Cryptocurrency Marketing Strategies and Regulations in a Behavioural Perspective in the United Kingdom

By Lingxi Huang & Apichaya Jungtrakul

AGENDA

01 Introduction

- Overview of cryptocurrency
- Purpose of the research

02 Marketing Strategies

- Marketing strategies
- Examples

03 Behavioural Biases

- Concepts
- Relation to previous examples

04 Regulations and Gaps

- Existing regulations
- Further directions and gaps

01 INTRODUCTION

What are Cryptocurrencies/ Cryptoassets?

“A store of value which can be transferred or exchanged digitally”

Two ways to own or transact:

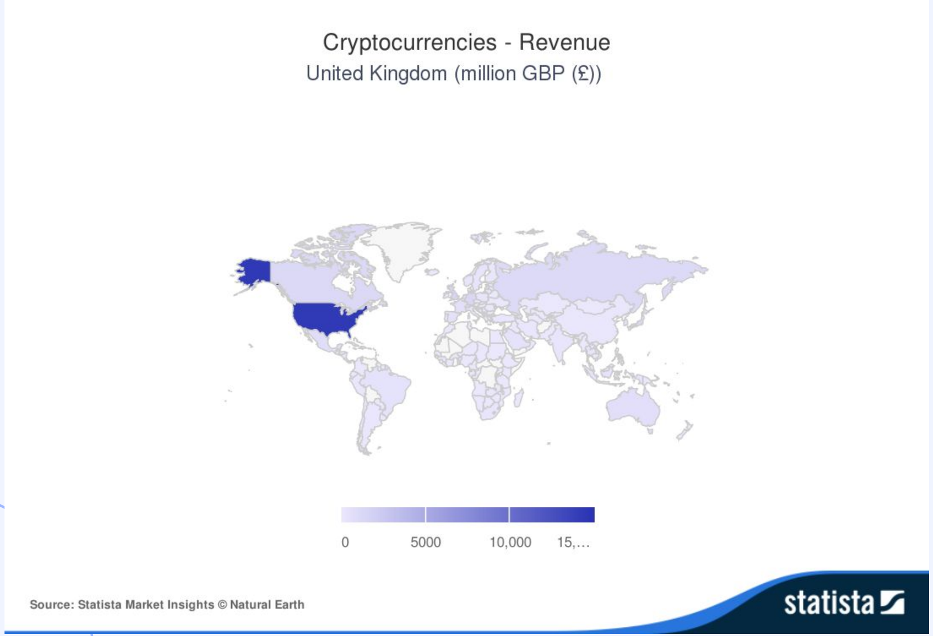
1. Through third-party intermediaries

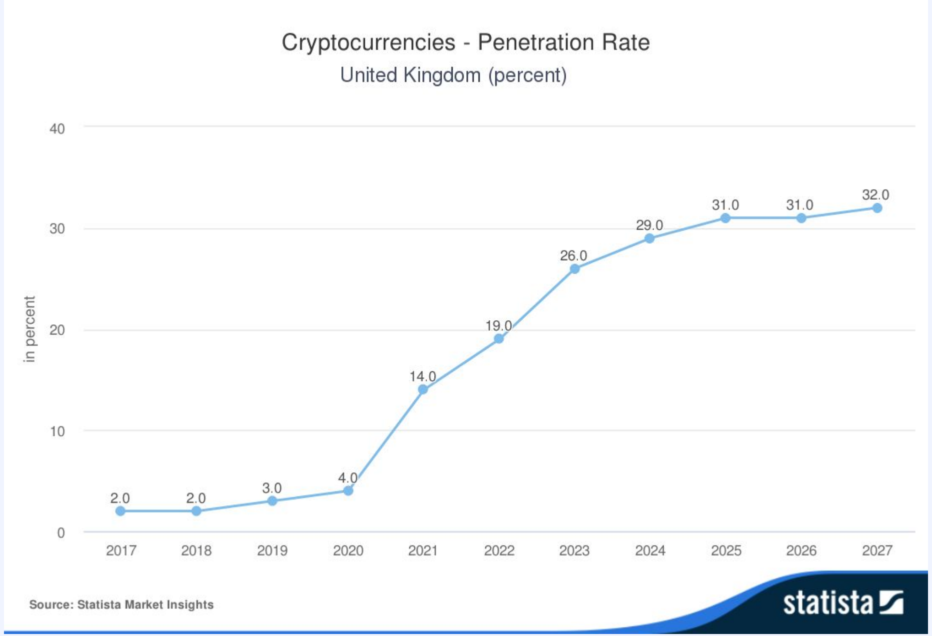
2. Be held directly, in a personal hardware-wallet

