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Xangle research

# ICO Retail Investor Sentiment & Outlook 2020

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# Overview

The crypto market is booming. Investors from around the world are increasingly eyeing crypto projects — who are using blockchain technology, creating new tokens, or generating innovation around other crypto assets — as viable investment opportunities.

They're certainly not without risk, as all early-stage companies forming around a growing new industry have some risk involved. But investors are excited about putting money into these projects and want to see them scale while providing value to the world with their new innovations. More money invested encourages more crypto projects, which generates more awareness and legitimization around the industry. It also appeals to more investors — and the cycle continues.

The last thing investors want is to be in the dark about the project, feel like information is being withheld from them, or, at the very worst, find that their money has disappeared overnight along with the company.

Unfortunately, that's the experience a number of investors have had. This has turned them off to the crypto industry perhaps indefinitely.

# US-Based ICO Retail Investor Survey

The only way to make changes to the industry that will increase investor interest and build trust between investors and start-ups is to hear directly from investors themselves on what went right and what went wrong. To better understand the experiences and insights of retail investors in ICO projects, we surveyed 600 people who live in the US and invested in an ICO at some point between 2017 and when we conducted the survey on October 22, 2020.

# Key Findings

From these US-based investors, what we found was a mix of experiences, but a few things became clear:

- The majority of respondents (55%) invested in order to see a return.
- Respondents relied on a number of authorized and unauthorized sources — from online forums to suggestions from friends — to make their investment decisions.
- 56% would make another investment, but felt they needed more information and research to help them.
- 33% felt that the ICO deceived them or withheld information from them, with 17% unable to determine whether they were deceived or not.
- Of the 33% who felt deceived by their ICO, 54% believed that the ICO founders should be held criminally liable for their actions.
- Respondents felt that a lack of regulation, awareness, and security is holding the crypto market back.
- Respondents felt that more accountability, investor protection, and information are needed to increase investor buy-in.

Overall, the survey confirmed our belief that there's a lot of opportunity and need in the crypto industry for better transparency and visibility for upcoming crypto projects, which can build investor trust and confidence.

## Part 1

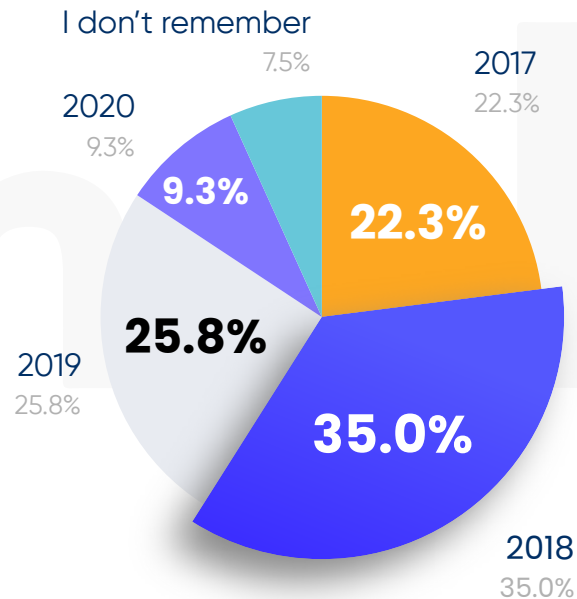
# US-Based ICO Investor Profile

As we learned through our survey responses, there's no such thing as a typical ICO investor. Our 600 respondents ranged in age from teenagers to seniors, with the majority of our respondents (64%) between the ages of 25 and 44. Additionally, our respondents skewed female at 58%.

## First Investment

While 2017 was the year of the ICO boom, we found that only 22% of the respondents first invested then. 35% first invested in 2018, 26% in 2019, and 9% in 2020. This shows a consistent interest in ICOs, with new investors steadily coming in each year.

What year did you make your first investment in ICO?

