Creating Your Business’s Crypto Strategy

How to get started on connecting your customers to crypto
About Bakkt

Our vision is to connect the digital economy. We power commerce by enabling consumers, businesses and institutions to unlock value from digital assets.

The Bakkt cryptocurrency platform allows business partners to connect their customers to Bakkt’s trusted custody solution: A solution that enables these customers to buy, sell, and hold cryptocurrencies within Bakkt’s secure, trusted, and regulated environment. Bakkt can even convert a customer’s crypto to cash for spending in-store and virtually.

Bakkt Marketplace, LLC is registered as a Money Services Business and is licensed to conduct its business throughout the U.S.* Bakkt holds a BitLicense through the New York Department of Financial Services.

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THREE YEARS AGO, your company may have been asking,
“Should we have a crypto strategy?”

Today, you must ask:
“What is our crypto strategy?”

What changed?

WITH CRYPTOCURRENCY GROWING at an unprecedented pace, forgoing a crypto strategy puts your business at risk of falling behind.
- Financial services providers are seeing assets move to crypto exchanges.
- Retailers may be losing shoppers to competitors that accept crypto payments.
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Potential Crypto Strategies

SO, WHAT COULD your business’s crypto strategy be? That depends on your goals and what you bring to the table. Here are some basic approaches to explore:

**Strategy: Integrate crypto into rewards**

When Bakkt surveyed 1,000 U.S. consumers who are part of three more loyalty programs for our “Loyalty and Rewards Outlook” study, we found that the average U.S. consumer values having multiple options for reward redemption. Through the Bakkt platform, cutting-edge brands can offer their loyalty members the opportunity to redeem rewards for cash, so they can buy cryptocurrency, or receive cryptocurrency as the initial reward. This growing confluence of crypto and loyalty promises to transform the customer experience by adding flexibility and engagement to the brand/customer relationship.

**Potential Bonus:**
- Attract younger and more affluent customers. According to Bakkt’s study, these valuable customers are the same ones who say they would like to earn cryptocurrency in addition to points or are likely to redeem loyalty points for cryptocurrency. One attraction crypto rewards may hold: Unlike airline miles, cryptocurrency can be seen as an investment whose value could increase over time.
- Get unused points off your balance sheet. Loyalty program members are sitting on millions of dollars worth of mile and point liabilities. They may not be spending them because they don’t have a trip planned, or perhaps they don’t have enough points in any one program to redeem a reward. Instead of living with the unpredictable liability of unused points, companies can

**CASE STUDY**

*How Choice Hotels Gives Members Flexibility*

Through a partnership with Bakkt, members of the Choice Privileges program can now convert their reward points to cash, with the option of using that cash to buy bitcoin – all through the Bakkt App.

And in an environment of ever-heightened competition, customers are always looking for more rewarding relationships, meaning that companies in any industry should consider how crypto could enhance their loyalty programs.
encourage customers to redeem their rewards today by allowing them to convert points to cryptocurrency.\(^7\)

**Strategy:** **Expand disbursements with crypto payouts**

A growing sector of the workforce, notably gig workers, are interested in receiving some of their compensation in cryptocurrency. Workers who want crypto payout options are attracted to the potential for instant payment, global payments without wire transfer fees, the protection against fraud that blockchain technology can offer, and the potential to tie payments to project milestones using smart contracts.\(^9\)

**Potential bonus:**
- Offering crypto disbursements may help gig platforms build loyalty among workers. Instant payment, which crypto can facilitate, is attractive to workers in this sector, with one survey showing that gig workers would switch platforms to a company that offers instant payouts.\(^10\)

**CASE STUDY**

**Bakkt Partners With BringMeThat.com to Bring Crypto to Food Delivery\(^12\)**

In this partnership, Bakkt will enable not just crypto payments from hungry customers, but also offer the option of crypto payout for drivers. Derek Beckmann, BringMeThat.com CEO, is well aware of how powerful crypto could be in attracting and retaining workers.

**Strategy:** **Offer crypto payment options**

Consumers are looking to spend cryptocurrency, but they complain that not enough merchants accept it.\(^14\) Companies can distinguish themselves in a competitive marketplace by becoming one of the pioneer accepters of crypto in their industry.

**Potential Bonus:**
- Attract new customers. Not only do crypto users tend to be new customers, but their average transaction sizes are also higher than credit card purchases.\(^16\)
- Cryptocurrency transactions may be a lower cost than traditional methods of payment, such as credit cards.\(^17\)
Strategy: Use crypto to offer unique value
On the cutting edge of cryptocurrency is the creative use of blockchain technology to create “programmable money” and use it to execute “smart contracts.” This means that blockchain technology can incorporate a program that will run only when certain conditions are met.

Companies using smart contracts can offer their customers the security of transparency and real-time tracking beyond what those not using blockchain technology could offer.19

Potential Bonus:
- Companies using crypto for smart contracts are also saving time and money. That’s because smart contracts can eliminate the need for intermediaries and paperwork. Cutting down on paperwork means fewer hours billed by law firms to produce that paperwork.20

Strategy: Be your customers’ introduction to crypto
According to Bakkt’s survey, consumers who are hesitant to own cryptocurrency cite lack of information as their top barrier.21 And consumers who are using crypto cite wanting to learn more about it as one reason for owning it.22

Can you be the one to take customers by the hand and help them over these barriers to entry?

CASE STUDY

Quiznos Introduced Crypto Payments to Meet Millennial Demand

QR Quiznos partnered with Bakkt to launch a pilot program allowing customers to pay using the value of their bitcoin. Mark Lohmann, president of REGO Restaurant Group, which owns Quiznos and other national QSR chains, cited the following as motivation “mobile and millennial consumer demand for alternative and cryptocurrency payment options.”18

$160 billion: Approximate value of unused points and miles held by customers of US airlines, hotels, and other companies with loyalty programs.6

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How Bakkt can help

CRYPTO OFFERS OPPORTUNITIES for customer engagement and retention — but what about the learning curve, not to mention the regulatory and accounting burdens of handling these new assets?

Instead of building your own crypto program from the ground up, consider using a partner such as Bakkt to handle the back end. Bakkt’s cryptocurrency platform allows business partners to connect their customers to Bakkt’s trusted custody solution: a solution that enables these customers to buy, sell, and hold cryptocurrencies within Bakkt’s secure, trusted, and regulated environment. Whether your company is a bank, QSR, hotel chain or other enterprise, Bakkt can enable you to deliver your crypto strategy.

CASE STUDY

How Hanover Bank Is Partnering With Bakkt for Accessible Crypto

Can your business help customers satisfy their crypto curiosity? Hanover Bank is doing just that by integrating bitcoin and Ethereum into its mobile banking app. By including access to these novel currencies in an environment where customers are already comfortable, Hanover is helping its customers enter the crypto space.
Footnotes

4. Ibid.
5. Ibid.
7. Ibid.
13. Ibid.
16. Ibid.
22. Ibid