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# INSIGHTS



## BITCOIN, BLOCKCHAIN, & CRYPTOCURRENCY SERIES:

### THE CRYPTO MARKET (PART 2)

by Keith Johnson, Practice Manager

In part one of this series, we covered the fundamentals of Bitcoin – exploring blockchain, mining, cryptography, and crypto wallets. Now, we turn our attention to Bitcoin's dominance in the cryptocurrency market and how it compares to other digital assets. Bitcoin remains the largest and most recognized cryptocurrency, but what gives it this status, and how does it influence the broader crypto market? In this second installment, we will analyze Bitcoin's market capitalization, its impact on the crypto ecosystem, and how it compares to Ethereum, the second-largest cryptocurrency known for its smart contract capabilities. Additionally, we will explore Stablecoins – crypto assets designed to minimize volatility – and their growing significance in the financial landscape.

Beyond just Bitcoin, the cryptocurrency market is evolving rapidly, with institutional interest, regulatory developments, and modern technologies shaping its future. As SAP specialists, we understand the importance of staying ahead of technological shifts, and our goal remains the same: to provide clear, insightful explanations that make cryptocurrency more accessible to all. Let's take a closer look.

— Warren Norris, Managing Partner

### Bitcoin's Market Dominance and Why It Matters:

As the first cryptocurrency, Bitcoin continues to dominate as the most valuable digital asset by market capitalization. As of February 2025, there were nearly twenty million Bitcoins in circulation, worth over \$2 trillion. At that same time, the total market cap of all cryptocurrencies was around \$3.75 trillion. However, Bitcoin and other cryptocurrencies are highly volatile, with Bitcoin's market cap sometimes shifting by \$50 billion or

more in a single day due to price fluctuations. With Bitcoin making up over half of the entire crypto market cap, what about the rest? There are thousands of cryptocurrencies, but Bitcoin holds around 50% of the total market. The next twenty largest make up for about 42%, leaving the remaining to account for just 8%. Let us take a closer look at the second most popular cryptocurrency.

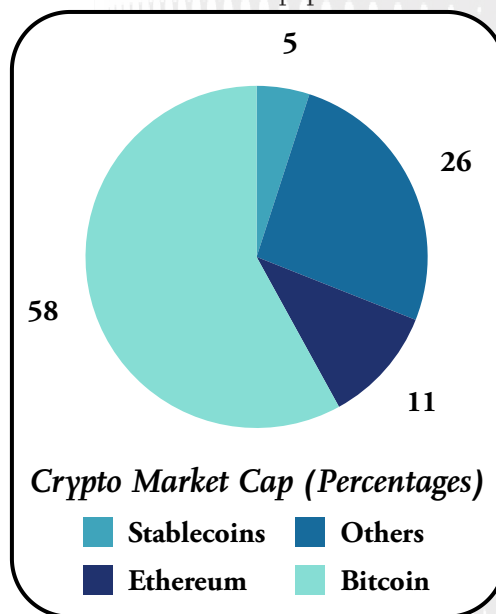
### Ethereum vs. Bitcoin: Two Key Differences

ETH, or Ether, is the second-largest cryptocurrency by market cap and one of the first to emerge after Bitcoin.

Technically, Ether is the cryptocurrency, while Ethereum refers to the network it runs on. Like Bitcoin, Ether relies on a decentralized network of independent node operators who validate transactions and earn rewards for their work.

The first key difference is the Ethereum Virtual Machine (EVM). When you run an Ethereum node and start mining, you are not just processing transactions, you are also contributing to a powerful built-in software engine capable of running decentralized applications. These programs, called Smart Contracts, automate tasks using Ethereum's cryptocurrency. A simple example – an escrow contract that holds Ether between two people until certain conditions are met. Let us break it down with a real-world example.

Imagine Brad, a business owner, hiring Sydney, a freelance designer, to create a new logo for his company. To ensure a fair transaction, they use a Smart Contract on Ethereum. Brad deposits 2.5 ETH into the contract, which holds the funds in escrow. Once Sydney delivers the final design and Brad approves it, the Smart Contract automatically releases the payment to her.



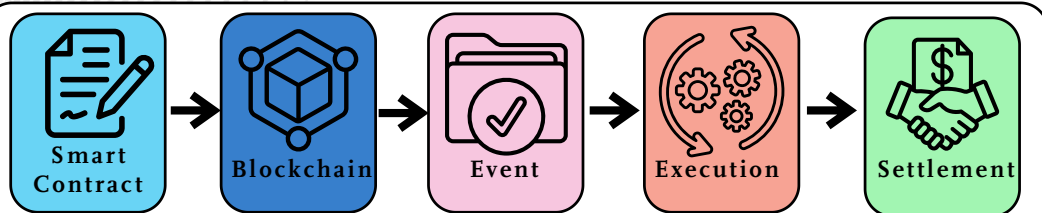
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While arbitration could be used for disputes, in this simple example, Brad gets his logo, and Sydney gets paid, with no middleman needed.

This means a new cryptocurrency can be launched with its own name, price, and ticker symbol, all without the need to build a separate blockchain or recruit miners.



It's important to note that while the terms "token" and "cryptocurrency" are often used interchangeably, not all tokens are cryptocurrencies. All cryptocurrencies are tokens, but some tokens serve different purposes, such as representing assets or enabling smart contract functions.

In short, Smart Contracts are digital agreements that automatically execute when specific conditions are met. They run on blockchain platforms like Ethereum, with contract terms coded directly into the system. They can be created freely using open-source tools, but more complex contracts often require an experienced developer with a solid understanding of blockchain technology. While a separate paper could explore how to create them in detail, this provides a general overview of their role in cryptocurrency. Unlike Bitcoin, which was designed purely as a digital currency, Ethereum was built as a decentralized platform for developing applications – while also having its own digital currency.

