INSIDER INTELLIGENCE

MAY 2022
Grace Broadbent

US Crypto Payments

How $10.4 Billion in Transactions Is Upending B2B, Retail, and Remittances

Contributors: Daniel Decea, Nazmul Islam, David Morris, Jaime Toplin, Daniel Van Dyke

US Crypto Payments: How $10.4 Billion in Transactions Is Upending B2B, Retail, and Remittances

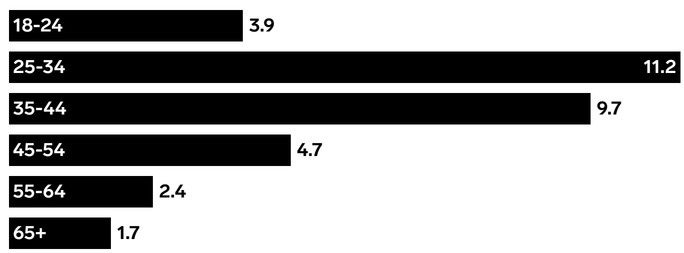
Cryptocurrencies are now a mainstream—albeit volatile—investment tool. But blockchain-based payments are just beginning to catch on. Over the coming years, we expect growing use of cryptos for retail, cross-border remittances, and B2B payments. Incumbent banks and payment networks must carefully weigh crypto opportunities against risks to ride the crypto wave—without getting swept up in the crash.

3 KEY QUESTIONS THIS REPORT WILL ANSWER

1. What's driving growth in the number of US crypto payment users and global crypto payment transaction value?
2. How are crypto payment trends affecting legacy payments players' revenues, competitive positioning, and performance?
3. How can banks and payment networks leverage these trends to benefit from crypto payment volume growth?

WHAT'S IN THIS REPORT? We explore what's driving and inhibiting the growth of crypto payments in the US, dive into top use cases, and show how payments incumbents can prepare for this new era of payments.

US Cryptocurrency Owners, by Age, 2022
millions



Note: individuals who own cryptocurrency (such as Bitcoin, Ether, Dogecoin, etc.) in digital storage/an account
Source: Insider Intelligence, April 2022
274641 InsiderIntelligence.com

KEY STAT: Consumers ages 25–34 will comprise one-third of all US cryptocurrency owners in 2022, per our forecast—a key demographic for crypto payment providers to target.

Contents

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

US Crypto Payments

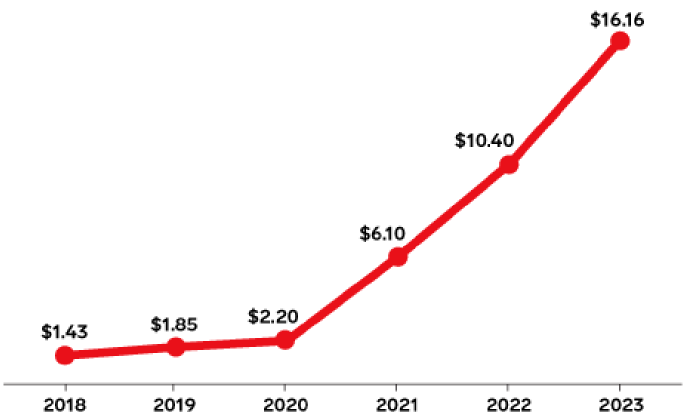
How Crypto Is Changing the Payments Game in B2B, Retail, and Remittances

Crypto payment adoption is real, and it's being driven by consumer demand and payment provider investment. Twenty-one percent of crypto owners cite transactions as their primary objective for owning cryptos, per McKinsey's 2021 Digital Payments Consumer Survey. In response, incumbents are enabling crypto payments between more users and merchants. But they'll need to address major adoption hurdles of volatility, sparse regulation, and crypto crime before the payment method can go mainstream.

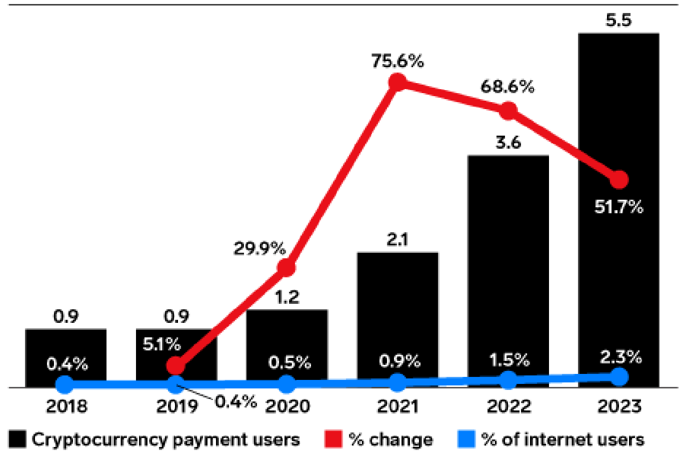
Key Stat

Worldwide crypto payment transaction value is expected to hit $16.16 billion in 2023, a sevenfold increase over 2020.

