

How and why consumers buy cryptoassets

A report for the FCA

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Why was this research needed?

The rise of cryptoassets

The story of 'cryptoassets' began in 2008 with obscure news coverage of the invention of Bitcoin by the mysterious Satoshi Nakamoto¹. Initial interest was largely limited to die-hard technologists.

As interest began to spread, additional cryptoassets were created. Litecoin² and Namecoin³ were launched in 2011, and from then cryptoassets, particularly Bitcoin, grew in recognition and popularity.

At the start of 2017 Bitcoin's value stood at just under US\$1,000, but by the end of the year it was worth nearly US\$20,000. The rise of the cryptoassets market was a running news story throughout 2017 and into early 2018. Stories about people selling their houses⁴ or taking on consumer debt⁵ to buy Bitcoin hit the mainstream media.

Although the market began to decline⁶ rapidly in early 2018, many still see potential in its future and continue to buy or hold cryptoassets.

Regulation of cryptoassets is complex and evolving. In March 2017, as part of its wider fintech strategy, the government announced the establishment of an FCA, HM Treasury and the Bank of England taskforce on cryptoassets and distributed ledger technology⁷.

Changing information landscape

Despite their relatively recent emergence, the rise of cryptoassets coincides with a period of unprecedented change in our digital and media worlds. The dominance of smartphones and social media has changed the way people find and consume information, with an associated shift in institutional trust, media literacy and fragmentation of sources^{8,9,10}.

The consumer cryptoasset landscape

While there has been a great deal of research and debate devoted to the potential uses of cryptoassets, blockchain and the underlying distributed ledger technology, there is a noticeable gap in research that aims to understand the experience of purchasing cryptoassets from a consumer perspective.

This research explores the attitudes, understanding, motivations and beliefs that underpin people's decisions to buy assets in this new and fast-changing landscape and the information and individuals that influence them. It describes what their experiences have been, what their purchases and portfolios look like and considers how these relate to wider trends.

¹ <https://bitcoin.org/bitcoin.pdf>

² <https://www.wired.com/2013/08/litecoin/>

³ <https://coinreport.net/little-altcoin-sanity-namecoin/>

⁴ <https://www.independent.co.uk/news/world/europe/man-sells-everything-for-bitcoin-moves-family-to-campsite-a7994751.html>

⁵ <https://www.bloomberg.com/news/articles/2018-01-11/bitcoin-buyers-turn-to-credit-cards-as-fomo-breeds-risk-taking>

⁶ <https://www.nbcnews.com/tech/internet/bitcoin-loses-more-half-its-value-amid-crypto-crash-n844056>

⁷ Final report:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf

⁸ https://www.ofcom.org.uk/_data/assets/pdf_file/0023/115916/The-Changing-World-of-News.pdf

⁹ https://www.ofcom.org.uk/_data/assets/pdf_file/0022/115915/Scrolling-News.pdf

¹⁰ <https://www.edelman.co.uk/magazine/posts/edelman-trust-barometer-2018/>

Glossary

This report is an independent piece of research and does not include an FCA view on cryptoassets. If you have questions relating to the FCA's position on cryptoassets, including the regulatory perimeter, please see the FCA website for more information¹¹. The report contains technical terms and language. Some key definitions are explained in the boxes below.

What is a cryptoasset?

There is not a single widely agreed definition of a cryptoasset. As the UK Cryptoassets Taskforce notes, cryptoassets are digital representations of value that can be transferred, stored or traded electronically which use some type of distributed ledger technology.

What is the Distribution Ledger Technology (DLT)?

DLT is the technology most cryptoassets rely on. It is a type of technology that enables the sharing and updating of records in a distributed and decentralised way. The applications of DLT go beyond cryptoassets as the databases can store a range of data such as ownership of existing financial assets (e.g. shares), tangible assets (e.g. wine, houses, gold), or digital assets (e.g. Bitcoin).

What is an ICO?

An ICO, or initial coin offer, is a term used to describe the process when a firm issues a cryptoasset token to support capital raising and/or the creation of a decentralised network. ICOs are also known as 'token sales' or 'coin sales'. Many ICOs will fall outside of regulated space. Whether an ICO falls within the FCA's regulatory boundaries or not can only be decided case by case. As the FCA has warned previously, sales of tokens through offerings are often very high-risk speculative investments.

¹¹ For definition of cryptoassets see:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf

<https://www.merriam-webster.com/dictionary/cryptocurrency>

For definition of Distribution Ledger Technology (DLT) see:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf

For definition of ICO see:

<https://www.fca.org.uk/news/statements/initial-coin-offerings>

Research objectives and method

The research objectives were to:

- Understand the trends and behaviours among consumers currently engaged in the cryptoasset market landscape
- Identify and explore different audience types / segments within this landscape
- Explore sources of information, touchpoints and influences on these audiences / segments
- Evaluate the potential for risk, harm and vulnerability among consumers with an interest in the cryptoasset landscape

To meet these objectives, the project set out to investigate a range of consumer experiences of purchasing cryptoassets.

The research began with an examination of the media consumers were engaging with that related to cryptoassets, including online media such as news, specialist websites and blogs and social media platforms, for example Instagram, Reddit, Facebook and Twitter.

It then set out to capture participants' personal stories, exploring the stages in their cryptoasset purchasing 'journeys' and analysing these in the context of their knowledge, perceptions and expectations of cryptoassets and their broader experience of investment and financial decision-making.

The respondents included a variety of cryptoasset consumers, ranging in age, gender, income and education level. The sample also deliberately included a variety of types of cryptoasset experiences, for example how many times respondents had invested, the amount they had invested and the value of their current holdings.

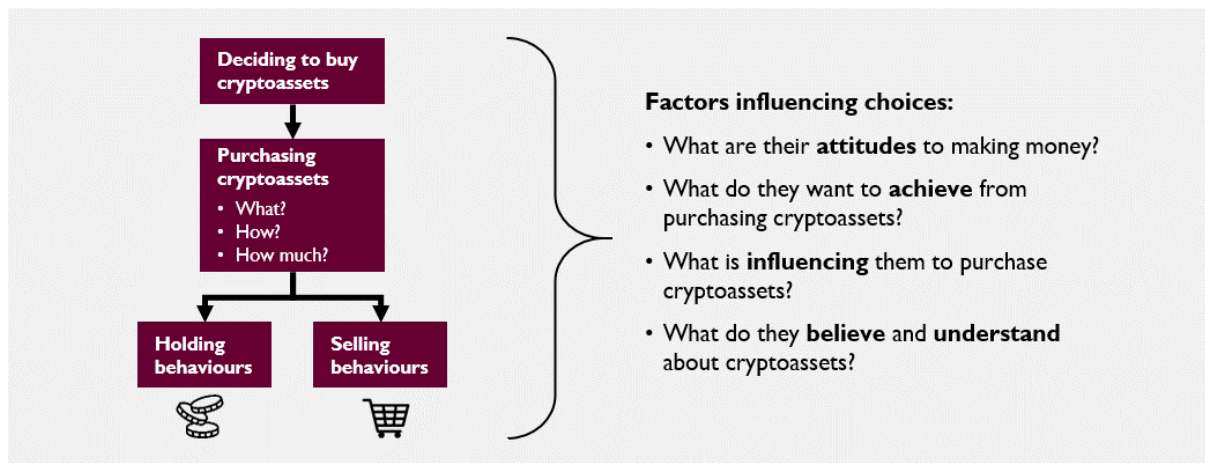
About this report

In exploring consumers' experiences with cryptoassets, we have mapped decisions and actions at different moments in time.

The report consists of three chapters:

1. The first chapter explores the factors influencing respondents' **decisions to buy cryptoassets** in the first place.
2. The second chapter explores respondents' **experiences of purchasing cryptoassets** and the contexts in which these decisions were made.
3. The third chapter sets out the actions and consequences for respondents **after purchasing cryptoassets**.

The diagram below indicates these chronological moments in time. At each stage, consumers' experiences were influenced by a number of factors, including their general attitudes, beliefs and motivations, their understanding of the cryptoassets market and the sources of information they used.



Introduction to the sample

Sampling decisions

The insight in this report is based on the experiences of 31 consumers of cryptoassets. The sample included those who were currently holding cryptoassets, those who had previously held cryptoassets, and those who were thinking of buying cryptoassets.

The study aimed to represent a range of experiences, with a focus on mainstream and potentially vulnerable customers. As such, respondents' purchases in cryptoassets ranged in value, but the majority of them did not exceed £10,000.

During the first phase of research, respondents shared the online sources they used to gain information about cryptoassets and submitted videos explaining the factors that informed their purchasing decisions. Seventeen respondents with different degrees of involvement in and knowledge of the cryptoassets market were then selected for in-depth interviews about their experiences, to capture a range of attitudes, motivations, beliefs and behaviours.

Reflections on recruitment

Recruiting respondents for this research was not easy. Those purchasing cryptoassets, or those interested in doing so were often not easily identifiable. In part, this was because purchasing is a largely private activity, taking place behind closed doors. Some people were not comfortable disclosing details about their financial situation, particularly when they had made losses.

Respondents were found through a combination of traditional and investigative recruitment methods. Traditional methods such as using 'free-find' recruitment partners were deployed alongside more exploratory strategies, such as scoping cryptoassets communities on social media and snowballing from existing contacts.

Researchers sought participants with different attitudes and beliefs about cryptoassets and included past, current and potential investors. Respondents had a range of experiences with other high-risk financial products (e.g. binary options, forex trading, stocks and shares).

There was a notably high dropout rate in this research. Some respondents were wary of the method and the in-depth nature of the work, and some did not want to complete the multiple introductory tasks, which they deemed too time consuming. For many, this was their first experience of market research.

A high proportion of the sample was people who did not have, or had actively rejected, structured careers or occupations. This backdrop is significant, as it provides the context for many of their wider attitudes, beliefs and motivations. As this report will show, many were looking for ways to 'get rich quick' and had a propensity towards pursuing 'high-risk, high-reward' strategies for making money.

Meet the respondents



Currently holding cryptoassets



No longer holding cryptoassets



Thinking of buying cryptoassets



Abdul, 21, small business owner, Manchester

Abdul heard about cryptoassets while he was a student at secondary school in Northern Ireland. During his A-levels, he watched Bitcoin's price rise. At that time, he decided he was "more interested in writing a business plan" than further study, so he chose not to attend university. At the time of the interview Abdul worked in Manchester running a business organising music events, and as a freelance graphic designer.

Abdul first purchased and traded Bitcoin, Ethereum and Litecoin in November 2017 "to get an understanding of things". He relied on one "expert" friend for all his cryptoasset purchases and trading decisions. For example, after a tip from this friend, he purchased "a pre-market buy-in coin" Pareto PXT at £250, which he said had increased to £2,250. He sold some of this and used the rest to purchase the initial coin offering (ICO) indaHash. Abdul hopes to build his own understanding and ability to read price graphs, so he does not have to rely on his friend and can continue to supplement his income making profits on cryptoassets.



Kyle, 22, student, Manchester

Kyle lives in Manchester where he is studying modern history with economics at university. Kyle "partied hard for a few years" but now runs the volleyball team and has stopped smoking cannabis, which has allowed him to have enough money to purchase cryptoassets. Before studying, Kyle worked as a broker in binary options. After graduating he hopes to work in either recruitment or sales.

Kyle dealt with cryptoassets when he was 16 to purchase illegal drugs online, but it was "only when I was 20 or 21 when I saw it as an investment". Kyle bought £1,100 worth of Bitcoin, Ripple, Tron, Excelen, Appcoin and Elastos with his student loan in January 2018. His purchase was made "at the worst possible time" by his own admission, as the value of Bitcoin plummeted just a few weeks later.



Neil, 24, part-time personal trainer, Leeds

Neil is a personal trainer who works part time. After dropping out of university due to concerns about his student debt, he now lives at home with his mum and sister. He works as an Uber Eats driver to supplement his income and is hoping to grow his personal training clientele in the next six months. In his spare time, he likes to take up new hobbies such as cooking or different fitness classes.

Neil first heard about cryptoassets and Bitcoin when he read an article about the dark web. In March 2017 he bought £2,000 worth of Bitcoin with all his savings. In 2018 he took some money out of Bitcoin and spread it into a bundle of eight ICOs. When he was interviewed he was waiting for his holdings to grow – at the time they reportedly stood at £500.

**Luke, 26, partner in a group of independent stores, Birmingham**

Luke lives in Birmingham with his girlfriend and young children and is a partner in an independent tattoo studios business. He also runs an online clothes company. Luke had previously invested in Forex, losing £200, which he said he was comfortable with because he was learning to trade and anticipated the risk.

Luke is aware that he does not know much about cryptoassets but wanted to be involved “before it gets mainstream”. He says he is always trying out new things and new investments and has received much of his advice from two online influencers, one of which he considers a “mentor”. Luke purchased £1,200 in cryptoassets, which at the time of the interview he valued at £1,620. He is currently holding Bitcoin and Litecoin and previously also purchased Ethereum.

