

Coinsource Executive Memo

Business to Business Proposal

March 27, 2020

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Assessment on Coinsource, Market, Competitors, and Target Audience

Business Overview

Coinsource is a Bitcoin ATM headquartered in Fort Worth, Texas and has been an industry leader in the BATM space since 2015. This Texas-based cryptocurrency company currently operates over 400 ATMs in 44 states. Their leadership team includes Sheffield Clark, CEO, Derek Muhney, Director of Sales and Marketing, Mark Reynolds, Chief Sales Officer, and Bo Oney, Chief Compliance Officer. This high-growth startup employs approximately 25-50 employees and has an expected revenue range of \$10 to \$50 million. Their key product is a physical ATM kiosk that allows for cash purchases of Bitcoins through their remote enrollment feature. The below business to business proposal will allow Coinsource to continue their growth in the Bitcoin market and further their position as an industry leader.

Market

In the last decade, cryptocurrency has grown exponentially in popularity. As of 2018, 1% of people said they owned currency, that number has grown to 10% in 2020 (Peters, 2020). To service this increased customer base the number of cryptocurrency ATMs installed in the US have increased to 4,994 in 2020 from 93 in January 2015 (Peters, 2020). Globally, as of 2020, 7,172 ATMs were installed, compared to 325 ATMs in January 2015 (Peters, 2020). Major US cities have the greatest number of Bitcoin ATMs with Los Angeles leading with 250 BATMs and Chicago at 166. While there are numerous BATM providers the top ten operators are responsible for 45% of all BATMs (Top 10 Bitcoin ATM Operators, n.d.).

Top Bitcoin ATM Operators	
1. Bitcoin Depot	6. Bitcoin of America
2. Coincloud	7. LocalCoin
3. CoinFlip	8. National Bitcoin ATM
4. Rocket Coin	9. BitStop
5. Paydepot	10. Bitnovo

Competitors

The top competitors for Coinsource are Coinme, General Bytes, and Lamassu. Coinme was founded in 2014 and was the first one of the first state-licensed Bitcoin ATM companies in the US. Coinme is deploying a global crypto ATM network with a vertically integrated digital wallet and private-client services. General Bytes is the world's largest Bitcoin, blockchain and cryptocurrency ATM manufacturer. General Bytes uses Android technology in their devices due to its opensource nature; this

allows for cost effective custom capabilities to their end clients. Another strength is their Robocoin Kit. Robocoin created the very first Bitcoin ATM in the world but went out of business. The Robocoin Kit allows for clients to retrofit these old BATMs with General Bytes technology. Lamassu manufactures ATM hardware, software, and provides support. Clients purchase the machine outright and have the option to pay for support on a monthly basis for the ATM fleet. This allows for clients to save money as there are zero licensing fees. Lamassu also uses opensource software for a truly customizable experience. While these are the three top competitors, any company with money transmitter licenses or Bitlicenses can pose a threat to Coinsource. These companies underwent strict regulations in order to conduct virtual currency business. Companies such as: Gemini, Ripple, Coincase, Square, BitPay, and Robinhood all have Bitlicenses.

Target Audience

There are several companies that manufacture BATMs around the globe; many of these manufacturers solely produce the machine. These manufacturers have brand recognition within the industry which make them a solid contender to transition to a ATM operator. Bitcoin miners such as BTCS or BuyUCoin have mastered the transactional piece of cryptocurrency; partnering with Coinsource will expand their portfolio offerings to their existing client base. Banks and blockchain financial services are using cryptocurrency to carry out transactions instantly that would otherwise take 30-60 days through the typical banking system. Targeting existing banks and financial services would allow the banks to add convenience and expedited services to their clientele. Coinsource is essentially a one-stop-shop thus allowing the banking services to seamlessly adopt this form of ATM to its product offerings.

As for the overarching customer base, Coinsource currently focuses on supporting the underbanked and unbanked population. As shared in several FDIC reporting, the underbanked and unbanked population continues to decrease at a rate of 0.5% per year and Coinsource needs to be proactive in maintaining a healthy customer base as they develop various business to business relationships (FDIC.gov, 2018). The target audience needs to be evaluated to ensure the customer base is not saturated and still allowing new customer to enter the market. This expanded customer base can include supporting individuals on the cusp of being considered underbanked or new to alternative financial opportunities.