Cryptocurrency Transaction Value Worldwide, 2018-2023
billions



US Cryptocurrency Payment Users, 2018-2023
millions, % change, and % of internet users



Our Findings

Penetration is low among consumers, but crypto payments have disruptive power.

- **Cryptos solve pain points.** Blockchain, the tech behind crypto, enables transactions at real-time speeds, lower costs, and greater security.
- **Long-term growth prospects are bright.** Despite nascent-stage adoption, there are millions of captive crypto owners to pull into payments options.
- **Remittances are the most mature payment method.** Incumbents are already innovating, as crypto eliminates exchange rate risk and instantly gets funds to users.

Your Opportunity

Take advantage of significant growth potential while keeping risks front of mind.

- **Reduce volatility.** Provide immediate crypto-fiat transfers or focus on stablecoins and CBDCs to ease concerns around price volatility.
- **Create interoperability.** Invest in developing cross-border and domestic solutions that are interoperable between different blockchains.
- **Advocate for regulation.** Consumers, businesses, and providers will remain hesitant until national and global regulation is sorted out.

Also in this report: Crypto payment drivers and inhibitors | Major disruptive players | Incumbents' moves so far

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Key Points

- **Cryptocurrencies have the potential to transform payments.** Blockchain, the technology that enables cryptos, lets businesses and consumers transact at real-time speeds, lower costs, and with greater security, among other benefits.

- **But with so much attention on cryptocurrencies' rising and falling valuations, little is known about the maturity and size of crypto payments**—until now. New Insider Intelligence forecasts shine a light on how many consumers are using cryptos and how much they are paying.

- **Global crypto payment transaction value is just a drop in the ocean—but its long-term growth prospects are bright.** Transaction value will hit $16.16 billion in 2023. That's less than $1 in every $10,000 in payments made across the globe. But as card and noncard payments innovations improve the experience of paying, adoption is on the rise, rocketing up more than sevenfold in three years.

- **Significant hurdles and risks remain.** Lack of regulation leaves consumers, crypto payment providers, and the financial system vulnerable. Crypto asset volatility also undercuts its use as a stable medium of exchange—even among so-called "stablecoins." And real-time payments (RTP) and other emerging technologies could siphon users and industry investment, as they offer similar benefits.

- **Remittances will continue to be the most mature use case for crypto payments by 2023, outpacing cross-border B2B as well as noncard and card payments.** Crypto's cost and speed ease remittance pain points, and disruptors and incumbents alike are already leveraging the technology. Going forward, legacy remittance providers should explore using crypto assets that reduce asset volatility.

- **Noncard and card payments are setting longer-term groundwork for mainstream consumer crypto payment adoption.** We expect crypto noncard payments to drive much of global crypto transaction value growth through 2023. While regulation and asset volatility may limit growth, banks and payment networks can experiment with crypto trading and digital payment options.

Payments Players Are Turning Crypto Ownership Into a Payments Opportunity

Crypto payments are in the first inning of growth, driven by consumer demand and payment provider investment. Twenty-one percent of crypto owners cite transactions as their primary objective for owning cryptos, per McKinsey's 2021 Digital Payments Consumer Survey. In response, payment giants like PayPal and Visa are positioning themselves to translate interest to action by enabling crypto payments between more users and merchants.

Four emerging use cases—remittances, cross-border B2B payments, and retail card and noncard payments—present industry participants with unique possibilities and challenges. In this report, we analyze each use case, examine the expected growth of crypto payments, and outline how banks and payment networks should cater to this new era of payments.

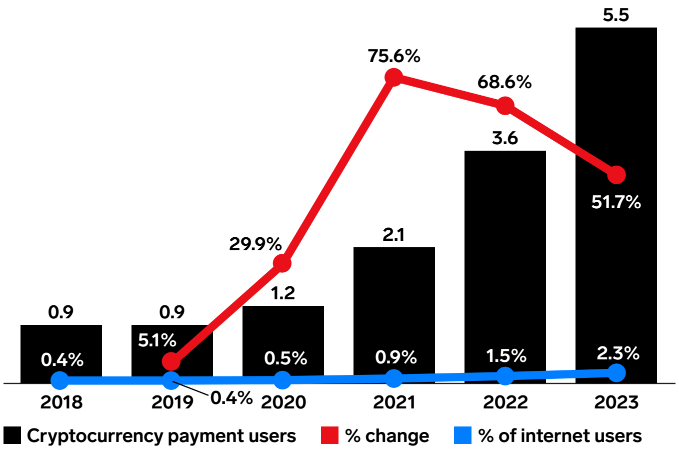
Nascent-Stage Crypto Payments Growth Rockets Forward

US crypto payment adoption is surging from an extremely low base. We forecast 5.5 million crypto payment users as of 2023—a jump of more than 350% in just three years. However, this represents just 2.3% of US internet users.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

