



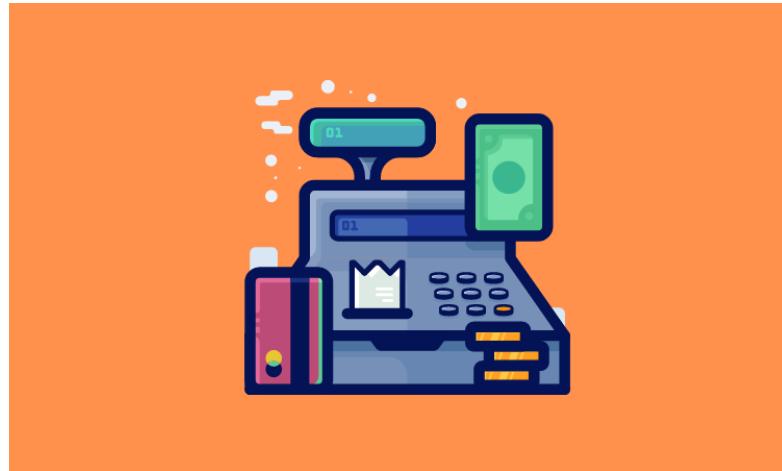
BLOCKCHAIN AND CRYPTO, MEMBER EXCLUSIVE

A leap of faith: Small businesses dip their toes into crypto

Some small businesses are getting in on Bitcoin.

Experts warn that stablecoins are much more suited to long-term use.

SHEHZIL ZAHID | JUNE 04, 2021

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In 2018, Rob Eisenstein booked a table for his online store, CardboardandCoins.com, at a large national baseball card convention in New York. Just before the convention, Eisenstein had an unconventional idea — what if he allowed customers to pay in crypto?

Eisenstein was already investing in crypto, but now he wanted to take the leap with his business. He created placards with wallet addresses for cryptocurrencies that he would accept at the convention. Eisenstein was able to make a few sales with crypto — certainly enough that he decided to officially accept crypto payments at his online store for the long run.

More small businesses like online stores, feeder insect sellers and cosmetic surgeons are using crypto to accept payments. SMBs appreciate crypto for instant, borderless payments but its volatility makes them anxious. Experts believe that SMBs that incorporate crypto payments should use stablecoins that aren't as volatile as Bitcoin. They also say more businesses should take the crypto leap as federal authorities prepare to take a more active role in regulating the cryptocurrency market.

Since that convention, Eisenstein has seen crypto payments grow. He believes the option to pay in cryptocurrencies is becoming more widely accepted by both buyers and sellers. This year, 10 percent of his customers so far have paid in crypto — up from five to seven percent last year, and three percent the year before. Most of Eisenstein's crypto transactions are in Bitcoin, Ethereum, Litecoin and a few others.

"Any time you allow a buyer to pay via their preferred method, it makes sense," says Eisenstein. "It really is about providing convenience to the buyer."

But convenience doesn't necessarily draw more customers. Jeff Neal, founder of The Critter Depot, a feeder insect seller, found that out when The Critter Depot first began to accept Bitcoin, Ether and stablecoin payments in 2017.

Like Eisenstein, Neal uses CoinBase Commerce to process his crypto transactions. When a customer adds an item — like crickets — to The Critter Depot shopping cart, they can select Checkout with CoinBase Commerce at checkout. This gives the customer the option to either sign into their CoinBase account or pay with Bitcoin or Ether through their own Bitcoin or Ether wallet. That reveals a QR code for the customer to scan, which sends the Bitcoin or Ether payment to The Critter Depot's company wallet.

Neal likes cryptocurrencies for a couple of different reasons. To begin with, crypto is decentralized so it is 'censor-resistant' and 'can't be corrupted by a central party'. It's also available 24/7 for final settlement — a big benefit to anyone who needs to make a payment during a weekend or off bank hours.

