

CRYPTO FOR PAYMENTS:

Consumers are hungry – will merchants
be able to fill their appetite?

FEBRUARY 2022



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Acknowledgment

Crypto.com and Worldpay from FIS are excited to co-issue the Crypto for Payments Report with both companies owning joint editorial control over the following insights, methodology and data analysis.

INSIGHTS

INTRODUCTION

The growth in cryptocurrency adoption is breath-taking no matter which metric you look at! Total cryptocurrency market capitalization has grown over 15x from ~\$190B in January 2020 to ~\$3.0T in November 2021¹.

The sector now rivals the total liquid value creation of all other venture capital-backed start-ups combined in just a decade². The number of crypto users around the globe reached ~295 million in December 2021³. Regulation, talent, and capital has supported this rapid growth, resulting in increased retail and institutional investment that has made the sector all but mainstream. Countries that are exposed to high inflation rates and expensive foreign exchange (e.g., Nigeria and El Salvador), have made advances in using crypto rails for payments. As more of society has interest in owning and using cryptocurrency, this report was commissioned to compare consumer and merchant interest in using cryptocurrency as a form of payment.

The findings in this report are based on a survey of over 110,000 Crypto.com users across geographies, ages and income levels in addition to Worldpay from FIS' global base of 1.5M+ merchants. Surveys were administered in Q4 2021.

1. Buchholz, K., 2021. Three Trillion Dollars Worth of Crypto.

2. Selkis, R., 2022. Crypto Theses for 2022.

3. <https://crypto.com/research/2021-crypto-market-sizing-report-2022-forecast/>

LEVEL OF INTEREST

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**Despite a ~10x disparity between customers and merchants who transact in crypto today,
~60% of both merchants and customers would like to transact in crypto in 2022**

75% of Crypto.com customers are interested in purchasing goods or services with cryptocurrency.

With only 4% of surveyed merchants accepting crypto as a method of payment today, there is a significant gap to fulfilling this customer demand. With limited-to-no opportunity to conduct direct transfers from consumer to merchant crypto wallets today, customers are typically forced to convert crypto to fiat before making purchases.

In an ideal world, Cryptocurrency holders would like to be able to make purchases that take advantage of real-time market prices while avoiding the hassle and cost of fiat conversions. Where direct payments in cryptocurrency are not possible, customers have turned to payment products that contribute to their crypto holdings. For example, prepaid cards that auto-sell crypto holdings to fund fiat purchases – such as Crypto.com's Visa card and reward program are becoming increasingly popular. With ~65% of Crypto.com customers using their Visa card, the consumer demand is clear. As the cryptocurrency sector continues to become mainstream with ~16% of US citizens holding crypto today¹, creating avenues for payment utility is becoming increasingly important.

~40%

~4%

~60%

~60%

~75%

~60%

Already using

Within 1 year

Total

60% of Worldpay's merchants are interested in accepting cryptocurrency as payment for goods or services.

Merchants have a clear opportunity to increase their total addressable market, reduce dispute costs, and lower transaction fees. Although merchant crypto acceptance is limited today, more than half of merchants surveyed would like to accept crypto in 2022. The path to actualize the momentum and urgency in this fast-growing space, however, may not be straightforward. Merchants are ready to meet customer demand but are challenged by a steep sector learning curve and complex coordination amongst internal teams (e.g., treasury and operations) which can slow the pace of adoption.

Payment service providers and technology firms can play a critical role in simplifying the transition to crypto payment acceptance at scale by offering embedded services with existing integrations. Payment companies who are willing to take ownership of cost, complexity, and risk can play an important role in increasing the utility of crypto for customers and supporting new economic models for merchants.

DRIVERS OF APPETITE

-  Benefit from real-time market prices
-  Avoid costly crypto-to-fiat transactions

Customers

Interest in paying with Crypto

Appetite

Merchants

Interest in accepting payment in Crypto

DRIVERS OF APPETITE

-  Appeal to broader customer base
-  Lower transaction fees and dispute costs

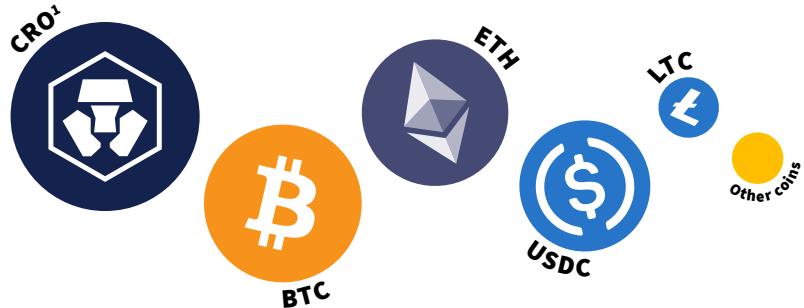
1. <https://www.pewresearch.org/fact-tank/2021/11/11/16-of-americans-say-they-have-ever-invested-in-traded-or-used-cryptocurrency/>