**Angela, 26, HR in luxury fashion, London**

Angela lives with her boyfriend in a house they own together in London. She works in HR for a luxury fashion company and hopes to be promoted to a senior HR role.

Angela had read about the rapid rise in value of cryptoassets in newspapers and magazines such as Business Insider, the New York Times and the Independent. She has several friends who work in ‘financial services’, who would talk about investments in cryptoassets and stories of others making gains – something that “made it seem much more legitimate”. For her, the catalyst for investing was when her company hired a new temporary director who had purchased cryptoassets, who shared his view that Litecoin was the next cryptoasset to increase in price.

Angela purchased two Litecoins at £650, deciding not to consult her boyfriend or peers who knew more about the market: “I wanted to feel like I did it on my own.” She felt that Bitcoin was a “safer investment” but couldn’t afford to buy a “whole one”, so instead preferred to buy two whole Litecoins. Her purchase fell quickly, and at the time of the interview was worth £86 in total. Angela regrets her decision to buy cryptoassets: “I only did my research after I had already bought them, which is when I started reading about how a lot of people created ‘hype’ around particular cryptocurrencies.”

**Ashton, 26, musician in a wedding band, small village in the Midlands**

Ashton has recently moved out of his parents’ house to his own rented house and is working as a musician in a wedding band. He reports that another ‘job’ is daily spread betting from which he makes around £500 per month.

Ashton started purchasing cryptoassets in March 2017. He had heard about Bitcoin and was intrigued by stories of people becoming multimillionaires. However, he thought he had missed his chance and was instead investing in the S&P 500 Index. He then moved all his savings (£13,000) to Ethereum after he saw some comments on Investopedia. After six months of poor results with Ethereum he moved all his value to XRP (Ripple), as he thought he could get better returns. In December Ripple’s value increased sharply and Ashton said his purchase was worth £150,000. “I got addicted to making money while I slept.” However, he didn’t sell until he had lost 90% of his portfolio value. In April 2018 he decided to diversify his portfolio and acquired another six types of cryptoasset. He believes that it will “pull through” one day, and that he will be able to retire early as a millionaire in the next few years.

**Fred, 26, social media content creator for a tabloid newspaper, London**

Fred lives in London in a shared flat and is working as a video content creator for a tabloid newspaper. He received some inheritance money a couple of years ago, which is in a current account and he is not sure what to do with it. He has been researching hedge funds on Google to work out how to invest his money.

Fred first heard about cryptoassets from his brother who had purchased some. However, his decision to purchase some came after talking to a taxi driver, who said he had put himself through college with profits from “investing” in cryptoassets. Fred purchased £300 spread across Bitcoin, Ethereum and Litecoin, which he said at the time of the interview was now worth £95. Fred regrets his decision to purchase cryptoassets, and believes it was a bad idea: “Looking back I am ashamed of my investment and losing money.”

**Rick, 26, part-time work at his family’s small company, Hastings**

Rick dropped out of university after two years because he felt “it was a waste of time”. Since then he has worked in insurance and real estate, and now works part-time at his family’s company, which imports and distributes electric parts. He is also doing an online business course and says his future looks “dire, but education is the light at the end of the tunnel”. He lives with his parents.

Rick became interested in cryptoassets because they were “the word around town” – his friends were talking about how they could be a way to make a lot of money. In early 2017 he bought £350 of Ethereum and Litecoin and later traded it all for Cardano and Tron. In late 2017 he valued his cryptoassets at £1,500 but he did not cash out because he thought they would grow even more. Rick reported that his portfolio’s value fell to £500, when he decided to keep his cryptoassets and wait for them to regain value in the future. Rick also convinced his parents and girlfriend to buy Cardano – which he felt to be the “safer option”.

**Damien, 32, French and English tutor, Brighton**

Damien lives in Brighton with his wife and two young daughters. They plan to become debt-free in the next year and apply for a mortgage. Damien also hopes to run his own post-graduate course.

Damien became involved in cryptoassets after being invited by a friend to an event run by ‘Omnia’, a multi-level selling and trading system for cryptoassets. He then joined the Trading Coin Club, through which he bought and traded ‘TCoin’. He initially purchased £700 worth of TCoin, which at the time of interview was valued at £500. Damien has decided to make further cryptoasset purchases and is “looking into buying a bundle”, as he believes that “with cryptos it’s now or never”.

**Elena, 34, former marketing director for an ICO in Bulgaria, London**

Elena moved to England from Bulgaria last year to pursue a career as a writer. She is “comfortable financially” from her previous work in marketing and she works part-time in an admin role at a local orthodontist surgery.

Elena has a relatively long history with cryptoassets as she previously worked as a marketing director for one of her friend’s ICOs. Elena knows how external influences can drive market movements, therefore affecting cryptoassets’ value. Elena has purchased many cryptoassets and recently bought Polkadot with €60,000, reporting a profit of €40,000. She valued her

current cryptoasset holdings at €200,000 at the time of the interview. Her main influence is a friend whom she describes as a 'genius', and whom she believes is well connected to an 'inner ring' of cryptoassets influencers - such as founders of ICOs.



Justin, 40, freelance graphic designer, Hertfordshire

Justin is an artist and concept designer for film and TV. He switched careers 10 years ago from working in a bank. He loves his job, particularly as he's not tied to a desk and can explore his passions for film, gaming and new developments in these fields. He likes to keep up with the news and follows a number of international channels. Prompted by his boss at the time, he invested in Orange shares in 2001 "without much research" and sold out five years later.

Justin is convinced that cryptoassets will be the currency of the future. He compared them with the internet, saying that it too was only for experts at first, but has since exploded and is now a key part of people's lives. He purchased £2,000 of various cryptoassets in several consecutive instalments using "money I could afford to lose". He valued his portfolio at the time of interview at just under £1,500. Justin gets his news mostly from specialised online magazines such as Coindesk, Coin Market Cap and AMB Crypto.



Sandy, 43, part-time book designer, London

Sandy lives in London with her partner and two sons. She works part-time as a book designer and home-maker. She learned about "financial investments" from her step-father and brother, who are "businessmen and love money," and had experience of buying stocks in 2016.

Sandy was first exposed to the cryptoassets world through mainstream newspapers such as the Guardian and the Independent. She purchased £2,000 of Bitcoin, Ethereum and Litecoin, and at the time of the interview she said she had £800 in her holdings. Sandy says she "doesn't care about the profit", but rather is a big believer in "cryptoassets having a bright future". She wants to have her "foot in the door" because of the promise she sees in the technology.



Maria, 57, care home cleaner and cook, London

Maria used to work as an accountant in Portugal. She invested all her savings in a restaurant there in 2008 which went bankrupt. In 2014 she moved to London seeking a well-paid job, and since then has been working as a cleaning lady and cook in the care home where she lives.

Maria first heard about cryptoassets on Portuguese news channels in January 2017, which she says suggested that buying them would be "the best investment you will ever make". Maria bought £100 worth of Ethereum because Bitcoin was too expensive, and she couldn't "buy a whole coin". Initially when she was making money she "was really excited and checked it once or twice a day. But after it started to fall I stopped looking, now I only check it once a month". She said at the time of interview that the value of her purchase dropped to £17. However, Maria recently bought £5 in Ripple after seeing adverts on the Facebook page of an e-money provider she subscribes to and has an account with. She hopes cryptoassets will pick up again and make her a lot of money in the future.

**Karina, 31, police officer, London**

Karina lives on her own and works as a police officer on a knife crime team. In her spare time, she is completing a degree in English language. She holds shares at the value of £500 in Lloyds and TSB, which she received from her mum.

Karina first came across cryptoassets after reading a tweet by a music artist who was allowing purchases of his album with Bitcoin. Later she was influenced by the mainstream media to purchase Ethereum, Bitcoin and Litecoin at £1,500 in August 2017 – she felt that the media’s message was “get on the boat now or you won’t be getting on it at all”. She reported that her purchase increased by £700, at which point she sold her initial crypto-asset purchase and has kept the increase. Karina was influenced to divest her initial purchase by the media when she found they no longer predicted price increases in Bitcoin but focused on when it would crash. She considers herself lucky not to have lost money, but now wants to watch the market from afar and is not planning any future purchases of cryptoassets.

**Eric, 29, unemployed recent microbiology MPhil graduate, Aberdeen**

Eric recently graduated with an MPhil in microbiology and has been looking for a job since May. He and his wife have lived in Aberdeen for 10 years. Eric is extremely well informed about technology: he has been learning about computer software since he was nine years old, and coding is one of the hobbies he is passionate about – as well as offline and online video games.

He started by purchasing £1,500 worth of assets in Ethereum, Ripple, Cardano and Tron in September 2017 to “assess their development”. A month later he exchanged it all for Tron and Cardano. He suggested that Tron was a “good short-term investment” because it had a “great PR strategy” and hence a “profitable hype around it”. He concluded that Cardano was instead a good “long-term investment” because of the technology it supported. Six months after his first purchase Eric cashed out £11,000, which contributes to his living expenses.

**Jake, 46, financial manager, York**

Jake lives near York with his wife, after his two adult children left the family home. He is interested in financial products in general and has invested in both shares and gold in the past. He wants to “build a financial future” for him and his wife, as they have faced some big medical expenses lately and he’s concerned about his pension.

Jake became interested in cryptoassets because the financial publications and newsletters he follows (e.g. Creating Wealth and The Palm Beach Daily) started featuring blockchain. He sees cryptoassets as a “short term investment”, as he thinks that “the market is still in its infancy” and therefore unpredictable. He only trusts Bitcoin, as he thinks the other cryptoassets will simply follow the same trends, and he’s suspicious about the number of new tokens appearing. He purchased Bitcoin six times in the past 18 months (£500/£1,000 at time), reportedly selling each time after making a 200% profit. He cashed out when he saw market trends declining. While he doesn’t rule out buying again, he said he would do so when he sees the start of a new positive trend.



Nick, 18, college student working part-time in a phone store, Essex

Nick is a college student living with his parents and working part-time. He is studying business and wants to get an apprenticeship in London. He saved money for two years which he recently used to buy a car, of which he is very proud. He describes his iPad, iPhone and car as his “assets.”

Nick is heavily influenced by ‘celebrity’ investors he follows on social media, who post about making lots of money by investing in cryptoassets. Nick believes: “If you are brave enough to risk the gamble then you can make lots of money, but you are more likely to lose money.”

Nick came across cryptoassets for the first time when he was 10 years old. He needed Bitcoin to buy a “football team for my FIFA videogame”. Currently he wants to buy cryptoassets but has spent his money on his car, so is waiting until he is able to save up enough again.

What prompted people to decide to buy cryptoassets?

Respondents' decisions to buy cryptoassets were influenced by a range of factors. These included their attitudes towards making money in general; the information they received and sought out; and their beliefs about and understanding of the cryptoassets market.

This chapter will explore these factors, which often set the stage for consumers' subsequent experiences.

Why do consumers decide to purchase cryptoassets?

Getting rich quick

Most respondents expressed a desire to make significant amounts of money in their lives, and while some were looking for ways to supplement their income, others had explored a variety of ways to try to 'get rich quick' without having to work.

This desire to become wealthy with minimal effort seemed to attract them to the world of cryptoassets, and many expected the cryptoassets they bought – in contrast

to other investment options – to increase in value steeply over a short period of time.

Particularly for the younger people in the sample, this seemed to be related to a more general aversion to traditional forms of employment and an attraction to lifestyles of leisure and making 'easy money' with little effort. For example, Kyle spoke about his experience of being one of the 'poorer' children in a wealthy private school, which meant his friends' parents had large houses and expensive items. Kyle hoped to achieve this sort of wealth in his adult life, and felt that cryptoassets were a good way to get ahead.

Similarly, Ashton had no intention of taking up the career in real estate he said his parents wanted for him, nor had he taken steps to pursue an alternative career path. Before he bought cryptoassets, he had been involved in spread betting, forex trading and investing in the S&P 500 Index. He described these activities as his "job", saying they had given him a significant and easy income. Upon further exploration of his finances, however, it was clear he was largely living off the rental income from a flat his parents had bought for him and his sister, while living in a rented property elsewhere.

"I guess I didn't have the career that my parents wanted, but I'm lazy. My priority is enjoying life. I just want to get rich and retire."

Ashton, 26

Fear of missing out

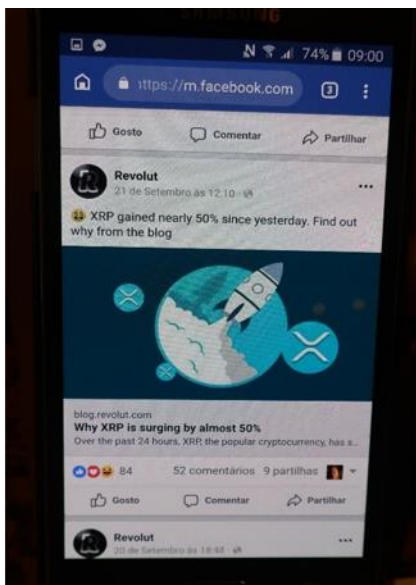
Most respondents cited "fear of missing out" ('FOMO') as one of the main reasons for buying cryptoassets. Many had read articles or heard the stories of consumers who had bought Bitcoin in or before 2017 and made a significant amount of money. Already worried that they might have left it too late, they didn't want to miss out on the chance to be 'in' on any cryptoassets that might increase in value in the future.