The second key difference between Bitcoin and Ethereum is the distinction between cryptocurrency coins and tokens. Cryptocurrency coins, like Bitcoin and Ether, run on their own dedicated blockchain networks, while tokens are created and operate on existing blockchains, such as Ethereum. You can't send Ether on the Bitcoin network, and you can't send Bitcoin on the Ethereum network. However, that does not mean Ethereum is limited to just Ether. When Ethereum was launched, its creators introduced the concept of crypto tokens.

A crypto token is its own type of cryptocurrency, but it is designed to be compatible with an existing network – in this case, Ethereum. Instead of building a new blockchain and recruiting miners to process transactions, anyone can create a new cryptocurrency that runs on the Ethereum network. This concept can take some time to fully grasp, but it is a key difference between Bitcoin and Ethereum.

Think of it this way – the Bitcoin network has thousands of miners processing transactions for just one cryptocurrency – Bitcoin. The Ethereum network, however, processes transactions not only for its own cryptocurrency, Ether, but also for thousands of other crypto tokens. These tokens, known as ERC-20 tokens, are built on the Ethereum blockchain. This means Ethereum is not just for sending Ether – you can also send any ERC-20 token using the same network.

One of Ethereum's key features is that it allows anyone to create their own crypto tokens and use its network to transfer them.

Today, there are around 20,000 ERC-20 tokens in existence, highlighting how the concept of crypto tokens has contributed to the explosive growth of the cryptocurrency market.

Bitcoin is the first and biggest cryptocurrency, with BTC as its trading symbol. It was originally meant to be a way to make payments without banks or governments involved. But these days, most people see it as an investment and a way to store value, which is why it is often called Digital Gold.

But watch out, Bitcoin – Ether is catching up! While Bitcoin is mostly seen as a store of value, Ethereum is powering Smart Contracts and other decentralized apps. Plus, with upgrades like Ethereum 2.0 making the network faster and cheaper to use, more people are jumping on board. As its real-world uses keep growing, some think Ether could give Bitcoin a run for its money in the long run.



### Stablecoins: The Steady Side of Crypto

While Bitcoin and Ethereum rule the crypto world, not every cryptocurrency is a rollercoaster ride. Some are built to stay steady – these are called Stablecoins. They work differently from Bitcoin and Ether, offering a more predictable option in the crypto space. Let's break down what they are and why they matter.

Bitcoin's price goes up and down, and the same goes for Ethereum. But Stablecoins are different – they are designed to hold a steady value. Unlike Bitcoin, which fluctuates based on



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## C O N S U L T I N G



supply and demand, Stablecoins stay pegged to real-world currencies like the U.S. dollar or euro. Popular Stablecoins include Tether (USDT), USD Coin (USDC), and DAI. They were created to make it easier to move dollar-backed payments across crypto networks without the usual price swings.

Stablecoins work just like regular money, but on a blockchain. Crypto traders often use them when buying and selling cryptocurrencies. For example, if a trader sells Bitcoin and wants to buy it again later at a lower price, they might convert it into a Stablecoin instead of withdrawing to a bank. This keeps their funds in crypto without being exposed to wild price swings or dealing with slow and expensive bank transfers. Since Stablecoin transactions typically take minutes instead of days like traditional bank transfers, they offer a faster and more convenient way to move money.

Going back to our earlier example, if Brad wanted to pay Sydney for designing his logo, he could send her Stablecoins, ensuring she gets the exact amount agreed upon without worrying about price fluctuations in Bitcoin or Ethereum during the transfer.

Stablecoins stay stable by being backed by real assets. Most, like Tether and USD Coin, claim to be backed 1:1 by U.S. dollars held in reserve. This means that for every \$1 of Stablecoins in circulation, there should be a real dollar stored somewhere, similar to how some national currencies used to be backed by gold. Others use different methods, like being backed by a mix of assets, including other cryptocurrencies, or using smart contracts and algorithms to adjust supply based on demand.

Stablecoins might seem like a safe bet, but they are not without risks. The biggest worry is whether they are actually backed by the assets they claim. If the company behind a Stablecoin does not have enough reserves, the coin could lose its tie to the dollar and suddenly drop in value.



### The Road Ahead for Crypto:

Cryptocurrency is a fast-evolving space, with Bitcoin and Ethereum leading the market and Stablecoins providing a more

predictable alternative. Bitcoin, as the original cryptocurrency, remains the dominant digital asset and a store of value, while Ethereum stands out for its ability to power decentralized applications and smart contracts. The difference between cryptocurrency coins and tokens further highlights how Ethereum has expanded the crypto ecosystem.

Stablecoins, though briefly covered, play an important role in reducing volatility and improving the practicality of everyday digital payments, making cryptocurrency more viable for purchases, remittances, and financial transactions. However, their reliability depends on proper reserves and transparency.

So, what's next for cryptocurrency? In the final part of this series, we will dive into the future of digital assets – how businesses, governments, and investors are shaping adoption, regulation, and innovation. From potential government-backed digital currencies to emerging trends like DeFi, NFTs, and blockchain scalability, we'll explore the opportunities and challenges that could define the next chapter of crypto.

### Next Steps:

Follow along as we continue to explore the various aspects of cryptocurrency and what it means for investors, individuals, and the business world. For more information about us or to learn how Titan Consulting can equip your business to reach its full potential, visit our website at [titanconsulting.net](https://titanconsulting.net).