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Why do People Invest in Initial Coin Offerings (ICOs)?

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Abstract

Initial Coin Offerings (ICOs) have become a popular way of fundraising for companies. While they can be highly profitable for both companies and investors, there is a large amount of risk involved due to their unregulated nature. Despite the vast majority of ICOs being scams, many individual investors still participate. This paper investigates why people invest in ICOs, using behavior finance biases. After analyzing white papers, ICO expert opinion and individual investors' testimonies, the research found that the overconfidence bias and herd behavior & fear of missing out bias influences people's decision to invest. Using the results, this study makes recommendations to help regulators decrease the influence of behavior finance bias.

Keywords

Initial Coin Offerings, Behavior Finance, Overconfidence, Herd Behavior, Fear of Missing Out

Disciplines

Business

WHY DO PEOPLE INVEST IN INITIAL COIN OFFERINGS (ICOs)?

By

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ABSTRACT

Initial Coin Offerings (ICOs) have become a popular way of fundraising for companies. While they can be highly profitable for both companies and investors, there is a large amount of risk involved due to their unregulated nature. Despite the vast majority of ICOs being scams, many individual investors still participate. This paper investigates why people invest in ICOs, using behavior finance biases. After analyzing white papers, ICO expert opinion and individual investors' testimonies, the research found that the overconfidence bias and herd behavior & fear of missing out bias influences people's decision to invest. Using the results, this study makes recommendations to help regulators decrease the influence of behavior finance bias.

Keywords:

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INTRODUCTION

ICOs' popularity can be attributed to their get-rich-quick potential, with several investors boasting over 100 percent returns. Given the lack of financial information available on the investments, ICOs are considered irrational, and the decision to invest cannot be based on analytical thinking. This paper seeks to determine how behavior finance plays a role in influencing people to invest. The three sources of data to support the research are white papers, ICO expert recommendations and individual investor opinions. The text of white papers was examined to determine if companies were using marketing language to influence people to invest, while ICO expert recommendations were analyzed to see if there was a Warren Buffet Effect occurring, where people will copy whatever an expert is saying or doing because they trust the expert's opinion. For example, if an ICO expert recommends that others start investing, then that might influence people to invest. Lastly, individual investor opinions were analyzed to determine what factors were motivating them from their point of view.

The two main categories that influenced investment were the overconfidence bias and herd behavior & fear of missing out bias. These are both behavioral biases that researchers have attributed to investors in traditional and cryptocurrency markets. These two biases typically manifested in two scenarios: the first was when people were confident in their ability to determine which ICOs would be the right one to invest in that would make high returns, and the second was when people had heard of others earning large returns and did not want to miss out on the opportunity to do the same. Since these are not rational ways of thinking, it opens investors up to the risk of scams. In order to protect them, this paper recommends a suggestion to regulators to decrease the effect of behavioral biases.

The research starts with an overview of cryptocurrency and ICOs. Section 2 of the paper presents the literature on ICO returns, ICO risk and relevant behavior finance topics. Sections 3, 4, and 5 describes the research question, the hypothesis and the significance of this paper. Section 6 outlines the process and methods used to conduct the research. Section 7 lays out the results of the data collection and analysis. Section 8 discusses the results and provides recommendations to regulators. Lastly, section 9 acknowledges the limitations of the study and describes possible directions for future research before concluding the paper.

BACKGROUND

Since the creation of the first decentralized cryptocurrency in 2008, the digital asset has become a popular investment instrument and even used to finance new ventures. There are two types of cryptocurrency issued: coins and tokens. Coins are similar to fiat money and store value, whereas tokens, which is the focus of this paper, are similar to vouchers or coupons issued by organizations through ICOs (Hu, Parlour, and Rajan 2018). While coins act as currency, tokens serve a specific purpose, which is often to raise money for early-stage firms. There are four types of tokens: community token, currency token, utility token and securities token. A community token gives membership in a particular community (i.e. connections to other users and community token holders, or file sharing ability); a currency token represents a cryptocurrency and has an exchange/value reference; a utility token gives the holder the right to use the good or service provided by the firm; and a securities token promises the holder future cash flows from the firm (Zetzsche et al. 2017). The latter two are contingent on the success of the fundraising and the firm as a whole, so those tokens are similar to equity tokens in that sense.

While the tokens can be similar to equity tokens, the process of selling tokens through ICOs is very different from equity sales, or Initial Public Offerings (IPOs). In ICOs, new ventures raise capital by selling tokens directly to investors using blockchain technology. The first step is to publicize the ICOs on cryptocurrency websites that direct investors to the white paper, which provides details on the offering and includes the website where the ICO will occur

(Hu, Parlour, and Rajan 2018). Although the white paper is the main source of information on the ICO, there is no standard length, size or format, so firms decide what they want to include. The second step is for investors to give cryptocurrencies to the firm in exchange for tokens. Once the offering is complete, which could be anywhere from a few minutes to over a year, and sometimes even before it is complete, investors can trade the tokens on the secondary market. These markets are unregulated, unlike equity sales in the secondary market which are highly regulated by the SEC and the exchanges themselves, and thus, there are little to no restrictions on how they are traded (Hu, Parlour, and Rajan 2018).

Although ICOs are riskier than traditional fund-raising methods, such as venture capital and IPOs, due to their lack of regulations, they provide benefits that traditional methods cannot. Not only is it difficult to convince venture capital firms to invest in an early-stage company with little to no track record, but once firms do invest, they require a large share of and control over the company, which might not be aligned with the entrepreneur's interest. IPOs, on the other hand, are expensive and can only be done once the firm is sufficiently large enough, thus not practical for smaller firms (Conley 2017). As a result, ICOs are the most feasible option for many firms looking to raise early-stage funding.

Since the first ICO in July 2013 by Mastercoin, which is a cryptocurrency built on Bitcoin's blockchain that raised 5,000 Bitcoins ($500,000 USD) from 500 investors, there have been thousands of ICOs. Specifically, there have been 1,158 reported ICOs that raised a total of $21 billion USD since June 2018, and the largest raised $4.1 billion USD (Diemers et al. 2018). They were able to raise large amounts due to their unregulated status, which helped them avoid compliance costs that firms who seek funding through traditional methods have to undertake (Fisch 2018). Additionally, since ICOs allow direct interaction between the firm and investors, it removes intermediaries entirely and the costs associated with them.

LITERATURE REVIEW

ICO Returns

Several studies show that ICOs allow entrepreneurs to generate more return than traditional methods. Gans Catalini (2018) found in his study on the value of crypto-tokens that since ICOs generate buyer competition, they reveal how much investors value the tokens without the entrepreneur having to know the consumers' willingness to pay beforehand. This method allows ICOs to raise more funds than IPOs, making ICOs a more attractive alternative. In addition, Ryan Amsden (2018) showed that by underpricing ICOs, issuers can generate market liquidity, which increases demand for tokens. Since the value of tokens is determined by the number of users, the higher demand increases the tokens' inherent value. Both of these features of ICOs allow them to bring in large amounts of funding for entrepreneurs.