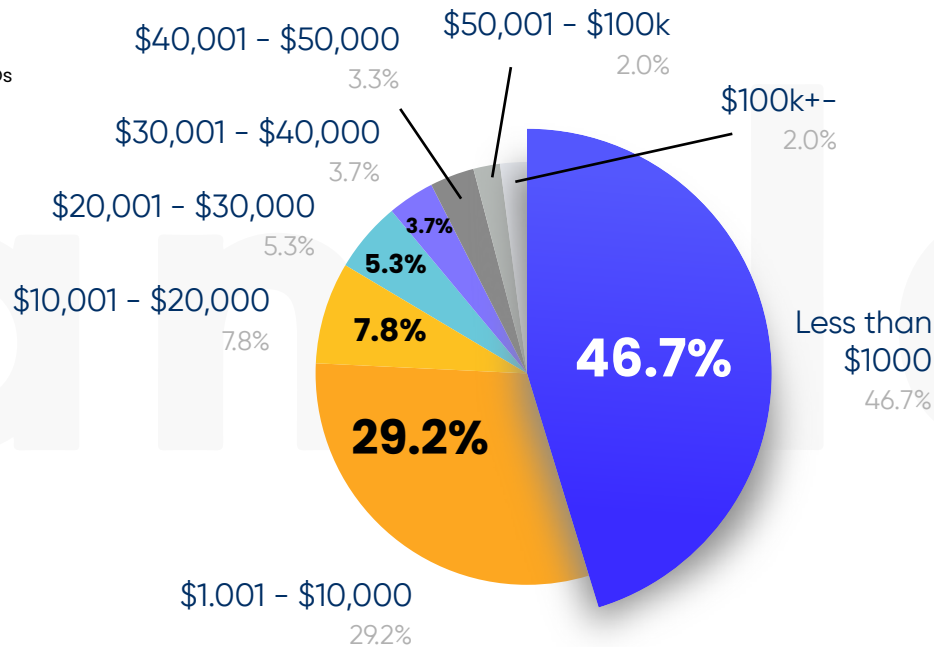


## How Much Invested

Nearly half invested less than \$1,000 – which means that those respondents were likely testing the ICO waters with minimum capital and commitment. This goes along with the kind of crowdfunding strategy ICOs employ: Regular people who believe in the project and who are curious about crypto can chip in.

Nearly 30% of our respondents invested between \$1,001 and \$10,000: a much more sizable sum and commitment. Only 2% invested more than \$100,000.

### How much did you invest?

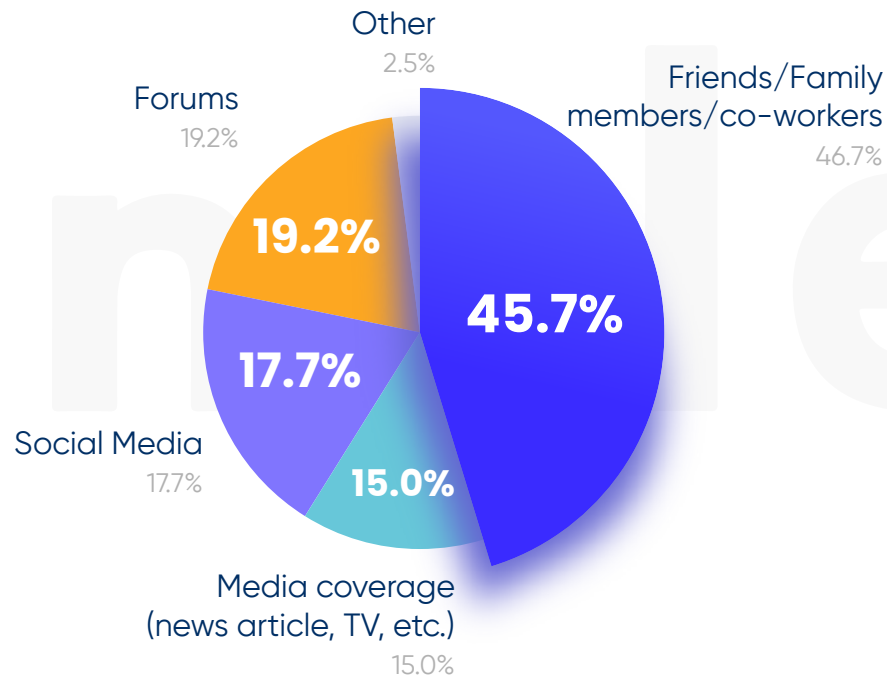


## How They Decided

Next, we wanted to know how they found out about the ICOs they invested in since the industry lacks an information clearinghouse around crypto projects. Nearly half of our respondents (46%) learned about the ICO they invested in from friends and family, or co-workers. This means that nearly half those who invested made their decision based on word of mouth rather than their own research.

