

THE FUTURE WE SHAPE



2020s trends. Forecast and thoughts about the trends of the current decade. What the companies of the future will look like and how the people of the future will live.

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Coronavirus is the main driver for socio-economical changes in 2020. It is not only the healthcare and aviation industries that are affected. Major adjustments are triggered across all economic sectors. However, the root cause of those changes is based solely because of — **technology**. Technology that is servicing the lives of so-called "golden billion". Technology that was built to ensure a decent life for the rapidly growing population of our planet. This paper aims to discover and understand the trends and technologies that are being laid today. By understanding the current paradigm shift, we will open opportunities in framing new products.

Modern generations and business models in evolving economy.

Naturally, the starting point of all changes are people who have a request for new solutions to existing and emerging problems. Generation Y (Millenials, from 24 to 36 years old) and the next one, Z, have been the focus of attention in recent years. Sociologists and marketers have already noticed that the values and behavioral patterns of these generations are significantly different from previous ones. While Ys and Zs have significant differences among themselves as well.

In the next decade, these generations will gain weight in biological and social contexts. At the same time, remaining the least politically involved generation in history. Given that patterns of their behavior are changing and will continue to change, especially after the global pandemic caused by COVID-19, an understanding of the trends and their behavior will be useful. Therefore, the first key area of our attention will be what we can say about people, in particular about generations Y and Z.

The second perspective of our study will be the economic environment in which these people live, and the changes in this environment that can be foreseen. Here we will be interested in the transformation of the economic sector, the development of decentralized applications, which have already attracted the attention of various researchers, almost across all sectors.

And finally, the third perspective from which we look at trends is new companies and new business models. On the technical side, business is a mechanism for organizing society's resources to solve various problems.

And the mission of the business is to find and implement the most effective solutions to problems and requests of people. Therefore, it is precisely the new radically "other" business models that are simultaneously evidence of the existence of trends and will directly respond to the tasks and challenges associated with changes around us.

Thus, looking from these three perspectives, we can present a picture of what awaits us in 2020s after COVID-19.

The trends that we find related to the behavior of people, as well as changes in the environment, will allow us to see in which direction the financial sector is moving. A look at new business models will give a feeling in what companies we can work, what skills will be in demand, and how we will solve our personal and social problems. But most importantly, we will understand how our attitude toward finance is changing in a distributed environment.

3 main perspectives:

1. People (Y and Z).
2. Economy transformation.
3. New business models.

Uberization era is getting to an end. But what is next?

For me, the closing era is primarily associated with the Uberization of all industries. "Uberization" refers to the use by a business of a digital platform to create added value for service by combining customers and service providers on it. In other words, companies creating marketplaces based on the existing infrastructure to serve new needs.

First of all, Uber itself is built on an even more global trend — smartphones. After the advent of the iPhone and Android, companies such as Uber were able to build a stable model of user interaction.

It became clear that, practically, any problem can be solved on the go: book a hotel during a taxi ride, book a taxi while you leave the hotel. Everyday purchases, various services and products have all become as affordable as possible. At the same time, access to finance, besides various interface intermediaries like Revolut, N26, and many others, has not changed much.

Social networks received a powerful push in the consumer goods industry. When the Youtube mobile app began to generate more traffic than the desktop version of the site. When social networks on smartphones have increased the speed of spreading news and trends. Now a single tweet or a post on Instagram can activate the spread and reaction of hundreds of thousands and even millions of people around the planet in minutes. At the same time, we are seeing the emergence of a digital economy. By the way, Uber and Bitcoin are products of the same year. However, the polarities to the development of their ecosystems has only started to show the benefits.

In addition to the web, smartphones brought a new format — mobile applications, a new direction of mobile software development was born. And as a result, certain niches of mobile developers immediately became scarce and highly paid. An interesting manifestation of these trends was the feeling of new freedom, people began to travel more actively, share their experiences through blogs, video blogs, and, as a result, even streaming platforms. The concept of a new cosmopolitanism has emerged — digital nomads, people who, thanks to the boom in the development of the Internet and mobile technologies, no longer want to physically

become attached to countries and cities. Which in turn poses an even more acute problem of decentralization of finance.

Traditional multinational companies backed by data from large consulting agencies believed that they were changing to meet the needs of the new market, however, they were not ready for the scale of the changes. Regardless of the sphere: from banking to transportation and food, the traditional business failed to meet the demand.

And since the request of instantly appearing digital consumers was not closed by the traditional industry, new, mobile-first, and digital companies appeared and covered this “gap”. Although, if you look at everything that these new companies did, they built digital storefronts and user interfaces using the infrastructure of traditional industries. So began that very widespread Uberization.

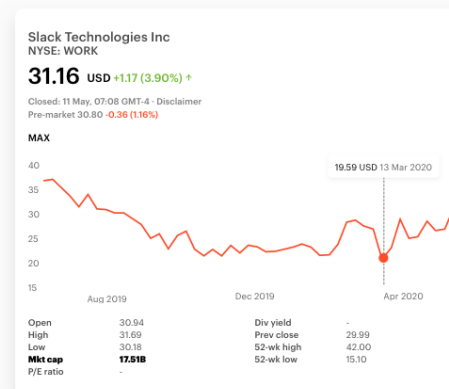
In a relatively short period, Uber-like giants Deliveroo and Instacart appeared as food delivery aggregators, Uber and Lyft in the taxi segment, Spotify and Apple Music in music consumption, Airbnb and Booking.com in the real estate and travel segment. Of course, WeWork and Regus which are leading the field of coworking.

All these companies have one thing in common — they are fast and customer-oriented intermediaries between digital consumers and the huge infrastructure built prior to their existence.

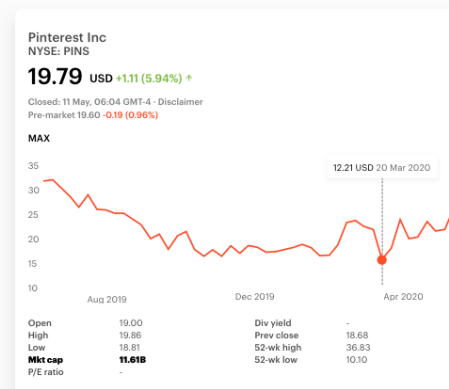
Today, we can say for sure that this approach turned out to be doubly successful and reasonable. These companies were able to provide the main value to their customers (building interfaces for new user requests). The worse the existing companies covered this need, the more the catharsis was felt, for example, in the financial sector. At the same time, abstract from complex and expensive

investments and operations in infrastructure. The main evidence for this model is the fact that companies not only appeared but also grew to multi-billion capitalization in a variety of markets.

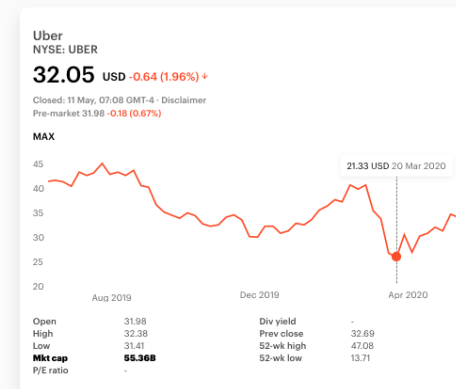
However, even before the global pandemic this year, many companies in this segment had problems transforming into sustainable business models.



Slack's stocks have been falling prior to the pandemic, reaching all-time low right before the crisis hit.



CEO of Pinterest Ben Silbermann note on the company redesigning its site during the quarter didn't really help to gain investors trust.



Looking at the charts above, the pattern starts to shape. The era of Uberization is approaching the end. But why and what does it mean?

Firstly, most industries where it was possible to experiment with previously created infrastructure using a digital storefront have already been tested. The price and time to enter the market are unreasonably high.

Secondly, consumer preferences, needs, and patterns continue to evolve. The market is growing in the number of people of generations Y and Z who are so used to smartphones and Uberization that having a user-friendly interface is not an advantage, but only a necessity. New consumers are putting forward new, more serious requirements for companies, goods, people, and services, which sometimes cannot be satisfied as a digital intermediary.

This new challenge can be described as follows: existing Uber will need to go and change, build infrastructure, and create new models of user interaction. We will return to this thesis when we consider in detail the direction of decentralized finance (DeFi).

All this boils down to the fact that new businesses will be forced to move away from simplicity. The time comes for more complex models. Minimalism is no longer in trend.

Minimalism in business is no longer in trend. It's time for complex models.

Signs of confirmation of this hypothesis can be seen already. Many exclusively digital companies have already begun building their infrastructure. For example, Amazon began opening offline stores called Amazon Go and they also bought Whole Foods.

According to RBC Capital Markets, an investment bank, Amazon Go generates 50% more revenue on average than regular grocery supermarkets. Amazon has announced its intentions to open another 3,000 unmanned stores by the end of 2020.

Apple recently unveiled Apple Arcade and its content production with games exclusively available only on the platform. In the content industry, the much more traditional player Disney, having the infrastructure for producing content, they launched a marketplace (rebuilt a digital storefront).

Even Netflix, which was ahead of the trends and originally appeared as a showcase, has been producing its content for several years. Both digital native direct-to-consumer brands and legacy retailers are re-evaluating the purpose of physical retail.

While online shopping offers convenience, the desire to touch, feel and experience a high-end product before making a purchase remains strong.