Not only were ICOs able to raise large amounts, but many also generated significant returns for investors. A report published by the Boston College Carroll School of Management found that on average, an ICO investor will earn 82 percent return on investment (ROI) after adjusting for returns of the asset class and imputing negative 100 percent returns to those that do not list their tokens within 60 days (Kostovetsky and Benedetti 2018). From the ICO price to the first day's opening market price, they found average returns of 179 percent over a holding period of an average of 16 days. Analysis by the venture capital firm Mangrove Capital Partners, who was an early investor in Skype, corroborated these conclusions and found that if an investor had blindly invested the same amount in every visible ICO, including the significant number of ones that failed, he or she would have realized 13.2 times the initial investment in returns (Jackson 2017). Coinist (2018), which is a website that provides news and information on cryptocurrency and tracks ICOs, reported that the average ROI of an ICO in its directory of almost 500 ICOs is 1,762 percent, the average ROI of the top 100 ICOs in its directory is 5,444 percent and the average ROI for the top 10 ICOs in its directory is 53,552 percent as of December 18, 2018. These significant returns are unmatched by traditional fund-raising methods, which contributes to ICOs' popularity among investors.

ICO Risks

These returns, however, do not come without risk. ICO models allow firms to issue tokens without any requirements, conditions, or securities measures to protect investors. Shaanan Cohney et al. (2018) at the University of Pennsylvania found that many ICOs did not even promise to restrict the transfer of tokens to insiders in order to protect investors against insider self-dealing. Investors have little to no say on how firms can use their ICO funding, so issuers can do as they please. Unlike shareholders who can nominate and vote for directors, ICO investors have no such power. The only power investors have is their decision to hold or sell their tokens, and even then, only can when the tokens are listed on secondary exchanges (Kaal and Dell'Erba 2017). Furthermore, since ICOs occur at the early-stages of a firm, token holders typically invest in a future promise of an idea; thus, tokens are not linked to a tangible product, and sometimes not even to a product at all. This also means that the firm is not generating revenue, since there is no product to generate revenue, so the company is relying solely on ICO funding for revenue, which could lead to dilution if the firm needs to issue another ICO for additional funding (Kaal and Dell'Erba 2017). All of these features of ICOs show the risks of investing.

Not only is there a lack of securities measures and regulatory power given to token holders, but there is also a lack of accurate financial information provided to investors. Researchers at the University of Luxembourg Law found that in most of their sample ICOs, potential participants are given "so little financial information that their decision to fund the ICO cannot be based on a rational calculus" (Zetzsche et al. 2017). They noticed observable overexcitement for ICOs from investors, which is a well-known indicator of an irrational market. Furthermore, a vast majority of ICOs have turned out to be scams. ICO advisory firm Statis Group found that more than 80 percent of projects by number of shares were identified as scams, and around 11 percent of ICO funding (or about $1.3 billion USD) went to identified scams, mostly to three projects: Pincoin ($660 million USD), Arisebank ($600 million USD) and Savedriod ($50 million USD) (Dowlat 2018). In other words, almost one in ten ICOs is a scam, which is a significant risk.

The risk of scams is high because of the lack of regulation, making it relatively easy to trick investors in an ICO. Wulf Kaal and Marco Dell'Erba (2017) suggest one way of scamming is for a company to copy the features of a successful token, which are publicly available due to the open source code that crypto-businesses use, and use it to raise funding. Another way is to create a Ponzi scheme designed to cheat investors. Lastly, another way is to promise high returns to investors, generate social media excitement, obtain celebrity endorsements and boast innovative technologies whether or not they are actually feasible (SEC 2018). These examples show that there is significant risk in investing in ICOs due to the limited amount of financial information available and the high probability for scams.

Behavioral Finance

People still, nevertheless, invest in ICOs in large amounts despite the many risks, including the lack of available financial information, which could be attributed to behavioral biases. The tendency of investors to be influenced by behavioral biases and make irrational financial decisions has long been researched and established. In more traditional assets and investments, studies have confirmed that investors have behavioral biases that lead them to make poor decisions. In their study, Gongmeng Chen, Kenneth Kim, John Nofsinger, and Oliver Rui (2007) found that emerging markets investors make poor trading decisions and suffer from behavioral biases, specifically the disposition effect, overconfidence and the representative bias. Similarly, Warren Bailey, Alok Kumar, and David Ng (2011) found that mutual fund investors also make poor decisions that result in poor performance due to behavioral biases, specifically mental accounting biases.

These behavioral biases are also present when people invest in cryptocurrency. Mohamed Saleh, Ivo Bischoff, and Jochen Michaelis (2018) analyzed the behavior of cryptocurrency investors and found evidence of behavioral biases in investment decisions. In particular, they examined the presence of representativeness, overconfidence bias, the disposition effect, regret aversion and the fear of missing out, overreaction, herd behavior, and peer influence and found evidence that investors suffer from all of those behavioral biases. They concluded that investors in the cryptocurrency market are just as prone to these biases as investors in the stock market. In addition, Jai Prasad (2018) analyzed investor participation in eight public ICO sales between May and November of 2017 and found that of the roughly 45,000 unique wallets that participated in the eight public sales, 4635 wallets participated in two sales, 761 in three sales, 89 in four sales, and 19 in five sales. This data showed that several unique wallets (people) had invested in multiple ICOs, so people who invest are usually repeat investors. Furthermore, he found that "10% of the wallets contributed 70% of the ETH [in token sales]," meaning that a small number of investors invest in most of the ICOs (Prasad 2018, 3). Hence, this behavior indicated that investors may be impacted by the overconfidence bias, where they believe that their skills are better than average, so that if they invest in several ICOs, they will make a profit.

More specifically, several other studies looked into the relationship between investors in the cryptocurrency market and the herd behavior bias, which is when investors "suppress their own beliefs and base their investment decisions solely on the collective actions of the market, even when they disagree with its prediction" (Christie and Huang 1995, 31). Already shown as evident in the equity market, herd behavior was also present in the cryptocurrency market in the findings of several studies. David Vidal-Tomás, Ana Ibáñez, and José Farinós (2018) discovered that herd behavior was common in the cryptocurrency market during down markets, and that traders used the behavior of the main cryptocurrencies, such as Bitcoin, Dash, Litecoin, Stellar and Ripples, to make investment decisions about smaller cryptocurrency even though they are not necessarily interdependent. Similarly, Eli Bouri, Rangan Gupta, and David Roubaud (2018) used a rolling-window analysis and logistic regression to determine that there is significant herd behavior that tends to occur as uncertainty increases in the cryptocurrency market. Furthermore, in his study, Obryan Poyser (2018) found empirical evidence of herd behavior that echoes previous findings. Though there is no literature on the influence of behavioral finance on ICO investors specifically, this paper draws on the literature on related to behavioral biases and cryptocurrency investors to guide the research.