Other investors had other sources of information: 19% from forums, 18% from social media, and 15% from news articles, TV, and other media coverage. What's not included in this list (or may be captured under "Other") is a reputable disclosure site or industry analyst reports.

What source of information did you most commonly use to decide which ICOs to invest in?



## Reasons for Investment

Finally, we wanted to know why they invested. The number one reported answer is probably an obvious one when it comes to investing. 55% of the respondents reported that they wanted to make more money. Despite the volatility around crypto assets, investors were still betting on a return.

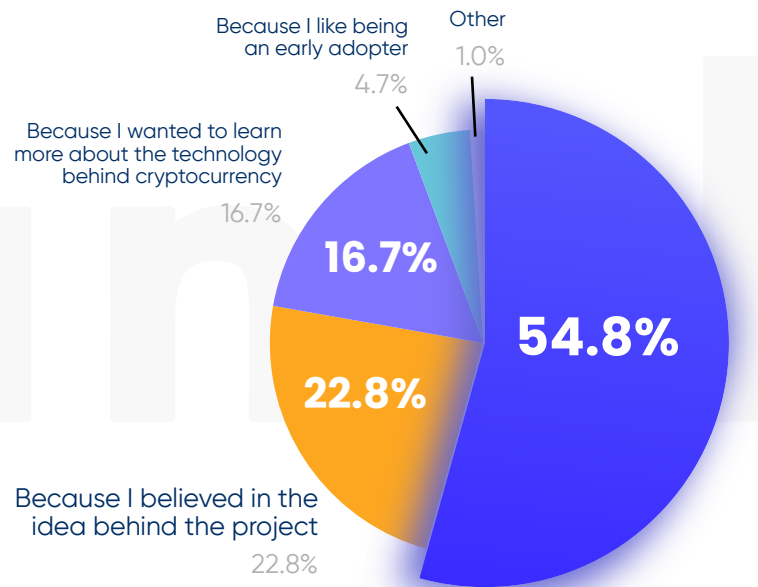
Investors were split in their intentions: While the clear top answer, accounting for more than half of the reported responses (54.8%), was to make money off the investment, a significant portion of others wanted to invest in the idea behind the project (22.8%), and the technology (16.7%). About 5% responded that they wanted to be an early adopter.

## Summary

The 600 US investors surveyed all invested in different ways for different reasons. Some invested under \$1000 while others invested over \$10,000. Some invested because they wanted a return while others wanted to get behind a worthy project. Some relied on advice from family and friends, while others turned to online forums and social media to find ICOs.

No matter when they invested, how much they invested, and for what reason, we can see that not all investors were happy with how their venture turned out.

