

Blockchain technology: the next great frontier for startups and investors

Leadblock Partners unveils "Enterprise Blockchain 2020", based on interviews with more than 200 startups and 20 experts in the Blockchain field. It has collected 9,000+ key data points on the funding, development and quality of the European B2B Blockchain ecosystem.

Out of the rubble of a crisis, great innovations and technologies often emerge. After the 2008 Global Financial Crisis, people quickly lost trust in the financial institutions we'd always relied on. Currency values plummeted, and in some countries, cash supplies were frozen. People called for decentralisation of financial services and transactions—and blockchain answered.

In the decade since its launch, blockchain's had its highs and lows. Cryptocurrency Bitcoin—one of the first decentralised currencies which blockchain was first designed to facilitate—hit sky-high valuation in December 2017, valued just shy of \$20K, before falling back to its current valuation of around \$7K.

Far more notable is the way that blockchain technology has spread across different industries, far outgrowing its original application in finance. Healthcare, energy, food and agriculture are just some of the industries that have seen innovations in the blockchain space, driven by a healthy and

growing ecosystem of startups. Transparency, cost-efficiency, and potential for social impact have boosted interest in blockchain.

And yet the ecosystem remains relatively untapped. *Enterprise Blockchain 2020*, a recent report from investment fund Leadblock Partners, has compiled data collected from over 200 blockchain startups from across Europe, measuring investment, impact, and diversity, among other criteria.

The report is emphatic on the opportunities for founders and investors in the technology; a technology which many believe could be as transformational as the internet.

[Read the Enterprise Blockchain 2020 Report](#)

Enhancing understanding around blockchain

While blockchain's impact is clear, what isn't particularly clear is the technology itself. The report states some fairly revealing statistics about the level of understanding around the technology: 80% of investors are not familiar with blockchain technology, while 60% don't differentiate between blockchain and cryptocurrencies.

Speaking with David Chreng-Messembourg, a partner at Leadblock Partners and one of the authors of the report, clarity was one of the driving forces behind the report.

“We felt like people didn't really have knowledge about the technology, and often tended to have a misconception about it,” David says.

This is partly the fault of startups too, in how they articulate what the technology does.

“Instead of focusing on the technology, and what it could do, founders will

always try to explain what decentralised technology actually is. But for other deeptechs, like artificial intelligence, people don't tend to question how it works: they jump straight into the applications," he adds.

Assessing the impact of blockchain startups

Startups would be better placed to articulate the challenges that the technology is able to overcome and provide solutions to. The report asked startup founders to name what they thought these solutions were: the top three were cost reduction (42%), immutability (28%), and auditability (28%).

Beyond cost efficiency, creating trust and transparency is one of the clearest areas where blockchain startups can create impact. "Through simplifying the value chain, you are able to provide far more transparency," David says.

According to the report, finance is still the leading sector for blockchain startups, with 28% of startups in this area. But just as blockchain created a decentralised financial currency in Bitcoin and other cryptocurrencies, the technology is influencing many other industries where trust is in need of restoring.

Healthcare is the second most popular area, with 11% of startups in this area. The report points to the cost inefficiencies of drug development, particularly in the clinical trial and supply chain phase. Blockchain could enhance 'co-opetition', collaboration between competitors, while still protecting patient data.

Energy follows close behind with 10%, with food & agriculture startups making up 7%. The latter is a particularly poignant space for blockchain innovation, given a history of food scandals and supply chain issues which have consistently rocked the industry.

"Blockchain can bring back trust in the consumer and brand relationship with transparency and accountability by design."

Impact forms a crucial element of the potential success of blockchain. One of

the major criteria for success in the report is their perceived impact in correspondence to the 17 UN Sustainable Development Goals (SDGs).

Each startup is judged whether it has met each one of the goals, through its mission or its industry focus. Discounting generic goals (Goal 8: decent work and economic growth; Goal 9: industry, innovation, and infrastructure), the most common goals are related to climate change, sustainability, responsible consumption, as well as good health.

These areas of impact are engendered by the technology itself—at its heart a transparent and trustworthy technology which encourages startups to embrace good practice and responsible missions.

A significant opportunity for European investors

In spite of the clear potential of the technology, it remains undeveloped and underinvested in Europe compared to the US.

US startups on average receive four times as much funding as those in Europe; overall, total assets under management in US startups is twenty times that in Europe. Why so great a difference?

Understanding clearly plays a big part, but David believes it's more to do with the lack of a dedicated investment culture in the space. He'd like to see more government initiatives to boost funding, such as a European Commission-led blockchain fund, which in turn could encourage country-led funds.

“This could be a great way of putting more credibility into the technology, and its actual benefits and uses, and will incentivise more specialised funds to emerge and capture that opportunity.”

European startups reported that they need €350M of funding in the next 18 months. With this funding, could the blockchain ecosystem grow to internet-level prominence? David is confident.

“Like the internet, blockchain is an infrastructure layer, setting up the ground for things to be built,” David says. “I think that enterprise blockchain solutions are going to completely reinvent how we are consuming data.”

[Read the Enterprise Blockchain 2020 Report](#)

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