US Cryptocurrency Payment Users, 2018-2023

millions, % change, and % of internet users



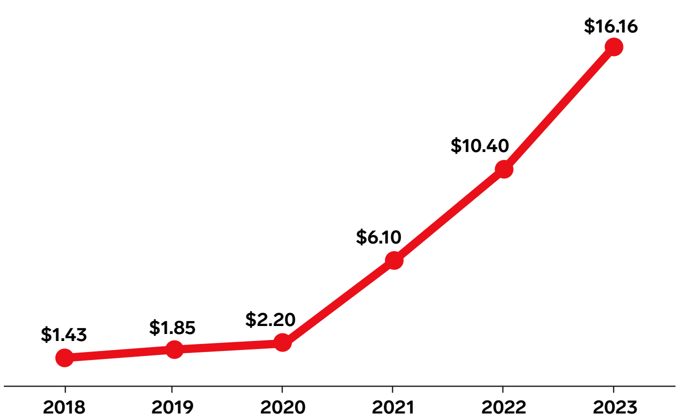
Note: individuals ages 18+ who have used any cryptocurrency (such as Bitcoin, Ethereum, Dogecoin, etc.) to make a payment for goods or services or to another person in the past 12 months
Source: Insider Intelligence, April 2022

274949 InsiderIntelligence.com

Global crypto transaction value growth is following a similar path. It will hit $16.16 billion in 2023—up more than sevenfold in three years—making it a tiny but swiftly growing contributor to global payment flows, which totaled $255 trillion in 2021. Virtually all global crypto transaction value is captured by retail card and noncard payments.

Cryptocurrency Transaction Value Worldwide, 2018-2023

billions



Note: the value of payments completed by users using cryptocurrency on any platform (such as PayPal, BitPay, Coinbase, other crypto wallets linked to Visa accounts, etc.) to make a payment for goods or services or to another person
Source: Insider Intelligence, March 2022

274643 InsiderIntelligence.com

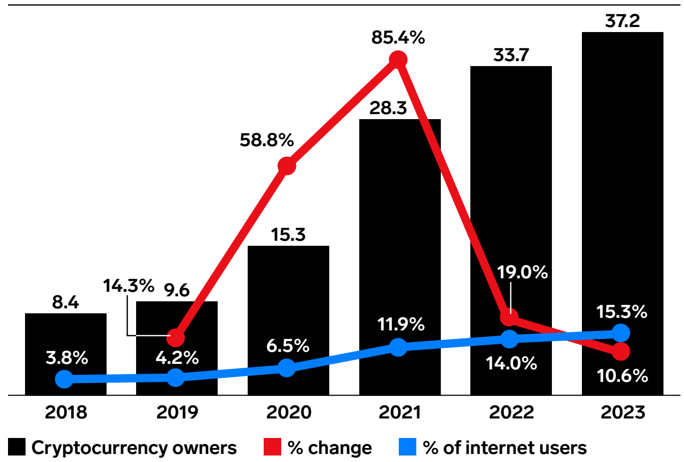
What's Driving Crypto Payments Growth?

Crypto Holders Are Becoming Crypto Payers

2021 was a breakthrough year for crypto ownership, with the number of US crypto owners skyrocketing 85.4% year over year, per our forecasts. More moderate growth is expected through 2023. This is testament to increasing consumer awareness, greater consumer accessibility and related provider innovation, as well as mainstream investment community acceptance of these assets. Payments industry players have thus begun laying the groundwork for crypto owners to translate their holdings into a medium of exchange.

US Cryptocurrency Owners, 2018-2023

millions, % change, and % of internet users



Note: individuals ages 18+ who own cryptocurrency (such as Bitcoin, Ether, Dogecoin, etc.) in digital storage/an account
Source: Insider Intelligence, April 2022

274951 InsiderIntelligence.com

Crypto's Transaction Speed Makes It an Attractive Cross-Border Payment Option

Crypto payments can reduce the time it takes to send a cross-border payment from multiple days to 4–6 seconds on average, per Deloitte. This will appeal to consumers and merchants who value quick settlement.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Crypto Payments Can Lower Operating Costs

Using crypto's blockchain technology can reduce the average cost of cross-border payments by 40%–80%, as it eliminates intermediaries, per Deloitte. These lower or eliminated fees can generate cost savings that can improve margins for providers, which can pass savings on to customers in the form of more attractive rates.

Crypto Security Benefits Extend to Merchants and Consumers

Unlike payments using fiat currency, blockchain-based payments cannot be altered or reversed. This allows funds to instantly settle and transfer with trust, adding to their merchant appeal. And its confidential nature also protects users from identity theft, which may make blockchain-based digital payments more attractive to consumers.