RESEARCH QUESTION

The research question explores why people invest in ICOs and their behavioral biases. Specifically, this paper examines the reasons individual investors invest in ICOs in general, not why they invest in a specific ICO. Since investing in these high-risk, unregulated ICOs was found to be irrational by Zetzsche et al., all ICOs will be treated the same—as irrational investments. As a result, the focus will be less on the merits of specific ICO companies and more on the merits and draws of the field as a whole. The purpose of this paper is to study the behavioral finance concepts that influence people's decision to invest in ICOs. Since it is not feasible to analyze the impact of all behavioral biases, this paper will examine the tendency of ICO investors to be impacted by: (1) herd behavior and the fear of missing out, as well as (2) overconfidence, which could lead to overreaction, and the underlying self-attribution and hindsight biases.

Herd behavior, as described in the previous section, is the tendency of individuals to mimic the behavior of others in a larger group, regardless of whether the action is rational or not. Usually, the action is not one that the individual would make by him or herself, and generally is swayed by the larger group. The fear of missing out, which is tied to herd behavior, is the tendency to partake in an action or opportunity that others are undertaking in fear of future regret (Saleh, Bischoff, and Michaelis 2018). Overconfidence, on the other hand, is when individuals believe their personal skills or abilities are better than the average, and it stems from the self-attribution and hindsight biases. Nicholas Barberis and Richard Thaler (2003, 1064) describe the self-attribution bias as the tendency to "ascribe any success they have in some activity to their own talents, while blaming failure on bad luck, rather than on their ineptitude. Doing this repeatedly will lead people to the pleasing but erroneous conclusion that they are very talented." In addition, they describe the hindsight bias as the tendency to "believe, after an event has occurred, that they predicted it before it happened. If people think they predicted the past better than they actually did, they may also believe that they can predict the future better than they actually can" (Barberis and Thaler 2003, 1064). These two biases lead to the overconfidence bias, which can prompt overreaction, and can result in an investor making more irrational decisions.

HYPOTHESIS

The hypothesis of this paper is that investors are first drawn to invest in ICOs due to the herd behavior & fear of missing out on the get-rich-quick potential, and they will use overconfidence to justify the results of the investments and continuing investing. Even if investors do not believe investing in ICOs is the best financial decision, they will have a fear of missing out on a potentially profitable opportunity and will tend to follow and copy other people who are investing. Once they do start investing, they will attribute good outcomes to their personal ability and bad outcomes to bad luck. As a result, if they gain high returns, they will invest even more believing they are skilled investors, and if they lose, they will blame bad fortune and try their luck again by investing, which perpetuates the irrational decision to invest in the first place.

SIGNIFICANCE

This topic and the consequences of this issue would be of interest to investors, firms looking to issue an ICO, regulators and academics/researchers. For investors, more insight on behavioral finance characteristics and the irrational financial decisions people make when deciding to invest in ICOs might open their eyes and help investors make more informed choices. For firms looking to issue an ICO, if they know why people invest, they can increase the amount raised by targeting and playing to those reasons. This type of targeting marketing could lead to manipulation and fraud, which is why regulators, such as the Securities and Exchange Commission (SEC), need to understand the reason why people invest in ICOs in order to protect them. The SEC has not released definitive regulation on ICOs, so this paper would provide more insight on this emerging field as they are still determining legislation. Lastly, for academics and researchers, this paper would add and contribute to the growing body of research on cryptocurrency and ICOs. There has not been much research conducted at the intersection of behavioral finance and ICOs, so this paper could provide initial information that researchers could use to further explore the phenomenon.

The target audience is investors, regulators and academics/researchers, since the goal is not to help firms commit fraud. They would want to see why people invest in ICOs and the underlying behavioral finance reasons in order to determine how to respond to them. This paper will explore both the reasons why people invest in ICOs as well as recommendations of industry experts and analysts. For the regulators, this paper will suggest ways to increase regulation to protect investors and reduce fraud.

METHODS

The methodology used in this paper can be broken down into three sources of data: (1) white papers from companies issuing an ICO, (2) ICO experts or analysts' opinions and recommendations on investing in ICOs, and (3) online blogs/opinion articles by individual investors detailing the reasons why they invest in ICOs. These three types of data addressed reasons why ICO experts or analyst and individual investors invest in ICOs as well as what firms that are looking to issue an ICO are doing to convince investors to invest.

Since online blogs/opinion articles and white papers are publicly available online, the data collection method involved online searches and resulted in easy access. Some ICO experts or analysts also publish their opinions and recommendations online, so their publicly available content was also easily found online. Gathering pubic information was important because since the main focus on this paper is to investigate why ordinary people invest in ICOs, the research had to collect data in places where individual investors have easy access to information to help make their investment decision. For example, if when people were researching whether or not they should invest in ICO, they came across a particularly compelling article, then this research would need to incorporate that evidence, and the only way to find it would be to look at publicly available search sites.

By gathering and analyzing the data, this paper explores the main reasons experts and individual investors invest in ICOs and how a firm's white paper might influence the decision. Using this information, this paper makes recommendations for policy makers to increase regulation to protect investors and decrease fraud.

White Papers

White papers were collected and analyzed to examine the use of language in persuading investors, such as if and how many times companies referenced key words or concepts like “return” or “volatility.” While there are several websites that have white papers, there is no universal database of all white papers released. Hence, the website with the most comprehensive list of white papers—White Paper Database (whitepaperdatabase.com)—was used and served as the basis of this dataset.

After 185 white papers were collected, they were then analyzed using a text analysis software with a similar method that Christian Fisch (2018) used in his study *Initial Coin Offerings (ICOs) to Finance New Ventures: An Exploratory Study*. He used Linguistic Inquiry and Word Count (LIWC) software to match and count words in white papers to a certain domain. For example, in order to measure “achievement,” the software would scan the text for similar, individual words such as “success”, “win” and “better” and count the number of times those words appear. When analyzing white papers, Fisch (2018, 15) focused on “five dimensions that could be relevant to investors when investing in ICOs: achievement, reward, risk, analysis, and clout.” This paper used a similar methodology of scanning the text and counting words, but instead of using LIWC software, the linguistic analysis was conducted using a personalized software developed for this research. The software scanned the text to determine which words were most common as well as relevant to investors, instead of using predetermined dimensions as Fisch did in his research. This way, the parameters for the linguistic analysis were set by the data in the white papers rather than arbitrarily or by the researcher.

More specifically, the software went through all 185 PDFs of white papers, counting the number of times each word was used. To avoid non-significant results, words such as determiners (the, a, an), helping verbs (have, be, must, would, etc.), pronouns and all the commonly used “stop-words” in natural language processing, from the Python NLTK package (https://gist.github.com/sebleier/554280) were omitted. Each word was lemmatized, so that words marked as verbs were made into the infinitive, and all nouns were made singular. This conversion of a word into its simplest dictionary form allowed different inflections of the same word to be counted together. In the end, the program outputted the top 100 most used words ranked, and their frequencies.