“It was pure FOMO. I saw so many people making loads of money and had to jump on it.” Kyle, 22

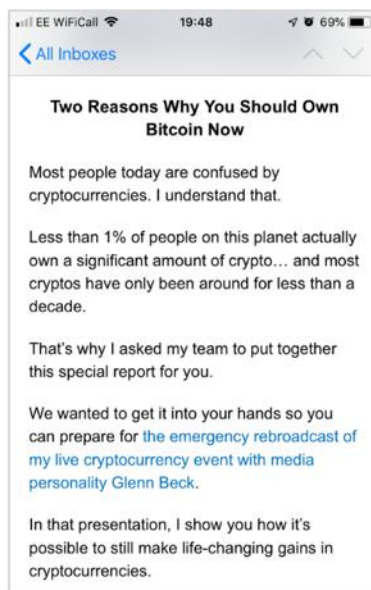
“I remember reading media online which was basically saying: jump on the boat now, or you won’t be jumping on it at all.”

Karina, 31

While sharing similar motivations to the ones already described, a minority of respondents approached cryptoassets as a shorter-term investment and started off with a plan to cash out some of the profits.



Screenshot of a post on Maria’s Facebook, about Ripple’s ‘surge’



Screenshot of the newsletter “True Wealth” Jake is subscribed to



Screenshot of an article Angela read on Business Insider

What sources of information influence consumers' decisions to buy cryptoassets?

Many respondents first heard about cryptoassets between 2013 and 2016, usually from friends or acquaintances who were interested in new technologies, or by seeing news about them in online communities. Others first heard about them in 2017, when the rise in Bitcoin's value garnered significant mainstream press attention.

Friends, family and acquaintances

The majority of respondents decided to buy cryptoassets after speaking to friends and acquaintances who claimed to have made a profit after purchasing them. This was the case for Fred, whose main source of information on the profitability of cryptoassets was a taxi driver.

"I first heard about cryptoassets from my brother. It got me interested but I didn't invest. Then I had a chat with this taxi driver. He told me he managed to put himself through college with earnings from crypto. That's when I decided to invest."

Fred, 26

Angela knew relatively little about cryptoassets when she decided to buy. She had heard about them from a director at her work and from friends at a dinner party. Because these friends worked in finance, she believed they would be trustworthy sources of information. She said she bought cryptoassets impulsively and without doing much of her own research. In part this was to prove to her boyfriend, whom she tended to consult normally on financial decisions, that she didn't need his input.

Similarly, Abdul considered his friend Robin to be a "crypto expert" and took his advice seriously – both when first buying cryptoassets and in subsequent purchases. According to Abdul, Robin advised a couple of "six figure clients", although his main occupation was as the owner of and DJ for a music events business.

"Any advice I took off him has always proven to be successful... I want to be my own Robin one day."

Abdul, 21

"Before buying [cryptoassets] I talked to my brother and step-father. They are businessmen and they love money."

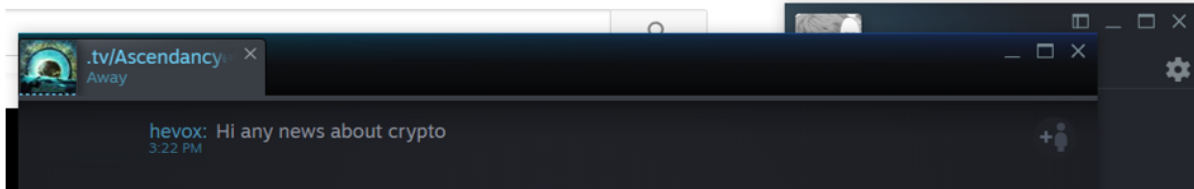
Sandy, 43

Because of his freelance consulting work, Justin had various WhatsApp groups with clients and collaborators, and he got in contact with people from different backgrounds. He explained how he used to regularly swap information about cryptoassets in the groups, taking advice from other "investors".

"I meet people from all sorts of jobs for my work, and sometimes talk to investors as well for different projects. I take advice from them and we discuss cryptos."

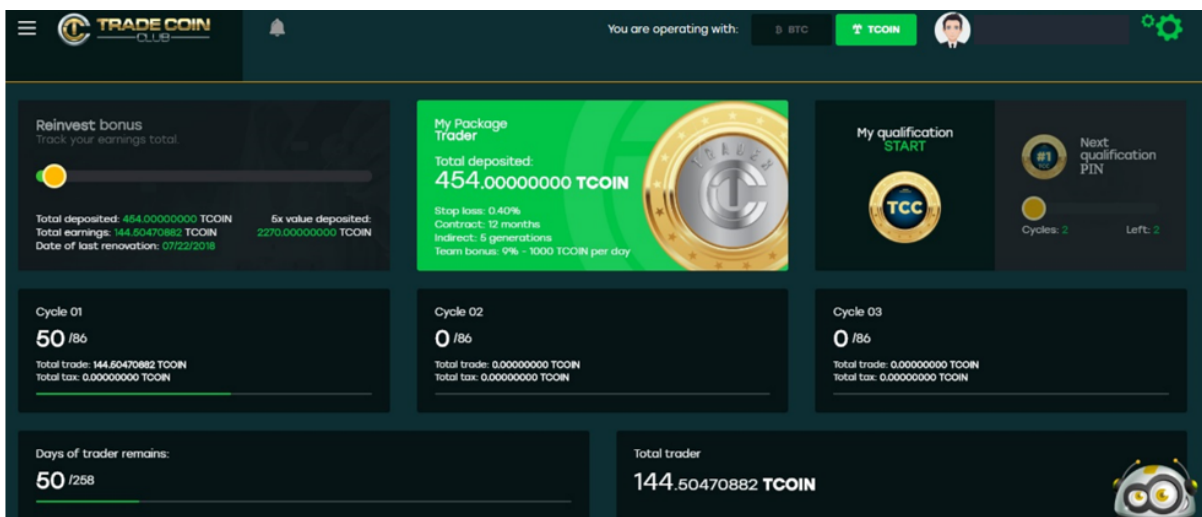
Justin, 40

Jeremy consulted people in online communities. He shared screenshots from his gaming platform, showing how he would ask people for news on market trends.



Screenshot of a chat Jeremy started about cryptos on an online gaming platform

Although many respondents decided to buy after talking to friends or acquaintances, most did not do so straight away. Many said they made their initial purchase only after they'd had the chance to do some additional research.



Case study

Damien purchased cryptoassets after going to a seminar

When Damien, 32, first heard about cryptoassets he thought they might be a scam.

"It was just a craze everywhere, but I was worried it was a scam"

However, his best friend of over 20 years persuaded him to attend a seminar, hosted by a 'mining' company called Omnia.

Damien was enticed by the stories he heard there of people who had made money by getting involved in cryptoassets when they first "exploded". Afterwards his attitude changed: *"If they could do it, so can I!"*

"Those conferences, they entice you. You get champagne, caviar. You can win an iPad if you bring people in"

He finally purchased £700 worth of TCOin after a dinner with a friend of his friend, who convinced him that he would have lost the opportunity if he had let that moment pass.

"He was like, if you don't do it now I'll be gone"

Specialised online media on cryptoassets

Many respondents referred to subject-specific magazines and media dedicated to news on cryptoassets and blockchain. Some specifically sought out ‘niche’ sources of information that they felt others wouldn’t have access to and which would give them the ‘edge’.

“It’s time consuming – you want to be the latest person with the latest information.”

Damien, 32

Abdul had followed Bitcoin’s price fluctuations since 2013, when he was still in school. He desperately wanted to buy some when he said the cost of a Bitcoin was £180 and said he “kicked himself” for not doing so because he didn’t have the money at the time.

Once he had bought some cryptoassets, Abdul said he used Bitcoin Magazine, an online publication launched in 2012 by Ethereum founder Vitalik Buterin, to keep up to date with market trends. However, to inform his short-term investments, Abdul preferred influencers on social media.

“I use Bitcoin Magazine to get up-to-date information on news and developments in the crypto market. I think that this is a good method of finding news, but again, they can be slow to give articles on news which sometimes make them redundant if short-term investing.”

Abdul, 21



Screenshot of Bitcoin magazine, a source Abdul uses for news on new developments in the cryptoassets market

Some respondents, such as Sandy, said they were most interested in reading about the latest developments in the technology behind cryptoassets. For this she used CCN.com.

“I do not as a rule follow crypto news daily or weekly because I am aware of the overall current performance, but I do enjoy reading articles relating to emerging technologies and products within the market. I found this CCN article very interesting.”

Sandy, 43



Screenshot of a CCN article Sandy bookmarked



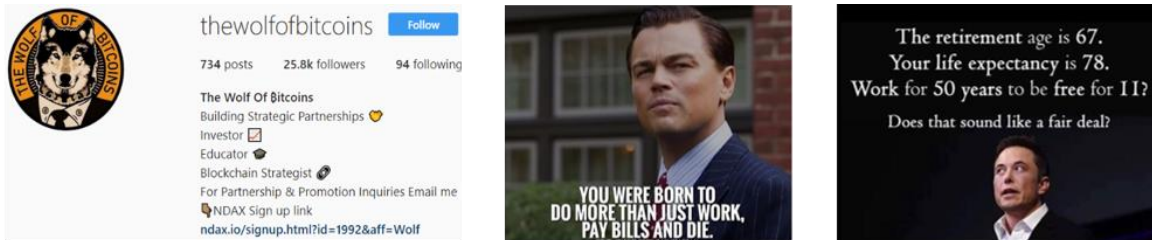
Screenshot of Coin Telegraph, a website Sandy checks regularly for information on cryptoassets

Social media

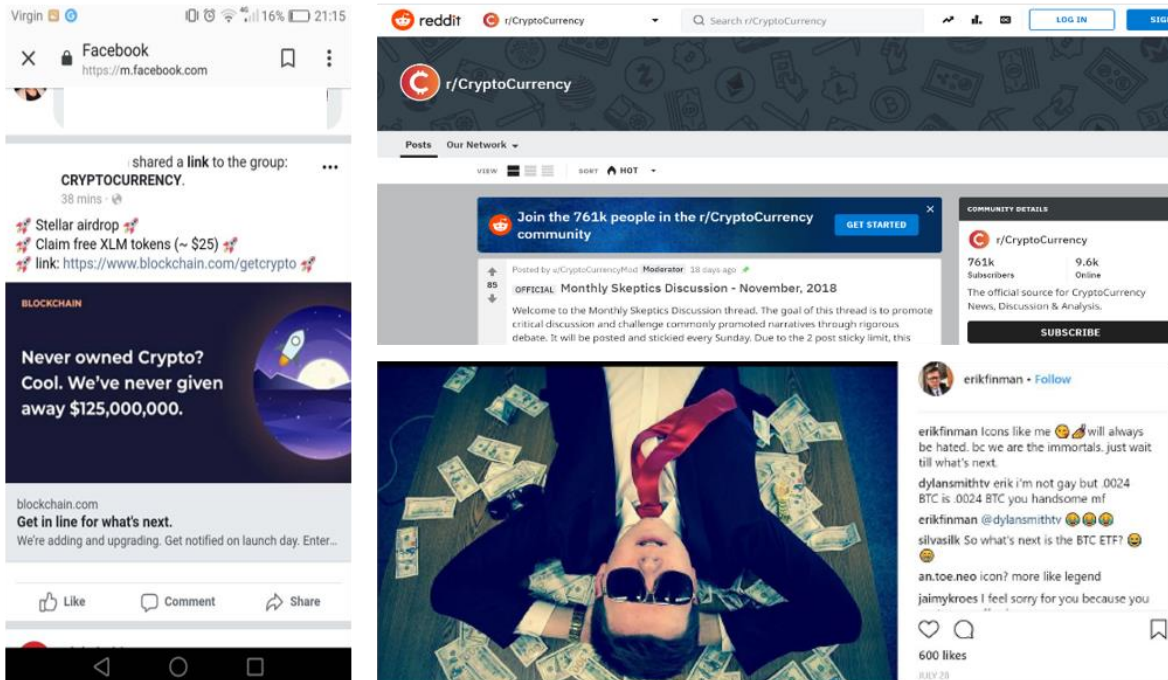
Social media platforms were the most common source of news and information on cryptoassets across the sample. Respondents were often members of dedicated Facebook groups and communities, and several people followed Reddit threads for predictions on prices, news, and tips on which cryptoassets to buy.

Kyle, for instance, said he used Reddit because it gave him an understanding of what the ‘real’ or ‘common’ investors thought, meaning he could gain an inside understanding of the market. However, he also said Reddit was not totally trustworthy and should be treated sceptically.

Discussions about specific cryptoassets or the market in general were quite common online, with users posting new content daily. This ranged from personal experiences and comments on the latest market trends, to marketing posts for purchasing specific cryptoassets via initial coin offerings. These adverts often touted ‘get rich quick’ offers, evoking images of success and wealth for those engaging in the market.