Stablecoins Are a Reliable Medium of Exchange—in Theory

Cryptos in this asset class are pegged to the value of an underlying asset such as the US dollar or gold. This lends them stability as a medium of exchange versus traditional cryptos such as Bitcoin, which can undergo extreme pricing volatility.

While primarily used to enable trading, lending, or borrowing of other digital assets, stablecoins are gaining prominence as a payment method. In 2021, 13% of crypto payments made on BitPay used stablecoins like Tether, per Bloomberg. Meanwhile, total circulating stablecoin supply grew from $29.38 billion in January 2021 to over $182.14 billion by March 31, 2022.

However, stablecoins may not be as stable as the name implies. TerraUSD, a stablecoin that purported to be pegged to the US dollar, saw the value of each coin fall within days from $1 to only 26 cents as of the time of writing. Other stablecoins, such as Tether, have faced lingering questions about whether their reserves are sufficient to back up the coin. We expect greater government scrutiny of stablecoins as consumer and regulator concerns mount.

The 3 Cryptocurrency Asset Classes

	Traditional Cryptocurrency	Stablecoin	Central Bank Digital Currency (CBDC)
Description	A digital asset created and stored electronically in the blockchain. They are decentralized, immutable, trustless, and volatile.	A type of cryptocurrency that is pegged to an underlying asset such as gold or the US dollar.	A type of cryptocurrency distributed by a central bank. It currently only exists in pilot programs.
Advantages	• Fast transaction speeds • Low cost • Security	• Stability	• Stability • Risk-free
Disadvantages	• Inherently volatile • Stigma around cryptos • Lack of regulation	• Lack of adoption and acceptance • Possible impractical regulation	• Still in pilot stage • Accessibility concerns
Popular Assets	Bitcoin, Ethereum, Dogecoin	Tether (USDT), USD Coin (USDC), Binance USD (BUSD)	Digital Yuan (China), Sand Dollar (Bahamas), eNaira (Nigeria)

Source: Business Insider, Fox Business, Blockdata, CoinDesk
g274775

INSIDER INTELLIGENCE

CBDC Launches Could Normalize Crypto Payments

Earlier this year, China became the first major market to launch a central bank digital currency (CBDC), after extensive pilots across the country generated $8.2 billion in transaction volume during H2 2021. We expect major economies to speed up their efforts to avoid getting left behind as geopolitical stakes rise. This government buy-in will help normalize crypto payments and spur more crypto payment integrations. However, the US likely will not launch a CBDC until after 2023, muting domestic impact for several years.

Please note, CBDC transaction value is not included in this report's worldwide cryptocurrency transaction payment value forecast.

The Metaverse Could Position Crypto for Longer-Term Growth

There is strong consensus that the metaverse will be based on blockchain tech, positioning cryptos as its natural medium of exchange. But any outcome is purely speculative. The metaverse needs to move beyond hype—and its crypto use case must also overcome significant challenges—for it to meaningfully drive crypto payments growth.

For a deeper dive into the use cases, opportunities, and challenges for crypto payments in the metaverse, see our April 2022 report, "**The Metaverse: Our Coverage on Tech, Retail, Marketing, Crypto, Healthcare, and China in the Virtual World**."

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

What's Inhibiting Crypto Payment Growth?

Burdensome and Uncertain Regulation Creates Adoption Hesitancy

US tax law requires cryptos to be treated as property, taxing capital gains when cryptos are bought and sold. Crypto payers must abide by this law when they're converting cryptos to fiat during the payment process. This can create a complicated and time-consuming process for crypto payers that could result in capital gains taxes.

And no consistent, comprehensive crypto-specific regulations exist at the national or global level to address their risks, holding back banks and other incumbents from making long-term investments. Instead, regulators have been cracking down on individual crypto providers. For example, Tether agreed to pay $41 million to settle a dispute with the US Commodity Futures Trading Commission, which alleged that Tether misrepresented the sufficiency of dollar reserves pegged to its eponymous stablecoin.

However, regulation is likely around the corner. Several recent developments point to the possibility of significant regulatory changes in 2022, setting the stage for longer-term crypto growth.

- **In the US, President Joe Biden signed an executive order** in March calling on other federal agencies to help build a regulatory framework for cryptos. The order signals that regulations are on the horizon. And in April, US Treasury Secretary Janet Yellen called for "tech-neutral" regulation of the asset class based on its risks.
- **In the UK, a bipartisan group of lawmakers formed the Crypto and Digital Assets Group** in January, creating a forum to draft regulation for the industry.
- **The Russia-Ukraine war has sped up action on crypto regulations.** Concerns that Russia would use crypto to evade sanctions have increased Western countries' calls to adopt stricter crypto regulations.

RTP Systems Solve Similar Pain Points

RTP systems undercut the need for fast, low-cost domestic crypto payments innovation. The US government's FedNow RTP network is expected to be up and running in 2023, well before a digital dollar would launch. The service promises the same key benefits—inexpensive, near-instant interbank payments—as crypto payments. And RTP demand is already evident in the US with the success of The Clearing House's RTP network. However, this doesn't diminish the role crypto can play in cross-border payments, where there is little interoperability between different countries' RTP systems.