ICO Experts or Analysts

This paper originally looked into institutional investors’ opinions and recommendations on investing in ICOs in order to analyze what “traditional” financial experts were saying. However, after finding no public data from the largest institutional investors and realizing the ICO field does not have traditional experts like the equity market, the research created new criteria for an expert and pivoted to ICO experts or analysts’ opinion. In this new field, ICO experts hold influence just like institutional investor analysts do in the traditional finance field, so thus, ICO experts play the same role in the ICO market as institutional investors do in traditional market.

Since the ICO market is relatively new, there are no widely agreed upon experts—there is no Warren Buffett of the ICO world. As a result, this research considered anybody who is active in the space beyond just investing and contributed to ICO research and literature an expert. The easiest and most accessible way of finding experts was to search “ICO expert invest” in Google. In fact, this search method is what individual investors might do if they wanted expert opinion on whether or not to invest in ICOs. One article, which was the sixth link to appear on the search, was titled “Do You Invest in ICOs? 9 Crypto Experts Share Their Opinions” and included opinions from several experts (Invest in Blockchain Editorial Staff 2018). Furthermore, there was another article titled “Which Are The Top Bloggers Who Write About Initial Coin

Offering?", which also mentioned an expert, Chris Skinner (HiP Interactive Property 2019). In addition, this dataset included the recommendation of a "Certified Venture Capital Professional – Director" on Wall Street Oasis who received a "best response" ranking, indicating that people trust and respect his opinion (Wall Street Oasis 2018). Lastly, the paper also included an interview conducted with an expert, Kenyon Hayward, to gather his recommendation.

After gathering the opinions and recommendations of 12 experts, this research then analyzed them to see if there were any patterns that might influence people to invest in ICOs. For example, if a reputable expert were to write about how he or she thought ICOs are great investment opportunities and had made high returns, then that might be a reason why some people would also invest in ICOs—similar to the Warren Buffett Effect. If this effect were to be seen in the ICO market, then this research would link it to behavior finance concepts, most likely herd behavior.

Individual Investors

The best way to understand why people invest in ICOs is to simply ask people why they invested in ICOs. Hence, this paper gathered data from online blogs or opinions articles where people described the reasons why they invested in ICOs, following the guidelines and ethical standards set by *'Entering the Blogosphere': Some Strategies for Using Blogs in Social Research* (Hookway 2008). To find self-declared reasons why people invest in ICOs, this research searched the discussion boards of Quora, Reddit and Wall Street Oasis, which are commonly known blog websites that people frequent when they have a question or need advice. Furthermore, those three websites, along with others, were top searches on Google under "why do people invest in ICOs?" The other sources of blog posts collected were articles on Medium, ICO Now, Hackernoon and CCN. Though these websites might not be the most respected or trusted websites, they included common ICO investors' opinions on why they invest, which was why they were used in this research. The analysis was done on the responses to the questions people posted asking why people invest in ICOs.

After gathering testimonies from 50 people, this research analyzed them by looking for patterns. Once the patterns were determined, they were related to the specific behavioral finance concept that most closely resembled the motivation for their investment in ICOs. The behavioral biases were not predetermined, but rather determined by the data. The most weight was placed on individual investor's opinion describing why they invested in ICOs because this data came directly from the source, so there was no better indicator than the investors themselves.

RESULTS

White Papers

The top ten most common words in all of the 185 white papers were "token," "transaction," "blockchain," "user," "data," "network," "contract," "node," "system" and "market," and they appeared 11574, 9426, 9318, 8122, 7773, 7445, 6401, 6373, 5953 and 5680 times total, respectively. Of the top 100 most common words, only eight words could have the potential to sway investors to invest, and those words were "new" (#15), "value" (#18), "payment" (#38), "consensus" (#56), "financial" (#58), "cost" (#62), "risk" (#75) and "reward" (#76). They appeared 4871, 4315, 2757, 2182, 2138, 2127, 1870 and 1864 times total, respectively. Those words were chosen because of their association with financials and return; however, without context from the white papers surrounding those words, this paper cannot conclusively say if those words were actually meant to influence investors. Correlation was not calculated because of the significant confounding variables. Furthermore, even if there were a correlation, it would be difficult to prove causation between white paper content and increased investment.

ICO Experts or Analysts

Of the 12 experts, all but two people (or 83 percent) did not recommend investing in ICOs, and they overwhelmingly believed ICOs are scams and not sound, rational investments. A couple of the most representative quotes from ICO experts were: “while I believe there is still plenty of money to be made in the ICO space, I think the heyday for initial coin offerings has come and gone, thanks to increased regulatory scrutiny,” and “I also think the majority of ICOs are useless / scammy” (Invest in Blockchain Editorial Staff 2018, 3-4). Additionally, one expert summarized ICO investments by saying:

> If you're not risking much, knock yourself out. But view this as a gamble, not an investment. And if you get lucky, and happen to pick the winner in this chariot race, congratulations. But try not to pretend ex post that you were some sort of genius, and saw the whole thing playing out precisely as it did. (Wall Street Oasis 2018, 5)

Most experts believed the risk of ICOs is too great and would rather put their money towards safer, more traditional investments. This sentiment was echoed in the interview with Ken Hayward, who also did not invest in ICOs. Even if experts did invest, they understood that it was a gamble with the odds of success dependent on luck. No expert recommended investing in ICOs like they would in traditional investments like equity or debt, and if someone wanted to invest in ICOs, then experts would recommend that they exercise extreme caution and only invest what they can afford to lose.

For the two experts who did invest in ICOs, they still recognized the significant risks involved. One analyst wrote, “no gamble, no future,” recognizing that investing in ICOs is more of a gamble than a rational investment (Invest in Blockchain Editorial Staff 2018, 5). The other expert wrote, “I have strict criteria for investing as I have been burned before,” mentioning that he is very careful when investing in ICOs (Invest in Blockchain Editorial Staff 2018, 9). Neither of them recommended that others to invest in ICOs without conducting thorough due diligence.

Individual Investors

Of the 50 individual retail investors' opinions gathered, 28 people's responses (or 56 percent) fell under the overconfidence bias and 22 people's responses (or 44 percent) fell under the herd behavior & fear of missing out (FOMO) bias. These two types of biases were not specific sought out in the responses, but rather, the data naturally divided into these two categories.

For the herd behavior and FOMO bias responses, seven responses were tied to herd behavior and 15 were linked FOMO. The most typical responses indicating herd behavior were, "It's hight [sic] time to invest in some altcoins while cryptocurrency is so popular," "everyone and their blind dog is getting involved and it is evident that many are financially ill-informed," and "I have made the decision to take advantage of this opportunity [because]… My colleague likes it…" (Ario 2018, 3; Wall Street Oasis 2018, 5; Broadhurst 2017, 6). These responses were indicative of herd behavior because they showed how people were investing simply because ICOs are popular and other people are investing. In addition, the most typical responses indicating FOMO were, "The more I see values on coins sky rocketing the more I don't want to miss out on the gains," "If you don't invest a token amount of money, you could be seriously kicking yourself in a month or two" and "ICOs is new way to make you a millionaire" (Wall Street Oasis 2018, 1; Wall Street Oasis 2018, 10; ICOnow, n.d., 1). These responses were indicative of FOMO because they showed how people were investing due to the fact that they did not want to miss out and regret potentially making lots of money.