Instagram post from ‘thewolfofbitcoins,’ <https://www.instagram.com/thewolfofbitcoins/>



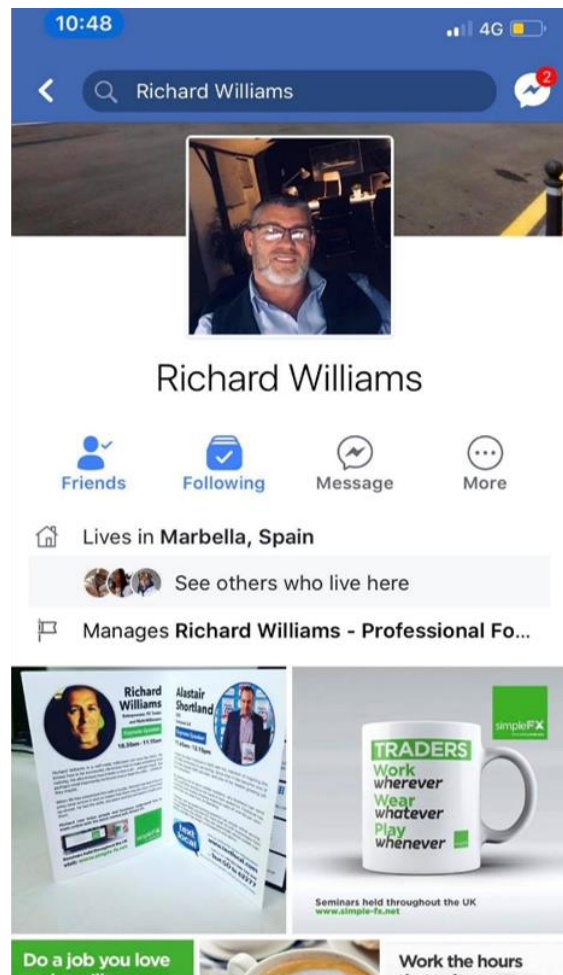
Clockwise: post on a Facebook group, desk research; Eric’s screenshot of a subreddit named CryptoCurrency; Instagram post from ‘erikfinman,’ who describes himself as the ‘World’s youngest bitcoin millionaire,’ <https://www.instagram.com/erikfinman/>

Some respondents followed various YouTubers (names mentioned included Datadash, Crypto bear, Coin mastery) who discussed or provided tips on cryptoassets. Elena said she followed a YouTuber called Ameer Rosic, who she said was right “surprisingly often”.

“Ameer Rosic is on point about 60% of the time, which in the volatile world of crypto is quite an achievement.”

Elena, 34

Luke followed and sought advice from online ‘personalities’ whom he considered his “crypto mentors”. He liked Siam Kidd because he “continues to post even when the general public goes quiet on crypto”. He also followed Richard Williams whom he considered a “mentor” and professional Forex trader – whose courses on Forex trading Luke had also attended.



Screenshots of profiles of ‘online personalities’ Luke considers to be his ‘mentors’ in the cryptoassets market

Maria followed the page of an e-money provider on Facebook, and found an article describing Ripple’s rise in value that featured a picture of a rocket. She trusted the company, deciding to invest £5 pounds in Ripple as a result.

“Have you used this [e-money provider]? It’s great, you should use it. ... I found out about Ripple on their Facebook page.”

Maria, 57

Abdul used Telegram, an instant messaging software for groups managed by a moderator, to keep up to date with news about upcoming and existing cryptoassets. Abdul’s friend Robin moderated the group. Whilst Robin charged a small monthly subscription to its members who were seeking advice about cryptoassets, Abdul joined for free.

Mainstream media, including TV

Some heard about cryptoassets for the first time on the news or on TV. For a few of these people, the presence of cryptoassets on these media platforms supported their legitimacy as an ‘investment’. Others also used mainstream media to learn more about cryptoassets after they had found out about them online on less ‘official’ news or social media platforms.

For instance, Maria heard about cryptoassets on news programming broadcast by the Portuguese TV channel TVI and thought it would be “something worth getting involved with”.

“The news said it would be the best investment in the world!”

Maria, 57

Angela became aware of cryptoassets and gathered initial information on them through mainstream media. She read articles on newspapers and online magazines such as Business Insider, the Independent and the Guardian. Whilst Luke had first come across cryptoassets through a friend’s Facebook post, he read articles from Forbes and Business Insider before he purchased any of his own.

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Chris Weller
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Screenshot of Business Insider, a website Angela reads regularly

Distrust in mainstream media and institutions

However, a large proportion of the respondents did not trust mainstream media and sources of information. Some respondents were suspicious of the mainstream media's 'agenda' and were concerned by 'fake news', and some didn't have much trust in 'establishment' institutions in general.

These attitudes carried over into their attitudes towards information about cryptoassets. Some consumers believed that the mainstream media and regulators had an interest in undermining cryptoassets precisely because they were not connected to 'the establishment', i.e. governments and banks.

"I don't trust mainstream media, they're full of fear-mongering."

Richard, 26

"The whole point of Bitcoin is to have a coin that is not regulated and independent of any government or bank. Of course, that is not in their [the governments' and banks'] interest. ... As much as I trust the government, I don't trust every government [referring to the fact that many cryptoassets are founded in and run from other countries]."

Eric, 29

Understanding of the market

Technology vs. assets

When discussing their understanding of the market, many of the respondents flitted between talking about cryptoassets as tradeable products and the technology that underpinned them.

Some respondents were confident blockchain technology would become more important in the future and wanted to get involved because they believed it would represent a secure source of wealth in the long term.

"I feel there are many global potential positive outcomes that could come out of the Blockchain technology. For example, people who are not able to open a bank account could have cryptos."

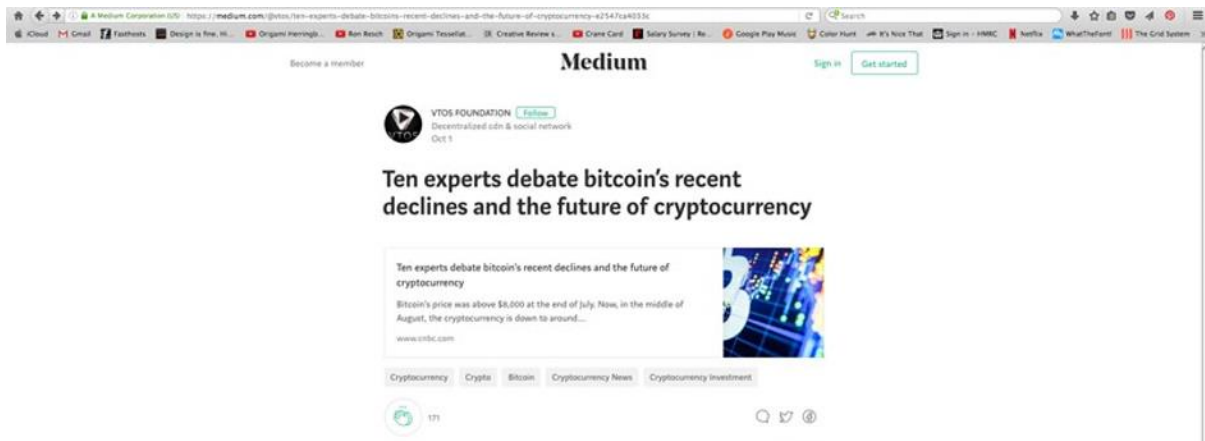
Sandy, 43

"It's already being used in Venezuela - because of the dictatorship people can't access money, but now some people there are able to buy and sell using crypto."

Eric, 29

"There was a CBNC video article where experts discussed the future of currencies and interestingly there were significant mentions of the blockchain technology and its potential, which could in turn affect the 'value' of currencies in time."

Sandy, 43



Screenshot of the webpage where Sandy found the link to the CBNC video mentioned above

Confidence and instinct

Many of the respondents were confident in their knowledge of both the technology and financial markets. This sometimes meant these respondents saw themselves as being 'ahead of the curve' by investing in cryptoassets, compared with everyone else who just 'didn't see' this opportunity.

"I know what you need to know about financial markets. It is based on supply and demand. You want to buy when it's low and sell when it's high."

Damien, 32

"You have to look for very well-known ones or for a big programmer. I don't know how it works in the back end, I'm not a programmer."

Ashton, 26

Several of the respondents talked openly about relying on their instincts or intuitions or purchasing cryptoassets on 'impulse'.

"One of my key priorities is being true to myself. I trust my intuition over logic."

Neil, 24

"It's all very well and good being given different figures, but I trust my own instincts."

Abdul, 21

Who benefits from my investment?

Most respondents did not seem to think about how their investment could be benefiting someone else, i.e. that by purchasing an asset they were helping drive up the value to its other investors. This meant they did not consider any potential conflicts of interest, or the ways that information about cryptoassets might be driven or influenced by people wanting others to invest for their own gain, as opposed to general excitement about the opportunities presented by crypto investments.

Although many respondents were aware that such ‘hype’ was a major cause of price fluctuation, only a few understood the potential for vested or conflicted interests. Those who did were cynical about the information they absorbed. Eric, for example, felt that information was censored by those wanting to protect the image of certain cryptoassets.

“The mediators on subreddits are also investors, so they ensure bad comments are left out of the chats if it’s convenient for them.”

Eric, 29

Perceptions of regulation

The majority of respondents were not aware of any regulation in the cryptoassets landscape, which they referred to as an entirely unregulated space.¹² Most respondents were happy about this for various reasons. For example, some thought that the lack of regulation allowed for higher profit and said they liked the idea of assets free from attachments to governments or banks.

Some respondents saw the benefit of a certain degree of regulation to keep consumers safer, despite often saying they were happy about the perceived lack of regulation overall. Elena, for instance, said that she thought that regulation was needed in the cryptoassets market, as many people did not have a full grasp of what they were doing and so were prone to being “scammed”. Elena said those who wanted to invest “should have an intelligence test” before doing so.

“It would be useful to amend fraud laws, so they are fit for crypto.”

Eric, 29

“I don’t know of any but there’s got to be regulation. Lots of coins are popping up.”

Jake, 46

Some mentioned worries that if they ever encountered problems, they would have no legal backup. One respondent was shocked that Coinbase did not issue a fixed fee for trading and selling cryptoassets in early 2018, which meant she would not know how much she would be charged for doing so.

¹² Whether a particular cryptoasset falls within FCA regulation or not is determined on a case-by-case basis. As noted previously, this report is an independent piece of research, which does not include an FCA view on cryptoassets. If you want to know more about the FCA’s position in relation to cryptoassets, including the regulatory perimeter, please see the FCA website [<https://www.fca.org.uk/publication/discussion/dp17-03.pdf>; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf] for more information.

Summary

- People who decided to buy cryptoassets were often looking for ways to 'get rich quick'
- Most cited their 'fear of missing out' as a reason to purchase
- The majority decided to buy after speaking to friends, family or acquaintances who claimed to have made a profit
- Some referred to specialist publications and websites
- Others used mainstream media for information
- However, many were distrustful of mainstream media
- Respondents were confident in their knowledge of the market and / or their "instincts" when making decisions.

The next chapter will explore what and how people purchased once they had made a decision to buy cryptoassets.

What cryptoassets did people buy and why?

Once they had decided to buy cryptoassets, respondents made choices about how to do so and what they would purchase, which continued to be influenced by a range of sources and information. Respondents tended to develop their own strategies and narratives to manage and explain the ways they managed risk.

This chapter explores the first cryptoasset purchases made by the respondents - what they bought, how they went about it, and how much they spent.

Purchasing platforms

Many respondents relied on Coinbase to buy cryptoassets and manage their portfolio of purchases. Coinbase was believed to be trustworthy, perhaps because it is often referenced on forums and online articles about cryptoassets. Coinbase allowed respondents to purchase cryptoassets including Bitcoin, Ethereum and Litecoin.

Although some people wanted to use platforms other than Coinbase – such as Binance, Coinfloor and Blockchain Wallet – to purchase other cryptoassets, they were often unable to understand how they worked, so either tried and failed or did not try at all.

One respondent who had first downloaded Blockchain Wallet switched to Coinbase because it had a “better user-interface”. Luke spent a whole year trying to purchase cryptoassets on various platforms without success until he discovered Coinbase. Others found the Coinbase platform “easy to navigate”, but the process of purchasing cryptoassets via Coinbase was not always straightforward.

In general, it seemed that many respondents initially struggled to understand how to use the platforms they eventually adopted to hold cryptoassets.

