BLOCKCHAIN: RESHAPING THE BUSINESS LOGICS

Huobi Research of Blockchain Application

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4 Driving Forces of Reshaping the Business Logics

① Replace Traditional Contract

② Reflect the Value of Intangibles

③ Unite Owner, Producer, User

④ Clearly Defined Rights and Liabilities
1. Replace Traditional Contract

**Traditional Contract**
- Signature
- Stamp
- Copy-making

**Encryption Algorithm**
- Digital Signature
- Hash Pointer
- Smart Contract
2. Reflect the Value of Intangibles
3. Unite Owner, Producer, User
Better defined rights and liabilities is conducive to reaching the state of pareto optimality.

The Lemon Effect: Quality of goods traded in a market can degrade in the presence of information asymmetry between buyers and sellers.
Five Trends of the New Business Logics

① Trustless Environment without Intermediaries
② Breaking the Organization Boundary
③ Hedge Against Channel Dominance
④ Empower Niche Supplier
⑤ Eliminate the Motivation for Monopoly
1. Trustless Environment without Intermediaries

- Attorney Fee
- Audit Fee
- Notary Fee
- Underwriting Fee
2. Breaking the Organization Boundary

Coase theorem

A company stops growing when the transaction cost internally equals to the cost via the market.
3. Hedge Against Channel Dominance

Distribution channel matters more than product or content in traditional world

- Exploited by physical distribution channel providers
- Exploited by internet service providers

Blockchain World

- Free channel: Self-motivated users
4. Empower Niche Supplier

<table>
<thead>
<tr>
<th>Internet without Blockchain</th>
<th>Internet with Blockchain</th>
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</thead>
<tbody>
<tr>
<td>Supply domination over demand</td>
<td>Demand domination over supply</td>
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<tr>
<td>Product portfolio lacks diversity</td>
<td>Supply customization</td>
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<td>Consumption downgrade</td>
<td>Consumption upgrade</td>
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Refer to
Yu Jianing, Director of Economy Research Branch at Ministry of Industry and Information Technology;
Zhou Hongqi, Assistant Professor at National University of Singapore
5. Eliminate the Motivation for Monopoly