(gov.uk, 2022)

Overview of Cryptocurrency in the UK

The United Kingdom is the second-largest market, with its penetration rate consistently on the rise each year.





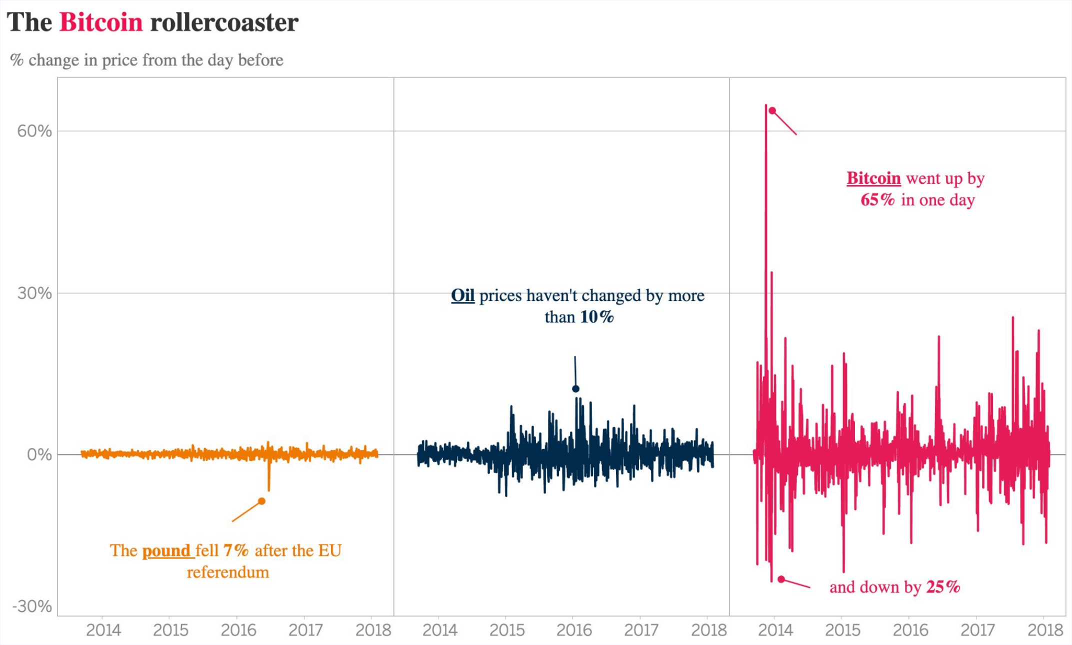
Why do we care about this topic?

1. Price Volatility Issue

2. Consumers' Perception Issue

1. Price Volatility Issue

The significant fluctuations in value pose a major obstacle to the use of cryptocurrencies.



(Bank of England, 2020)

2. Consumers' Perception Issue

In the UK, consumers lack a complete understanding of cryptocurrencies before they make a purchase

Shortcut to make money

Lack a complete understanding

Lead to risky behaviours

(FCA, 2019)

Research Questions

1. What are the marketing strategies/tactics being used?

2. What are behavioural biases behind these strategies?

3. What are current regulations and further directions to alleviate harms from cryptoassets utilization?

02 MARKETING STRATEGIES

Why are the current strategies problematic?