Strengths and Weaknesses of Emerging Payment Methods

	Strengths	Weaknesses
Real-Time Payments (RTP)	• Real-time transaction speed • Fully regulated • Limited risk • Widely available and interoperable	• More expensive than other methods, though launch of FedNow will help lower costs
Traditional Crypto	• Near-real-time transaction speed • Low cost • Secure	• Inherently volatile • Lack of regulation • Stigma around cryptos
Stablecoins	• Near-real-time transaction speed • Low cost • Secure • Stable	• Lack of adoption and acceptance • Lack of regulation • Stigma around cryptos
Central Bank Digital Currencies (CBDCs)	• Near-real-time transaction speed • Low cost • Secure • Stable • Limited risk	• Lack of adoption and acceptance • Still in pilot stages • Accessibility concerns

Source: Insider Intelligence
g274777

INSIDER INTELLIGENCE

Crypto Volatility Holds Back Adoption

Cryptocurrencies are among the most volatile and risky investment assets—traits that poorly translate to their use as a medium of exchange. For example, Bitcoin's price started 2022 nearly double its value the year prior—but before January had ended, the asset lost almost all its 2021 gains. And as of the time of writing, crypto market capitalizations shed nearly 40% of their value since the beginning of 2022, plummeting from $2.242 trillion on January 1 to $1.427 trillion on May 10. Volatility will continue to hold back consumers and businesses from using cryptos as a payment method.

Crypto Crime Has Tarnished Trust in the Asset

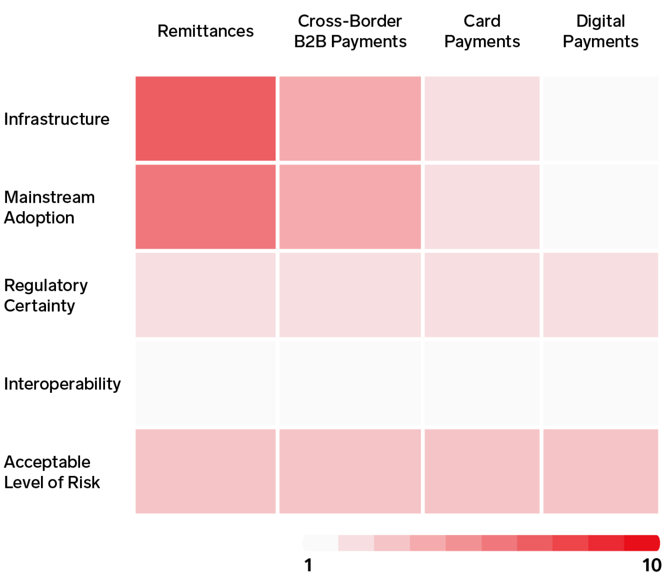
Concerns around using crypto for illegal or illicit transactions are creating a reputation problem for the payment method. In 2021, illicit addresses received a record-high $14 billion in crypto value, per Chainalysis. But as a percentage of overall crypto transactions, criminal activity hit an all-time low, signaling that better security measures have been put in place. We expect this to continue improving as the market matures.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Four Use Cases Contribute to Crypto Payments Growth

Remittances, cross-border B2B payments, card payments, and digital payments comprise virtually all global cryptocurrency transaction value and will continue to do so through 2023. Weighing their relative maturity across five factors—infrastructure, adoption, regulatory certainty, interoperability, and risk—we expect remittances to achieve the highest degree of maturity by 2023 and digital payments to be the least mature.

US Cryptocurrency Payment Use Case Maturity, 2023
(scale of 1-10)*



*Note: *where 1=lowest maturity and 10=highest maturity*
Source: Insider Intelligence, May 2022
i274645

INSIDER INTELLIGENCE

Crypto's Cost and Speed Ease Remittance Pain Points

The remittance space is primed for crypto disruption and will remain the technology's most mature payments application through 2023. Implementation translates to lower costs and real-time speeds for consumers, which are important to those who rely on remittances to pay for necessities like housing and food. Crypto's real-time speed also eliminates exchange rate risk caused by unpredictable shifts in the value of transferred funds over a multiday settlement process.

For a deeper dive into digital transformation in the remittance space, read our February 2022 report, "**Global Remittances Forecast 2022: Mobile Payment Users and Volume Growth in Key Regions**."

Crypto Remittance Disruption Is Forcing Broad Industry Change

Crypto remittance disruptors deliver lower costs for consumers and cost pressure that industry participants must adapt to. Many are doing so by integrating the technology into their legacy business operations. Lowering fees will be hardest for players like MoneyGram that have expansive brick-and-mortar networks to maintain. To make up the difference, they must grow volume or diversify into value-added services.