Cryptocurrency Preferences

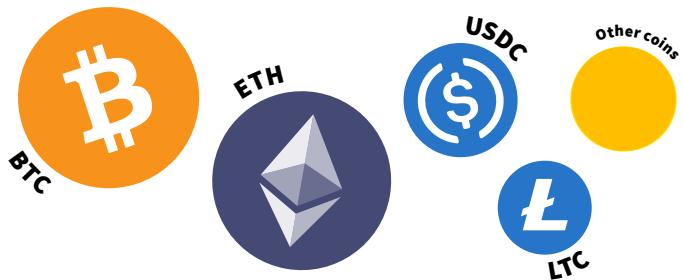
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Customers



Merchants



Coin size indicative
of preference

Exchange-native tokens, Bitcoin, Ethereum, and Stablecoins are preferred currencies

Customers and merchants want to conduct commerce with largely the same set of cryptocurrencies.

Benefits of transacting in cryptocurrencies with the highest market capitalization (e.g., Bitcoin and Ethereum) include a trustworthy brand and security, and the ability to add features that can offset the typical challenges of speed and cost associated with each of these networks. Stablecoins – USDC in particular – are also an unsurprisingly popular transaction currency with little volatility and provide the ability for consumers and merchants to identify the transaction value without conversion. Furthermore, exchange-native tokens with attractive staking rewards and access to premium cards are also popular with customers. CRO, for example, is the most ubiquitous payment currency preference for Crypto.com consumers¹.

While the ‘other coins’ category remains relatively small today, new layer 1 blockchains and layer 2 scaling solutions could create a more diverse range of attractive coins that cater to specific merchant and consumer needs across speed, security, cost and more. Bitpay, a leading crypto payment service provider, reported a ~30% drop in transaction volume from Bitcoin between 2020 and 2021² as consumers opted to pay with other cryptocurrencies. As the trend toward a “multichain” future develops, technology service providers, payment firms, and merchants must be flexible to provide fit-for-purpose checkout experiences to customers that include a diverse range of cryptocurrencies at an accelerating rate.

1. CRO is the native cryptocurrency for Crypto.com

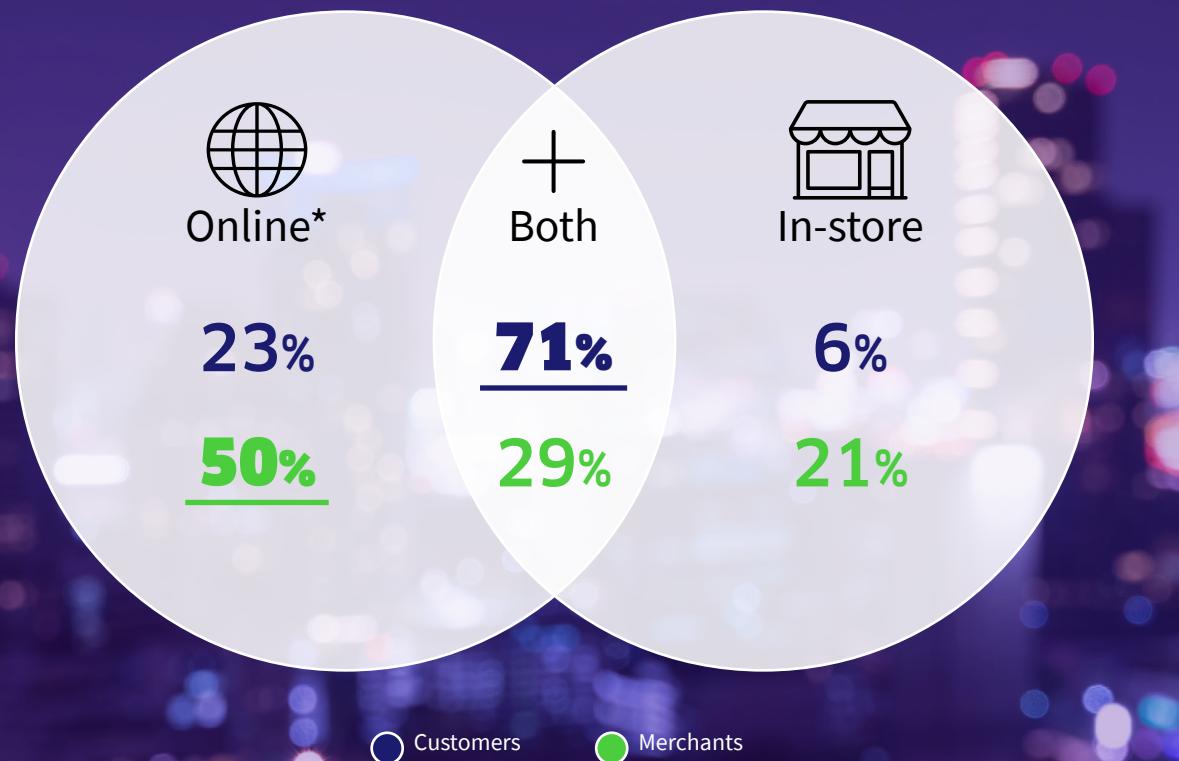
2. Kharif, O., 2022. Bitcoin’s Dominance of Crypto Payments Is Starting to Erode.