Not Fair/Clear → Misleading

9 Current Marketing Strategies

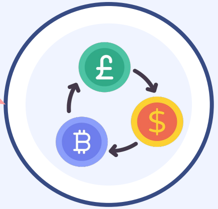
1. White Paper/ICO/IEO
2. Airdrop
3. Ask Me Anything Session
4. Bounty Program
5. Cooperation With KOLs
6. Referral Program
7. Email Marketing
8. Building Community
9. Banner Ads and Display Ads

1. White Paper/ICO/IEO

White Paper: an essential communication channel to investors

- Publishing during an initial stage of crypto project
- Offering a necessary understanding of the cryptocurrency project's objectives and their planned actions
- But, it lacks regulation, allowing practically anyone to write it

Initial Coin Offering (ICO): A strategy for raising funds, involves creating blockchain-based tokens for sale to early supporters



Initial Exchange Offering (IEO): a fundraising event organized through a reputable exchange and facilitated by a well-known exchange's fundraising platform

1. White Paper/ICO/IEO

HOME / WHITEPAPER

Page last updated: September 14, 2023

Ethereum Whitepaper

This introductory paper was originally published in 2014 by Vitalik Buterin, the founder of Ethereum, before the project's launch in 2015. It's worth noting that Ethereum, like many community-driven, open-source software projects, has evolved since its initial inception.

While several years old, we maintain this paper because it continues to serve as a useful reference and an accurate representation of Ethereum and its vision. To learn about the latest developments of Ethereum, and how changes to the protocol are made, we recommend this guide.

Researchers and academics seeking a historical or canonical version of the whitepaper [from December 2014] should use this PDF.

https://ethereum.org/en/whitepaper/

2. Airdrop

- Airdrops serve as gifts to random lucky winners.
- The obvious issue is the network safety.

Stellar (XLM) airdrop

3. Ask Me Anything Session

- An informal interview where individuals can openly discuss a project with representatives from the company
- A major concern is the AMA session may present false or misleading information

Infinito x Ontology AMA

4. Bounty Program

- Enables users to complete certain tasks and receive tokens as rewards
- Being criticized for the similarity to pump-and-dump schemes

Crypto Awards
April 4, 2021 ·

Bounty Campaign Start 05.04.21 April END 04.05.21 May

Bounty campaign reward pool: 200 000 IQ coins will be distributed through this bounty campaign.

CRYPTO AWARDS - ranking where each nominee is competing for the honors to be named the Best of the Best. Such ratings can help to select the most reliable projects and companies for a safe investment.

Hosted by https://t.me/BountySofico
Bounty chat https://t.me/CryptoAwards_Bounty

General links
Website - https://cryptoawards.com/
Twitter - https://twitter.com/CryptoAwards1
Telegram - https://t.me/cryptoawards_com/
Facebook - https://www.facebook.com/cryptoawards See less

5. Cooperation with KOLs

- More marketing budgets are allocated to influencers
- The most popular channels are YouTube, Twitter, and Instagram
- Might lead to costly digital-asset scams

6. Referral Program

- Rewarding programs designed to incentivize current users when they bring new members into a project