On the other side, for overconfidence, the most common responses were, "With right ICO you can make quick burst of profit! Of course you need to choose right ICO," "It is the best way to invest and earn good money and indeed it made a lot richer. you only have to chose [sic] the right ico," and "Way easier money than anything else in the trading space. As long as you trade it and manage risks there's money to be made" (Zins 2018, 3; ICOnow, n.d., 2; Wall Street Oasis 2018, 8). These responses indicated overconfidence because they showed how people believed they could have the knowledge to choose the right ICO that will make them rich, even though that knowledge does not exist. Since there is not enough financial information available on any ICO, it is impossible to accurately analyze and choose the ICOs that will be profitable.

DISCUSSION

The purpose of the white paper research was to observe the amount of marketing language that went into the white papers, and whether companies used this type of white paper marketing to influence people to invest. The top ten most common words were to be expected from a white paper, since they were all words related to the mechanics behind blockchain and ICOs. It made sense that companies wanted to describe the intricacies of how they operate. However, based on just the list of top 100 words without any context, only eight words (or 8 percent) could be categories as potential marketing, which was a small minority of the total words in a white paper. Even if those eight words were actually meant to be a marketing tactic, there would be no scientific way of proving that this language was the reason why investors invested due to confounding variables. Thus, the conclusion from the white paper research was that white papers did not influencing people to invest, given the small number of words related to marketing contained.

This finding matched that of Christian Fisch's research, where he also analyzed the text of hundreds of white papers and found that no significance between the content of white papers and increased investment (Fisch 2018). He offered two potential explanations: "investors do not read or do not understand the content of white papers" and the text analysis software "does not grasp the content of white papers in a sufficiently nuanced way" (Fisch 2018, 15-16). These two rationales could also be applicable to this research because both explanations could be plausible in this context. If investors do not read or understand the content of white papers, then it would support the argument that ICO investors are influenced by behavior finance biases and do not invest irrationally since they are not conducting proper due diligence, which Fisch also suggests. For the second explanation, further research could use different, more sophisticated methods of text analysis to better comprehend the content of white papers.

Since the general consensus among ICO experts was that they do not, nor recommend that others, invest in ICOs, expert opinion did not influence people to invest. If ICOs were truly a good investment, then experts would capitalize on the opportunity to earn returns and recommend that others do the same. However, there was no Warren Buffett Effect occurring in the ICO market, so the motivation to invest lied in other reasons. Since people were investing despite the fact that most experts recommended against it, it showed that people's investment in ICOs was irrational. Thus, people's decision to invest could be attributed to behavioral finance biases, which runs counter to rational thinking.

In the research on individual investors, people's reasoning for investing in ICOs fell into two categories: overconfidence bias and herd behavior & fear of missing out bias. The people who exhibited overconfidence bias believed they could do research and choose the right ICOs that would be highly profitable, while those who exhibited herd behavior & fear of missing out bias had heard about the high returns of ICOs and did not want to miss the opportunity to earn large gains. Both of these ways of thinking are fallacies and irrational, which is similar to what previous researchers have found.

Given the literature on ICOs and expert opinion, the only rationale way of thinking about investing in ICOs is to equate it to gambling or buying a lottery ticket. As mentioned previously, researchers at the University of Luxembourg Law found that potential ICO investors are given "so little financial information that their decision to fund the ICO cannot be based on a rational calculus" (Zetzsche et al. 2017). Thus, anybody who stated that they researched the company before investing and felt confident about the ICO investment was affected by the overconfidence bias, thinking that they were talent enough to pick the right investment when in fact nobody has that ability. Furthermore, investing in ICOs because other people are doing so and not wanting to miss out is not a rational and sound investment strategy—it is the blind leading the blind. There was underlying herd behavior in all of the responses because they were found on a blog, which showed that those investors read or seek the opinions of the larger group.

These findings showed that the average individual retail investor was ill-informed about the risks of investing in ICOs and unaware of their biases. They downplayed the risks while overplayed their abilities to choose the right ICO that will make high returns—in fact, nobody has that ability as it is impossible to accurately predict which ICOs will be successful due to the lack of financial information. In most responses, people cited the extraordinarily high returns that ICOs could generate as a reason to invest, while many only briefly mentioned the high risks involved. Furthermore, people believed they could minimize the risk by conducting due diligence. The most that anybody said about risks of investing was that people should only invest as much as they are willing to lose, which equates investing in ICOs to gambling. Unlike gambling, however, people believed they had higher odds and could confidently stack those odds by conducting proper research. They also did not listen to expert recommendations to avoid investing in ICOs due to the high likelihood of scams. Lastly, none of the individual investors recognized their overconfidence bias or herd behavior & fear of missing out bias. In fact, they went to blog websites for advice, which further increased the herd behavior & fear of missing out bias.

The findings of this paper mostly validated the hypothesis laid out earlier, which stated that "investors are first drawn to invest in ICOs due to the herd behavior & fear of missing out on the get-rich-quick potential, and they will use overconfidence to justify the results of the investments and continuing investing." The research found that those two behavioral finance biases were the main drivers for ICO investments, but they did not occur sequentially, as the hypothesis predicted. Rather than the herd behavior & fear of missing out bias drawing people in and the overconfidence bias forcing people to continue to invest, both herd behavior and overconfidence biases played a role in motivating people to invest—the motivations leading people to invest were simultaneous instead of sequential. The more-confident investors were inspired to invest due to the overconfidence bias, and the less-confident investors were compelled to invest due to the herd behavior & fear of missing out, though there was a mix of both biases in both types of people.

The implications of this study are important to the development of ICO investing. Playing on the herd behavior and fear of missing out bias of investors, companies that have launched ICOs could increase their marketing to hype up their tokens and spur more investment. Since ICO experts and analysts' recommendations did not influence people to stop investing, the only way to limit or stop this irrational behavior is for regulators to step in. One thing that regulators could do to limit the amount of influence herd behavior and fear of missing out have on investments is to limit or ban ICO referrals. On blogs such as Quora, there were many posts that promoted specific ICOs by mentioning that there was potential to earn high returns, instead of providing genuine feedback or answers to the question. Although the conversion rate of the referrals to investment is unknown, these types of advertisement incite herd behavior and fear of missing out due to the language used. Thus, regulators should limit or ban this type of direct peer-to-peer marketing on blog site by creating specific boundaries for where ICO marketing is allowed to limit the effect of the herd behavior and fear of missing out bias, as well as force advertisements to list all the risks in addition to just the benefits to reduce overconfidence.