### What was the main reason you decided to first invest in ICOs?





### Part 2

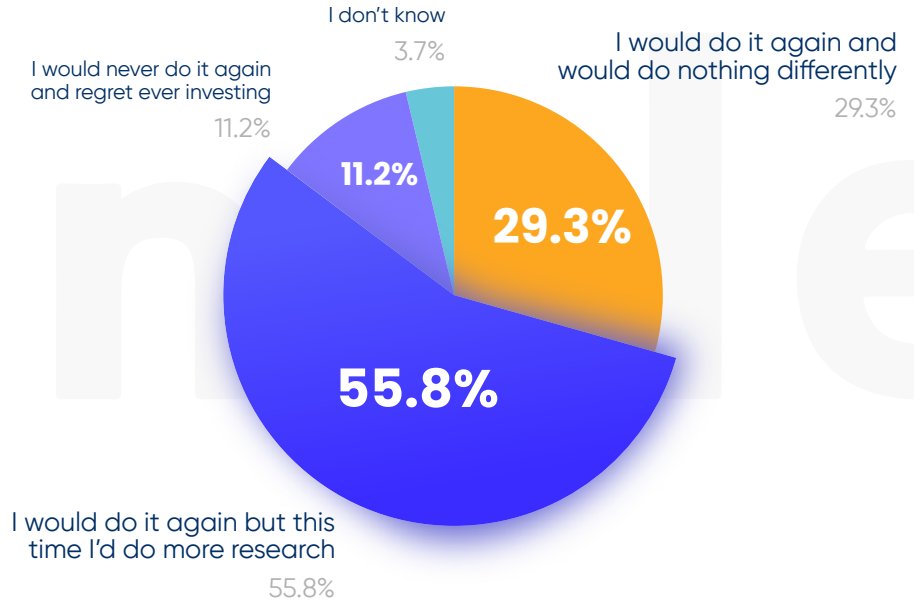
## Sentiment Towards the Projects They Invested in

After discovering who the ICO investors were, we wanted to understand how they felt about their investment. Knowing that some crypto start-ups enter with great ideas but may end up being fraudulent, we wanted to understand investor experience and their viewpoint into personally investing in an ICO.

### Looking Back

How did they feel looking back at their investment? A good amount of respondents — 30% — said they would do it again and not change a thing. In other words, a positive ICO experience. On the other hand, 11% responded that they would never invest in an ICO again, and regret having done so in the first place — a very negative ICO experience. But over half of our respondents (56%) said they would do it again with one caveat: the next time they'd do more research. Considering that they'd want to invest again means they had a positive experience — they just didn't have enough information about the company, or about the project, or about how ICOs work. Therefore, whatever sources of information this group used to make their investment decision — either friends, family, or co-workers, online forums, social media, or media coverage — ended up not being sufficient.

Looking back now, how do you feel about your decision to invest in ICOs?



## Project Information Sharing

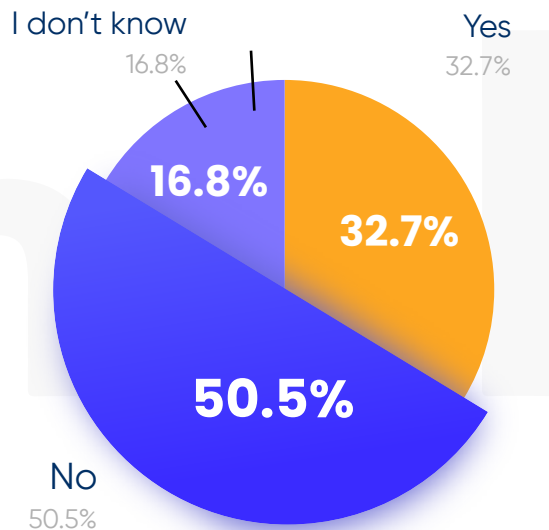
In order to nail down what information the investors had in order to make informed decisions around their investment, we asked how they felt about the information shared to them by the start-up itself. When asked if the ICO project withheld information or intentionally deceived them, half responded "No."

A very high number — 33% — replied that yes, they did feel deceived or that information was withheld.

Even worse, 17% responded with "I don't know." In other words, 17% of investors didn't know enough about the project or the industry to determine if information was being withheld from them, or if they were being intentionally deceived.

These responses show a much bigger problem around transparency and information asymmetry. Information asymmetry leads to investor confusion about projects and the perception of being willingly deceived about the information made available.

Did you feel that the ICO project intentionally deceived you or withheld information?