Referral Program - Crypto.com Exchange

Information about referral bonuses on the Crypto.com Exchange

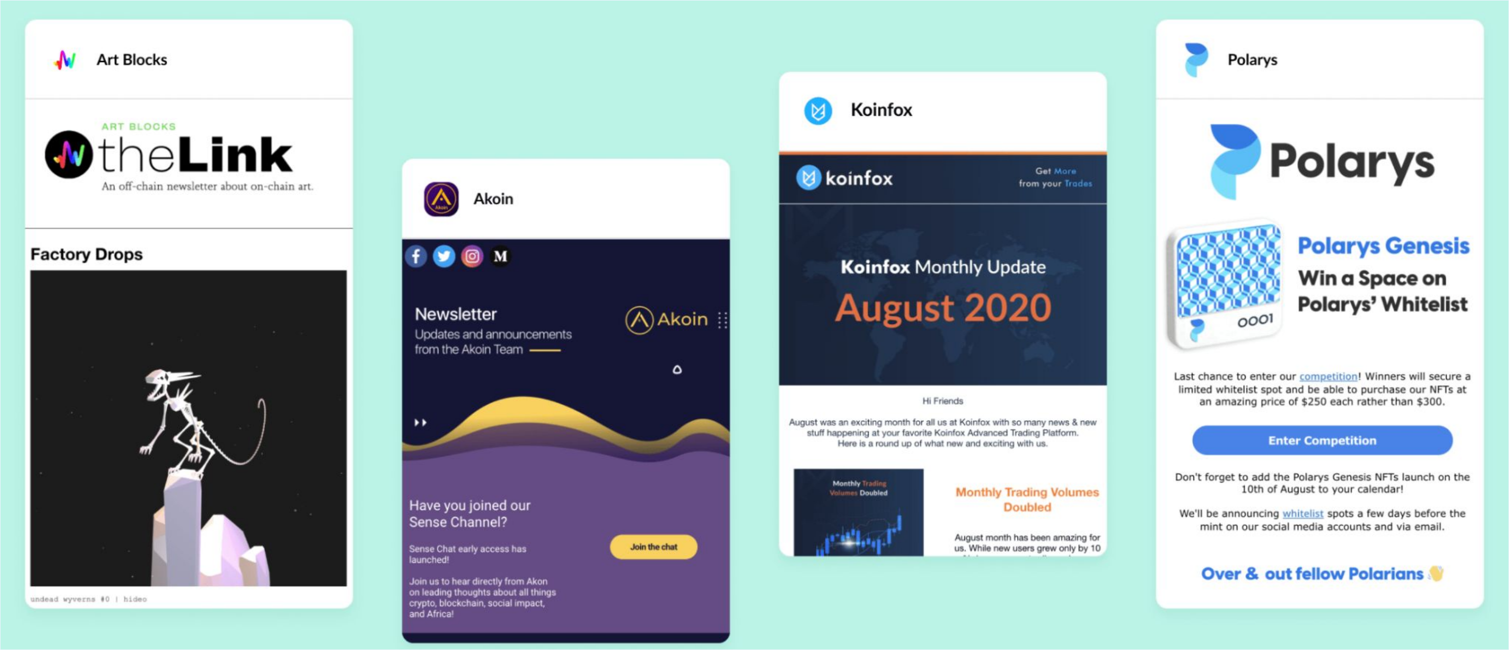
Written by Valery
Updated over a week ago

Get rewarded up to USD $2,000 (in CRO) for every friend you refer to the Crypto.com Exchange AND 50% of their trading fees!

- **No referral limits** - You can refer as many friends as you want; you and your friends will each be rewarded upon meeting the requirements.
- **Bonus credited instantly** - Referrer and Referee* will receive their bonuses immediately once all conditions are met.

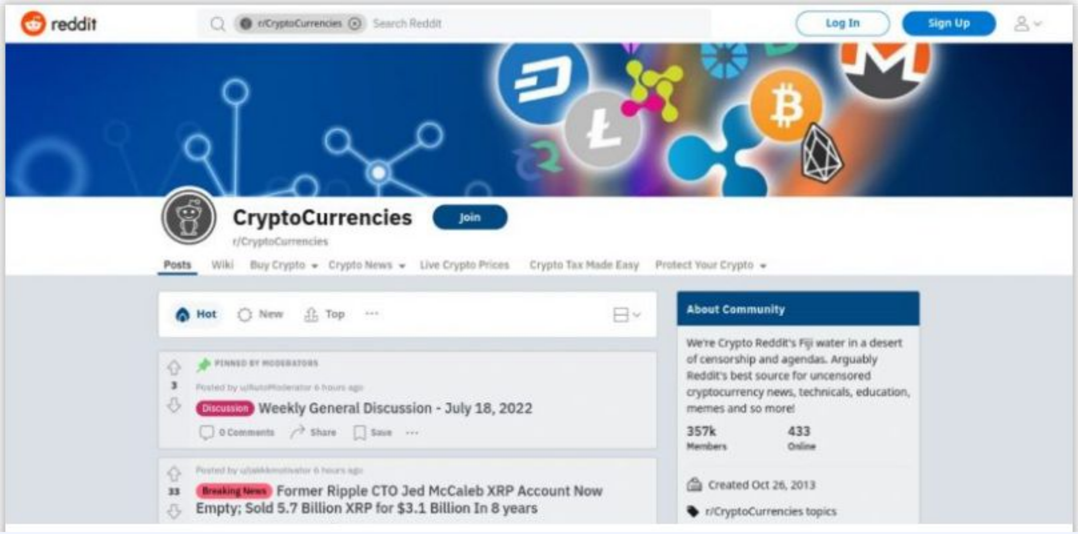
*Referee's requirements and information can be found here