PAYMENT MEDIUMS

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Customers want parity between online and in-store payment options while merchants appear to be prioritizing the eCommerce experience.

Customers are optimizing for cryptocurrency utility in both online and in-person purchases.

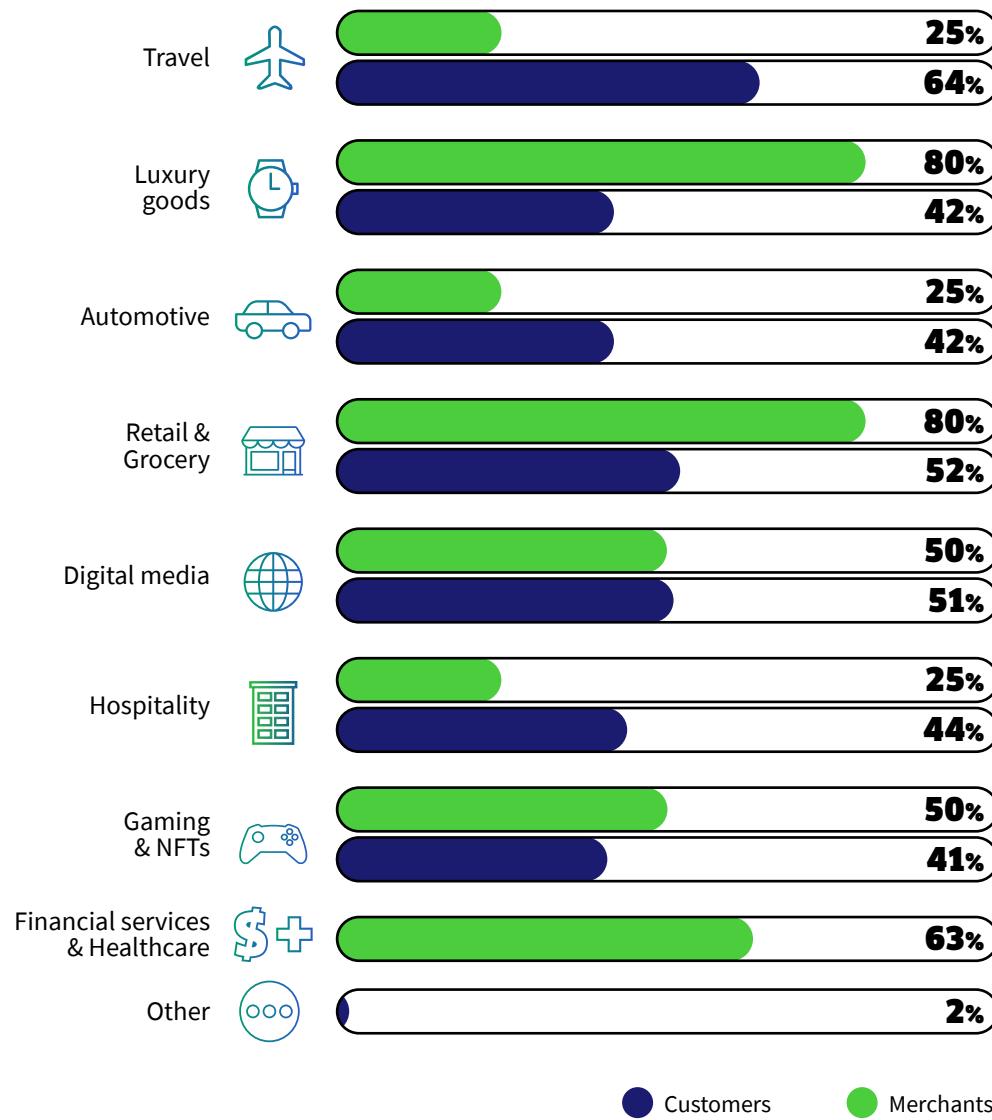
However, changes to in-store payment systems and infrastructure that may be required to ensure compatibility with crypto payments could present a myriad of challenges that don't exist in digital realms. Exacerbating this challenge, there are fewer opportunities and options to buy, build, and partner with third-party technology companies for in-store solutions as the providers tend to be focusing their efforts on eCommerce (especially after its rise in customer utilization during the COVID-19 pandemic). Online crypto payment channels will lead the way for mainstream adoption in Europe and North America with new in-store crypto payment channels likely de-prioritized for the short to medium term.