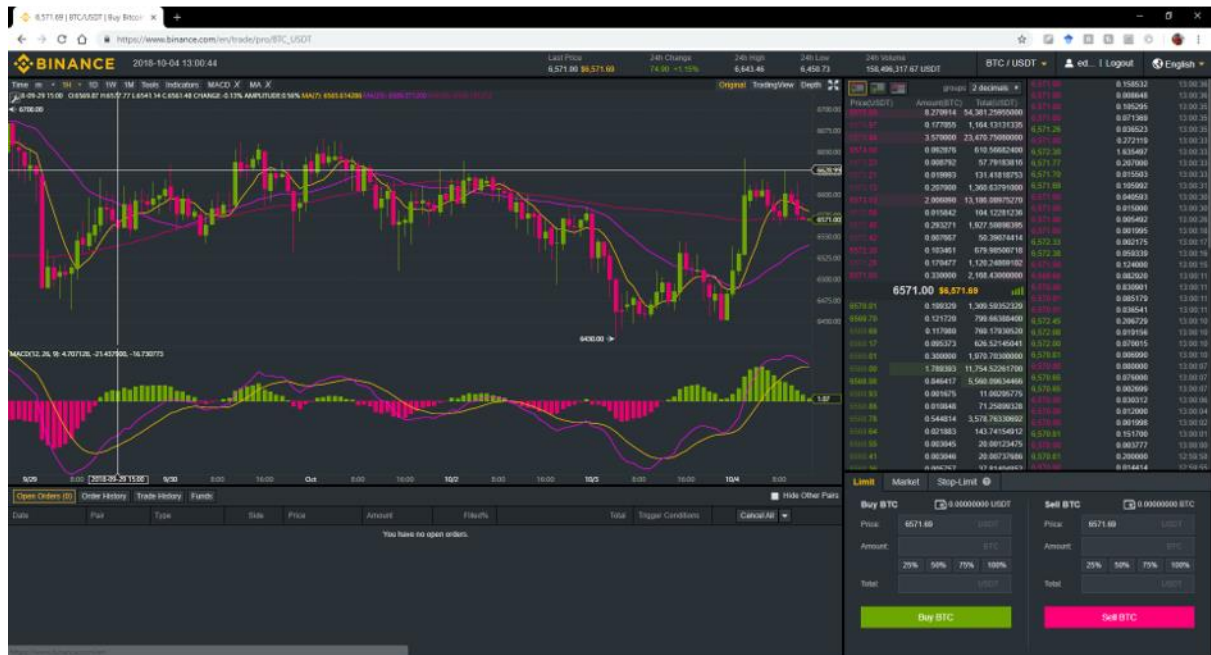
Karina had concluded that buying cryptoassets would always involve some security risk because “it’s decentralised, it’s not regulated”. She decided to go ahead with a purchase and in August 2017 she sent £1,500 by BACS international transfer to the “unregulated Coinbase bank based in Estonia”. She nearly gave up on her purchase after being contacted by her bank several times about a suspicious transaction.

“To begin with, you had to go through all this rigmarole - getting your unique reference number from Coinbase... I thought this is completely at odds with what I’ve been told [about buying unregulated cryptoassets] - it’s taken three phone calls with my bank to sort this out.”

Karina, 31



Fred used the Coinbase app on his mobile phone



Screenshot of Binance, a platform Eric used to buy Cardano and Tron

Deciding which cryptoassets to buy

What did respondents believe about the cryptoassets they chose to buy?

Many respondents purchased at least one of the following cryptoassets: Bitcoin, Ethereum and Litecoin. Ripple was also mentioned by several respondents as an asset they had bought or were considering buying.

Bitcoin and Ethereum were often perceived as more 'reliable' purchase choices because they were the best-known cryptoassets and were often the ones which other people were known to have made profit from.

"Ninety per cent of cryptocurrencies are scams, there's no substance to them, only Bitcoin could maybe be legitimate as it's stood the test of time."

Kyle, 22

"If it wasn't so expensive I would have bought Bitcoin...Bitcoin is probably the one that will last, mainly because more people know about it."

Angela, 26

"I wanted to buy the big coins because they clearly have successful technology behind them. Ethereum's technology is even better than that of Bitcoin, it's newer, more developed."

Sandy, 43

Some said they had bought Bitcoin, Ethereum and Litecoin because they were the only cryptoassets offered by Coinbase at the time they made their purchase. It seemed that in these cases the platform that was used may have had a decisive influence over the cryptoassets respondents were aware of and ultimately bought.

According to Karina, Bitcoin, Ethereum and Litecoin were the "main coins" available to buy at the time of her purchase with "new ones popping up more recently".

Luke's experience was also determined to some extent by the trading platform. He mentioned he wanted to buy Ripple but was unable to understand how to use Binance, the platform he had selected, to do so.

"I tried for a year to invest in Ripple, but those platforms are too complicated, so I couldn't do it."

Luke, 26



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Case study

Luke struggled to use trading platforms

Luke, 26, intended to buy cryptoassets for a full year before he made his purchase. He delayed as he was unable to understand how the platforms worked. It was only when he discovered Coinbase that he was able to buy the cryptoassets available on that platform at the time (Bitcoin, Litecoin and Ethereum).

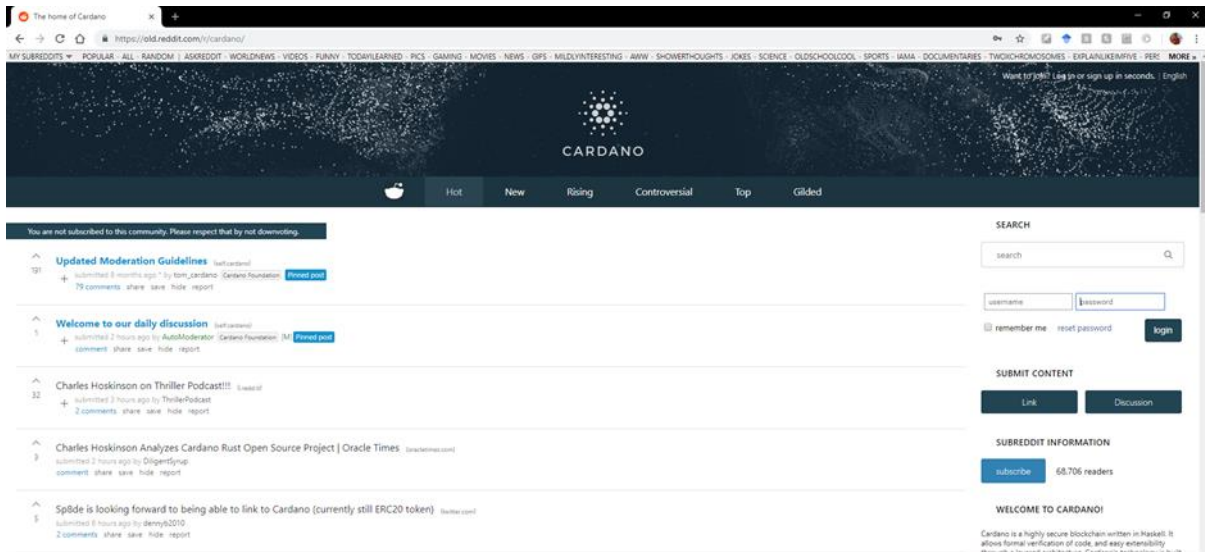
Luke said that it took him months to find out about Binance and to try to buy Ripple there. He believed he was successful in purchasing Ripple and that he was making money, as the price of Ripple was going up rapidly. However, months later he found out his attempt to invest didn't "go through" – he didn't understand why. Binance gave him his money back but with no profit, "because it wasn't invested", leaving Luke very frustrated.

Only a minority of respondents bought cryptoassets other than Bitcoin, Ethereum and Litecoin, and most of them tended to do so either after purchasing one of the above, or when following a recommendation from someone they trusted. These consumers' purchases included: Cardano, Tron, TCOin, PXT, indaHash, Excelen, Appcoin, and Elastos.

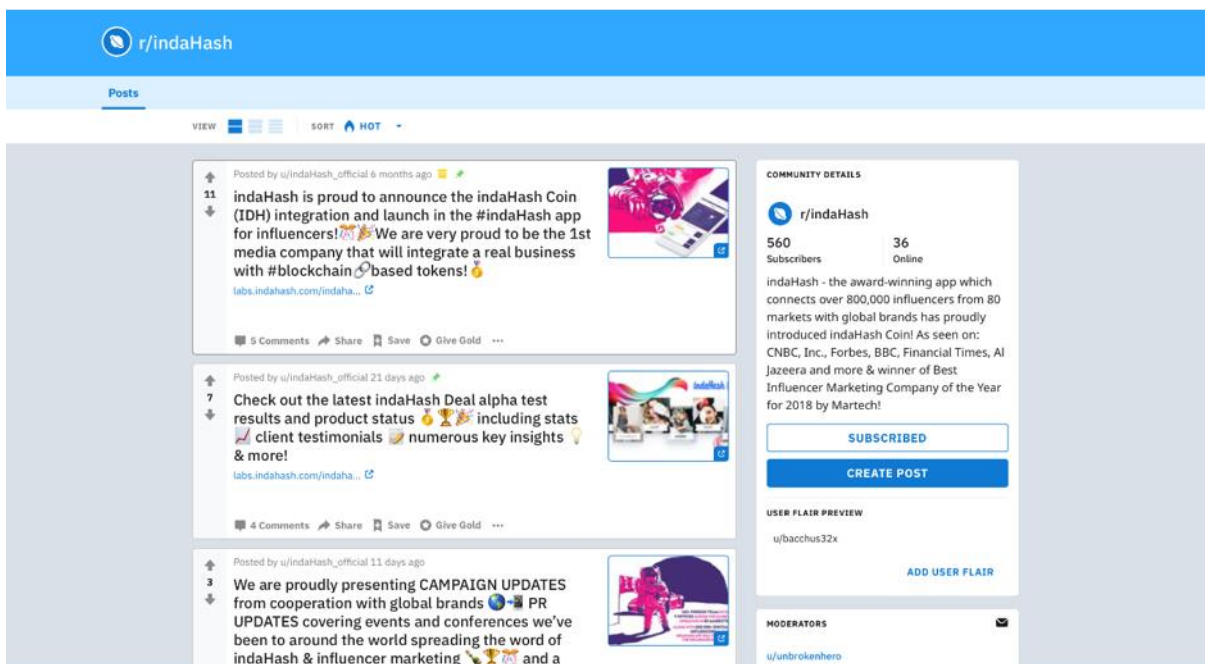
Several deliberately chose cryptoassets that were not Bitcoin, in the hope that they would undergo the same scale of price increases that Bitcoin had. For example, Angela was led to believe that Litecoin could undergo a dramatic rise like Bitcoin, after speaking to her director who held this view. Luke also believed that other cryptoassets would follow the same trajectory as Bitcoin.

“I thought that because Bitcoin was more mainstream, I might as well go for another coin that was less known and still had the chance to boom like Bitcoin did before.”

Luke, 26



Eric's screenshot of a subreddit about Cardano



Abdul's screenshot of a subreddit about indaHash

Belief in a cryptoasset’s wider use or function affected people’s choice of purchase

Several respondents felt that some cryptoassets had greater growth potential because they believed they had a real-world application.

Kyle spoke about Ripple being a means to transfer money across borders cheaply for instance, which he believed meant banks could potentially use it in future. Ashton was also excited about analysis he had read that suggested that Ripple might be used on a large scale by financial institutions.

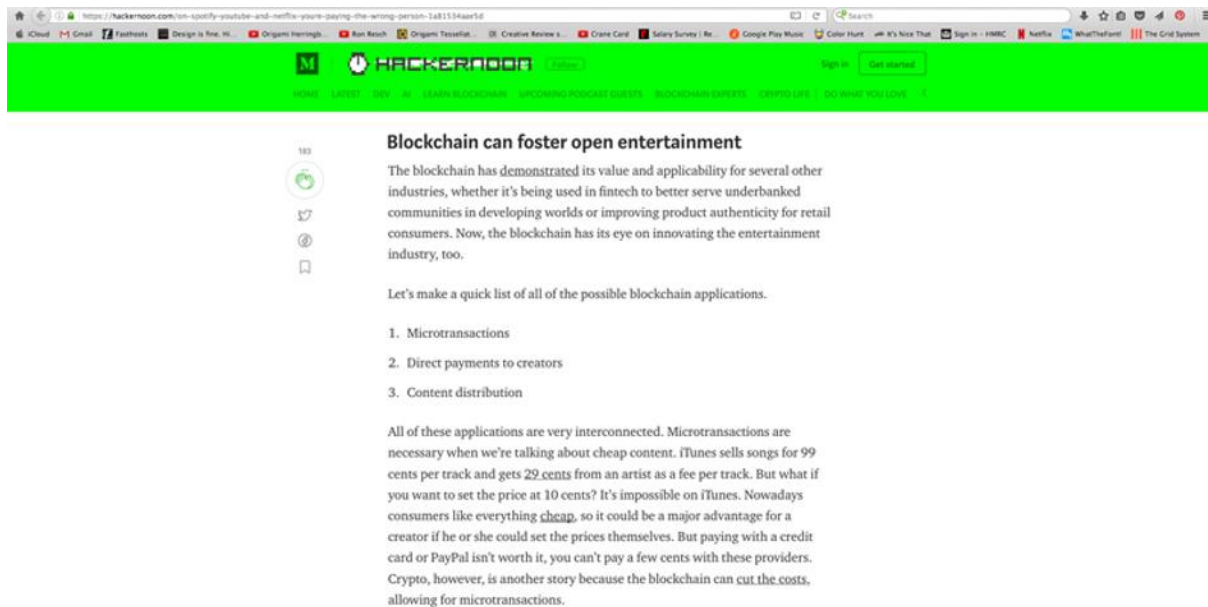
Cardano was a choice for some respondents such as Eric, who felt that because Cardano was “transparent” and was being adopted by some banks, as well as being associated with a new technology to keep online information secure, that increased its value.