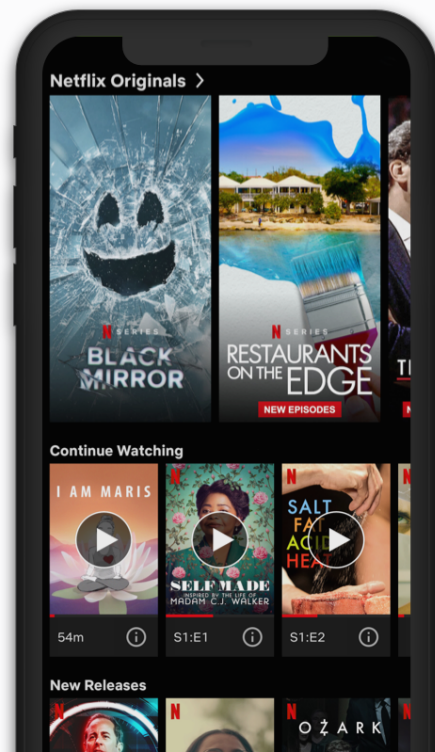
For digital-first brands, opening brick-and-mortar stores are more than simply about having a physical presence; it is the opportunity to offer a compelling high-end experience that complements the digital one.

What is new in comparison to a classical market is that this, so-called collaborative, ecosystem only creates competition between the exchanges among participants.

There is never any question of allowing an actor to become a competitor on the platform itself. It is thus a matter of a market with one single, monopolistic, intermediary. The more success the platform encounters, the more the contributors find themselves subordinated to it without them having seen it coming.

Perhaps what is most astonishing about the fear of Uberization is the choice of the term itself. Among the barbarians of the digital economy, it is by no means a fact that Uber is the most powerful. In fact, Uber lost more markets than any other local ridesharing competitors.

But are there any examples from more infrastructural industries? Say real estate?



wework

WeWork

WeWork (now this is a strong anti-case study solely due to the actions of management), but as a business model, it is a lighthouse confirming the trend. The company was originally not just a digital layer, but immediately a real estate operator with a deep immersion in operating activities.

allbirds

Allbirds

Allbirds is a phenomenon. Since launching in March 2016 with just one shoe design (unheard of in the shoe industry), the company has grabbed headlines and capital while cementing itself as the shoe to wear if you're hoofing it around Silicon Valley. A company with a bold mission to be carbon neutral, has streamlined their supply chain. From the source to the "add to bag" on their digital shelves.

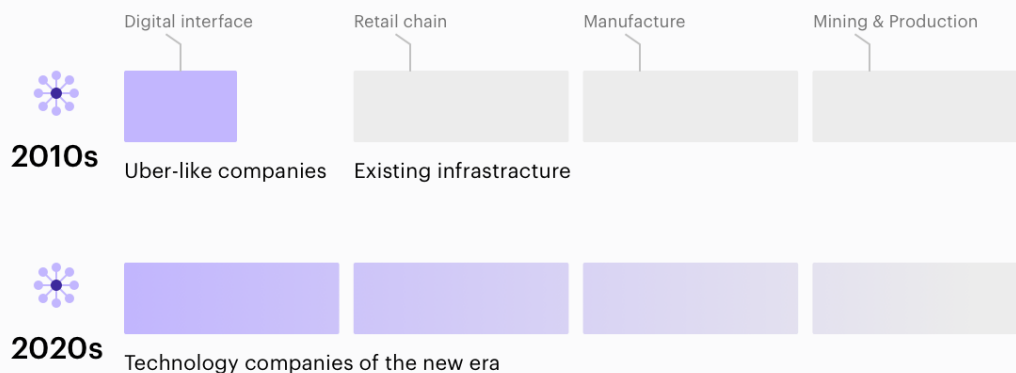
ethereum

Ethereum

Ethereum continues to be the leader among programmable Turing complete blockchains. As a complex ecosystem of digital products, physical miners, and a distributed economy, Ethereum has been growing and evolving. Perhaps in the 2020s, we will see truly effective decentralized non-profit organizations affecting our lives and competing with WHO, or even the UN.

Of course, these are just abstract examples and we will see many more different examples in support of this hypothesis. In any case, the path to building more complex economic concepts and the restructuring of even the densest industries — as finance can no longer be stopped.

Hipsters-entrepreneurs who make applications that only serve as a intermediary layer and go on for an IPO are no longer relevant. The time comes when you need not only a fashionable office and services but also skills to build new relationships in complex ecosystems.



Let's get to know each other.

Hi! My name is Anton Mozgovoy. The idea or better to say the need for this research has risen because of two major events that happened this year. Coronavirus and Bitcoin halving. Unlike Bitcoin halving, which is happening for the third time in history, new coronavirus hit humanity very hard. The changes that it caused, are still yet to be fully understood. But if you backtrack to 2009 when the economic crisis hit the bottom, it will give you a sense of the size of impact.

I had a chance to start my career in banking at Bank of Montreal. But I quickly realized an untapped potential of an algorithmic approach to consumer lending. In 2015 founded Finlyt — a company working on algorithmic installment and revolving credits. In 2016 Finlyt made a successful exit.

I was lucky enough to be at the alma mater of the Ethereum community back in the days. But it took me years before I fully recognized a real potential of Blue Ocean ecosystems.

In 2017 I became CTO of Humaniq - a fintech company working on blockchain solutions creating a financial marketplace for emerging markets. Humaniq has been selected as a top pick in blockchain in 2018 by TechCrunch. It has also been selected as a top use case by the UK Parliament in APPG on Blockchain. My team and I have launched the first hybrid blockchain in production. Which, of course, sounds gibberish for those of you, not neck-deep in the distributed ledgers space.

In 2018 became a senior partner in Investment Network Company (INC). INC helps startups and projects related to technology get access to venture capital. In 2020 I was invited to serve as a mentor at WeWork Fintech Labs responsible for

tracking and mentoring startups in fintech, blockchain, and crypto spaces. In 2020 I was nominated as a technology leader of the year by TechCLR8.

I had a chance to witness and directly participate in the birth and rise of new exponential ideas. But our industry is evolving and changing so fast, that I would be skeptical, but to call myself an expert. All of the above would not be possible without an amazing team, where every individual played a significant role in the success of the whole.

First attempt to summarize.

To summarize the introduction, which somehow appeared to be this long I accumulated five main theses that come from the experience and insights I was able to gather while at the forefront of the digital revolution.

01

Firstly, we have been in the DeFi market from the very beginning - December 2017. We studied the market behavior and actively participated in the market itself in building a \$1 billion niche that grows 90% CAGR. According to all the data the growth will only accelerate. But the new financial system must serve everyone, not only the already crypto-initiated. Data from within the market is an important benefit when modeling future patterns.

02

Secondly, business models of most distributed companies in the digital financial sector are much more complex than interface applications for fiat licensed banks. At Humaniq, we needed to build a sophisticated infrastructure, often in countries with no proper legislative government. We needed to build everything from KYC solution to settlement engine based on the DLT stack. We've built a place where more than 500,000 users were able to get access to the global economy. This experience in building complicated complex IT systems shows that we have already begun to move away from the Uberization model, which means we have something to share.

03

Thirdly, being in the fastest-growing segment of the market, we had the opportunity to work together and learn from many leading companies. Most of which were already fully distributed even before the onset of ubiquitous lockdowns during the global pandemic. We were able to accumulate important experience of how companies of the future will work several years ago.

04

Fourth, the staff of Humaniq counted more than 100 people. Of which 96% of all employees are millennials (Y) and zoomers (Generation Z). The geography of a fully distributed team totaled 19 countries around the world, within 13 different time zones. A fully remote team even before the global pandemic of 2020. The main principle of innovation inherent in the company was based on a simple idea: you are a user of your product. And this experience in the approach of building business models from the inside out is the central part of the whole thesis.

05

Lastly, it is no secret that emerging markets are the next Blue Ocean, in other words the next billion users. And since more than 80% of all users are representatives of generations Y and Z, we had the opportunity to accumulate vast amounts of behavioral data, which opens a look at the future of consumer finance.

Users request transparency beyond basic corporate ethics.

People are becoming interested not only in the consumer qualities of products and services, but also in how exactly companies conduct their business, processes, and how they correspond to the new environmental, ethical and social needs of society. In addition to interest, there is a growing share of consumers who are willing to pay more to companies that meet these needs, or refuse companies that remain “deaf”.

Trust is a highly valuable currency in the world of commerce. Transparency is a key factor in how consumers interact with and trust brands — the Salesforce Trends in Consumer Trust Research Study demonstrates that 91 percent of consumers are more likely to trust a company with their data if the company is transparent about how it is used. Furthermore, 79 percent of consumers are willing to share relevant personal information about themselves with companies in exchange for contextualized interactions, such as personalized offers before purchases.

The digital economy has grown rapidly since its inception in the late 1990s. International Monetary Fund 2018 Staff Report data reveals that the digital economy is now worth over 3 trillion USD. The distributed nature of the digital economy in which consumers can purchase goods and services from providers on the other side of the planet has made trust a critical, quantifiable element of the global economy.