7. Email Marketing



8. Building Community

- Engaging and communicating extensively with people, including within cryptocurrency communities
- Allowing investors to share updates, exchange viewpoints, or pose questions



9. Banner Ads and Display Ads

03 Behavioural Biases

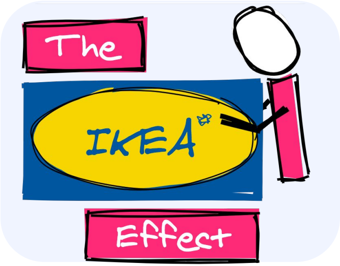
Behavioural Biases

Mere Exposure Effect

Fear of Missing Out

Zero Risk Bias

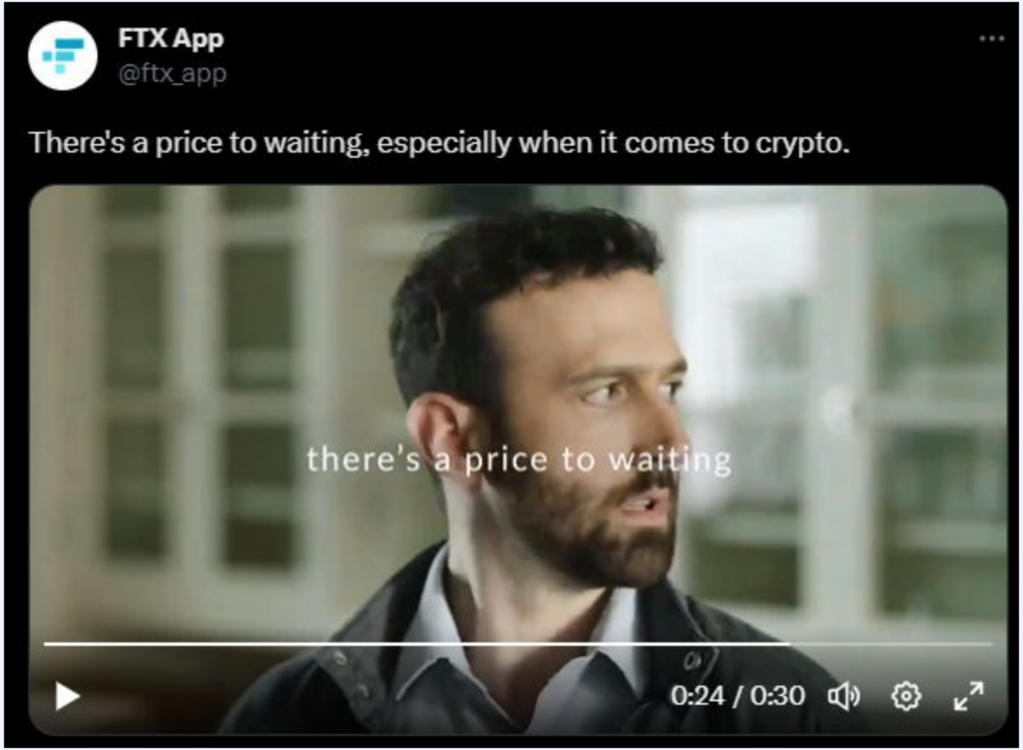
Bandwagoning



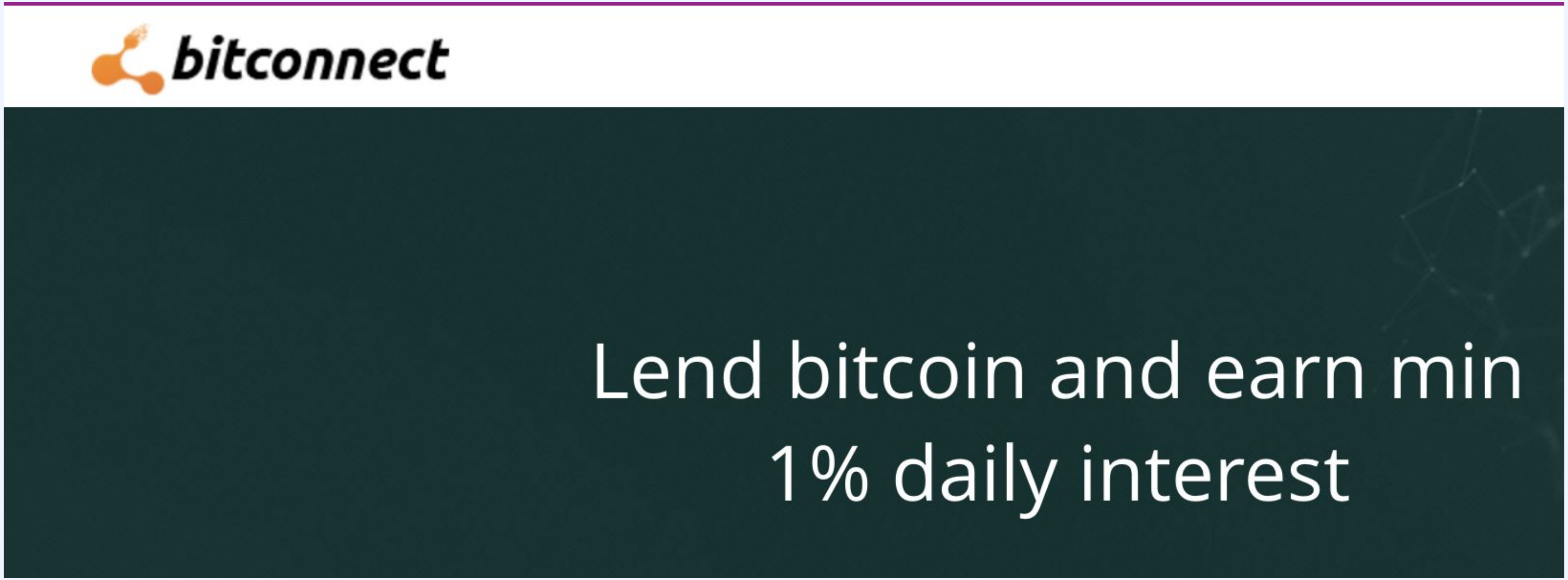
Ikea Effect

1. Mere Exposure Effect

2. Fear of Missing Out



3. Zero Risk Bias



https://bdragojevic.wixsite.com/bitconnect

4. Bandwagoning Effect

coinbase

Get free Bitcoin when you refer a friend

Bitcoin is having a big month. Share the excitement by referring friends to Coinbase and you'll both get $10 of free Bitcoin.

Refer friends

It's easy to get rewarded

Refer friends to Coinbase and we'll give you both $10 worth of Bitcoin when they buy or sell their first $100 of crypto.

Spread the word
Go to coinbase.com/invite to get your unique referral link and share it via text, email, or social media.