INDUSTRY SEGMENTS

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Industry appetite



A note to retailers: customers are ready when you are! Meanwhile the Travel industry appears late to its own flight.

Merchants

Enthusiasm for cryptocurrency payment acceptance from merchants exists across the board, although less so for the travel, hospitality and automotive industries. Travel and hospitality were hit particularly hard by COVID-19 with management teams likely prioritising impact recovery and return to baseline financial performance. The automotive sector may be more concerned with their own technology paradigm shift to electric vehicles.

Industries that are not battling for survival or undergoing independent technology upheavals have a significant appetite for crypto acceptance. Luxury goods and retail are eager for a solution with the former benefiting from the authenticity and providence features offered by NFTs and the latter keen to take advantage of higher average transaction value of customers who spend in crypto.

Customers

Ironically, customers' number 1 pick for crypto expenditures is for travel, the sector that displays the least interest for accepting crypto. Airlines, train operators and national transport systems have a massive opportunity to capitalise on market demand for crypto payments. Once retailers are live with crypto acceptance solutions, we expect significant uptick in transaction size and footfall.

SETTLEMENT AND CUSTODY

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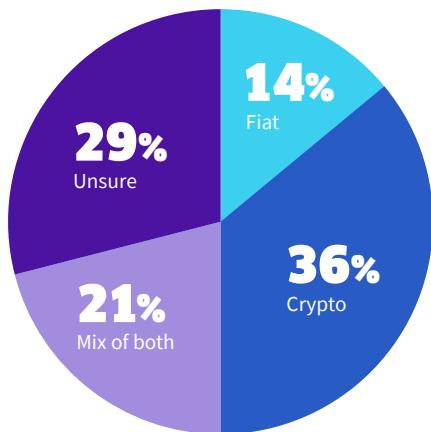
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Education will be a key driver to informing future relationships between acquirers, merchants, and crypto wallet providers

Settlement preferences

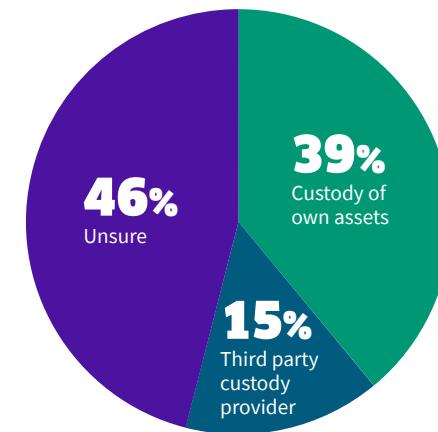
Fiat-only settlement is not fit-for-purpose



Today, payment processors tend to settle merchants only in fiat currency. However, 36% of merchants would be interested in receiving settlement in Crypto! Crypto settlement may be one of the easiest ways for merchants to begin engaging with Crypto, as they need not worry about expensive conversions. Staking various crypto assets – including Stablecoins – also offers lucrative returns relative to traditional bank deposits. A surprisingly low percentage of merchants (~14%) are interested in fiat-only payment ecosystems which are under threat of being considered ‘old fashioned’.