“The coin part of it isn’t always the most important part... Cardano is a good long-term investment because it supports a technology that focuses on making public information immutable, so it can’t be corrupted.”

Eric, 29

“[I see cryptoassets as] digital gold, a way to store value. It’s encouraging that institutions are expressing interest, and that people with money are getting involved – that will change people’s minds.”

Justin, 40



Screenshot of an article Sandy read on the website Hackernoon

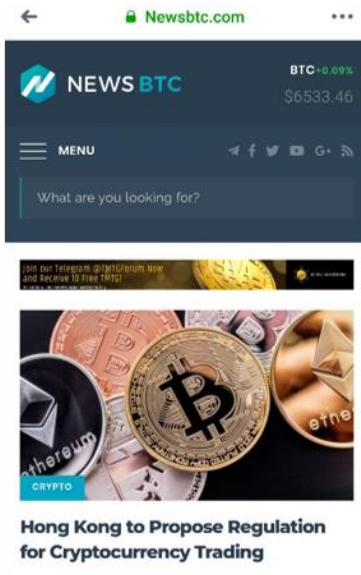
Buying a ‘whole coin’

There was a widespread sense among some consumers that cryptoassets were something ‘real’ and tangible, perhaps as a result of much of the language surrounding the market – for example, reference to ‘coins’, ‘vaults’, or ‘mining’. They had a sense they were investing in immutable, unique assets, which would retain their value and would at some point be worth a lot more than they are today.

Some respondents revealed they had chosen particular cryptoassets because they could buy a “whole coin” with the money they had decided to use for their purchase. For instance, both Angela and Maria did not purchase Bitcoin, which they would have preferred, because they could not afford “a whole one”. Instead Angela bought two LiteCoin, and Maria bought Ethereum.

Neither understood that it was possible to buy a fraction of Bitcoin, which both had said they felt was a stronger investment. Nor did they understand that there was no practical difference between owning a ‘whole’ coin versus a fraction of a cryptoasset.

Similarly, some respondents bought Litecoin because of the relative price difference to Bitcoin, as they could buy “more” Litecoin than Bitcoin with the same amount of money.



Images of cryptoassets illustrated as material coins. From the left: Maria’s phone showing an article on PPLWare, a Portuguese online news website; Troy’s screenshot of a News Btc article; Rick’s screenshot of a Forbes Magazine article

Information used to make purchasing decisions

As with the decision to invest in the first place, consumers used a variety of sources of information when deciding what to buy and how to go about it.

Respondents often came across lesser known cryptoassets from informal sources, friends and acquaintances and decided to take a chance on them, believing they might dramatically rise in price.

This was the case for Damien, whose friend persuaded him to attend an Omnia seminar where he ultimately decided to purchase TCoin. Similarly, Abdul relied heavily on his friend Robin for advice on which new ICOs looked the most “promising”, and although he also did his own research, Abdul consulted Robin to corroborate or test his assumptions.

“I called on Robin and asked him which one he thought would be the best one here and he said Indahash 100%, and it was something he wanted to invest in himself.”

Abdul, 21

“I also invested in eight ICOs that my mate suggested. I really didn’t do any research on them.”

Neil, 24

Although, as explained before, many consumers expressed a distrust of mainstream sources, a few respondents’ views of particular cryptoassets seemed to be nonetheless shaped by information shared by mainstream media. Karina was discouraged from purchasing Bitcoin having read about its association with the ‘Silk Road’ – an illegal online marketplace in the dark web¹³ - in mainstream news sources. This association led her to believe it was “less professional” than other cryptoassets such as Ethereum.

As well as reading official news outlets such as the NASDAQ website and the Financial Times, Karina also referenced Bitcoin Magazine as a regular source of information when she decided on her purchase.

Karina knew that Vitalek Buterin had created Ethereum, however she was not aware of his role as co-founder of Bitcoin Magazine when she used its articles to inform her decision to buy more Ethereum than Bitcoin.

Karina divided her purchase of £1,500 worth of cryptoassets accordingly – 70% was used to purchase Ethereum, 25% to purchase Bitcoin and 5% Litecoin.

Kyle and Justin both used Coin Market Cap, which lists the ‘top 100 cryptocurrencies by market capitalisation’, to try to identify cryptoassets whose value was rising so they could purchase them.

“I use it to check different projects, updates, exchange listings etc...”

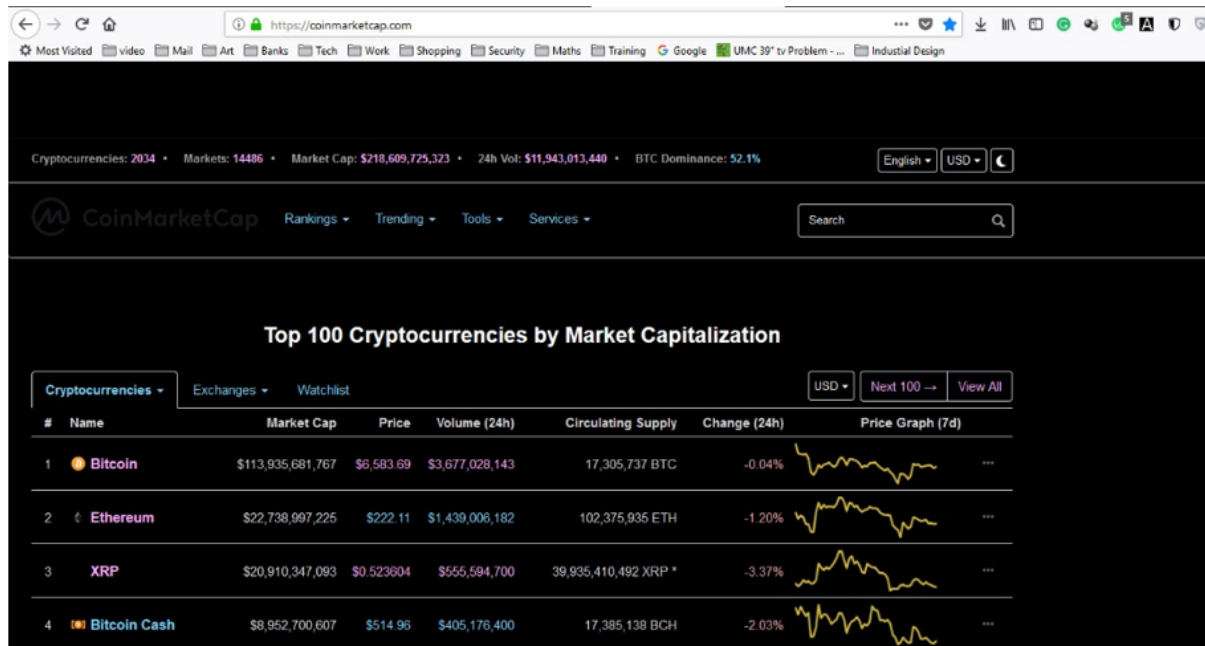
Justin, 40

¹³ <https://www.theguardian.com/world/2013/mar/22/silk-road-online-drug-marketplace>

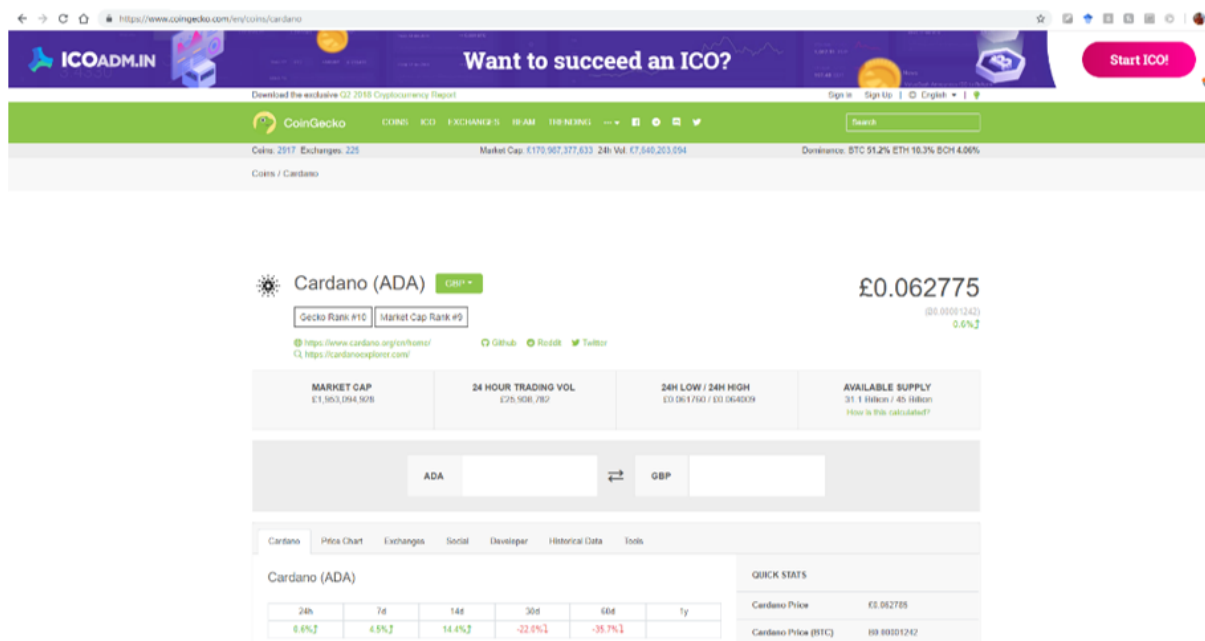
Social media were also a popular source of information about trends and specific coins, which many used to support their decision making. Ashton, for instance, relied almost exclusively on online communities on Reddit, YouTube channels, and the Twitter accounts of the cryptoassets he was holding. He also found news on his tracking app Blockfolio, which listed sources from CoinTelegraph and Coindesk. However, he thought that “crypto journalism sites such as these are often found to be providing fake or inaccurate news, so should be taken with a degree of scepticism”.

“Most of my crypto sources come from Reddit, Youtube, and a few other select Twitter profiles and news sites. A high proportion of my information is gained through public comments and opinions and word of mouth.”

Ashton, 26



Screenshot of 'Coinmarketcap', a website Justin uses to check his cryptoassets



Screenshot of 'Coingecko', a website used by Eric to check the price of Cardano

Assessment of risk

Most respondents were aware there were significant risks involved in buying cryptoassets. They perceived the market as extremely volatile, and knew there was a probability they would lose the full amount of their purchase. Most respondents were also not aware of any form of consumer protection in this space, which would safeguard them in case of losses.

However, many respondents maintained a blasé attitude towards their purchase, and only a few had explicit strategies in place to manage this risk. They seemed to accept a high risk as a characteristic of the market, which for some of them was actually part of the attraction.

“Any coin is risky because the value is not tied to anything, it’s volatile. That’s what makes it more fun.”

Neil, 24

“I just thought it was a bit of banter...but it was strange to explain to my 71-year-old mum that I was sending £1,500 to an unregulated bank in Estonia to pay for a currency that doesn’t really exist and has no value in the real world.”

Karina, 31

Cryptoassets and gambling: similarities

From the outside, the behaviours associated with buying cryptoassets can appear similar to some of the behaviours seen among problem gamblers.

Such comparisons have also been drawn by specialists in behavioural addiction and in gambling behaviours¹⁴.

Gambling has been associated with distorted thinking in the processing of chance, probability and skill¹⁵ – this includes thinking that the outcome of a game is dictated by the player’s skill or believing that slot machines can be out-smarted, and that their odds can be predicted.

Most people in this research over-estimated the likelihood they would make money from purchasing cryptoassets and their ability to predict the outcome of their purchase.

While some respondents understood the “high risk” associated with their purchase of cryptoassets, most believed that profit was highly likely or even inevitable at some point. The dramatic fluctuations in price and the inherent riskiness in purchasing cryptoassets were rationalised as part of the thrill and, like online gamblers repeatedly checking their bets, some respondents admitted behaviours such as compulsively checking the value of their portfolios.

¹⁴ M.D Griffiths Professor of Behavioural Addiction at Nottingham Trent University has stated to a rehabilitation hospital that “Addiction to cryptocurrencies is really just a sub-type of online day trading addiction. I see these as akin to gambling addiction”.

¹⁵ (Michalczuk et al. 2011) Impulsivity and cognitive distortions in pathological gamblers attending the UK National Problem Gambling Clinic: A preliminary report. *Psychological Medicine*, 41 (12),

Strategies to manage risk

Many respondents relied on spare savings to purchase cryptoassets. These were often funds they had earmarked specifically to use in the market, and that were kept separate from other savings. While this money was in most cases saved by the respondents themselves, for some it had come from family members. For instance, Neil used £2,000 his parents had gifted him to start a savings account to purchase cryptoassets. Others, like Kyle, used money from student loans to pay for cryptoassets.