### Financial Responsibility

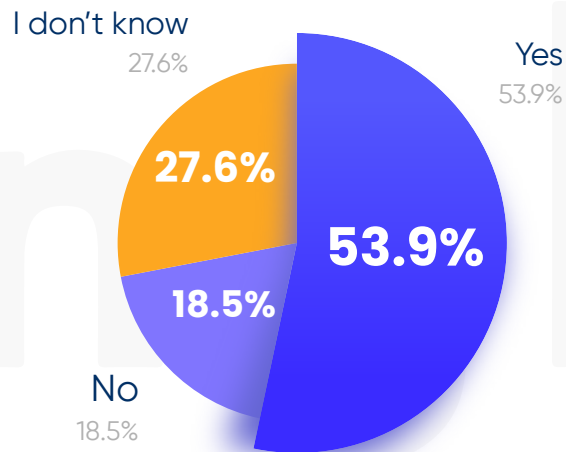
Of those who responded “Yes” to the above question about feeling deceived, 54% felt that the deception or withheld information was enough to warrant legal action. We didn’t specifically ask it, but investors feeling the company they invested in should be held criminally liable most likely means that their money was stolen, and the ICO ended up being a scam.

Only 19% felt that the ICO project should not be held liable. Once again, a high number of respondents replied “I don’t know” when asked if the founders should be held liable. Having nearly 30% of respondents unsure of whether criminal negligence or fraud had occurred shows that again there’s a lot more to do in the way of educating investor.

### Summary

In reviewing responses, these investors seemed to have three different experiences with investing in an ICO. Some investors had a good experience, felt they had enough information, and would do it again. Some investors would invest again, but felt like they didn’t know enough about the project, the technology, or how the ICO worked, and would want to do more research before they invested again. Unfortunately, some investors unwittingly put their money into what we can deduce were scam projects. They were deceived, defrauded, and wouldn’t invest in an ICO again.

Do you believe the ICO project creators should be held criminally liable?



## Part 3

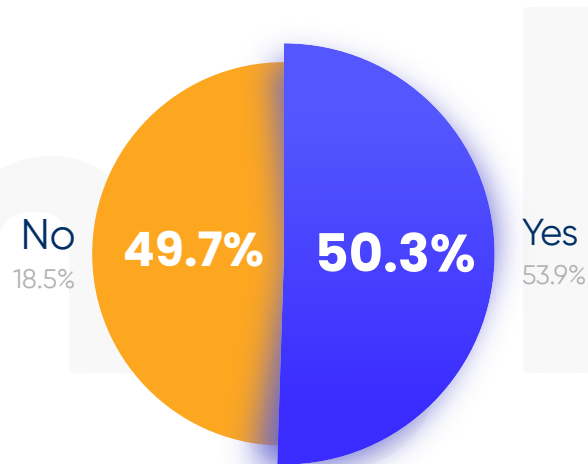
# Outlook on Crypto Investing

Now, we wanted to get a sense on their outlook for the future, and their suggestions for improvements to the industry as a whole, based on their experiences investing in an ICO.

## Do You Still Invest?

We asked previous investors if they would invest again — so do they? The respondents were split down the middle: Half still invest in crypto projects, and half do not. This means that based on their experience which we looked at above, 300 people stopped investing in ICOs after they once had. If 50% of your customers tried your product and never returned, that's a big red flag that change is need

Do you still invest regularly in new/  
upcoming cryptocurrency projects?



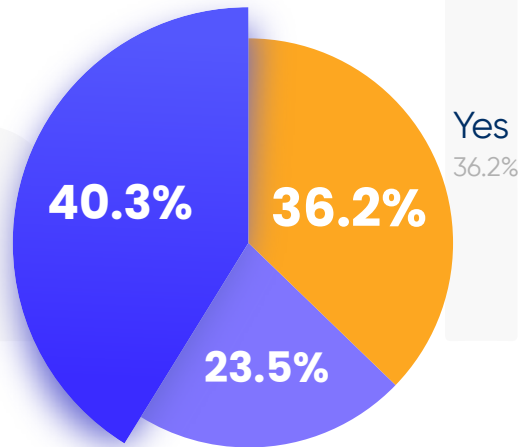
## Of Those Who Said No...

Of those who said that they are no longer investing regularly in crypto projects, we wanted to know if they would in the future. 36% did say that they would, probably with more research, or with some conditions, like more regulation.