Three key crypto remittance players are challenging incumbents for market share:

1. **Ripple's** cross-border payment network RippleNet has been instrumental in creating the infrastructure required for crypto remittances and counts Santander, Bank of America, and American Express among its network partners. Still, its volume remains small: RippleNet processed more than 6 million transactions in 2021 with a payment volume run rate of over $10 billion. For context, global cross-border payment flows are expected to reach $156 trillion in 2022, per EY. Note: RippleNet's volume is not included in our forecast, which does not include remittances and cross-border payments.

2. Mexico-based **Bitso** processed $1.2 billion in remittances in 2020 (around 2.5%–3% of yearly remittance volume between the US and Mexico, up from 1.5% in 2019). Bitso claims to have 95% of crypto market share in Mexico, the world's third-largest largest remittances recipient.

3. **Coinbase** launched a pilot in February 2022, letting users send crypto remittances to consumers in Mexico with plans to expand the service to other markets. Thanks to its popularity as a crypto exchange, Coinbase may find success in capturing remittance senders and growing its payments volume.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Legacy providers, digital challengers, and retailers are innovating with crypto remittances to keep pace:

- **MoneyGram** has made several crypto tie-ups. After a short-lived partnership with Ripple, it partnered with the nonprofit blockchain-based Stellar Development Foundation to facilitate cross-border payments using Circle's USD Coin stablecoin. MoneyGram also invested in crypto exchange and ATM operator Coinme in January 2022. As one of the top three global remittance players, we expect its competitors to follow MoneyGram's foray into crypto.
- **PayPal** is mulling plans to develop a stablecoin, which it could integrate into its remittance offering Xoom, among its other solutions. This follows an aggressive push by PayPal into the wider crypto space, where it is looking to position itself as an industry leader.
- **Meta** (formerly Facebook) is testing its digital wallet Novi with a money transfer pilot between the US and Guatemala. Supported by Coinbase, Novi will let users send money with Paxos' Pax Dollar stablecoin. Meta's vast network sets up Novi to be a formidable provider in the space—and to jumpstart crypto remittances adoption.
- **Walmart**, the largest retailer by sales in the US, is showing interest in the crypto space: In August, it posted a job opening for a digital currency strategy lead. A Walmart foray would drive crypto remittances volume growth by making the option easily accessible to a core remittance user demographic.

What's Next?

We believe that in 2023 crypto remittances will continue to be the most mature use case for crypto payments. Ripple and Bitso have already set the tone, and as more of the biggest players explore crypto, we expect payment incumbents to make decisive moves into the space.

Legacy remittance providers should explore using crypto assets that reduce asset volatility:

- **Investigate providing immediate crypto-fiat transfers.** For example, Ripple uses its digital asset XRP to serve as a bridge between the local currencies on both sides of remittance transactions. The company claims that XRP is one-tenth as volatile as fiat currency for cross-border transactions.
- **Base solutions on stablecoin payments and potential CBDC integrations.** Making stablecoins the predominant payment method of a solution, like what Meta's Novi is doing, can help mitigate volatility risk while maintaining the benefits of cryptos. However, as previously covered, stablecoins carry risks of their own. Once launched, CBDCs could also eliminate this risk and solidify crypto's regulatory status in the global economy.

Cryptos Bring Enhanced Security and Faster Speeds to Cross-Border B2B Payments

Blockchain-based payments could make up almost 10% of all B2B cross-border payments by 2024, per Juniper Research data. The payment method offers greater transparency and traceability for cross-border transactions. Crypto's real-time speed also enables global businesses to operate more efficiently, reducing ongoing investment costs and shortening payback horizons—the sum of which drives value for customers.

Crypto Payments Are Upping Fee Pressure in the Cross-Border B2B Space

Blockchain payment provider Gilded claims that fees for its B2B solution are 75% lower than wire transfers or credit card transactions. Global B2B players including software companies, banks, payment networks, and card networks may face pressure to lower fees as a result, cutting into revenues.

To keep up with competition, payment giants are launching their own crypto B2B solutions:

- **Visa's** B2B Connect is a blockchain-based end-to-end payments network that streamlines payments between banks across Visa's global network. It can enable 50%–80% savings compared with legacy cross-border solutions. And B2B Connect partnered with Citi to act as a global settlement bank, which will broaden the network's endpoints and help it expand beyond the 100-plus countries and territories it operates in as of 2021.
- **JPMorgan** unveiled JPM Coin, a stablecoin pegged to the US dollar, in February 2019. The coin facilitates blockchain-based real-time B2B payments and seeks to reduce friction in cross-border transactions.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

What's Next?

To maximize adoption among businesses, banks and payment networks should look to boost interoperability across blockchains. Interoperability is currently limited: Individual blockchain networks are closed, and the technology to enable communication between them is likely still a few years out. Investing in interoperable solutions will encourage greater cross-border volume, connecting B2B solutions across different countries. For example, last October, Visa began developing a crypto payment system called Universal Payment Channel, which will connect multiple blockchain networks.