To manage the risk, some thought it would be safer to put purchase small amounts of cryptoassets, rather than making a large purchase in one go.

“A friend of my invested £50,000 and lost it all. It’s like gambling, he was enticed to do it. [...] You need to do it wisely, slowly but surely.”

Damien, 32

Many respondents said they only spent an amount of money they could “afford to lose” when purchasing cryptoassets, with some stating this as a deliberate strategy to prevent regret. Justin, a firm believer in this system, did however recognise that at the point where he had injected money into his portfolio multiple times, he was no longer in a position to lose it happily.

“My simple strategy is don’t invest what you can’t afford to lose.”

Justin, 40

“I read an article in Money Week that said there was a potential to make money, so I put £500 in it. Not a great deal, it was just spare money.”

Jake, 46

“I only invested what I was willing to lose.”

Rick, 26

It was not clear if the respondents who said they lost money they could afford to lose were post-rationalising their loss to manage their disappointment. Kyle was at university when he spent his entire student loan instalment on cryptoassets. He justified this to himself by saying he would have wasted the money anyway. Ashton did mention that “losing everything was quite distressing. It was a very expensive education”. However, he said he found the comments on the Ripple sub topic useful: “Everyone said it was going to be ok.”

“It was dead money anyway, I would have wasted it on weed.”

Kyle, 22

Only a small proportion of the sample stated that they felt regretful about purchasing cryptoassets and that they would not do it again. A few others said they felt disappointed to have lost money.

In Karina's case, though she did not lose money, she said she would not purchase cryptoassets again in the future. Instead she is considering buying shares – “not to do anything risky with them”, but “to go with a solid company”. Angela purchased cryptoassets “somewhat impulsively” and regretted not having done more research in advance.

“I'm so glad that I didn't invest more. I spoke to my mum about it and she asked me to invest for her too. I am so glad I didn't.”

Angela, 26

Another strategy some respondents had was to not chase losses, and Abdul particularly felt that people who purchasing cryptoassets in this impulsive way were likely to lose a lot of money.

“My strength is not being too greedy which is a big thing. I think I have a good instinct for seeing when to buy in and when to sell.”

Abdul, 21

Summary

- Many respondents used Coinbase to buy cryptoassets and manage their portfolio, believing it to be trustworthy. Several said it was the easiest platform to use, although some still found it difficult.
- The choice of platform often influenced the choice of cryptoasset, because not all assets were available on all platforms.
- Most respondents had purchased at least one of Bitcoin, Ethereum or Litecoin as these were the best know and often perceived to be the most ‘reliable’, having been around the longest and generated profits for people in the past.
- A minority bought other cryptoassets, mostly in the hope that they would undergo the same sort of price increases as Bitcoin.
- Decisions to buy these less well-known cryptoassets were often based on tips from friends and acquaintances, or on a belief that the cryptoasset had a wider use which increased its inherent value.
- Several respondents talked of wanting to buy a ‘whole’ coin, seeing it as a tangible asset.
- Most were aware of risks in buying cryptoassets and several said this was part of the attraction.
- Several had strategies or narratives around not spending more than they could afford to lose.

The next chapter will explore whether people hold or sell their cryptoassets and the mindsets that inform these decisions.

Hold or sell?

After purchasing cryptoassets for the first time, consumers adopted different strategies to make the most of their portfolio. Broadly speaking, two main mindsets, with associated behaviours, were identified: **holding and selling**.

The **majority** of respondents held their cryptoassets. They said they planned to maintain their current portfolio in the long-term, hoping that it would increase in value. Some intended to incrementally grow their holdings, buying more cryptoassets – sometimes trying to diversify them to mitigate risk. Only a **minority** of respondents either actively traded (i.e. actively bought and sold cryptoassets) or had at any time sold their cryptoassets, either partially or entirely.

After buying cryptoassets for the first time, the vast majority of respondents aimed to grow their portfolio. They rarely sold small portions of it, and most did not have any form of strategy for exiting the market or divesting the money they had “invested”.

“I don’t trade. I’m looking to hold [my cryptoassets] and build my investment.”

Ashton, 26

“I’m not going to touch [indaHash] until nine months from now. I don’t expect it to be a short-term thing.”

Abdul, 21

Respondents were often planning to keep their holdings for the foreseeable future, until they had reached a substantial value. This was often a loosely defined target amount which varied between consumers, but was almost always significantly more (often degrees of magnitude) than their current value. Some imagined this would equate to millions of pounds, whereas for others this was enough to pay for their pension and retire, or to buy a new house or a sports car.

“I was hoping I would make so much money that I would be able to buy a house, and maybe a Lamborghini too.”

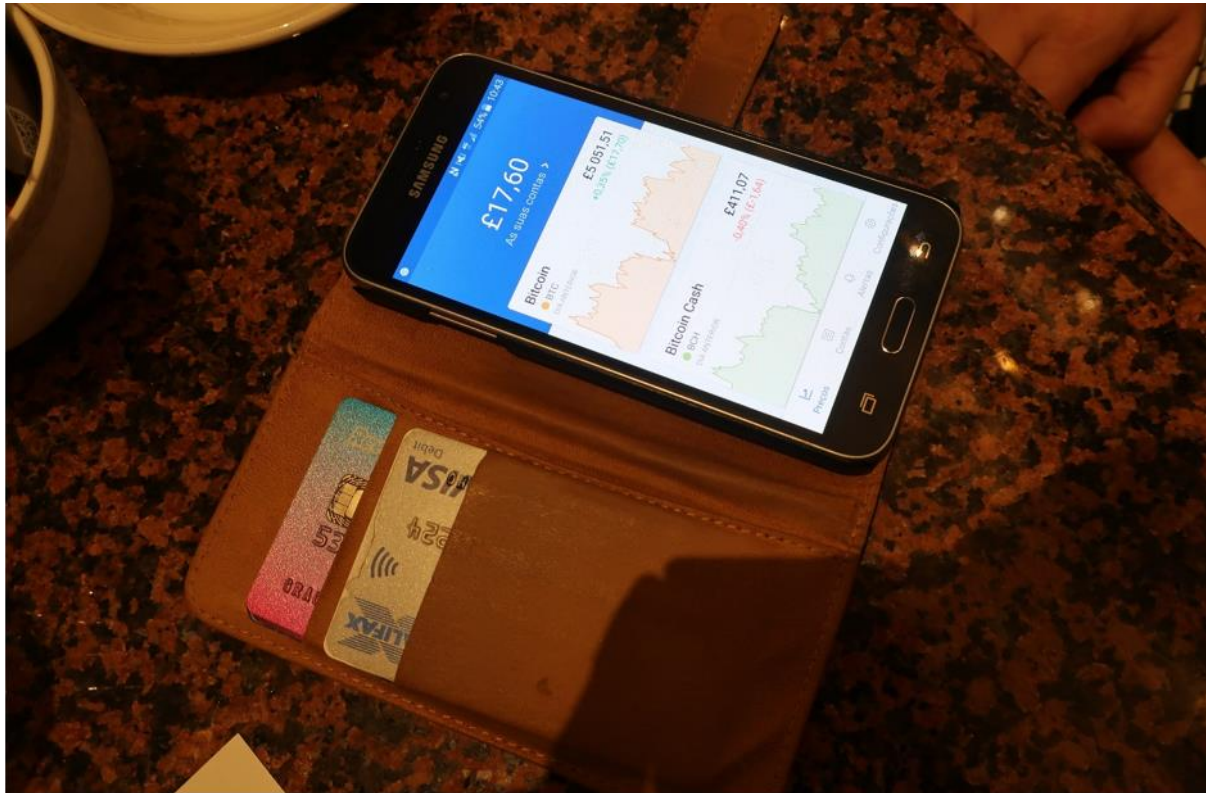
Fred, 26

“I think in the future all this may pick up, maybe in 20 years this money will be my pension.”

Maria, 57

“I’m going to leave it until it gets somewhere around a quarter of a million to a million.”

Marcus, 40



Case study

Maria hoped her cryptoassets may fund her retirement

In January 2017 Maria, 57, bought £100 worth of Ethereum, with high confidence that she would make considerable profit. She didn't think about a divestment strategy at the time.

One month later it was worth £85. She considered selling her cryptoassets then but reflected that this amount of money wouldn't make a big difference in her life, so decided she might as well leave it there and wait for it to regain value.

At the time of the interview, it was worth £17, and she was standing by her previous opinion:

"I think in the future all this may pick up. Maybe in 20 years this money will be my pension."

Holding despite losses

In the few months following their first purchase, many respondents saw their cryptoassets decrease in value significantly. However, the majority remained determined to hold them, as they believed this was just a short-term deviation from what they saw as their inevitable upwards trajectory.

For instance, Ashton's Ripple portfolio started losing value at the end of 2017. He did not think he would make meaningful losses but ended up losing almost 90% of his portfolio value, going from £150,000 to £18,000. He then decided to diversify his portfolio, selling 50% of his Ripple cryptoassets and replacing them with purchases in another six cryptoassets (HOT, XLM, EOS, NEO, DGB and TRX), which he perceived would **reduce future risks**.

"I was addicted to easy money, so I didn't sell. I was convinced it would go back up."

Ashton, 26

Similarly, Fred and Maria saw the value of the cryptoassets they had purchased decrease, but given they had invested amounts they felt they could comfortably afford to lose, they decided to keep the cryptoassets, to see how they fared in the longer-term.

As mentioned before, some who did not sell or trade believed their cryptoassets would gain value in the future and viewed their purchases as a long term "investment". They believed in the intrinsic value of their assets as inextricably linked to the perceived future uptake of the underlying technology.

Sandy held her cryptoassets despite seeing them lose most of their value, because she felt "blockchain was the technology of the future" and saw that owning cryptoassets would enable her to "be involved" somehow in that technological revolution.

"I want to keep a foot in the door."

Sandy, 43

Abdul held great faith in indaHash, which he described as the marketing company behind an ICO he had invested in with the same name. He trusted the expertise of the development team involved in the ICO and was confident that they would be successful in the future.

"I believe in the development team. I believe in the company behind it. I believe it is going to be a good investment."

Abdul, 21

Whilst he recognised that not all cryptoassets would be inevitably successful, Ashton felt that some cryptoassets would be particularly important in years to come.

"Ninety per cent of it will collapse, the rest will go on to be really big, and have a big presence in the world economy."

Ashton, 26

Some consumers relied heavily on online platforms to get rapid feedback on their cryptoassets' value. However, while they would check multiple times each day when their portfolio was increasing in value, they tended to disengage and check less regularly as soon as they started losing value. At this point they described

feeling that it was time to “leave it to grow”. Some respondents described their constant checking in growth periods as an addictive habit.

“On the first two days it was growing really fast! I was checking it many times a day. Then it started dropping ... now I only check, like, once a month.”

Fred, 26

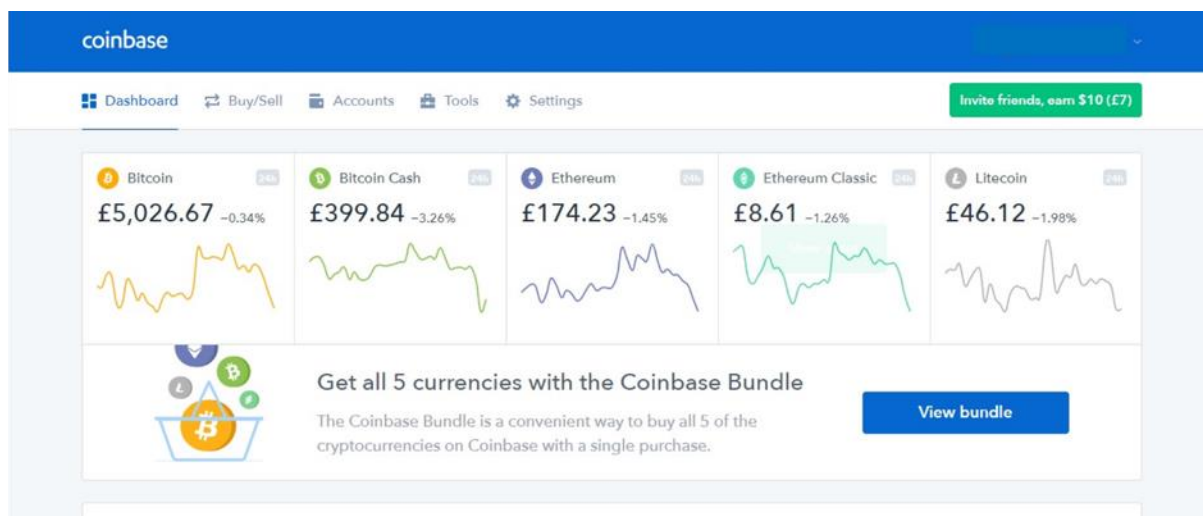
“I’m always checking my portfolio. Sometimes when I wake up at night and I’ll check it then. I don’t trade. I’m looking to hold them and build my investment.”