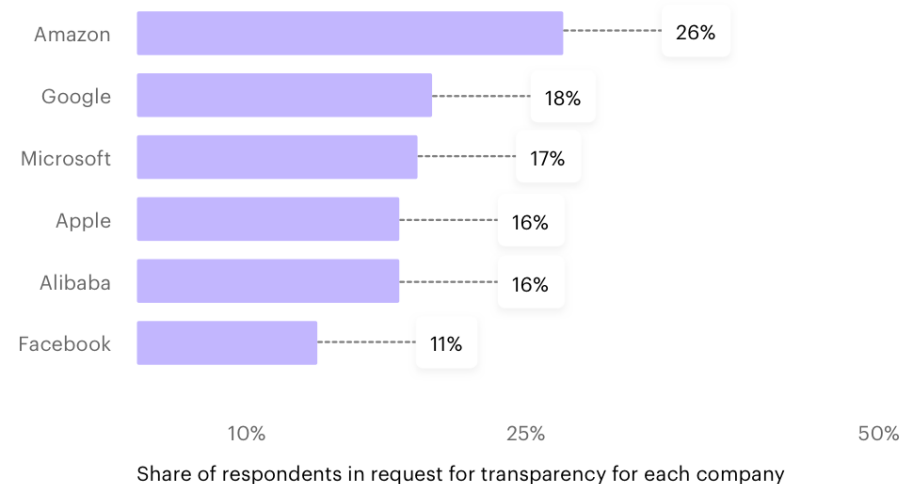
This economy is not limited to businesses or even entrepreneurs. It's only limited to how an individual thinks about value. Participants in this economy all have one thing in common. The question we ask is: how can we extract new value from an existing asset? That question is now being answered differently, by looking at something that hadn't been exploited before: idleness. Idling capacity refers to the untapped social, economic, and environmental value of underutilized or idle assets.

The blockchain technology, which attracted attention in the second half of the 2010s, and which by itself (without the cryptocurrency application aspect, we'll talk about this later) is aimed at creating an infrastructure that allows for transparency of the system and is trusted by the participants of the system pushed many companies on experiments with ensuring the transparency of company processes to customers. So, the article "Transparency is the new normal: top takeaways from the 2018 innovation series" says that transparency is becoming the norm for many industries and provides an example from De Beers'. They introduced a blockchain system so that customers can track how diamonds are mined and go through all stages of processing and logistics to the client.

As technology enables trust in new forms, we're seeing a decline of trust in institutions. This means governments, the media, NGOs. Surveys continue to show a lack of trust in these age-old behemoths. These processes do not indicate a lack of trust in our leaders behind these organizations, there's just a mismatch going on. Institutional trust was not designed for the digital age.

What this means is that rather than trust flowing upward from people into institutions, it is being distributed among people through new technologies like social media and the Blockchain.

Which of these tech companies leads in terms of transparency? May 2019



This is but the third form that trust has taken in its evolution (the two previous forms of trust that preceded this new distributed kind).

Initially, humans had local trust – which existed in small villages and communities. It was reputation based and non-transferrable. Once people started moving to cities and engage in trade, the need for intermediaries arose, and institutional trust was created. The primary vehicles of these were governments and corporate brands, which carried reputations across borders.

Now with advanced technology essentially shrinking the world, distributed trust has entered the game. Interactions between people are once again taking center stage. But this trust happens, in “stacks” or “layers”.

All of that comes under the idea that the amount of such attention will grow, and we (like everyone else) need to be prepared to respond to it. First, you need to provide information support, and ultimately be prepared to adapt our value chain to customer requests.

This trend also suggests that digital companies will have to go beyond the thin digital layer model and become more involved in various, including physical, aspects of value creation.

Users request personalization, and are willing to help.

We outsource a greater part of our life to services, which at the same time are growing and avolving with us. Even though we understand that companies provide standard services to hundreds of thousands and even millions of customers, we want a personalized approach and customization of goods and services to our requirements. Ridesharing services add the ability to choose the atmosphere in which the trip will take place, Amazon selects the most relevant products, and Netflix suggests movies based on personal preferences and tastes. In the 2020s, companies will need to more flexibly respond to specific customer requests.

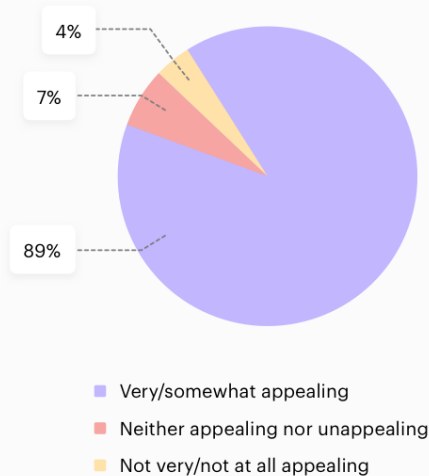
What would the consumer relationship with a financial institution be like after a few of these positive, and personally relevant, digital interactions? What would that relationship look like after a year of such guidance? Banks and credit unions currently have both the data and digital platforms to make these kinds of positive behavioral interventions possible, and the decision to support technology is readily available to make them practical.

Research from Epsilon indicates that consumers want and expect personalization and that they are most comfortable with providing personal data when they can manage and control the resulting experiences. Financial incentives like tailored discounts and offers are the greatest motivators to provide data.

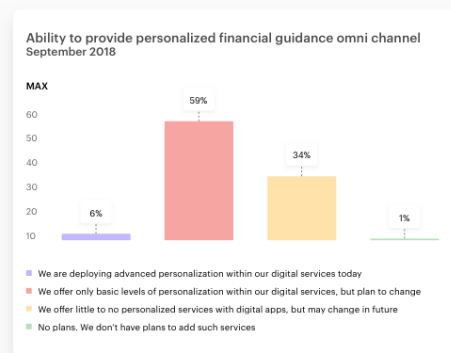
Despite consumers' growing comfort with (and demand for) personalized interactions, a significant percentage of consumers are still protective of their personal information. Therefore, financial institutions have to tread carefully. Twenty-five percent of consumers see getting personalized offers as "creepy," and 32 percent say that getting personalized experiences is not worth giving up their privacy. More than one-third (36%) feel that companies don't do enough to protect their private information.

To determine the "personalization maturity" of financial institutions, responding organizations rate themselves as "Advanced", "Emerging", "Static" or having "No Plans" to provide contextual, personalized insights and solutions to consumers.

As would be expected, the largest financial institutions had the highest self-assessment around the ability to provide real-time contextual guidance. That said, less than 20% of the large national and regional banks considered themselves "Advanced" in this capability.



While it was somewhat encouraging that almost 60 percent of financial organizations in all asset ranges considered themselves as "Emerging" (10% higher than in 2016), the overall percentage of institutions believing they were "Advanced" is lower than in 2016. The bottom line, 94 percent of financial institutions are still unable to deliver on the "personalization promise."

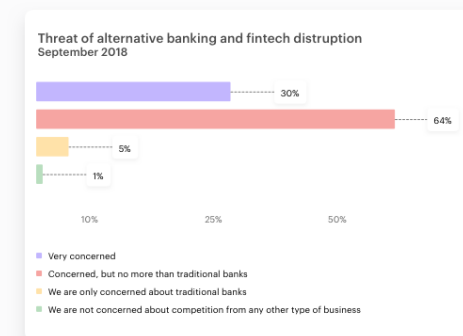


As was the case in 2016, the ability to provide personalized guidance by financial institutions of all sizes is limited. When asked about the ability to provide basic contextual alerts and notifications, only 26 percent of organizations considered themselves advanced in this capability. More concerning, less than 20 percent of organizations were able to provide personalized offers, with less than 10 percent able to provide real-time spending analysis or advice based on activity. With very little variation across organizational type and asset size, 94 percent of legacy financial organizations are either "very concerned" about fintech startups. This increased from just above 50 percent in 2016.

What is interesting about the chart below is that when all attention is steered towards challenger banks, non-custodial solutions remain under the radar, creating a huge undervalued business opportunity.

Consumers want their financial services to securely manage their finances, understand their preferences, and proactively deliver the right offers and services.

To get to the level of understanding desired, consumers are willing to share insight with their primary financial institution according to the CGI research. This is in stark contrast to the amount of insight most financial institutions are willing to ask, collect, and utilize for the benefit of the consumer.

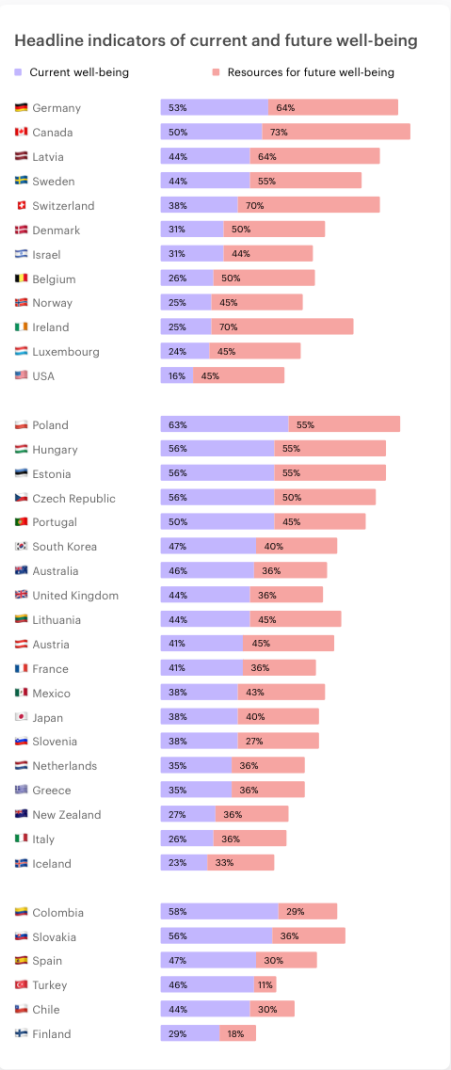


Financial services future leaders will be able to access a single source of insight and intelligence that will enable seamless back-office processes and digital customer experiences that are in real-time and add value both for the organization as well as the consumer.