However, Neal says none of this encourages his customers to pay in crypto. While The Critter Depot is seeing 'a lot more' crypto transactions this year than years past, the most Neal's ever seen is one or two orders per week — less than a fraction of one percent of his business. Neal continues to accept crypto payments because he's keen on developing his own crypto portfolio, but he says the biggest issue with accepting cryptocurrencies is that 'prices swing like crazy.'

"If someone sends us \$20 in Bitcoin for crickets, and Bitcoin's price drops the next day, then we would effectively be selling our goods for \$15 – depending on the price drop," says Neal. "So that is a bit of a challenge, which is why we also accept stablecoins like Dai and USDC."

Dr. Martin Jugenburg, owner of SixSurgery, a cosmetic surgery clinic in Toronto, Canada, shares Neal's concerns. His clinic began to accept crypto payments in March of this year. While the pandemic has prevented him from taking patients over the past year, he says requests to pay in crypto have been pouring in. Many of Jugenburg's patients are from foreign countries like Kuwait, and those who want culturally sensitive procedures require a high level of privacy and security, which cryptocurrency offers.

"The hassle of traditional currency, exchange rates, and wire transfers are incredibly frustrating," says Jugenburg. "Cryptocurrency payments allow us to avoid all of that."

However, he admits that accepting Bitcoin can seem like a 'leap of faith' with its volatility.

"I am not a trader — I am not actively looking at market warnings and indicators on a daily basis," says Jugenburg, who spends most of his day inside the operating room or in appointments with patients. "There is always a fear that one night things are looking great, but by the next morning, your coin is worth something completely different."

Cryptocurrencies are so volatile that a mere tweet from Elon Musk can torpedo Bitcoin's value by 30 percent — its lowest since January of this year — but there are solutions out there to help.

One such solution could be the widespread implementation of auto-selling crypto payments on receipt, like CoinSmart's SmartPay. Justin Hartzman, co-founder & CEO of CoinSmart, a Canadian exchange, says that upon purchase, crypto payments are automatically converted to fiat money and the funds are wired to the business' bank account right away. Hartzman says solutions like SmartPay guarantee exchange rates and low transaction fees without the risk of chargebacks or price volatility.

But are enough small businesses using crypto?

Chris Aguas, founder and CEO of CoreChain Technologies, says, for the most part, SMBs are not using crypto and those that are, are early adopters. He also says that most small business owners accepting cryptocurrency payments are personally invested and interested in acquiring cryptocurrency — like Eisenstein and Neal. The opinion is echoed by Megan Kaspar, managing director of digital assets investment firm Magnetic, who believes that small businesses that use crypto are catering to niche customer demand or marketing strategies.

If SMBs do use crypto, Kaspar says they should use stablecoins, which are better suited for large-scale adoption because they're fiat-backed digital currencies tied to the U.S. dollar, euro, or yen. In short, they're not volatile like Bitcoin or Ethereum. The currency is stable, trackable, instant and transparent.

"In general, businesses have not discovered the use case for stablecoins," says Kaspar. "However, the ones that do now could have a competitive advantage. Hundreds of billions in capital per year have flowed through the crypto asset class, generating new wealth. SMBs today that provide stablecoins as a payment method could tap into those consumers."

Both Aguas and Kaspar say that SMB owners should eventually incorporate crypto into their payment options. Given their size, SMBs can pivot and make internal changes quickly, and Aguas believes that blockchain-based B2B payments with an 'instant pay' solution are one of the ways small businesses can eliminate back-office activities and unnecessary expenses while getting access to working capital faster — the lifeblood of a small business.

Moreover, growing federal interest in regulating the \$1.5 trillion cryptocurrency market indicates that authorities may anticipate a broader, day-to-day, adoption of cryptocurrency. SMBs ahead of the curve could be in a good position to benefit if that happens.

While there are many hurdles for SMBs to overcome as they begin to use crypto, Aguas thinks the biggest challenge for small businesses is probably just taking the leap.

"For small business owners, it's really a personal choice. But the same way that SMBs have adopted Square and now Venmo for payments from consumers, they should soon move to experiment with accepting crypto from their consumers as well," says Aguas. "But it's certainly not a requirement."

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