Retail Noncard Crypto Payments Are Connecting Crypto Owners to Merchants

Noncard crypto payments are increasingly available to consumers and may also be attractive to merchants. The latter must absorb the costs of accepting card payments, creating historical tension with payment card networks that has escalated over the past year. Circumventing card networks and instead going through crypto exchanges and wallets can reduce costs for merchants and help consumers avoid any surcharges that merchants may apply. Gemini Pay, for example, does not charge any transaction fees.

These crypto payments also bring merchants enhanced fraud prevention. Cryptos cannot be altered or reversed, allowing funds to instantly settle and transfer with trust, which reduces chargeback risk for merchants.

Incumbents Are Diving Into Noncard Crypto Payments

As card fee frustrations rise and merchants search for alternatives, noncard crypto payments are providing competition that could threaten card networks. Crypto's lower fees can help the payment method gain traction with merchants. Retail payment incumbents are already looking to integrate crypto payments to meet potential merchant demand:

- **PayPal** debuted Checkout with Crypto in March 2021, enabling wallet users to choose crypto as a funding source at checkout with virtually any merchant that accepts PayPal. This gave PayPal crypto owners a path to paying with crypto that is also easy for merchants to integrate. The following month, CEO Dan Schulman stated the service could reach $200 million in volume.
- **Block's** name change from Square highlights its focus on blockchain, and CEO Jack Dorsey has made it a top priority to help Bitcoin "become the native currency for the internet." Block lets users buy and sell Bitcoin, and last year it announced plans to create a decentralized crypto exchange, as well as a Bitcoin hardware wallet.
- **Stripe** reentered the digital currency space in March 2022 after dropping out in 2018, launching a crypto tool kit of APIs for merchants. It also partnered with crypto exchange FTX to provide onboarding and identity verification. The reentry marks a pivot from 2018, when it argued that Bitcoin was "better-suited to being an asset than being a means of exchange."

Heavy hitters including Amazon, Walmart, and Uber are also all mulling crypto acceptance, which could aid usage.

What's Next?

We expect crypto noncard payments to drive the bulk of global crypto transaction value growth through 2023. In one fell swoop, PayPal created an infrastructure for digital crypto payment, and we expect more consumers to embrace such digital wallet options. But until regulation is sorted out and stablecoins overcome growing pains to become more prevalent, penetration will likely remain limited through 2023.

Banks and payment networks should diversify their offerings to include crypto trading and digital payment options. Adding cryptos can help these incumbents compete against exchanges like Coinbase and digital wallet solutions like PayPal. For example, banks can add a QR code for crypto payments in their digital apps. But they can also add app-based crypto trading—still the technology's primary use case—and look for ways to transition those users to making crypto payments.

Retail Card Crypto Payments Open the Door for Card Networks

Crypto card programs are burgeoning as card networks and providers incentivize crypto holders into using them as a medium of exchange. Card programs let users more easily spend crypto at any merchant by tapping incumbent payment network infrastructure.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Crypto cards are offering expanded rewards opportunities to encourage use. Some programs allow for spend in fiat and then enable crypto rewards, providing consumers with an easy way to start acquiring crypto without investing their own money in the market. But while consumers may seek crypto rewards because they can accrue value over time—unlike points or miles—values can also decline, which could test cardholders' long-term engagement with the card products.

To learn more about crypto rewards, check out our December 2021 report, "**US Premium Travel Credit Card Emerging Features Benchmark 2021: How 8 Leading Cards Meet Prospective Customers' Demands**."

Visa and Mastercard Ramp Up Crypto Card Offerings

Crypto firms have been teaming up with the two biggest card networks, Visa and Mastercard, to quickly launch card programs. Visa has 50 crypto card programs as of July 2021, and Mastercard has more than 20 as of April 2022. These launches have picked up in the past year. In November, crypto platform Voyager teamed with Mastercard on a debit card that lets users spend using USD Coin. On its fiscal Q1 2022 earnings call, Visa CEO Al Kelly said that Visa credentials in crypto wallets surpassed $2.5 billion in volume that quarter—an amount equal to 70% of the crypto volume generated for the entire 2021 fiscal year.

Card networks are integrating crypto spend into their offerings to avoid disintermediation. Cryptos eliminate the need for banks or card networks to act as the middlemen and verify transactions. Integrating crypto spending in their offerings ensures providers are still involved in the payments process and mitigates the risk of volume moving away from their networks.

What's Next?

We expect crypto card payments to complement global crypto transaction value growth through 2023. Crypto card volume should steadily increase in tandem with additional expected card launches and rising engagement among current users. However, the size and scale of these programs is still very small, dominated by crypto co-brand tie-ups, and will likely remain so. In a market where credit card volume is highly concentrated among several large issuers, no major US bank issuer directly markets these cards yet. These incumbents will need more regulatory clarity before stepping into this space.

