

# What is ico? How does work in Blockchain



## What is ICO?

A startup will commonly use Initial Coin Offerings (ICOs) to acquire capital for developing new cryptocurrency projects along with blockchain-based ventures. [ICO Platform Development Companies](#) release their own digital cryptocurrency tokens (also known as "coins" or "tokens") to regulate exchange with Bitcoin (BTC) or Ethereum (ETH) or at times conventional monetary funds.

Among its qualities ICO resembles an IPO by issuing tokens instead of company shares which can function within project systems and eventually gain valuable market equity. During 2017 ICOs achieved widespread popularity which has transformed them into a principal method blockchain projects use for obtaining financial support.

## Types of Initial Coin Offerings

The two types of initial coin offerings are listed below:

### 1. Private ICO

The participation in private initial coin offerings operates with restricted investor access. Accredited investors including financial institutions along with individuals with high net worth are the only participants who can take part in private ICOs unless a company sets a specified minimum investment threshold.

### 2. Public ICOs

The public initial coin offering functions as a crowdfunding method which aims at regular population members. Almost every person has the ability to invest through the public offering because it functions as a democratized investment tool. Because of growing regulatory complications public ICOs have turned into a secondary investment choice than private ICOs.

New popularity for ICOs emerges from the advancements in cryptocurrencies alongside blockchain technology. ICO projects managed to raise more than \$7 billion during their fundraising activities throughout 2017. In 2018, the figure almost doubled. The biggest ICO occurred when Telegram, an instant messaging services provider, conducted their funding operation. Through a private ICO the UK-registered company achieved an investment worth more than \$1.7 billion.

## How Does an ICO Work in Blockchain?

The process of an ICO generally follows these steps:

1. **Idea Development:** During Idea Development the project team generates creative blockchain solutions or applications they will implement. The team writes an official whitepaper that defines project goals and funding distribution and token economic system (tokenomics) and technical plan details.
2. **Token Creation:** A new cryptocurrency or token starts as a creation on Ethereum blockchain using ERC-20 standards or Binance Smart Chain infrastructure through the

deployment of smart contracts. The crypto assets function as both ownership assets and service utility components within the ecosystem.

3. **Pre-ICO Marketing & Community Building:** The project team creates a community surrounding their concept by using cryptocurrency forums together with social media and they build networks with influencers before their ICO event. The team organizes presale events which offer tokens to investors at prices lower than the future public ICO launch.
4. **Launching the ICO:** The ICO launch point marks the period where the project enables token selling to investors. The ICO allows investors to acquire tokens through cryptocurrency transactions mainly based on Bitcoin and Ethereum but also accepts specific cases of fiat currency according to their established rules. Investors obtain a specified number of tokens as part of their venture capital investment.
5. **Token Sale Period:** During an ICO period investors normally have between two weeks and one month to purchase tokens or until the meeting their established funding threshold. Bonus token incentives serve as one of the benefits that project backers receive for participating early in ICOs.
6. **Post-ICO:** Token distribution concludes through ICOs when the exchange listings start on cryptocurrency trading platforms. The funds obtained from investors enable the project team to accomplish their tasks according to the whitepaper description with investors speculating on the token's rising worth during its development phase.

## Key Elements of an ICO:

- **Whitepaper:** A project whitepaper contains an in-depth presentation of mission goals alongside technical specifications alongside tokenomics information along with strategic planning.
- **Tokens:** The project creates digital tokens which serve multiple purposes such as system usage or project value projection.

- **Smart Contracts:** Through its integration into the [blockchain Smart Contract](#) executes ICO governance protocols and regulates token distribution procedures and financial transactions at a fundamental level.
- **Fundraising Goal:** The project seeks to obtain this specified sum of money from investors through the ICO process.

## Advantages of ICO (Initial Coin Offering)

An ICO offers several significant advantages to both project developers and investors. Here are some of the key benefits:

- Access to Global Investors
- Faster Fundraising Process
- Lower Costs
- Decentralization and Transparency
- Incentivized Community Support
- Token Liquidity
- Democratization of Investment Opportunities
- Token-Driven Ecosystems and Ecosystem Growth

## Conclusion:

An Initial Coin Offering (ICO) represents a cryptocurrency-based fund collection approach that distributes digital tokens through blockchain systems in exchange for financial backing. ICO stands as a modern funding technique that enables both blockchain projects and startups to retrieve capital and provides investors with the chance to join pioneering investments. The fundamental decentralized structure of blockchain allows projects to gain global accessibility and transparency and security features which makes ICOs different from conventional funding methods.

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