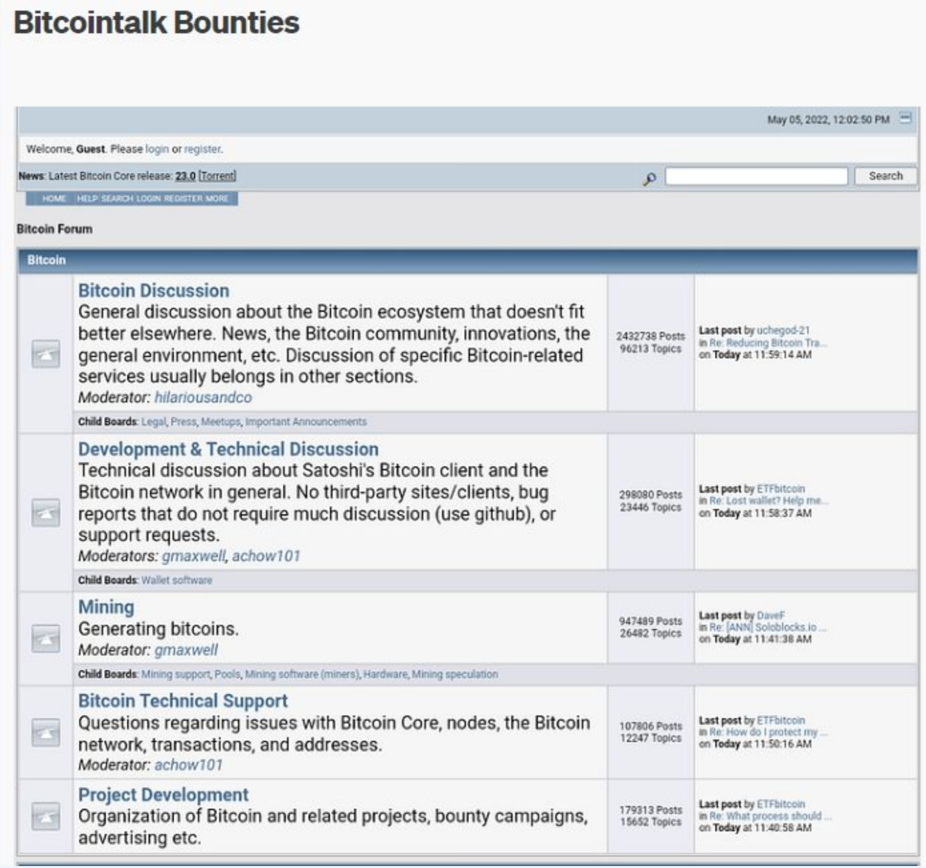
You get $10 in BTC
Receive $10 worth of Bitcoin for each friend you refer that buys or sells at least $100 of crypto.

Your friend gets $10 in BTC
Each friend you refer also gets $10 in BTC. Everyone wins!

Refer friends

Subject	Started by	Replies	Views
SENDERON Signature Campaign & Social Initiative « 1 2 All »	Dazedconfused11	30	1460
Urgent : Hiring to design the Bounty threat (already in word text) pay in BTC/ET	cryptoyosh	1	179
Free PAQs The easiest & most profitable giveaway program on BitcoinTalk « 1 2 ... 31 32 »	YuTü.Co.in	630	21122
[FREE] Get free tokens (10$/75ATS), as well as tokens from me(2.5$/18.75ATS).	onnz423	12	722
Looking for professional and permanent translator « 1 2 All »	irfan_pak10	39	1269
new peso peso coins!!! giveaway 10 peso for everybody joining!	ehsanmi1371	0	164
[SOCIAL BOUNTY] Webcoin ICO Quora Campaign	webcoinico	0	251
Vote for MAXT	bitcoinmeme	2	168
COLX Logo Contest Voting Round! « 1 2 3 4 All »	Mrbates	60	2000
[Bounty] [ICO] Trending.me Article and Video Bounty | 1 MIllion TRENDS	trending.me	3	265
[BOUNTY]ETHERIYA (SUCCESSFULLY ENDED) « 1 2 ... 50 51 »	iam2good	1015	30225
BOUNTY campaign let's win together	ournetinternational	0	160
[BOUNTY] [PRESALE] [ICO] TKON-The King of Net Highly Secure Global Cloud Storage	tkon	14	1128
editing	kappa897	3	133
PROXY CARD | LIVE DEMO ON NOW (FREE PRXY AIRDROP!)	ProxyCard	3	1298
[BOUNTY] [ICO] Peerity.io Article and Translations Bounty Campaign	morlun	10	891
CRYPTO FORUM - PAY PER POST-0.1LTC	cikatuna	17	415