These qualities will be the foundation upon which everything else in the organization is built. It will also be the point of consumer differentiation for traditional financial institutions, fintech firms, big tech organizations, and non-financial players.

Quality of life, is not equal to standard of living.

The good news is that well-being has, in several respects, improved relative to 2010 – a year when the impacts of the financial crisis continued to be deeply felt.



Life expectancy has increased by more than one year, with the average baby born today expected to live to over 80 years of age in OECD countries.

Income and jobs are on the rise – household disposable income and adult employment rates both picked up between 2010 and 2017, increasing by approximately 6 and 5 percentage points, respectively.

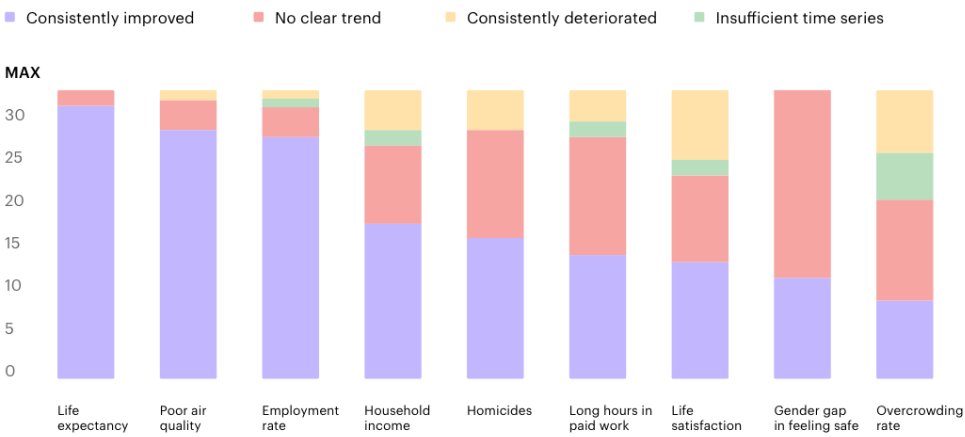
Today, almost eight in every ten adults aged 25-64 are in paid employment, and the average annual household income in the OECD is approximately 28,000 USD. Overall, 7 percent of paid employees routinely work very long hours (i.e. 50 hours or more each week), almost 2 percentage points lower than in 2010. One in eight households live in overcrowded conditions, 3 percentage points fewer than almost a decade ago.

The OECD average homicide rate has fallen by a quarter since 2010, currently standing at 2.4 per 100 000 people. And while eight in ten men and six in ten women say they feel safe when walking alone at night in the neighbourhoods where they live, this gender gap has narrowed by 3.5 percentage points on average. Surveys meanwhile suggest that people are more satisfied with their lives, relative to how they felt in 2013, the average evaluation in OECD countries has risen from 7.2 to 7.4.

Quality of life is about relationships.

Across OECD countries, people spend around six hours per week interacting with friends and family – a tiny fraction of the time they spend working, particularly when unpaid household work is factored in. Only seven OECD countries (Belgium, Canada, Italy, Korea, Japan, Turkey and the United States) have conducted at least two time-use surveys over the past two decades, making it difficult to assess trends in these aspects of well-being.

Important aspects of well-being for OECD countries since 2010
January 2020



However, the available data show that, among these countries, people’s time off for leisure and personal care has not increased since the mid-2000s. Meanwhile, the average time spent in social interactions has fallen by around half an hour per week in Canada, Italy and the United States, and by a little more than 40 minutes in Belgium. Across OECD countries, 1 in 11 people say they do not have relatives or friends they can count on for help in times of need.

People aged 50 and over are almost three times more likely to lack social support, relative to younger people, underscoring the importance of addressing old- age loneliness.

Recent gains in current well-being have sometimes been achieved at the cost of making fewer gains in the resources needed to sustain well-being aover time, and vice versa.

Some OECD members, such as Ireland, Switzerland and the United States achieved improvements in a higher number of indicators for future resources, relative to the number of improvements made in headline indicators of current well-being. By contrast, Colombia, Turkey and the Slovak Republic experienced more gains in headline indicators of people’s well-being today, and far fewer across the headline measures of future resources.

In order to balance well- being between generations, countries need to look beyond maximising well-being today and consider current and future aspects of well-being separately.

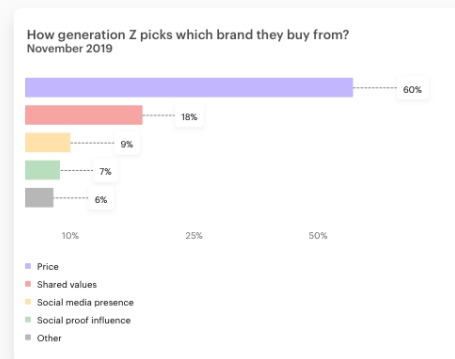
This will be key in ensuring that countries meet the needs of the present without compromising the ability of future generations to meet their own needs.

Sharing economy is a drive growth for casual luxury.

Sharing economy reduces the volume of the luxury goods market. Consumers abandon the model of overconsumption in favor of informed consumption. Expensive things less and less determine the status of the owner. The use of second-hand goods is gaining momentum.

Uberization affected not only the mass market but also luxury goods and premium services. Even today you can observe how people's attitude towards buying expensive things is changing — especially if it is a waste of time. If a dozen years ago, the purchase of a car or a premium apartment was one of the main ways of expressing status, today we observe a rise of completely different models — subscription, rental, and shared consumption. Emotions from the status of ownership are replaced by the pleasure of winning or “saving” time, for example, due to the absence of routine associated with owning a car, or in-branch banking.

The global luxury market is predicted to top ~1.5 trillion USD by 2025, with experiential luxury growing about 5 percent, far faster than personal luxury at 3 percent, with accessories and cosmetics expected to gain the most from 2018-2025.



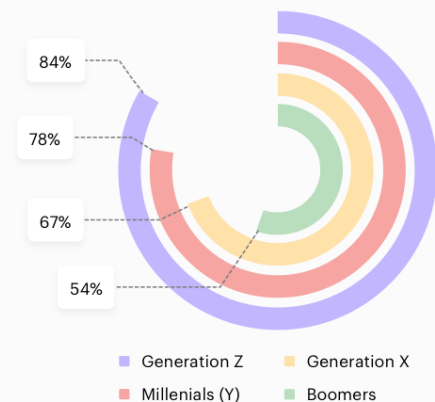
Today Millennials represent only about 32 percent of spending in the personal luxury market, but by 2025 they are expected to make up 50 percent of the total market. Some 130 percent of market growth in the next seven years will be attributed to the Millennial generation.

The younger generation Z will have a strong influence on how fast and deep the changes in the luxury market evolve, yet they remain a mystery to many luxury brands.

Today Zs represents only about 47 percent of the true-luxury market, but that shouldn't be underestimated because of their low-purchase rate. More than that, data shows that generation Z has a powerful influence in the market and a different set of values and ideals than even the Millennials.

However, when it comes to impact investment, generation Z is by far showing the highest score when asked about currently invested in socially responsible or impact investments portfolio.

Social responsibility has been growing steadily across generations, but once again generation Z has the highest (across 4 generations) score on future plans to invest as well.

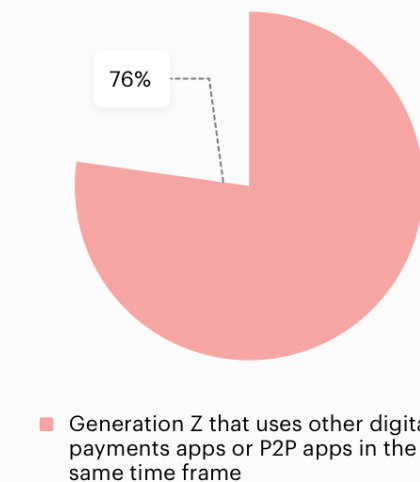


Since 2013 luxury consumers' purchase decisions have shifted dramatically by their concerns about sustainability and social responsibility. Today 56 percent of true-luxury consumers are attuned to luxury brands' stance on social responsibility, as compared with 45 percent in 2013. Some 62 percent say they will choose to do business with a brand that supports sustainability over a brand that does not, compared with 50 percent in 2013.

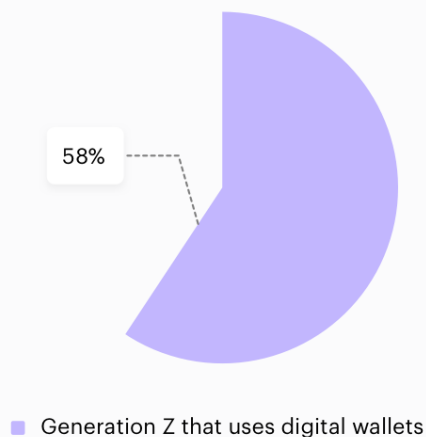
Interestingly, sustainability concerns are far greater for South Koreans (81%), the Japanese (70%), Chinese (66%), and French (66%) than it is for Americans (45%) or the British (43%).