That left the remaining 64% up in the air. 24% were a hard no, with 40% saying they weren't sure they would invest again. From what was learned above about past experiences, it may not just take more information but a rebuilding of trust to get them back.

### Would you ever invest in upcoming cryptocurrency projects again?

I don't know  
40.3%



Yes  
36.2%

No  
23.5%

## What's Holding Crypto Back?

We wanted their opinion on what they thought was holding the crypto market back, based on their personal experiences with investing. Here's what they said:

**Lack of awareness (27.5%):** There's a learning curve for any new technology or industry, and as adoption increases awareness increases. But there's a lack of awareness around what crypto does, how it works, and what it can accomplish, as well as around blockchain technology and ICOs. For our investors, that knowledge gap is holding the market back.

**Lack of regulation (24%):** Crypto is based upon a decentralized structure, so it doesn't come under the auspices of any authority. This means there's no regulations around cryptocurrency pricing, who can found crypto start-ups, and — which is probably top-of-mind for our respondents — slim regulations protect investor funds. While regulation of the crypto market proves a challenge right now, our respondents believe it's hindering trust and growth.

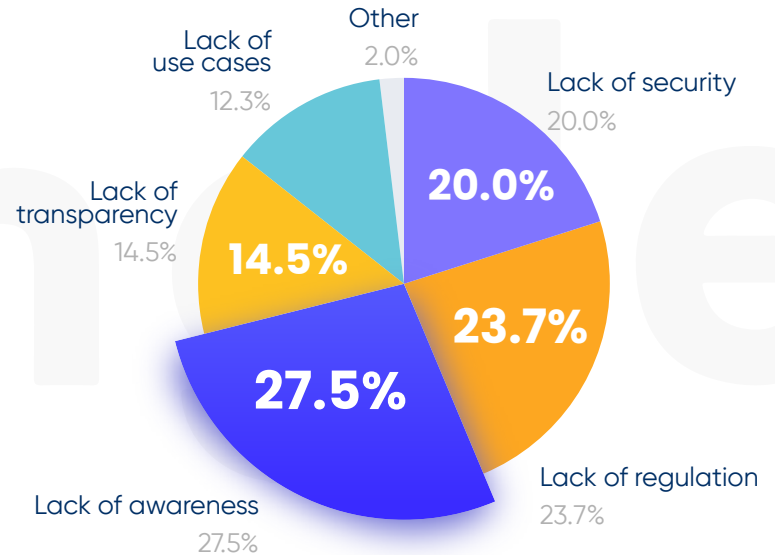
**Lack of security (20%):** The crypto market's lack of security is also a concern, and a very real one, considering a number of our respondents believed they were defrauded and ICO creators should be held liable. A lack of security around investor protection, and the high risk of hacks leading to stolen coins, is not just holding the market back, but destroying trust with investors.

**Lack of transparency (14.5%):** As we saw above, a number of respondents would invest in an ICO again but wanted more information about it first. As we also saw above, a number of respondents couldn't actually determine if information was being withheld from the ICO company or not. A lack of visibility and information disclosure into crypto projects and the companies operating them is putting a damper on the industry.

**Lack of use cases (12%):** While ICOs are a great way for crypto start-ups to do early-stage fundraising, the lack of widespread adoption around cryptocurrency is creating questions around applicability (like buying a cup of coffee down the street). Even if coin issuance and exchange was kept inside the ecosystem, are there enough users and use cases to make investing in those coins worthwhile? Our respondents say no.

**Other (2%):** While a few respondents did choose "Other," it's worth noting that the majority of responses fell into the five buckets above.

## What's the #1 factor holding the crypto market back?



## What needs to change?

What would need to change to get those turned off to crypto investing to jump back in the game, or to get those who are eyeing the space to fully commit? We asked our respondents what they thought should be fixed:

### **More accountability for ICO projects to deliver what they promise (36%):**

It's no surprise from what we learned above that our respondents want more accountability around follow-through, so that fly-by-night projects aren't what the industry becomes known for. This could be done through more transparency around the project, regulations or requirements for disclosures, or raising industry accountability.