CONCLUSION

The goal of this research was to determine why people invested in ICOs. After collecting and analyzing the data, this paper concluded that white papers and ICO experts did not influence people to invest in ICO. It found that the main factor that motivated investment was behavioral finance biases, which fell into two categories: the overconfidence as well as the herd behavior & fear of missing out bias. One category of investors believed they had the skills to accurately choose the right ICOs that would result in high returns, while the other category of investors saw other people making large gains and did not want to miss out on the opportunity. To protect investors from these irrational decisions, regulators should decrease the effects of these biases by limiting or banning ICO referrals, which spurs on herd behavior and the fear of missing out. Furthermore, regulators should require ICO companies to mention the potential risks and downsides in order to curb the overconfidence investors have in ICOs.

This research contributes to and echoes the findings of the existing body of literature on behavior financial biases in the markets. Several limitations of this study include the small sample size of white papers, ICO experts and individual investors; the use of blogs like Quora, Reddit and Wall Street Oasis, which may be bias or selective towards certain types of people and might not be representative of all ICO investors; and the text analysis software, which may not have been sophisticated enough to understand the nuances of the language in white papers. Improving upon these limitations may provide more accurate results. Further research topics could be: examining the correlation between ICO investors and gamblers or lottery ticket buyers; tracking ICO investors over time to see if their behavior changes after they start investing; or surveying the demographics and other personal information of ICO investors to see if there are any patterns. As the field evolves, it is important for regulators to protect investors and help them protect themselves. Any strides in improving the understanding of ICO investing will help regulators, and all parties involved, better identify how to adapt to a rapidly changing market.

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APPENDIX

Appendix A: Results from white paper text analysis

Rank	Word	Count
1	token	11574
2	transaction	9426
3	blockchain	9318
4	user	8122
5	data	7773
6	network	7445
7	contract	6401
8	node	6373
9	system	5953
10	market	5680
11	block	5512
12	chain	5467
13	platform	5454
14	smart	5358
15	new	4871
16	time	4505
17	one	4416
18	value	4315
19	service	4266
20	based	4042
21	bitcoin	4012
22	key	3814
23	asset	3738
24	exchange	3700
25	protocol	3652
26	use	3586
27	application	3548
28	ethereum	3447
29	technology	3256
30	business	3164
31	decentralized	3124
32	security	3018
33	public	2942
34	development	2903

35	used	2900
36	information	2897
37	first	2819
38	payment	2757
39	proof	2702
40	digital	2700
41	fee	2686
42	coin	2633
43	order	2575
44	content	2525
45	two	2496
46	set	2455
47	account	2449
48	number	2420
49	using	2366
50	company	2299
51	distributed	2289
52	price	2285
53	project	2237
54	fund	2203
55	model	2189
56	consensus	2182
57	make	2151
58	financial	2138
59	process	2131
60	hash	2129
61	currency	2127
62	cost	2127
63	need	2126
64	address	2125
65	community	2093
66	party	2081
67	many	2062
68	sale	1954
69	signature	1953
70	team	1917
71	high	1915
72	without	1913

73	different	1910
74	state	1894
75	risk	1870
76	reward	1864
77	solution	1858
78	developer	1853
79	amount	1839
80	every	1839
81	private	1838
82	future	1837
83	work	1828
84	open	1826
85	within	1803
86	trading	1786
87	wallet	1786
88	provide	1781
89	product	1747
90	industry	1738
91	current	1738
92	world	1714
93	function	1713
94	global	1708
95	like	1705
96	including	1672
97	algorithm	1671
98	year	1653
99	cryptocurrency	1617
100	support	1609

Appendix B: Quotes from ICO experts

Chris Skinner – Independent commentator on the financial markets and fintech through his blog, the Finanser.com, author of the bestselling books Digital Bank, ValueWeb and its new sequel Digital Human, voted one of the most influential people in banking, one of the Top 40 most influential people in financial technology by the Wall Street Journal's Financial News

- "Skinner lends a critical but fair eye on cryptocurrencies and ICOs. His view is cautious, but he's an avid watcher of how ICOs are unfolding and coexisting alongside more traditional structures. For now, he's sitting on the fence, but it will be interesting to see what his opinions of ICOs are in twelve to eighteen months' time."
- https://www.hip.property/which-are-the-top-bloggers-who-write-about-initial-coin-offering/

Unnamed Venture Capital Director – Former currency trader who now invests in technology businesses as a director of a venture capital firm

- Most of these 'assets' will never become currencies. They will mostly become valueless commodities. For those of you who think you have the chops to pick the handful of winners out of hundreds of options, I say to you, "Good luck." For those of you who just want to make some money trading, keep it light and take profits when you can. For every person who made a fortune in the dot.com bubble, there were dozens of people who lost their shirts, their shoes and most importantly, their chance to take risk in their careers.
- https://www.wallstreetoasis.com/forums/anyone-making-any-decent-money-from-investing-in-icos

Adam James – Editor-in-Chief of *bitcoinist.com*

- I do not invest in ICOs. While I believe there is still plenty of money to be made in the ICO space, I think the heyday for initial coin offerings has come and gone, thanks to increased regulatory scrutiny. Though I do not invest in ICOs, personally, I don't doubt that others may find such investments lucrative in the latter half of 2018
- https://www.investinblockchain.com/invest-in-icos/

Nathan Rose – Author of *The Crypto Intro*

- I do not invest in ICOs, because it's just too "Wild West." Projects are raising eye-watering sums — and often not because of their intrinsic value, but largely because ICO investors are confident that they can sell their tokens at an even higher price, in the aftermarket. Though we all want to see a more efficient world with fewer middlemen, as of right now, the traditional legal system still provides much better protections for investors, so that is what I stick to. Early-stage projects can still raise money from the public using equity crowdfunding.
- https://www.investinblockchain.com/invest-in-icos/

Daniel Frumkin – Cryptocurrency Analyst and Founder & Lead Writer at Crypto and Copy

- Not really. As a U.S. resident, I can't and I also think the majority of ICOs are useless / scammy. I've been tempted by a couple, but in my experience it's almost always been possible to get them for cheaper prices after the ICO because projects set their hard caps way too high.
- https://www.investinblockchain.com/invest-in-icos/

Craig Russo – Co-founder of *sludgefeed.com*

- I do not invest in ICOs. There are enough opportunities with the projects already listed on exchanges.
- https://www.investinblockchain.com/invest-in-icos/

Owen Cook – Cryptocurrency Analyst and Writer

- Yes, I do invest in ICOs. No gamble, no future.
- https://www.investinblockchain.com/invest-in-icos/

Matias Dorta – Founder of *ICO Informer*

- When it comes to ICOs, I'm very picky. I would say I've invested in maybe 5 of them. I want to make sure I'm contributing to projects that solve a problem and have a defined market. For the most part, many of them are pure speculation or "white paper ideas" and I try to stay away from those. However, if it is a sound project, the upside on ICOs can be very rewarding.
- https://www.investinblockchain.com/invest-in-icos/