Sustainable luxury consumers are primarily concerned with the environment (37%), animal care (27%), and ethical manufacturing (21%). Millennials place a higher priority on the environment (42%) and animal treatment (26%) than do Boomers whose primary concern is ethical manufacturing (32%).

Generational shifts are hard to adapt to, and this coming one that will be brought about by the Zs will magnify the trends driven by Millennials and at the same time be different from them. Some 56 percent of generation Z have partially shifted spending from traditional luxury brands to premium, fast-fashion, niche, and sports brands, as compared with 52 percent of Millennials and 46 percent of true-luxury consumers overall.



The trend will gain momentum and scale to other categories of premium services and products. We are still buying houses, but we are about to buy the quality of experience with infrastructure and an ecosystem. Subscription models will include not only rental housing but also a subscription to household services, and a subscription to mobility. We will also see strong changes in the wealth management space. This will encourage companies working on premium products to pay even more attention to personalizing their services, impressions of experience with the service, and also greatly affect the change in offline infrastructure, as noted earlier from previous trends.



Anyone at Tesla can and should email/talk to anyone else according to what they think is the fastest way to solve a problem for the benefit of the whole company.

Linear companies bring the end of middle-management.

Now only the lazy one doesn't talk about optimization and robotization of processes within an organization. For decades, people have been saying that process automation will cease to generate new jobs, predicting a pretty gray future catching up even the Zs. However, let's look at optimization and robotization deeper because these are not identical concepts. Not to mention, despite the impressive results of robotics, talking about the complete robotization of creative professions as a designer, programmer, chef, and even a courier is very premature.

All these professions are uniquely optimized using technology and smart tools, however what can be robotized is the profession of a manager.

Companies will begin to get rid of middle management. But let's get it right from the very beginning.

Coronavirus and the current pandemic have hit hard in the first place companies that are not flexible. Many of the large companies relied on robotization, but the number of tasks where a person is much more efficient still accounts for the lion's share. Also, the economic side of the process remained unresolved, because, in addition to industrial commercial and specialized robots, most of these solutions are still so expensive that even potential payback periods are measured in decades. All this has led to the fact that most cases of robotization are superficial and even "showcase" in nature and have more marketing than production potential.

However, many companies, even before the crisis, realized that their organizations still had the opportunity to optimize in the form of middle-management.

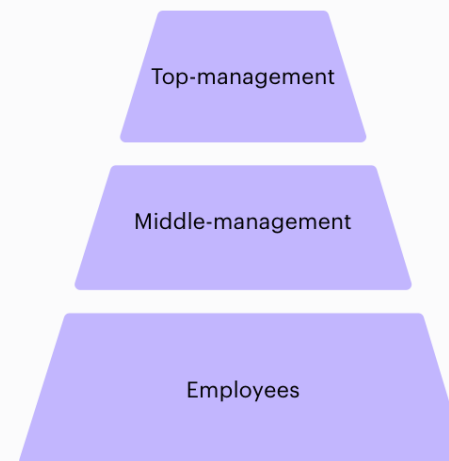
These companies realized that this is a layer between senior management and personnel, which performs only two functions in a generalized form:

1. Conveys information from top management to the level of line personnel.
2. Provides feedback on operational situations to the level of top management.

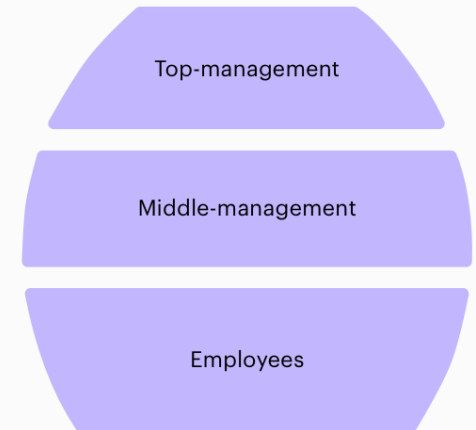
All of this makes sense. If industrial robots are still slow in the work of field mechanical personnel for rapid deployment, and strategic and creative solutions are still poorly suited to processing neural networks and artificial intelligence, then there is a big possibility in middle management automation as an information layer.

A lean company

The concept of the so-called lean company came from the world of technology startups. However, if you look at a regular medium-sized company, you can see three levels: top management, middle management, and field employees. If we imagine the company in the number of employees per capita of each group, we will see such a chart like this:



And in the enterprise world, this is not an uncommon structure:



But how is this related to the future of work and what is the connection? The fact is that companies of this type either will not be able to survive the current crisis, or they will not be able to cope with the lean company competition shortly.

It turns out that the middle management optimization point is a replacement with process automation software methods. In reality, this means that an ordinary field employee becomes a direct value producer and interacts not with the subjective manager, but only with the interface (for example, in a smartphone), through which they receive tasks, and also inform the system about tasks and problems.

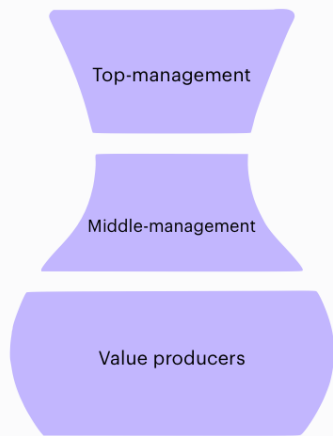
Companies that have started or are already transitioning to this process organization format describe the following qualitative changes:

- Value producers feel themselves to be more powerful participants in the company, there are no more managers on whom their future depends.

- Elimination of middle management allowed to increase remuneration of the remaining team members.

- Value producers better understand their tasks and work rules — they work in an intuitive interface and are direct participants in the value chain.

- Middle management employees are reassigned to either more linear work — value producers or more creative and strategic top management.



The next evolutionary step

Flat organizations eventually will find out that they are more ways to become more efficient. One of the possible solutions is the so-called self-managing organizations. A big transition in management approach is called — holacracy, where companies have “circles”; in Podularity, “pods”; at Valve, “cabals”; and at many companies, simply “teams.” Whatever they’re called, these basic components not individuals, and not units, departments, or divisions are the essential building blocks of their organizations.

Within those blocks, individual roles are collectively defined and assigned to accomplish the work.

As in traditional organizations, there may be different teams for different projects, functions (finance, tech, sales), or segments (customer, product, service).

But self-managing enterprises have a lot more of them as the overall organizational structure is diced much more finely. After Zappos implemented holacracy, 150 departmental units evolved into 500 circles.

Self-managing organizations take a different approach to traditional models and are performing during the current pandemic superior to traditional organizations. Consider how Valve decided to expand from PC games to hardware. The company’s 400-plus employees self-allocate 100 percent of their time to projects they feel are valuable to customers.

They collaborate in cabals, which people form and re-form, project by project, by wheeling their desks together, often several times a day. When a few employees got sufficiently tired of repeated customer requests for hardware that would let people play games in the living room, they formed a cabal to investigate the idea. When others recognized Valve’s potential strategic vulnerability to a “closed” Windows store, they allocated some time to that issue. In neither case did a siren sound from a lookout on high; the problems were detected and addressed on the ground, through a steady accretion of talent.

The goal of self-management structures — designing roles that match individual capabilities with organizational goals, making decisions closer to the work, and responding to emerging market needs.

Using self-management principles to design an entire organization makes sense if the optimal level of adaptability is high, that is, if the organization operates in a fast-changing environment.

An environment in which the benefits of making quick adjustments far outweigh the costs, the wrong adjustments won’t be catastrophic, and the need for explicit controls isn’t significant. That’s why many startups are early adopters. The business of designing and developing games also fits these criteria well, as Valve discovered. But in reliability-driven industries such as retail banking and defense contracting, hierarchical structures prevail, even if there is room for niche competitors.

What is the future of work? And where do Ys and Zs work?

The speed of business development, and as one of the important consequences, the struggle for talent, has led to the flourishing of the flexible office industry. The growth of investment in such models, as well as the penetration of services that make us more efficient, are radically changing the working paradigm of the younger generation.

The trend of flexible offices is so widespread that JLL, one of the world’s largest consulting companies in the field of commercial real estate, predicts that up to 30 percent of the total volume of the office real estate market will be in flexible offices by 2030 compared to 2-3 percent for the current moment.

The basis of these changes is a fundamental principle — the speed of world changes has dramatically increased, and in this regard, the accuracy of any forecasts of the number of employees has fallen dramatically. What does it mean? The company’s staff planning horizon is a maximum of 2 years. At the same time, the average office rental period for corporations in EU/NA regions is 7-10 years.

This critical imbalance led to the fact that companies are forced to rent/buy real estate with a margin for an increase in the number of employees, to invest gigantic money in the repair and equipping of jobs. Mistakes in planning are extremely expensive — the space sits idle, and you can’t just get out of a long-term contract.

In flexible offices, companies pay a fixed payment for the workplace, which is a very transparent metric and allows a company to plan its budget more accurately and save up to 30-50 percent on office maintenance compared to traditional leases.

Flexible offices were considered a place where only small companies of up to 10-15 people can accommodate. Everything has changed since 2016, when WeWork, having received a giant investment from SoftBank, relied specifically on the Enterprise segment.