To attract crypto card holders, providers should ensure their rewards programs and other card benefits are on par with fiat-based cards. Card programs overall are ramping up rewards offerings to stay competitive, so crypto-based ones need to do the same. Whether it's adding new ways to redeem rewards like investing or new security features like numberless cards, crypto card programs can bring new, innovative features that may attract cardholders.

Enabling spend in a variety of cryptos can also help address the volatility issue. The CoinZoom Visa card, for example, allows cardholders to spend in any crypto in their wallet, earning up to 5% back on every purchase. The average user holds 15–20 cryptos and can examine the market value of each to decide which to use for a given purchase, CoinZoom founder and CEO Todd Crosland told us. This flexibility helps cardholders avoid spending with volatile assets that have lost value. While the approach does not solve challenges posed by volatile cryptocurrencies, it could help smooth them over.

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Insider Intelligence Interviews

Insider Intelligence and eMarketer research is based on the idea that multiple sources and a variety of perspectives lead to better analysis. Our interview outreach strategy for our reports is to target specific companies and roles within those companies in order to get a cross-section of businesses across sectors, size, and legacy. We also look to interview sources from diverse backgrounds in order to reflect a mix of experiences and perspectives that help strengthen our analysis. The people we interview for our reports are asked because their expertise helps to clarify, illustrate, or elaborate upon the data and assertions in a report.

Jeremy Almond
Founder and CEO
Paystand
Interviewed April 8, 2022

Todd Crosland
Founder and CEO
CoinZoom
Interviewed April 5, 2022

Walter Hessert
Head of Strategy
Paxos
Interviewed April 4, 2022

Becky McClain
Director, Communications
Paxos
Interviewed April 4, 2022

Shane Rodgers
Co-Founder, Chairman, and CEO
PDX Coin
Interviewed April 5, 2022

Pegah Soltani
Director, Product Management
Ripple
Interviewed April 4, 2022

Read Next

Crypto payments and the metaverse: Getting past the hype to position payment incumbents for success

Insider Intelligence's Payments Trends to Watch in 2022: Central Bank Digital Currencies, BNPL, Super Apps, and Sub-Saharan Expansion

MoonPay scores $86.7M from celebs to grow its crypto and NFT payments business

Binance's new paytech can reduce merchant barriers to crypto payment acceptance

Sources

BBVA Research
Blockdata
Bloomberg
Chainalysis
CoinDesk
CoinMarketCap
Cointelegraph
CoinZoom
Deloitte
EY
Finextra
Forbes
Fox Business
Gemini
Goldman Sachs
Insider
JPMorgan
Juniper Research
Mastercard
McKinsey & Company
MoneyGram
Ripple
Stripe
TechCrunch
The Block
The Federal Reserve
The White House

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Time
Visa
Voyager Digital
Wells Fargo

Editorial and Production Contributors

Anam Baig	Director, Report Editing
Rahul Chadha	Director, Report Editing
Jason Clinkscales	Senior Report Editor
Matthew Corkins	Copy Editor
Justin DeVoursney	Graphic Designer
Joanne DiCamillo	Senior Production Artist
Magenta Fox	Senior Chart Editor
Donte Gibson	Senior Chart Editor
Katie Hamblin	Director, Charts
Dana Hill	Director, Production
Erika Huber	Line Editor
Ann Marie Kerwin	Vice President, Content
Kyndall Krist	Copy Editor
Na Li	Senior Data Research Manager
Penelope Lin	Senior Copy Editor
Reuben Loewy	Director, Report Editing
Jennifer Merritt	Executive Editor
Stephanie Meyer	Product Specialist
Heather Price	Senior Director, Managing Editor
Erika Skorstad	Copy Editor
Rachel Tatarek	Senior Copy Editor
Amanda Woodman	Copy Editor
Julia Woolever	Senior Report Editor
Ali Young	Senior Copy Editor

Copyright © 2022, Insider Intelligence Inc. All rights reserved.

Power your next move with clear and credible insights.

Your morning coffee

Never fall behind the biggest trends and executive-level decisions shaping your industry with our Industry Briefings—they're timely subscriber-only newsletters delivered straight to your email.

Learn More

Get the bigger picture

Your organization is affected by diverse industries, geographies, and ideas. Tap into these influencing factors to avoid information silos and see a more complete picture.

Explore related content

Empower your colleagues

Confidently share reliable and accurate research with your subscribing team members to strategize around our information.

Send to my colleagues

Your account team is here to help.

Contact accounts@insiderintelligence.com or 1-866-345-3864 for answers to any research- and account-related questions.

To learn about advertising and sponsorship opportunities, contact advertising@insiderintelligence.com.

INSIDER INTELLIGENCE

Copyright © 2022, Insider Intelligence Inc. All rights reserved.