Tom Alford – Head of Content at *TotalCrypto.io*

- I haven't invested in ICOs since January 2018. The reason why is that the overall cryptocurrency market cap peaked on January 7, 2018. The overall market decline has made it more challenging to realize an ROI on ICOs. Quite simply, if you invest in an ICO and the overall market declines between when you invested in an ICO and the token being tradable on exchanges, then the token will trade at a lower value then it would have done if the overall cryptocurrency market cap was higher. The way of thinking about this is to imagine you invested in an ICO and it achieved position 150 in overall market cap when it was finally listed on exchanges. On January 7, 2018, when the overall cryptocurrency market cap was at all-time highs, position 150 would have meant a market cap of around $184 million. Fast forward to July 20, 2018, position 150 comes in with a market cap of just $50.5 million. This means that ICO returns are much harder to come by. Indeed this profitability problem only gets worse if you bought Ethereum at a higher price than it is now. The problem is that the cryptocurrency market really does move as one. Most altcoins actually really only have a price in Bitcoin. The result is that different cryptocurrencies are highly co-related right now. This means that market caps for cryptocurrency projects do not reflect what they are actually worth. Instead, valuations are really just relative to other projects. Relative valuations are an issue in the cryptocurrency market. It is exceptionally common for crypto investors to compare a new coin with an existing competitor out there. This means that investors might say that a new cryptocurrency could be worth $250 million, simply because it has a competitor that is worth that much. Very few people seem to stop and analyze the security tokens and ask themselves if they are really worth $250 million? The truth about ICOs is that there is very little investors can do to evaluate the price an ICO might achieve when it finally hits the exchanges. The main way of doing this is by looking at the relative valuations of competitors. However, this can lead to somewhat unprofitable decisions if the overall cryptocurrency market is going down and so are the prices of the competitors you measured your ICO against. The same logic dictates that ICOs will be more profitable when there is an overall cryptocurrency market bull run. This is because the prices of an ICO's competitor will be constantly increasing in this sort of market environment. The

cryptocurrency bull run of late 2017 has also created another issue for ICOs. Basically, cryptocurrency projects got used to raising a lot of money and had exceptionally high hard caps. In early January 2018, it was not uncommon to see ICOs with hard caps of $25 or $40 million. The problem is that there are still many ICOs out there with over $25 million hard caps and that negatively impacts on their return profiles in the current investment environment. Indeed many ICOs are actually hitting exchanges at a lower valuation then they were sold for at ICO. To put this into perspective, the top 10 cryptocurrency IOTA raised just $434,500 in its ICO in November 2015. Higher ICO hard caps, simply mean that the cryptocurrency needs to achieve an even higher market cap to generate the return multiples you could get in the past. Simply, it is just a matter that the current cryptocurrency market conditions make it significantly harder to generate returns on ICOs. There are indeed ICOs that have still done well in the current market, but just not as well as they would have done in a bull market. It should also be noted that it is significantly harder to invest early in promising cryptocurrency projects now. There has been a rise in private sales and trend towards shrinking down the percentage of tokens available for ICO. Indeed for some of the best projects, you can only get in at private sale and that's out of the reach of most people. With the current ICO environment being as it is, the TotalCrypto Team is looking more at undervalued cryptocurrencies that should do well in the next bull run. A bullish change in overall cryptocurrency market conditions should change the ICO environment to a much more profitable one then we are currently experiencing.
- https://www.investinblockchain.com/invest-in-icos/

Brandon Quittem – Cryptocurrency Analyst & Writer

- I do not invest in ICOs. From a merit standpoint, I think 99% of them are completely useless. Can you make money flipping them? Absolutely, but I'd rather spend my time on other things.
- https://www.investinblockchain.com/invest-in-icos/

Ben Fairbank (aka Bitcoin Benny) – Crypto trader, General Manager of Komodo, YouTuber

- Yes, sometimes I do invest in ICOs. I generally have to be very impressed. I have strict criteria for investing as I have been burned before.
- https://www.investinblockchain.com/invest-in-icos/

Appendix C: Quotes from individual investors

https://www.quora.com/Why-should-I-invest-in-ICO

- "I had some thoughts on the ICO market, from what I am reading, there is huge potential for us all to make very handsome returns."
- "SHARE THE WEALTH"
- "Simply there are 2 reasons I have made the decision to take advantage of this opportunity which are:- 1/ My colleague likes it. 2/ It benefits myself and my business."
- "ICO is attractive due to the volume of the audience and the speed of fund-raising, in turn, ICO promises a high profit for investors, which you can take a chance."
- "ICOs are the hottest kind of investments right now. If you invest in the projects which really have the potential to scale up the idea, it can give you enormous returns"
- "ICOs allow you to earn money very easily though you have to be confident in an ICO you rely on. For me that is FTEC. I buy and sell currencies there and for doing that I get my money. It's not complicated at all."

https://www.quora.com/Will-an-investment-in-ICOs-make-you-rich

- "To answer your question, yes, ICO investment can certainly make you rick, given that you invest in the right ICO at the right time and enjoy all the associated benefits. This is what professional investors do."
- "I'm quite an infatuated fan of cryptocurrency; and fortuitously enough, I have, with God's grace, managed to create a handsome quantity of cash within the past by commerce in ICOs."
- "Of course! With right ICO you can make quick burst of profit! Of course you need to choose right ICO. It's very difficult nowadays. I decided for myself to invest just in ready-made products… I think it's the best invest project!"

https://www.quora.com/Should-I-invest-in-ICOs

- "Investing in ICO's can give you excellent returns provided you invest correctly. Like every other investment, ICO's too have risk and rewards… In this competitive world, ICO's can be termed as latest investment opportunity where one can invest and gain profits by solely making the right investments."
- "No investment is safe, there is always a calculated risk. ICOs are generally high risk / high reward. I would only invest into them if you know what should be in a successful ICO and you know what you are doing. Jumping in and throwing capital into an investment in an sphere you do not understand raises the chances that you lose your investment. It could pay off, but it would be down to luck more than a calculated, well thought out investment."
- "Most of them are high risk and they focus too much on marketing. However the return can also be great."
- "If you completely understand the Coin and believe it has some sort of unique feature(s) that can lead to it being widely adapted, then investing in the ICO would make financial sense… of course as with any type of investment, cryptos have their own fair share of risks, so you have to take that into account as well. currently, almost all the investments in cryptos are highly speculative."
- "I did invest in many ICO's. My recent investment in is CREDITS project, they are having a good volume in trading. So, I do believe my money is safe."

https://www.quora.com/Should-we-invest-in-ICOs-or-Bitcoin

- "Yes, it's a very profitable business"

https://www.quora.com/Is-investing-in-an-ICO-Initial-Coin-Offering-still-worth-it-in-2018