And currently, up to 40 percent of the WeWork portfolio is occupied by large enterprise customers. At the same time, 38 percent of the largest Fortune 500 companies became WeWork customers and rent both small offices for project teams and soft organizational units as a whole.

For example, HSBC, which landed all its Digital division in an office in London (more than 1000 people) WeWork Waterloo. HSBC occupied only part of the building and, when the number of employees will grow, WeWork will be able to provide additional seats. This rental format allows the client to pay only for the place that is needed.

The second important reason why more and more companies choose to move to flexible offices is the possibility of collaborating with other companies on the same plane. WeWork released an Impact report, which provided interesting statistics.

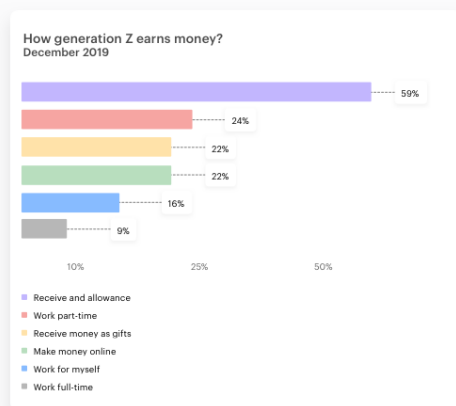
13% New companies in the United States, if they are residents of WeWork, survive 13% more often than the national average.

54% of companies are sure that staying at WeWork contributes to their growth.

83% of US companies within WeWork are innovative, compared to 15% of the national average.

49% of WeWork members are 25-34 years old, about half are experienced professionals over 35, and 86% have a bachelor's degree or higher.

The oldest members of generation Z have entered the labor force during a period of record-low unemployment and during a time when employers are fighting to hire and retain top talent. The Zs job seekers are in the early stages of their careers — whether they have experienced a part-time job, internship, or full-time role. But does the innovation status of flat organizations attract young talent? In short — yes.



Dell surveyed 12,000 Zs across the globe about their relationship to technology and its implications on the workforce. 80 percent of generation Z respondents aspire to work with cutting-edge technology and 91 percent said the technology would influence job choice among similar employment offers.

According to the data, the most popular position generation Z workers are applying to is software engineer, with nearly one of five applications posted for this job. Coming in second is software developer, accounting for 14 percent of total applications. Sales associate, mechanical engineer, and data analyst round out the top five jobs the Zs most want to land.

Unsurprisingly, the top companies that are attracting generation Z talent are large tech firms, including IBM, Microsoft, Google, Amazon, and Salesforce (not noticeably different from their millennial counterparts who prioritized their bids to Amazon, IBM, Oracle, Google, and Apple. The Zs also threw their hats in the ring with Deloitte, NBCUniversal, and Lockheed Martin.

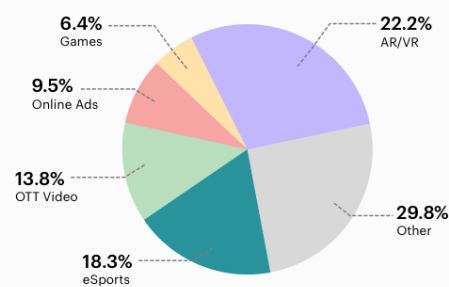
Finally, after aggregating anonymous reviews on Glassdoor's site, the highest-rated companies for Zs workers were Apple, Google, and Microsoft with average ratings of 4.6 out of 5. Morgan Stanley came in fourth followed by Facebook, with an average rating of 4.5. The most common points of praise from generation Z employees were "work environment," "flexible hours," and "good pay."

That is, at the moment, a stay in a flexible office is chosen by the most advanced companies in their segments, which grow faster and survive more often than the national average. In other words, flat companies adopt a flexible approach to staffing and housing to maintain high velocity of innovation.

What happens to a digital economy during the era of virtualization?

The home entertainment industry is growing rapidly, which forces companies to think about developing the new common ground, and most importantly, sales within online cinema viewers, gamers, and those who increasingly prefer to stay at home. Games are already the most popular entertainment in the world. There are all prerequisites that in the coming years due to the development of 5G networks and cloud gaming, this industry will make a big leap forward in transactional and behavioral areas.

The global entertainment industry will grow by an average of 4.3 percent each year until 2023. Among the fastest-growing categories include VR, eSports, and video games.



People spend thousands of hours a year in games, and for each new generation, this figure is only increasing. However, in the next 3 years, the gaming industry and the number of people involved in it can increase by 5-10 times. The blame is on 5G networks and cloud gaming services.

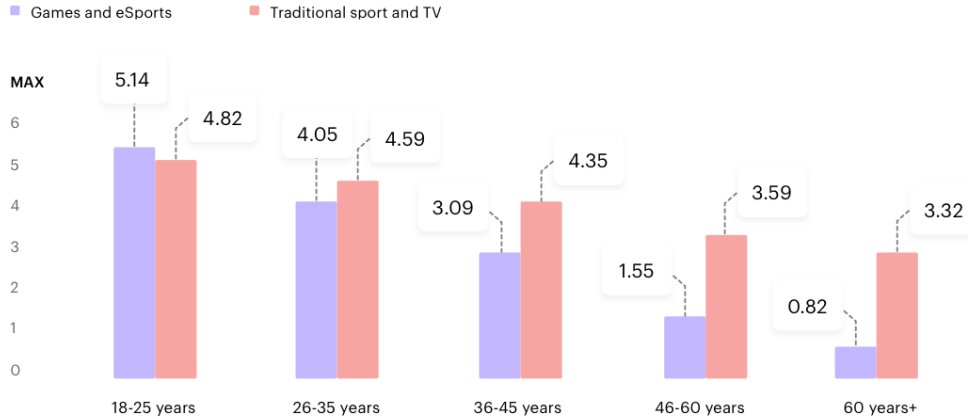
However, who is servicing the entire transactional component of this business? In short, cloud gaming is designed like this: in a data center on a powerful computer a game is launched and broadcasted live on your device, and you control the game by sending commands to a remote computer. Thus, you no longer need powerful graphics cards, processors, cooling systems, and so on. Only an internet connection is required.

According to the IHS Markit analytical agency, last year, gaming services offering games in the cloud earned 387 million USD. By 2023, analysts predict an increase of up to 2.5 billion USD. In 2019, Google became one of the few players in the cloud gaming market by launching the Stadia service. The logical and right step for the company, which has the largest platform for viewing video content and huge computing power.

With the development of 5G networks and cloud gaming services, the last bastion of the inaccessibility of games is falling. You no longer need to have a powerful computer at home that needs to be constantly updated in order to play next-generation games at maximum quality settings. You no longer need to buy a console (PlayStation or Xbox) and games that are quite expensive. It will be enough to have a subscription to one or several services, and you can play the coolest projects even on the phone or TV.

All this will lead to an explosive increase in the number of users who play games, and in general, will increase the already great importance of the gaming industry on the global landscape. We will see an increase in investments in both infrastructure and content, which will accordingly accelerate the development of the industry. The quality of game engines, graphics, and detailing of scenarios will become better. This will be the forerunner of change and trends.

Weekly time spent in hours (per age group)



More eSports

At the moment, eSports is rather a niche entertainment, but it is a new sport of generation Z. Each game has its own audience, which is interested in its tournaments and teams.

The main optimism of investors and large media indicators are achieved mainly due to the popularity of eSports in Asia. But after the volume of the gaming audience increases, the explosive growth of e-sports will follow, which will be more relevant and up to date for the new generation.

The possibility of including game disciplines in the Olympic Games no longer seems so far-fetched. After all, now the young generation spends more time watching esports and gaming content than watching traditional sports, TV shows and movies.

More sales in the virtual world

If a person can buy an item or food for their character in the game, why can't they do it for themselves? New opportunities and a large audience will bring brands and companies to the territory of gaming. Several large and notable collaborations have already taken place. For example, the Louis Vuitton brand has partnered with game developer and publisher Riot Games. Game characters will be able to dress up in virtual design models from the art director of the Paris fashion house LV - Nicolas Gesquière.



Nicolas Gesquière created a skin for one of the characters available for purchase in the League of Legends online store.

More time in the virtual world

Reality is boring, monotonous, and uninteresting. Today, if we combine the time that Ys and Zs in developed regions spend on social networks, games, TV shows, movies, and watching television, it turns out that reality loses to the virtual world.

Publishers understand this and, in competition for audience attention, are creating increasingly convenient services so people spend more time like Netflix or Disney+. The advent of cloud gaming services is a step of the gaming industry in the fight against the film and television industry over the course of an audience.

A striking example of this trend is the Travis Scott's concert, which took place in the Fortnite game. Concurrently, this concert was attended by over 12.5 million users worldwide online. The stream that was later uploaded on Youtube accumulated more than 40 million views as per the current date. Making it the most popular song of the artist on Spotify with more than 1 billion listens.



Users under the age of 22 show a firm 10 percent annual growth on game spending in last 4 years. Zs also buy far more often in online cinemas (55% more) than 4 years ago, which is almost two times higher than the growth rate of ticket purchases in ordinary cinemas.





The virtual reality

The emergence of virtual spaces will become real because a person no longer needs computing power to display graphics in 360. In the near future, we will see not only the first popular cooperative games in virtual reality, but probably even jobs. In general, the matrix does not seem so futuristic and fantastic as it was recently. For example, Facebook introduced the Horizon for Oculus Rift in 2019. This is a sandbox in virtual reality in which users can create their own worlds, communicate, watch movies, play, and interact with each other financially.

