

WHITEPAPER

# DISRUPTING WHISKY

Exploring the biggest challenges in whisky investing—and how blockchain is paving the way for a smarter and secure future.



# TABLE OF CONTENTS

Whisky's Evolution from Craft to Capital	1
Challenges of Whisky Investment	2
Blockchain: As a Solution	4
Blockchain: How It Works	5
How It's Used on WhiskyGenius	6
Traditional Brokerages vs. WhiskyGenius	8
Investing with WhiskyGenius	10





# LIQUID GOLD:

## *Whisky's Evolution from Craft to Capital*

In recent years, investors have looked towards alternative investments as a way to diversify their portfolios and hedge against risk in increasingly volatile global stock markets.

Rare whisky, in particular, has rapidly gained popularity as an alternative asset class. Often referred to as 'liquid gold', its ability to appreciate greatly, status as a luxury collectable, and rich cultural roots and historical significance all factor into its unique appeal.

# CHALLENGES

## *of the Whisky Investment Market*

Despite its appeal, rare whisky continues to be perceived as an exclusive investment, with a high barrier to entry for the average person. Here is a closer look at some of those challenges:



### 1. Upfront Financial Commitment

One of the most significant challenges is the financial commitment required to invest. This is especially true for whisky casks, which can cost up to millions of dollars depending on considerations such as age, rarity, quality, and distillery reputation.

### 2. Ongoing Cost Considerations

In addition to the initial purchase price, there are many ongoing costs. These include expenses required for transportation, secure storage in bonded warehouses, insurance, and bottling for casks.

Ongoing costs are especially high for casks, as proper storage is critical to its maturation process. The cask must be stored in a warehouse, at a distillery or a specialised facility, where temperature and humidity can be controlled to ensure optimal ageing. The longer the ageing process, the more costs are incurred for investors - making cask investment out of reach for many.

### 3. Lack of Transparency

There is no central database to track prices, ownership history, and quality across retailers and auction houses. Additionally, most investors buy through intermediaries instead of distilleries, allowing intermediaries to control or determine pricing without disclosing full details.

This might be less of a problem with bottles, where sales occur frequently and publicly on auction sites, allowing for easy general comparison. However, it's a different story for casks, as casks continue to age and evolve, impacting taste and therefore valuation. There is also limited public data on cask prices, which makes it impossible to establish a benchmark of fair prices.

Aside from pricing, an additional problem with casks is that the quality of whisky - and therefore its value - can vary depending on physical factors like wood type and storage conditions, yet there is no standardised way to disclose these characteristics to investors. This can impact the cask's future resale potential and lead to misunderstandings about their investment.



#### 4. Minimal Regulation

Whisky, traditionally viewed as a consumer good, has only been embraced as a mainstream investment asset in recent years. Most existing regulation therefore focuses on factors like quality, safety and labelling that monitor production, rather than the investment process. The lack of safeguards is problematic as it enables counterfeit whiskies and scams to circulate quickly.

#### 5. Lack of Authenticity Guarantee

Provenance is another big problem. With traditional methods of whisky investing, the provenance and ownership of a whisky cask or bottle might not always be correct or up to date. There are two main ways in which this might happen.

First, there could be human errors when it comes to recording the origin, production process and ownership of a cask or bottle. It is easy for key details to be omitted, making it difficult to trace the bottle's history accurately. The whisky industry also lacks a uniform system for recording provenance - increasing the chance of error.

In addition to errors, deception regarding cask ownership is prevalent. While buyers receive certificates of proof of ownership after purchasing a cask, sellers could be untruthful and store the cask under a name that is not the buyer's. Unless the buyer has received a signed document acknowledged by the warehouse, they might not truly "own" the cask and cannot claim it later on as expected.

There is even a chance that the cask does not exist. This happens especially when the cask is sold without a delivery order as the buyer does not have physical possession of the cask until they decide to bottle it.

In 2018, 55 bottles of rare whisky were sent to the Scottish Universities Environmental Research Centre for analysis from retailers and auctions. 21 of those bottles were either fake or not distilled in the year stated on the bottle.



# BLOCKCHAIN

## *As a Solution*

Blockchain is a digital ledger that records transactions in a secure and tamper-proof manner. Instead of relying on one central authority, blockchain is maintained by a network of computers.

Blockchain is revolutionizing rare whisky investment by addressing longstanding challenges of authenticity, provenance and ownership. It's transforming the industry as we know it and paving the path for the future.

In addition to making the investment process more accessible, straightforward, and transparent for long-time investors, it is also democratizing the market, making it possible for anyone to begin their journey into the world of rare whisky investment.

# HOW IT WORKS

## *Benefits of Blockchain*

How is blockchain a game changer?



### Decentralisation

Since blockchain is decentralised, no single entity has full control over the entire system. This means that any network member can access and audit data recorded on the blockchain.