- "They have the potential to raise millions of dollars in investment and returns, and, according to me, can be a great source of return if you play your cards correctly."
- "Good luck, and hope you make boatloads of money!"
- "Yes, sure, it could be worthy if you put a bit of brain in this process. For example there are lots of ICOs that have only white paper and a fancy website but no idea or plan for making their tokens not just a words in the air. Don't invest in such things, be smart. Instead look for projects that solve some real problems and offer something beyond just the words about how cool their token will rise in the future. This might not be very complex project, absolutely"
- "In short there are huge gains to be made from ICOs if properly executed but carry high risks."
- "Yes, certainly [worth it]! But please do your own due diligence as not all icos will result in gains."
- "Globally yes [it's worth it]. But I think it will be more insecure project, so you must be careful to invest in."
- "I think it is. I think that 2018 will still be a successful year, I invested in some ICO's this year that looks promising found one that is done by Germans savedroid should be a successful project and now following FAST INVEST ICO the have great team and now they are doing a lot of changes due unexpected changes in the market so I am interested how they will develop their product."
- "It's hight time to invest in some altcoins while cryptocurrency is so popular."

https://www.quora.com/What-ICOs-have-you-invested-in-recently

- "When it comes to cryptocurrency ,people are usually very afraid to step in but that's definitely not the case ,specially with me. I am an ardent cryptocurrency enthusiast; and fortunately, I have made a good amount of money in the recent past by trading in ICOs."
- "EzToken- already 2X; Bankera - $50 cheap coin, just looking for 5–10X; SelfKey - hited exchanges last week, because of the dip no profit yet for me, I bought it at $0.05."

https://iconow.net/why-people-invest-in-ico/

- "because they can invest in projects they like and earn money?
people were always doing it…
its just the system changed
you always can go to your bank and invest in startups
ICO is just can be very profitable =]"
- "ICOs is new way to make you a millionaire (if you choose the right one ofcourse) saty safe read all details before investing"
- "There are good projects, and there are bad projects, it is simple as that.
With the good projects you can really make good money from them, but you really have to choose one who is not scam and that can really give you projects.
If you pick the wrong ico, you are going to lose all your funds because 4/10 ico's are being scam right now, and they only want to steal as much coins as they can.

The best thing to do is just make a good research before investing into an ico, it is difficult to invest safely into one nowaydays because it is full of fud at the moment."

- "people always try to make profit in several ways ICO is one of it, but sometimes they make wrong decision by invested at scam project"
- "because my friend it is the best way to invest and earn good money and indeed it made a lot richer. you only have to chose the right ico."
- "Investing your money to ICO is very risky and greedy, don't lie everyone, you're investing your money not for supporting that project, loving that project, making a better future and bla bla bla, the fact is you want your money multiplied and become rich like your dream"
- "maybe its because they can make profit if its a successful ICO, and want to support an idea or concept that can work in the real world."
- "Gives them a chance to get in whilst the price is low before the project makes it big. Sometimes it pays off, other times it fails miserably. Same as investing in traditional businesses."
- "Because after ico token can make x10 x20 easily. But at this time there is a lot of ico, and a lot is scam. Its hard to find a good ico but when you find just sit and wait."
- "because, with ICO they can buy token with more cheap price, and then they can sell the token with more expensive price than ICO price, so they will get profit."
- "It's because of the bonuses and it's simply because of the profit. Example of investing $1000 worth of ETH and after the distribution of token's, it can be doubled or tripled depending on the total market cap of that coin by that time. And this is now the craziest easy investment where people are getting with. I'm not into ICO's as I'm aware there are projects too that are scam so take care when choosing an ICO."
- "A lot of people are just investing on icos because they are only looking for money, and this is not safe because they are always chasing money, and this can make them lose all their funds in just a few days."
- "I am not a big fan of icos, but there are a few ones who really diserve to have your attention, i have been in this forum for years, and this is the year that more icos i have seen, maybe there are tons of new ann threads in this forum everyday.
  But it if is revolutionating the real blockchain, then i dont see that it is a bad thing, i think exactly the opposite, if they are helpful, then why they would not be a good ico? Just like TenX did."

https://www.wallstreetoasis.com/forums/anyone-making-any-decent-money-from-investing-in-icos

- "The more I see values on coins sky rocketing the more I don't want to miss out on the gains. I've been risk averse up to this point because tulip bulbs."
- "For those following this thread, the following link shows some of the returns that could have been made on some ICOs: https://icowatchlist.com/finished/best-returns. At the time I write this, Stratis could have returned an ROI of 161,238.34% haha - madness. Does anyone know of any personal blog/journals out there where an individual is documenting their investments and progress in a forum? Haven't been able to find any but would be really interesting to see."
- "I definitely lack the knowledge of the underlying tech and 100% agree it is a gamble and not an investment - just looking to have fun with small amounts of capital attempting to ride the rise and for no better reason than wanting to be involved (an air-tight strategy).

As you say, everyone and their blind dog is getting involved and it is evident that many are financially ill-informed."

- "Very true. These are all zeroes. But as a trader I guess I wish I played. Way easier money than anything else in the trading space. As long as you trade it and manage risks there's money to be made. But at the end of the day they are zeroes."
- "That said, a lot of these ICOs are going to zero. Big deal. Invest in the ones that aren't. If you hold a broad enough portfolio, you'll make a killing. There was a dot com bubble, but the internet is legit technology. Many struck gold. You can do the same in this space. Bloc chain technology is legit and it's improving."
- "The rationale is this: if you don't invest a token amount of money, you could be seriously kicking yourself in a month or two. That alone should make you pause."
- "I've been getting really into ICO investing recently so hopefully I can add a little value here. I think one of the most helpful tips I could give would be to check how much buzz there is revolving around the ICO - specifically, checking the number of Telegram followers, reviews, and this link: https://tools.icodrops.com/social/telegram"

https://hackernoon.com/how-to-invest-in-icos-and-what-ive-learned-investing-in-five-icos-fc40f2a3b1fc

- "Apparently, my father heard about Bitcoin at one of the New Year's Eve parties and felt that it might be an opportunity to make a solid investment."

https://www.ccn.com/opinion-the-mad-world-of-icos

- "When a company like Bitclave or Cardano raised millions of dollars, although I personally invested in them, I always wondered if they could ever achieve a profitable ROI. Because the market is so young, it doesn't really matter, as people will pour money into brilliant new concepts, usually caring little for a fair return on their investment in the long term."
- "Well, because most expect to sell those tokens immediately after the company is listed in some big exchange. This is, a insanely high percentage of investors do not care about product, team, roadmap, or even company values"
- "The reason why I personally invest in any given project is always linked to the medium and long-term expected gains. So I need to worry about how much money Company X is raising, what is their core product and idea, who is leading the project and how good I think the team is, plus how do they expect to spend the funds raised."

https://www.reddit.com/r/CryptoCurrency/comments/7lweqv/why_do_people_invest_in_ico_tokens/

- If you've done your research and there's a good team behind the project which is solving a real problem, then you're very likely to see some return on the investment. And Crypto returns tend to be pretty large!