VR games that will drift the technology are becoming more advanced and desirable. In 2019 the "Star Wars Vader Immortal" made by a popular franchise was introduced, the long-awaited new game in the Half-Life universe, Half-Life Alyx, has also been released. After the announcement of Alyx there was a deficit of Valve Index helmets (developed exclusively for this VR platform) in Canada and the United States.

The role model example of the evolution of business models is Fortnite. While the Fortnite user acquisition and retention is enormous, the game also demonstrates that it is possible to monetise free offerings successfully. The underlying 'land and expand' monetisation strategy aims to get as many people to try out the offer on a free tier and then charge them for specific, value-adding features (in the case of Fortnite it's the in-game purchases).

This strategy is nothing groundbreaking; however, Fortnite excels in locking customers in. The average player spends 60 USD on the game, even though theoretically the whole game can be played without spending anything on it. The in-game currency, V-Bucks, can be purchased with real money and then used in the game, e.g. to buy a Battle Pass that grants extra challenges and content. The decision to go for the Battle Pass monetisation is extremely clever and unique: as users are already playing the game for free, they don't mind upgrading their experience for a few dollars. This decouples the purchase decision from the decision to actually use the product.

As the season progresses, users are keen to spend more time playing to avoid wasting the money they paid for the Battle Pass. And the more they play, the more reasons they will have to spend even more on upgrading additional features. It's also important to mention that the majority of gaming audiences dislike pay-to-win models, where users pay to get an advantage in the game. Hence, all offered in-game purchases don't have any effect on gameplay, they're purely 'cosmetic', which makes it even more compelling. In addition, players can directly purchase skins, as already mentioned.

As Fortnite is played from a third-person perspective, players constantly see their avatars. Hence, at some point, they want to show to themselves and other players that they progress in the game by buying the latest skins. With this model, the only way to show off progress is through cosmetics, which most users are willing to pay for. In a nutshell, Fortnite built a reinforcing system that brings in a huge number of users that get a lot of value from the free tier, which fosters organic growth, but also enough built-in incentives to make them pay. Now probably the big question is: what does this have to do with Payment & Banking? Nothing at first glance, but once you dig deeper, there is an interesting concept that you discover. New platforms have always been Petri dishes for innovations in payment (and for new players). PayPal, Alipay etc. Fortnite has everything you need to grow in payment. Transactions, binding, it even owns a large part of the added value. Maybe even hardware and operating system going further.

The only thing that is missing is the ultimate platform like Fortnite. It creates the content, the world, and the reality — sounds visionary and will definitely be explored further in the future. With the right direction, you can make much more out of the assets that you bring.

Why do the new payment methods or the supposed innovation still plunge into (offline) trading? This is tedious and has never really worked. Only a few new models have been introduced via classic retail, there is no revolution in the payment context, at most rather an evolution.

Thus, the next evolutionary step of fintech players, are there not only to support direct transactional payments, but also to store digital assets, and to allow users trade, exchange and interact with them all in one interface.

So far, blockchain games have been simple in scope, falling into one of two main categories: decentralized or hybridized. In the first model, the game is run completely on a Blockchain, meaning that the developer cannot alter the game in any way without the say-so of the community. In a hybridized model, the game itself still runs from a central server but its assets are traded via a decentralized marketplace. In either scenario, blockchain takes in-game assets and makes them as ownable as possible, creating legitimacy and permanent value.

As the gaming industry pivots its focus to in-game assets, blockchain could potentially solve a number of related problems: eliminating fraudulent items, creating scarcity, and incentivizing more purchases by making items transferable across games (more on that below). According to a survey by Worldwide Asset eXchange (WAX), a blockchain platform focused on virtual items, 62 percent of gamers would be more likely to invest in digital assets if they were transferable between games; 84 percent of developers would create in-game items for the same reasons. Epic Games' CEO Tim Sweeney hasn't publicly ruled out blockchain or cryptocurrency as an application at the level of Fortnite might be enough to tip gaming toward mass blockchain adoption.

It is impossible to buy a toaster that has a one-in-five chance of bursting into flames and burning down your house. But it is possible to refinance an existing home with a mortgage that has the same one-in-five chance of putting the family out on the street.

As at-the-time Harvard Law Professor Elizabeth Warren wrote in 2007, what is interesting is that credit cards, investing, and trading all carry similar risks.

Today's market volatility is bringing to light the level of familiarity most people have with financial products:

I had no idea what was going on, I thought the stock market crashed and the Robinhood app couldn't handle it. I just didn't know.



one Robinhood user told Fortune during the free stock app's platform downtime in March 2020. This is a feature, not a bug, of traditional finance. Some institutions have worked to make financial concepts non-transparent, to obscure the true cost of finance and justify hidden fees.

For instance, APR, which for credit cards is calculated monthly against the average daily balance of the cardholder for the prior statement cycle, could be a simple percentage calculated against a set dollar amount of monthly spending, expressed in cash terms as well as rate.

Fintech challengers had a great start. But what comes next?

Fintech startups have done amazing job-making products available, but democratizing access is only half the battle: the next opportunity is to improve consumers' lives by making these products responsible.

Democratization can be dangerous without these types of guardrails in-place. To truly improve people's financial lives, fintech should adhere to the standard of 'first, do no harm.' So that the next evolutionary progress is a fintech following 5 major principles.

Limited

Limited from doing too much self-harm. This is why the "ability to repay" test in lending, limits on margin in stock trading, and accredited investor requirements exist. Having such limits does not align with the current business models, as limiting customer's risk also lowers revenue streams. But next-generation companies have to adopt business models that will thrive in the trust economy while benefiting the end consumer.

Context-driven

Personalized in their decision-making. Personal situations, such as backgrounds, goals, and current obligations, can vary massively from person to person. This is true even for customers who look the same on paper. Though the abundance of digital data gives fintechs increasingly clearer profiles of their users, understanding the nuance of personal context is critical to delivering healthy financial solutions.

Responsible

Fintech products should introduce human-readable terms and conditions and necessary UI&UX to help their customers identify risks and opportunities in a massive stack of available features. Extensive behavioral data can create safe usage patterns for customers new to the digital economy.

Informed

Second-layer solutions have to take the duty of informing their customers of any potential threats and risks when identified so. The communication patterns should switch from minimizing the after-effect crisis to maximizing preventative action results.

Non-custodial

A non-custodial approach creates opportunities for future-enabled business models. It also means that the customer owns its private keys, which is a very bad UI&UX solution. However, companies will have to start implementing contract wallets with a recovery mechanism, in order to bypass current non-custodial cons, while preserving all decentralization benefits.

2019 was the best year for DeFi ecosystem growth, but why?

Open finance or DeFi —refers to the paradigm shift from today's closed financial system towards an open economy based on open protocols that are interoperable and programmable. As the crypto ecosystem looks to expand, the term DeFi more accurately describes the intended destination, because Ethereum is creating a new on-chain economy that integrates with current financial systems. DeFi is not about creating a new system from scratch, it's about democratizing the existing system and making it more equitable using open protocols and transparent data.

In nutshell, DeFi is an attempt to decentralize core financial use cases like trading, lending,

investment, wealth management, payment and insurance on the blockchain.

DeFi is based on Decentralized Applications (dApps) or protocols. By running these dApps on a blockchain, it provides a peer-to-peer financial network. Smart contracts work as connectors — comparable with perfectly specified APIs in traditional systems.

Despite the stagnant year for Ether in terms of price, dozens of new protocols launched providing permissionless financial services. In 2019 alone, we saw total value locked increase from \$274.6M to \$651.6M, an annualized increase of +137.23%. Comparing this to Ether's annual change of -8.34%, DeFi drastically outperformed its underlying market. On a sector by sector basis, derivatives and assets led the DeFi industry in growth over the year, exploding by 4,827% and 1,749% growth respectively. The lending market kept its lead in terms of value locked, boasting half a billion dollars by year's end and representing over 51% of total value locked within the DeFi ecosystem at large.

Total value locked (USD) in DeFi

915M USD (89.95% CAGR) ↑

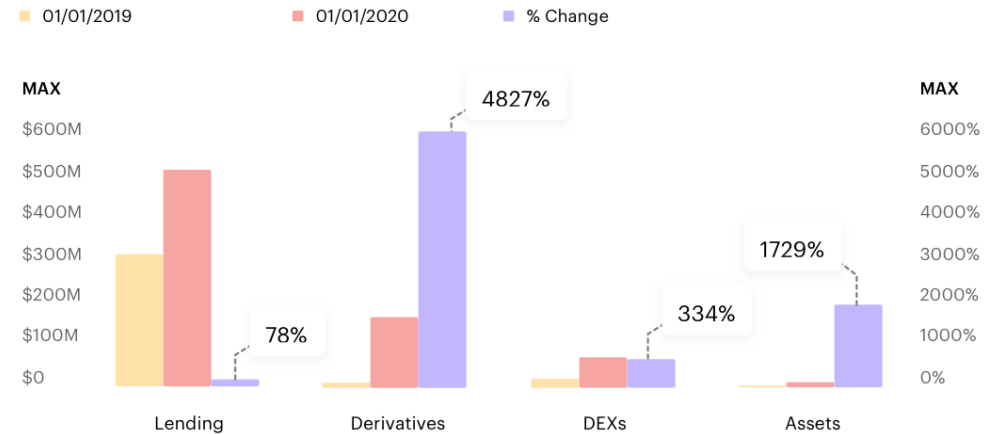
+137.23% annual increase in Total Value Locked (USD) in 2019

MAX

\$1.25B
\$1.00B
\$750M
\$500M
\$250M
\$0

Oct 2017 Apr 2018 Oct 2018 Apr 2019 Dec 2019

DeFi Total Value Locked Sector Performance



Decentralized Exchanges also saw moderate growth this year relative to the rest of the field, largely led by Uniswap and Kyber Network.