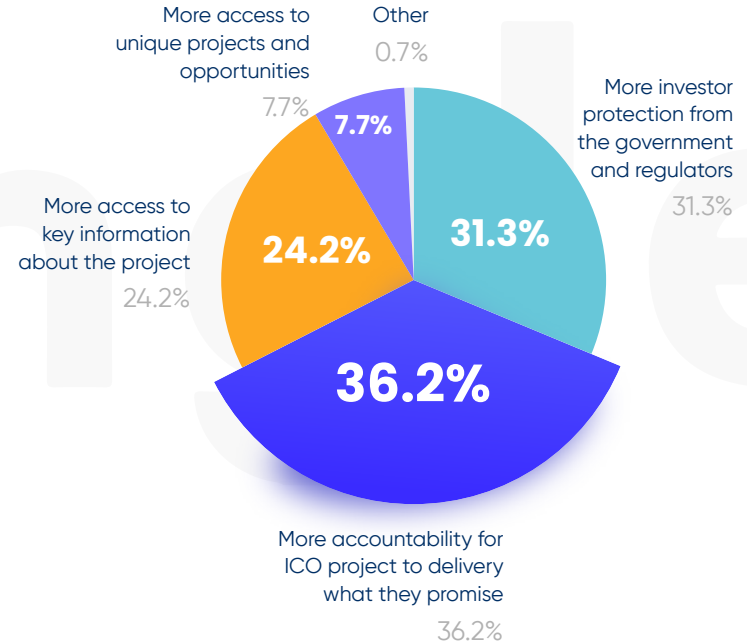
**More investor protection from the government/regulators (31%):** As we saw above, regulations and protections, most likely around investor capital, are a concern but also an opportunity. This could get more investors on board knowing that they can safely invest in ICO projects – or at least that there will be less risk associated with those projects.

**More access to key information about the project (24%):** Many of our respondents stated that they would invest again if they knew more about the projects, so it makes sense that our respondents would see more information transparency and visibility into projects as something that could bring more investors to the table.

**More access to unique projects/opportunities (8%):** We saw earlier that there's a segment of our respondents who are interested in the technology and want to back cool projects. We also saw that a lack of use cases is a problem for growing the market. It's a smaller slice at only 8%, but these respondents believe that more unique, applicable, and innovative projects might be a way to get new investors on board.

**Other (1%):** Again, only a fraction of respondents said "Other," meaning the majority believed that the way to change the industry is found in the above responses

## What's the #1 change that could be made to get more investors to invest in upcoming cryptocurrency projects?



## Summary

Our respondents provided an incredible amount of insight into what's holding the crypto market back right now, and what needs to change in order to attract investors going forward. They wanted:

- More transparency and visibility into crypto projects to inform their investment choices.
- Better ways to spot serious projects, and more industry accountability around scams.
- More assurance and protection around their investments, considering it's an unregulated industry.
- More awareness and education around the crypto and blockchain industry itself.
- Exposure to more unique projects and more applicable use cases for new coins.



# Conclusion

It's incredibly unfortunate that so many respondents to this survey had a negative experience with their investment to the point of believing the founders should be held liable. Like with any other new or growing industry, there are always bad actors willing to take advantage of people thinking they're doing the right thing, and investing in early stage start-ups always has a certain amount of risk.

However, their insights from that experience — coupled with those who had a positive experience investing in an ICO — can help the industry as a whole see opportunities for building trust through transparency, awareness, and accountability.

The easiest place to start is with more information. Serious crypto projects can start putting more information out about their projects, their founders,

and their business model. Investors can then better understand who they are and what they're building, so they can feel more comfortable investing — and can stay away from any ICOs that aren't disclosing their information. The industry as well can start normalizing that heightened flow of information out to the public, and can put pressure on exit scams, knowing that a few rogue start-ups are indeed ruining it for everyone else.

Investing in crypto companies is in its early days, but there's great opportunity to evolve and reiterate it to the point where investors won't think twice about backing an ICO — and towards a world where respondents to surveys like this will have all had great experiences with investing in crypto.

**Thank you.**

Xangle

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