### Immutability

Blockchain is also immutable, meaning that the data stored on it can never be manipulated or erased. Ownership records and transactions of an asset are recorded accurately, time-stamped, and permanent. This prevents data manipulation and fraud.



### Traceability

Blockchain allows for traceability. It can track any asset at any step of the journey, all the way back to its origin.

For example, if a digital token is transferred from one user to another, the user can refer to the blockchain to see all the transactions before that and trace it back to any of the investors of the token that once owned it. This ensures that records are historically accurate.



# BLOCKCHAIN

## *On WhiskyGenius*

How does WhiskyGenius leverage Blockchain?

### Lowering the barrier of entry through tokenization:

Blockchain enables tokenization, where real-world assets like whisky can be represented as digital tokens on a blockchain network. Each token is unique and cannot be replicated.

Tokenization is especially beneficial for investment in big-ticket items such as casks, as it allows for fractional ownership. Rather than investing in the entire cask, which can be expensive, several investors can purchase shares of the same cask on WhiskyGenius.

Digital tokens make it easy to confirm each investor's ownership and distribute profits after the investment period.

### Streamlined transactions & enhanced transparency:

WhiskyGenius collaborates directly with distilleries worldwide to source, mint, and list whisky-backed tokens on the platform.

This allows for transactions to happen without brokers, sellers and auction houses as traditionally required. Investors can avoid high transaction fees traditionally associated with whisky investments by getting it straight from the source.



The use of tokens minted from distilleries or distributors directly is crucial for transparency and the verification of authenticity. Each token on WhiskyGenius contains metadata directly linked to the physical whisky it represents.

This information includes the age, cask type, distillery information, etc. which are important to establishing the provenance of the asset. WhiskyGenius makes it easy for investors can look up this information in seconds, via Blockchain.

### Reduced risks & costs:

When whisky-backed NFTs are bought on WhiskyGenius, the physical whiskies stay safely stored in bonded warehouses until you choose to redeem them later on.

This digital-first approach makes ownership much more seamless. It eliminates the hassle of having to ship and transport the bottles or casks around or storing them on your own, cutting down costs and reducing damage to best preserve your investment.



### A secondary marketplace for selling and buying:

WhiskyGenius offers a secondary marketplace. There, users can buy and sell the whisky assets purchased on the platform with one another, while the physical whiskies are securely stored in the warehouse.

All transactions and changes in ownership are documented on the public blockchain for accurate record-keeping.

For sellers, the secondary market makes it easy to sell whiskies without having to go through intermediaries. Buyers can also rest assured knowing that any product purchased through sellers in the marketplace is authentic as it was originally purchased on WhiskyGenius and has a fully preserved history of ownership.

Being able to trade the whisky-backed token, rather than the physical whisky, prevents the possibility of damage, and reduces the need for additional costs like shipping.

### Secure physical redemption:

Users on WhiskyGenius can redeem their physical whisky whenever they please. Once redeemed, the token will be “burned” in exchange for receiving the physical whisky. This process guarantees that the bottle or cask is not redeemed more than once, and there is only one true owner of the asset at any one time.



Through Blockchain and token-backed assets, WhiskyGenius offers investors a fully secure, transparent, yet simple way to manage their whisky investments.

# COMPARING

## *Traditional Brokerages vs WhiskyGenius*

WhiskyGenius acts as a contemporary alternative to traditional brokerages:

	Traditional Brokerages	WhiskyGenius
Ownership Model	Physical ownership of casks and bottles	Digital ownership via NFTs, with the option to redeem physical whisky later.
Barrier of Entry	Requires significant upfront investment and ongoing costs.	Digital token model allows for less upkeep fees. There is also the option to own fractions of casks with other investors, rather than having to invest in the entire cask.
Authentication & Transparency	Many brokers provide their own certificates to investors that act as proof of ownership, but these are not guaranteed to be authentic. Without investment regulations, it is hard to verify claims.	Information tied to NFTs are provided by the original distilleries or trusted distributors to ensure authenticity.  All transactions are also recorded on the blockchain, whether a cask or bottle is purchased on WhiskyGenius or traded within the secondary market. Users have direct access to transaction history and provenance data.
Transaction Speed	May involve delays for documentation, verification and shipping requirements.	Instant transactions on the platform or via the secondary marketplace due to the use of whisky-backed NFTs. In the meantime, physical products stay secure in bonded warehouses.

# START YOUR JOURNEY

## *With WhiskyGenius*

With growing interest in whisky investment, there is also an increased need to eliminate challenges that prevent certain groups from entering the market or that cause them to lose confidence in their investments.

WhiskyGenius offers a solution to these obstacles, making the rare whisky investment process seamless and accessible to everyone, no matter their budget, experience or connections.

Visit our platform today to get started on your whisky investment journey.

Get Started

