

In this study, we have conducted a multiple case study on the success factors affecting the success of an ICO. By conducting semi-structured interviews in eight case companies that successfully carried out ICOs in the past, we have sought to understand what factors the firms themselves considered to have been most important to the success of

their ICOs. This approach, we argue, filled a gap left by extant studies which have been quantitative, focusing on secondary sources publicly available online.

To answer our research question, we argue that the five most important success factors affecting ICO success are: (1) inspiring idea that will sell, (2) efficient building of a community of supporters, (3) effective marketing, (4) professional team, and (5) clarity of problem and solution. These findings point towards firms conducting ICOs being similar to any other type of firm. We thus suggest that companies seeking to carry out ICOs should apply existing good business practices. While we uncovered some success factors specific to ICOs (such as the use of Ethereum platform), the case firms did not rate these factors highly in discussing their importance.

Further research on the topic should seek to study these success factors in-depth. This could be done by e.g. comparing different marketing strategies used prior to ICOs, or by comparing the effect of different bonus techniques on overall ICO success. Our findings point towards ICO companies not being unique on a higher level of abstraction, but e.g. firms looking to conduct ICOs for crypto projects may find some marketing strategies far more effective than other types of firms. Further research on the topic could also take on the point of view of advisors. While a team may only have experience with one ICO, advisors have often witnessed multiple ICOs, letting them thus compare their experiences with different ICOs.

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