



# Blockchain Assets

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friend.tech

The marketplace for your friends

Dear Investors,

On 10 August 2023, the friend.tech project launched and quickly went viral. In this news bulletin I summarise the project as it is an example of a new business model enabled by Ethereum.

Friend.tech is a decentralised social (DeSo) network project. It enables people to connect with each other in a direct and intimate way and provides financial incentives for making such connections. It combines a number of existing concepts and is seeking to bring billions of people on-chain via their social networks.

### *The Current Social Network Model*

Under the current model, a centralised company (Meta for example) provides a free platform for individuals to connect and share content. Meta monetise the network by selling the data collected and charging clients for access to the people who use the network.

The problem with this model (not a problem for Meta!) is that the profits are centralised. The providers of the data receive no revenue and the content providers, who attract people to the network, only receive a fraction of the revenue. Furthermore, they are subject to censorship, their entire business can be cancelled if they breach the policies of the network.

Content providers and users of these networks are the modern day serfs of the internet. The Founders of these networks have as much power as the god kings of egyptian times. The emergence of artificial intelligence, much of which is being developed by the same people, greatly enhances the power of these centralised companies to the extent humans have never before experienced.

### *The New Social Network Model*

The DeSo model being piloted by the friend.tech, breaks down the traditional centralised structure by changing the incentive model. Under the new model content creators have direct access to their fans and users of the platforms have the opportunity to be paid for providing their data. The model changes from one of serfdom to one of freehold tenancy.

### *The Friend.Tech Model*

The friend.tech model is only possible because of the ability to make micro-payments automatically to people who join the network. The whole system is built on and integrated with the Ethereum blockchain and layer 2 chain, Base.

The idea is bootstrap, a web 3.0 decentralised social media application with billions of users.

This is how it works.

Think of friend.tech as a big house. The house allows individuals to sell keys to private rooms within the house. This is an on-line chat room controlled by the individual. For example, let's take a person of some fame, say a football player, let's call her Samantha (Sam). Sam has 150k followers on Twitter, her handle is @FootballSam.

Sam wants to connect more intimately with her super fans and also create a new revenue stream.

Sam joins friends.tech by downloading and initiating the operation of the website to her phone. Sam now has a room open, but she is the only person in the room. Sam then advertises to her 150k followers that she has a room open at the friends.tech house. Let's say that Bob is a super fan and wants to join Sam's chat room.

Bob needs to enter the house and borrow a key to Sam's room. To do this he has to deposit a tiny amount (less than AUD 1) of Ether to Sam's smart contract, which holds the keys. The amount of deposit increases each time a key to Sam's room is lent out, there is no limit to the number of keys that can be lent out or the number of people in the room. With his key Bob is able to join Sam's private chat room.

Bob is motivated to share good stories about Sam's room because as more people join the room the value of Bob's deposit increases. Let's say that Bob stays in the room for 3 weeks. By then hundreds of people have joined the room and Sam's room has become very popular but Bob wants to leave. Bob simply returns his key and redeems his deposit. But he is able to receive back more than he deposited because the cost of renting keys has gone up significantly since he first entered the room (of course the reverse could be true also - more on this later).

Sam is motivated to provide good experiences for people who join her room as she receives a small fee (5% of the deposit) in Ether each time a person returns a deposit and leaves the room.

The more people in the room the higher her fees for departures. It seems counterintuitive to reward her for people leaving the room, but everyone has their limit and people such as Bob, if they feel they have doubled their deposit, will leave, while others will feel that it is a good time to join the room.

There is another fee. Another 5% of the deposit refunded is paid to the founders/developers of friend.tech. Thus far the annualised revenue earned by the founders/developers from this source is USD 131m.

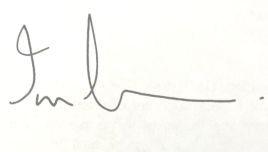
This type of economic structure is not new. It is a pyramid structure or a ponzi game. If Bob wants to get his deposit back he has to find the 'next idiot' to buy out his deposit for more than he paid. Importantly though, how the system works is completely transparent, all participants have full view of the code, all transactions and leaderboard that sets out the operating data of the whole system.

This project is trying to boot-strap a billion+ people's social media network. Content providers (like @footballSue) will eventually be able to load photos, videos and live streaming to their chat room so fans like Bob can enjoy.

At the moment the project is just a ponzi game (not a scheme because everyone knows the structure). But could this be one of the early 'killer Dapps' of the blockchain space? Only time will tell. What we do know is that this project, like so many others, is being built on Ethereum and that in of itself is good news for our fund because Adoption = Value Accrual for Ether.

As always, please do not hesitate to contact me on 04 5090 0151 or at [ian@bca.fund](mailto:ian@bca.fund) if you have any questions.

Best Regards



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*The content of this newsletter has primarily been prepared by a human, Ian Love. Artificial intelligence has been utilised for fact-checking and for providing explanations of some specific words and concepts.*

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