Custody preference

Merchants who understand custody prefer it



A crypto custodian holds and has access to the ‘private keys’ (and therefore funds) associated with a crypto wallet address. With custody comes great responsibility. If private keys are lost, no centralized party can come to the rescue and recover funds. Self-custody is an attractive option for merchants, with (~39%) interested in steering away from trusting third-parties and taking ownership of the end-to-end money management.

~30-50% of merchants are still unclear on what an appropriate settlement and custody strategy should entail in the age of blockchain powered payments. This signals that in-house crypto talent may be scarce, sector education at scale is still in its nascentcy, and that benefits and drawbacks of various approaches may be unclear.

Education will play a critical role in supporting effective merchant adoption of cryptocurrency payment rails and in-turn affect the relationship merchants will have with bank partners, payment processors, and crypto wallet providers in the future.

KEY TAKEAWAYS

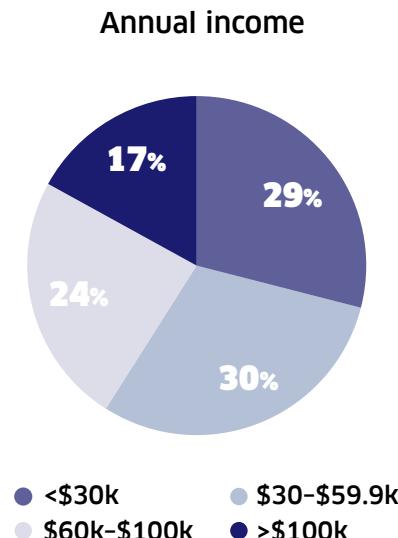
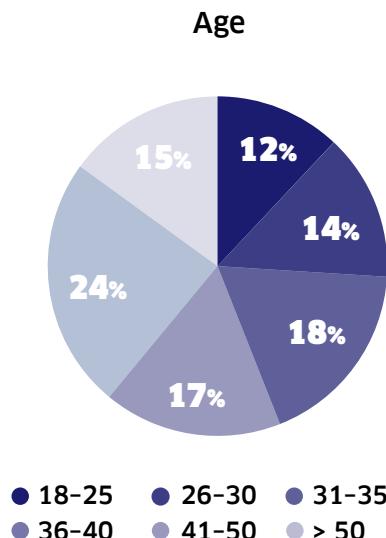
- Significant interest exists for crypto payments with ~75% of consumers and ~60% merchants wanting to transact in cryptocurrency
- Both merchants and customers prefer to transact in Bitcoin, Ethereum and USDC
- ~70% of customers prefer both in-store and online crypto payment mediums, though the majority of merchants appear to be focused on the eCommerce experience only
- There is a bit of industry mismatch in terms of adoption! Customers want to spend their crypto on travel, retail and digital media, while merchants in luxury goods, retail, financial services and healthcare are the ones who are innovating first in this space
- Merchants are looking at crypto settlement opportunities in 2022 and appear to prefer self-custody to third-party custody providers; however, crypto education and the evolving regulatory landscape will play a key role in shaping merchant preferences and key stakeholder relationships in the future



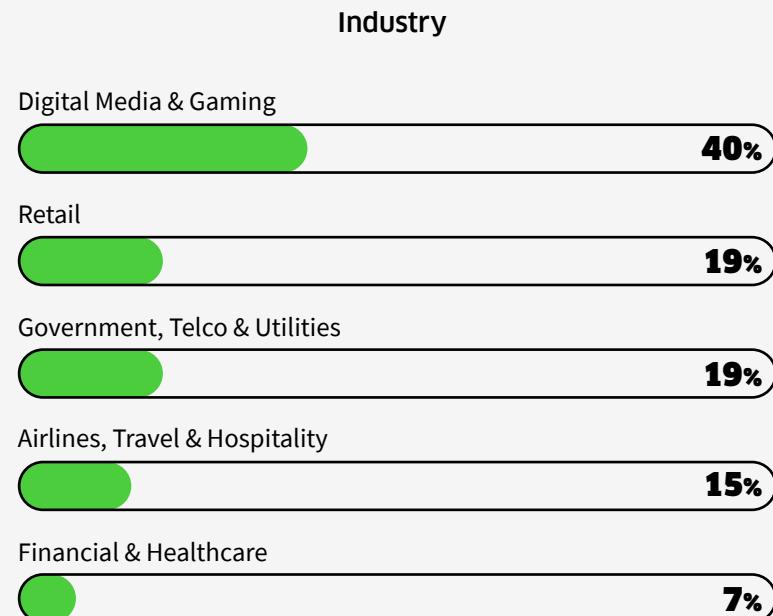
SOURCE INFORMATION

WHO WAS SURVEYED?