5. IKEA Bias



Bitcointalk Bounties
May 05, 2022, 12:02:50 PM
Welcome, Guest. Please login or register.
News: Latest Bitcoin Core release: 23.0 [Torrent]
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Bitcoin
Bitcoin Discussion
General discussion about the Bitcoin ecosystem that doesn't fit better elsewhere. News, the Bitcoin community, innovations, the general environment, etc. Discussion of specific Bitcoin-related services usually belongs in other sections.
Moderator: hilariousandco
2432738 Posts 96213 Topics
Last post by uchegod-21 in Re: Reducing Bitcoin Tra... on Today at 11:59:14 AM
Child Boards: Legal, Press, Meetups, Important Announcements
Development & Technical Discussion
Technical discussion about Satoshi's Bitcoin client and the Bitcoin network in general. No third-party sites/clients, bug reports that do not require much discussion (use github), or support requests.
Moderators: gmaxwell, achow101
298080 Posts 23446 Topics
Last post by ETFbitcoin in Re: Lost wallet? Help me... on Today at 11:58:37 AM
Child Boards: Wallet software
Mining
Generating bitcoins.
Moderator: gmaxwell
947489 Posts 26482 Topics
Last post by DaveF in Re: [ANN] Soloblocks.io ... on Today at 11:41:38 AM
Child Boards: Mining support, Pools, Mining software (miners), Hardware, Mining speculation
Bitcoin Technical Support
Questions regarding issues with Bitcoin Core, nodes, the Bitcoin network, transactions, and addresses.
Moderator: achow101
107806 Posts 12247 Topics
Last post by ETFbitcoin in Re: How do I protect my ... on Today at 11:50:16 AM
Project Development
Organization of Bitcoin and related projects, bounty campaigns, advertising etc.
179313 Posts 15652 Topics
Last post by ETFbitcoin in Re: What process should ... on Today at 11:40:58 AM

04 Regulations and Gaps

Overview of Existing Regulations in the UK

- Regulating crypto-related activities in the UK is a crucial mandate of the Financial Conduct Authority (FCA)
- Crypto-companies are obligated to adhere to **anti-money laundering (AML)** and **know your customer (KYC) regulations** to promote trust and transparency

Upcoming Regulations

- From 8th October 2023 onwards
- Apply to both crypto firms based in the UK and overseas
- “A summary of the new crypto marketing rules is as follows:
    - A cooling-off period for first-time investors
    - Banning of “refer a friend” bonuses
    - Ensuring that prospective investors have the appropriate knowledge and experience
    - Implementation of clear risk warnings in crypto promotions
    - Ensuring adverts are clear, fair, and not misleading
    - Compliance with the new rules by all crypto firms targeting UK consumers, including overseas firms
    - Failure to comply with these rules can result in stringent penalties, including up to 2 years of imprisonment, an unlimited fine, or both” (Rahma, 2023)

Further Directions and Gaps

- The 91-page policy document which is concise and user-friendly
- The FCA has consistently cautioned that consumers should be ready for the possibility of losing their entire invested capital in the largely unregulated market
- Targeting some of the behavioural biases to identify potential behavioural interventions
  - Fear Of Missing Out (FOMO): one of the most influential bias (Kaul et al., 2023)

THANK YOU

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