Ashton, 26

Incremental purchases

In some cases, respondents incrementally increased their portfolios by acquiring more cryptoassets or purchasing ‘bundles’. Some respondents sold cryptoassets to buy different ones they felt would grow more rapidly in value. Others swapped their cryptoassets when those they owned were losing value and they thought they could avoid losing more money by switching to a different cryptoasset.

For instance, Damien initially invested in TCoin, but a year later when he felt he was more experienced with cryptoassets, he started looking into buying a ‘bundle’ of Bitcoin, Litecoin, Bitcoin cash, Ethereum and Ethereum2classic, which he had been following on Coinbase for a while.



Screenshot of a bundle offer Damien followed on Coinbase

Luke bought £100 worth of Ethereum after his first cryptoasset purchase of £1,000 in Bitcoin and Litecoin in 2016. Over the following six months he saw the cryptoassets increasing in value and kept adding “spare money” he had in his account to them. He was considering moving some of his money to Ripple, but encountered difficulties in the exchange, and gave up.

Selling behaviours

Only a small number of respondents had sold their cryptoassets, either totally or partially, and most of those who had sold had planned a strategy for divesting their cryptoassets from the start.

Jake, for example, had rapidly developed an exit strategy and sold all his cryptoassets. He chose to invest only in Bitcoin, as he did not trust other cryptoassets at the time. He believed the market was “in its infancy” and unregulated. He sold some of his holdings in Bitcoin on numerous occasions when he had made a profit (he said around 200% on his initial injection) and finally sold all of his holdings at the beginning of 2018, when he saw market projections dropping. While not adverse to purchasing Bitcoin again, he said he would only do so if he saw at least a slight positive trend.

“I was reading around [Bitcoin’s] volatility and resistance levels, and I developed a bit of a strategy. I bought and sold five or six times and always made a profit. [...] I then cashed out because it started dropping and projections didn’t look good.”

Jake, 46

Karina adopted a similar strategy. After she had made enough profit to supersede her initial purchase, she cashed out the original investment because “the investment had done its job”. She left the additional value generated in cryptoassets as a “pot of money” in case she ever needed it in future.

“I took out what I invested and thought ok, if I lose the rest it’s not my money. Well it is my money, but it is not the sterling I invested.”

Karina, 31

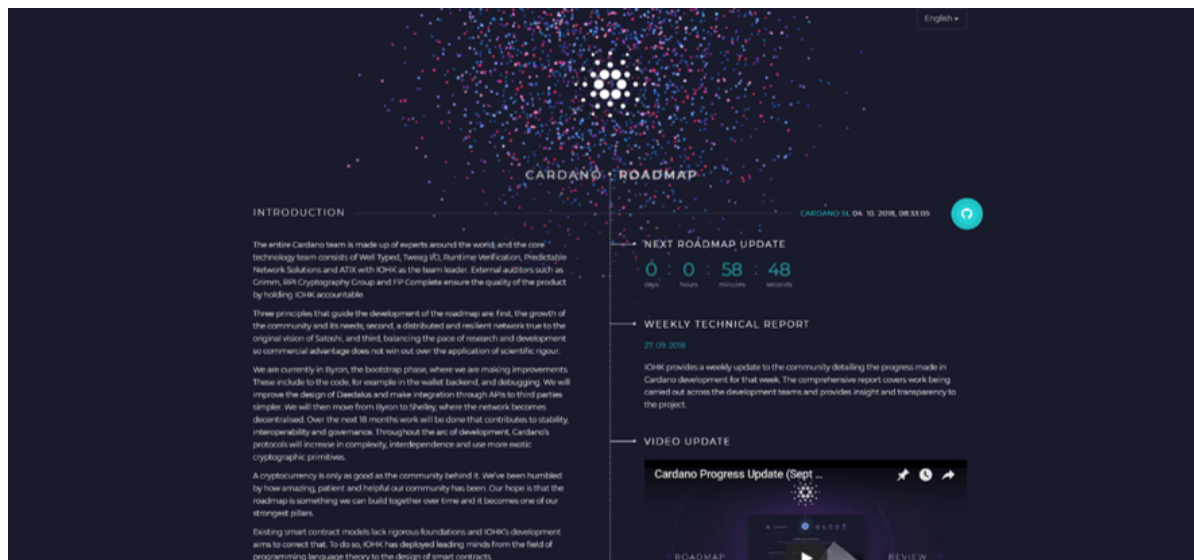
Respondents who had thought about their divestment strategy also tended to be more critical of information they saw online, and more cynical about the marketing objectives behind the various online influencers they were aware of.

They discussed the motives of ‘big players’ in the market, and their ability to influence a cryptoasset’s value through marketing and promotion.

Eric, for instance, had explored Tron’s potential for growth before buying it, and had concluded it was worth holding on to it for a short period of time (i.e. four to six months) before selling and making a profit. He felt the considerable media hype he was seeing around it was likely to result in a sharp but unsustainable increase in its value.

“Tron looked like a good short-term investment because this Chinese kid [who created it] got the PR absolutely nailed. He had celebrities building the hype, generating tweets, press, discussion, buying it... which inspire confidence.”

Eric, 29



Case study

Eric had a plan to cash out but struggled to do so

Eric, 29, bought £1500 worth of cryptoassets for the first time in September 2017. From the outset he had developed a plan for when to sell each cryptoasset he purchased.

He felt that the fluctuation of a cryptoasset's price largely depended on the 'hype' around it and believed that information could be manipulated to make prices rise.

Eric bought Tron believing that it had a great marketing strategy. However, he also read that negative coverage of it was being withheld by interested parties, so planned from the start to sell it as soon as this negative coverage started to appear online.

He also bought Cardano, which he planned to be a longer-term "investment".

Six months after he first invested in Tron he had profited from a rise in its value, and when more negative coverage about it started to emerge, he exchanged it all for Cardano.

In January 2018 his cryptoassets were worth £30,000 and he decided to sell and take all his money out of cryptoassets. To exchange cryptoassets for cash he needed to move his assets from Cardano (in Binance) to Bitcoin (in Coinbase).

He was unable to cash out because of problems with Coinbase. The platform stated that due to a large number of people cashing out they were unable to do so for him immediately for fraud protection reasons. Eric became alarmed with that response and, fearing Coinbase would bankrupt or steal everyone's money, he moved all his cryptoassets back to Binance in Cardano. He was only able to cash out three months later, when his cryptoassets were worth £11,000.

Types of consumer: holding vs selling

As discussed, the largest divergence between respondents was in their strategies and decision-making once they had purchased cryptoassets. In contrasting the behaviours and attitudes of those who held versus those who had sold their cryptoassets, two distinct mindsets emerged.

The majority of respondents purchased cryptoassets believing they were getting involved with what many of them described as 'next big thing'. They talked at length about what they had heard on the potential for future large-scale uptake of the technology, and believed in the inevitable rise in value of their cryptoasset holdings as a result.

These consumers had purchased cryptoassets without a strategy for divestment, and while the vast majority had lost significant value in the cryptoassets they held, resisted selling.

A minority of respondents were similar in their beliefs that cryptoassets were an interesting emergent opportunity and that there was potential for making money by purchasing cryptoassets.

However, they differed significantly in their attitudes to the trading and longer-term reliability of cryptoassets. They described cryptoassets in terms of tradeable assets, rather than talking of the potential future uptake of the underlying blockchain and distributed ledger technology as a reason for their cryptoassets' potential financial value.

They approached purchasing cryptoassets much like other high-risk financial investments they might pursue, including forming a strategy for divestment to maximise their chances of profiting from their purchase.

Some of these respondents had made money from their purchases, some had lost money but all of this minority had sold some or all of their cryptoassets.

What next?

Future plans for cryptoassets

When discussing their potential future involvement with cryptoassets, respondents' planned approaches varied.

Of those who made money, some perceived this to have been due to luck, while others saw it as evidence that they would continue doing so in the future.

Thomas made a profit from buying and selling cryptoassets, but his attitude was that he was merely "lucky". He stated that it was an "extremely risky investment" and he could have easily lost money. Once he had sold all the cryptoassets he held, he resolved that he would not buy any again.

Eric felt he had made money because he understood the market and could make profitable decisions. He said he was waiting to have some "extra money" to buy more cryptoassets. When he secured a job, he planned to use some of his expendable income on buying Cardano (one of the cryptoassets he had bought previously) as he believed it was a profitable and "long-term investment".

Abdul, who made a profit on his original investment, was currently waiting for the market to regain momentum to buy more cryptoassets. He planned to become more literate in cryptoassets – namely by "analysing the charts" himself and relying on his own research (instead of turning to his friend Robin). He also planned to learn how to use other platforms, particularly Binance, so he could purchase different cryptoassets.

Some respondents who had lost money remained optimistic and intended to buy more cryptoassets in the future. Damien originally invested £700 in cryptoassets, which he said at the time of interview was valued at £500. However, he did not feel this loss in value was meaningful to him. He felt confident cryptoassets had 'long-term potential' and that he would eventually make a million pounds. He was intending to buy further bundles of cryptoassets in the future.

Others who lost money came to believe it had been a bad decision to buy cryptoassets and did not plan to buy again. Fred felt embarrassed for "being the guy who bought crypto and lost money" – so much so that he avoided telling people about his experience and admitted to becoming irritated when colleagues pushed him to speak about it. Fred said he would never buy cryptoassets again.

Karina too believed her decision to buy cryptoassets was, on the whole, "slightly mad" and very risky. Despite having made a profit, she was not planning on purchasing cryptoassets again. She remained happy to have "dipped her toes in" and was planning to watch the market as a "spectator" in future.

Summary

- After their first purchase, respondents largely appeared to fit into one of two mindsets, which determined whether they held or sold their assets.
- The majority of respondents held their cryptoassets. A small number traded or sold them – either partially or entirely.
- Those who held their cryptoassets often did so despite losses, thinking the technology that they believed underpinned their assets would bring about a rise in their value.
- They didn't appear to have any strategy to divest their assets or a sense of what would trigger them to do so.
- In contrast, almost all of those who sold had had a strategy to exit the market from the start.
- They also appeared to be more critical of the information they consumed and potential vested interests.
- While some respondents were glad they bought cryptoassets, others regretted their choice and said they would not get involved in the market again.

Conclusions

Consumers' cynicism about mainstream news, their wider attitudes to life, and the sources of influence they were exposed to all played a significant role in shaping their decisions to purchase cryptoassets and determining what they did with them once they had made purchases.

The context: Weakened trust in mainstream media

Consumer trust in mainstream media and news is declining¹⁶. In recent years, there has been a significant increase in the number of people accessing information via online platforms and social media, particularly among younger audiences¹⁷.

This trend is apparent in the current sample of cryptoasset consumers, who exhibit particular cynicism in relation to official institutions and mainstream media sources.

The people: Looking for the next 'shortcut'

The respondents who took part in this research were notable for their attitudes towards work and money.

Relatively few of them were in conventional or steady jobs or pursuing typical career trajectories, instead favouring more ad hoc, gig economy, freelance or part-time employment. Many described a desire to 'get rich quick' and 'get ahead'.

Their engagement with cryptoassets often featured in the context of multiple strategies they had explored to make money on top of what they earned through any employment. They often described a motivation to make money for minimal effort, seeking what they saw as the 'smart' way or the 'shortcut'.

The influences: Acting on recommendations

Across the research, respondents' engagement with cryptoassets was often prompted by the advice of surprisingly few but inordinately influential recommendations. A typical journey to purchasing cryptoassets for these respondents was based on a suggestion by a single acquaintance, or a persuasive online source relaying the large sums of money to be made.

The distrust in mainstream media combined with the perceived 'futuristic' nature of cryptoassets and blockchain technology led many respondents to seek unofficial sources of information, via blogs, social media platforms and other online 'influencers'.

When discussing the merits of these information sources, respondents often referred to the benefit of being able to access these 'expert' perspectives but reflected little on what the vested interests of these parties might be in encouraging others to purchase cryptoassets.

¹⁶ <https://www.edelman.co.uk/magazine/posts/edelman-trust-barometer-2018/>

¹⁷ https://www.ofcom.org.uk/_data/assets/pdf_file/0016/103570/news-consumption-uk-2016.pdf

Types of consumer: Holding vs selling

The majority of respondents purchased cryptoassets believing they were getting involved with what many of them described as 'next big thing' and trusted in the inevitable rise in value of their cryptoasset holdings due to the potential for future large-scale uptake of the technology.

These consumers had purchased cryptoassets without a strategy for divestment, and despite most of them purchasing cryptoassets that had lost value, they had not sold them.

A minority of respondents differed significantly in their attitudes to the trading and longer-term reliability of cryptoassets. They approached purchasing cryptoassets much like other high risk financial investments and held a strategy for selling their cryptoassets to maximise their chances of making a profit.

These respondents did not associate the likelihood of cryptoassets' future rise in value with a belief in the success of the future of the technology.

Some of these respondents had made money from their purchases, some had lost money, however, all had sold some or all of their cryptoassets.