Customers



Merchants

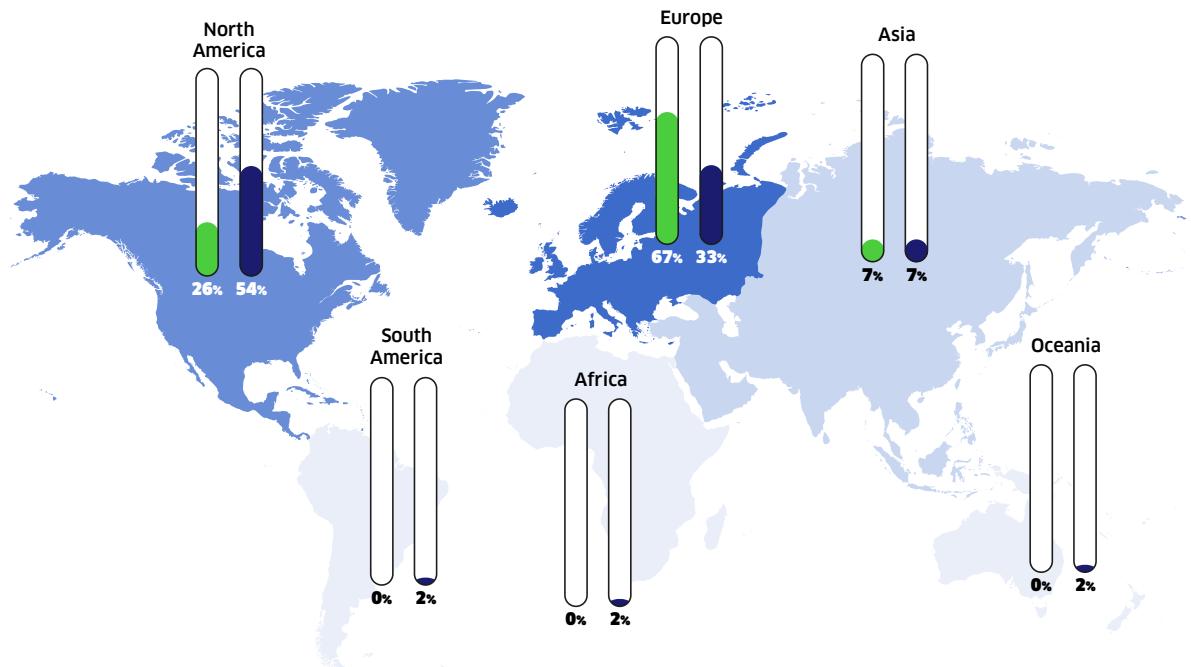


Crypto.com surveyed customers predominantly comprising of adults under 40 years old with ~60% of customers surveyed being millennials. 60% of respondents earn under ~\$60K and may be looking at participation in crypto as a means to grow their wealth.

The highest merchant response rate (~40%) was from the Digital Media & Gaming sector¹ where many Web3 applications are emerging with Play-to-Earn gaming (e.g. Axie Infinity) and NFT Marketplaces (e.g. NBA Top Shot).

WHO WAS SURVEYED?

Customers/Merchants



● Percentage of customer respondents

● Percentage of merchant respondents

Respondents are heavily concentrated in North America and Europe.

Captured market sentiment for crypto acceptance is largely grounded in developed economy principles in which infrastructure and education support merchant innovation and customer adoption.



ABOUT



Worldpay from FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our employees are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index.

To learn more, visit www.fisglobal.com

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Crypto.com

Founded in 2016, Crypto.com serves over 10 million customers with the world's fastest-growing cryptocurrency and financial services platform. Crypto.com is built on a foundation of security, privacy and compliance and is the first cryptocurrency company in the world to have ISO/IEC 27701:2019, ISO27001:2013 and PCI:DSS 3.2.1, Level 1 compliance, and independently assessed at Tier 4, the highest level for both NIST Cybersecurity and Privacy Frameworks, as well as Service Organisation Control (SOC) 2 compliance.

With over 3,000 people in offices across the Americas, Europe and Asia, Crypto.com is accelerating the world's transition to cryptocurrency.
Find out more: <https://crypto.com>

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