The DeFi lending market is by far the most in terms of projects competing for market share. As it stands today, there are currently 8 major lending applications, with the inclusion of InstaDapp as an asset management tool for lending. Nuo Network took the lead in terms of growth within the lending sector, followed by bZx and InstaDapp with 66,900%, 29,990%, and 28,685% growth in total value locked (USD).

All three of these lending applications got their start in early-to-mid 2019 and therefore were able to capitalize on the explosive growth within DeFi in the second half of the year.

With that said, MakerDAO maintained its lead within the lending space as it comprises of over 75% of the lending sector's total value locked.

Expanding on this further, nearly 2.4M ETH out of the 2.81M total ETH locked (85%) is being used as economic bandwidth to collateralize MakerDAO and the Dai stablecoin.

So what should we expect from this fast growing industry in 2020s? There will be an explosion of synthetic assets and new derivatives which will create tens of millions in value in 2020 and eventually billions in value. New financial products and instruments are continually being developed that will drive further liquidity and potential profits for investors.

We will also see how risk management will continue to improve with a more comprehensive analysis of the associated risk with open finance from the natural expansion. Moreover, regulatory guidance will gain greater clarity that will hopefully also be favorable for the continued use of crypto assets and blockchain networks.

Staking economy.

Proof-of-Stake (PoS) is a foreign concept to many, even within the blockchain space. Yet we see most next generation protocols adopting PoS approaches and a large ecosystem will form around the alternative to Proof-of-Work (PoW). Similar to how PoW gave rise to a multi-billion dollar industry centered around mining (ASIC producers, mining farms and pools), there is an opportunity for new types of network maintainers emerging.

Entering into the new decade, the total value staked across all staking networks sits at 7 billion USD. This comes after a year where we saw the launch and significant fundraises of many staking networks, numerous companies specializing in providing staking infrastructure or accepting delegation for a commission, and more recently, the entrance into the market from custodial exchanges such as Coinbase, Binance, Kraken, and OKEx.

Additionally, Ethereum 2.0's upcoming transition to Proof-of-Stake has sparked myriad industry-wide debates on topics like decentralization, scalability, staking derivatives, rehypothecation with DeFi money markets, and so on.

These are still the early days. While Proof-of-Stake based consensus, stake delegation, and its byproduct, the staking economy, has settled into what today is a fairly predictable, homogenous labor market that has converged on community-adopted standards and norms, it all leads to the point that the staking economy of tomorrow will bear very little resemblance to its current state. The primary catalysts for this shift will be:

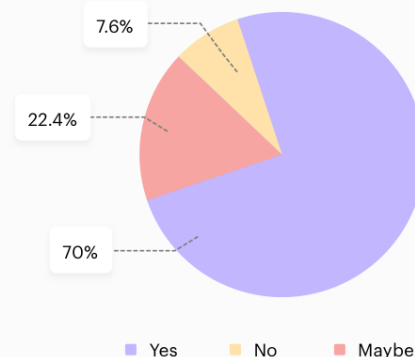
1. the proliferation of many new decentralized networks with unique staking models that involve more subjective labor and specialized resource provisioning, and;
2. the arrival of exponentially more valuable staking networks, which will create a financial incentive to participate strong enough to attract larger entities.

Dozens of highly-ambitious and well-capitalized networks are slated for 2020 mainnet launches and will inevitably attract more actors and capital into the staking economy. Most notably, Ethereum's upcoming transition to Proof-of-Stake: a 25 billion USD network with roughly 86 million unique addresses. The move will single-handedly multiply the size of the staking economy and introduce millions of people to the concept of staking for the first time. It will unavoidably task Ether holders with deciding whether or not to stake, and if so, how.

Additionally, proposed networks such as Libra — which, according to their published documentation, intends to adopt a stake-based model with delegation implies a staking economy where corporate

behemoths like Facebook, Uber, and Spotify are validators and compete with one another for the delegation from Libra native token holders. This early example foreshadows the upcoming shift; as more large corporates and governments wake up to the potential of blockchain tech they will inevitably want to assume roles as validators themselves.

Would you run your own Staking node if the setup would be simple?



These new entrants will have vastly different cost bases and incentives than today's incumbents. We'll see validators with entirely different business models, involving loss-leading strategies, ancillary revenue streams and services, and desire to maximize influence over governance.

This will make it hard for today's validators to compete in the delegation market, yet it will also represent a significant opportunity for existing incumbents as the services, expertise, and products relevant to helping staking networks flourish become increasingly in-demand by many extremely well-capitalized entities. Even a small percentage of the value staked being captured across the staking value chain whether it be at the delegation, infrastructure, or liquidity layer may collectively represent a multi-billion dollar opportunity.

As the staking economy matures, decentralization remains vital. A crucial characteristic of staking networks is that centralization of stake makes them vulnerable to attack; effectively a honey pot akin to Bitcoin's 51 percent attack, except often with the threshold of 33 percent.

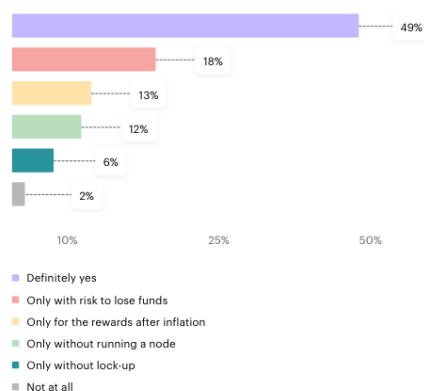
A network with stake concentration that exceeds that threshold whether it be an individual validator or multiple colluding validators in aggregate — is no longer decentralized. At that point, it's just a typical, rudimentary database, and loses all the value propositions of building on a blockchain, and thus its network value.

Therefore, appropriate distribution of stake will always be in the stakeholders' best interest; which should, in the long term, be reflected in the delegation market, regardless of who the validators are.

The staking economy has the potential to be much more than just a standard % yield offered by the network and by proxy through exchanges and delegation services.

Staking reduces the need for trust in labor markets and has the opportunity to propel a paradigm shift in value accrual of marketplaces, where the immense value once extracted by intermediaries is now equitably distributed amongst those servicing the market. Leveraging cryptography and behavioural economics, these markets function self-sustainably, and thus inherently allow anyone to participate while maintaining their privacy.

Do you consider Staking a form of passive income?
December 2019



It's a wrap.

Before I started this paper, I asked myself a seemingly simple question: what fundamental changes are taking place in the world right now? How will the 2020 global pandemic affect us? What trends have already materialized or are just emerging that affect consumer psychology? Finally, what should the companies of the future look like and how do the future generations see them?

It was an interesting journey during which I had the opportunity not to confirm and refute the hypotheses, but to be an observer. And to summarize my observations, future generations will increasingly strive for efficiency in all daily aspects. But we will achieve this efficiency through interaction with companies and brands with which we share the same values. Too big to fail business will become a relic of the past because a new economy is being formed around the direct interaction of people with people.

Different generation of consumers

The Zs are very different in behavioral and consumer patterns. Perhaps the periods of previous crises greatly influenced the world model of this generation, and I can say that the current crisis will only accelerate these processes. We will further optimize all our everyday aspects, outsourcing more and more to the companies and services. Our model of interaction with states and political borders will also continue to change, the further we go into the economy of trust. We will devote more of our free time to work, or leisure and socialization. All that will, probably, change the distribution of roles in a family even more. Which in turn will shift our focus from spending to accumulation. Therefore, innovative methods of passive or even basic income will only gain momentum.

Non-hostile environment

Of course, we will change not only at will, and this is perfectly shown by the pandemic that is happening right now. Quantitative changes have occurred within months if not weeks, and are to stay with us for a long time. The environment will change faster and faster, which will push us to become less attached to the places, work, and services around us. At the same time, we will increasingly demand speed, reliability, and what is more important is openness from those services.

New businesses

Our new, larger requests for the companies that will serve us, as well as a fairly strong change in the patterns of our behavior, will force existing businesses to adjust. Finance and banking are some of the areas that will undergo the greatest transformation. This opens up opportunities for the emergence of completely new business models that might never have worked in the past, even with the appropriate technologies. But now these most innovative businesses will start to crowd out large enterprises. The clusterization of users, as well as the niche of services and companies, will increase. Consumer society will be increasingly divided into cells, interacting only with those brands that match our ideals and share the vision. This means that even though the price is a key factor in making a purchase, we will be ready to pay more to companies that will be willing to work on our terms and refuse companies that will remain deaf. Noncustodial solutions will continue to evolve. However the interaction of a person with a person will remain in the first place of our attention, which will not be limited by the protocol, but rather provide new opportunities.

Thank you!

The end.