Business to Business Proposal for Coinsource

Overview

Our proposal to grow Coinsource's Business to Business component focuses on a multi-prong approach that is adaptable during the COVID-19 concern as well as afterwards. The Business to Business strategy is designed to establish strategic partnerships to support the underbanked consumer and establish new relationships with future customer bases. Considering the potential shift in consumers, the proposed three-prong approach includes leveraging the underbanked consumer access points, partnering with financial expert websites, and further strengthening their professional network. Each of

the above components focus on establishing key business partnerships to not only support the physical ATM but also leverage the key financial services offered through Coinsource.

Leverage Cryptofriendly Banks

The first recommendation is to focus on building a relationship with more mainstream banking institutions. Traditional banking historically has seen cryptocurrencies as a threat, and it became apparent as several major banks in the US, Canada, and Australia banned people from using their credit and debit cards to purchase Bitcoin and other cryptocurrencies. There has been a shift in this mentality as the number of business starts using Crypto as a mode of payment, and many banks take a more friendly approach towards cryptocurrencies including establishing a crypto desk. Bitcoin ATMs are a replacement for Bitcoin exchanges and currently Bitcoin exchanges are working with bank institutions. For example, Ally Bank allows its customers to buy and sell Bitcoins through the Coinbase Bitcoin exchange. Coinsource is primarily targeting under banking. However, a collaboration with Crypto-friendly banks will boost exposure, business partners, and consumer use for Coinsource.

Leverage the Underbanking Consumer Access Points

To leverage the underbanked consumer, it is recommended that Coinsource establishes a strategic relationship with a national organization for credit unions such as the National Association of Federally-Insured Credit Union (NAFCU), Credit Union Service Network (CUSN), or CO-OP Financial Services. In this strategic partnership, Coinsource can provide a unique experience as their exclusive third-party provider for bitcoin interactions and the credit unions will have another destination item for current and future consumers. Credit Unions are an ideal partner as they tend to have less rigid eligibility requirements, focus on financial literacy for their customers, and tend to have less available financial offerings. This allows for Coinsource to become an expert for the Credit Unions to partner with and provide a unique financial offering for their customers.

Additionally, Coinsource should consider a partnership with Discover Financial Services. Like the Visa and Coinbase relationship, Coinsource can provide a key access point to Bitcoin. Discover Financial Services is a US-based organization that focuses on students and small businesses, they offer over 415,000 ATM access points for traditional financial services through third-party ATM providers. This potential relationship would provide support for Coinsource in making the vital connections for potential business leads and a technology friendly customer base.

Partner with Leading Financial Advice Websites

In the interim due to COVID-19, Coinsource can leverage their expertise to build a digital following to allow them to launch further into the business to business forum and continue to promote their position as a Bitcoin ATM expert in the financial space. As an expert on Bitcoin, Coinsource should partner with leading financial advice websites, such as NerdWallet, and sponsor bitcoin-driven financial information. The materials recommended would include the benefits of using Bitcoin ATMs leveraging their proprietary software. This exposure also allows Coinsource to highlight the opportunity to own an

ATM, developing organic leads as websites like NerdWallet.com have growing segments for making money. Partnering with NerdWallet.com would be able to satisfy both their business to consumer and business to business objectives.

Increasing Exposure Through Professional Networking

Lastly, Coinsource can further drive business-to-business lead generations through strengthening their position in professional networks and conferences. Looking first at professional networks, Coinsource has the potential to further develop their standing with ATM Industry Association (ATMIA). Currently, select members of Coinsource's Executive Team are listed on the website and there is an opportunity for the brand to leverage ATMIA's regional sponsor program for the United States Region. This \$8,000 sponsorship includes increased brand awareness in digital and print media through company showcases, articles, and sponsor logos on communication, access to their 11,000-member directory for potential business partnerships as well as a voting seat on the Regional Board. This opportunity can be executed in the current environment with COVID-19 implementations and set the foundation for in-person business to business conversations.

As for conferences, Bitcoin 2020 in San Francisco, the Next Gen Summit in New York, and the entrepreneur conference, Money 20/20, in Las Vegas, are several national conferences that will provide in-person lead generation opportunities and leverage Coinsource's ability to make personal connections with potential business partners. While we are in unprecedented times, these conferences will take place either later in the year or next year as the international COVID-19 response changes. Coinsource is encouraged to take a leading sponsorship position in these conferences to ensure their brand messaging is being promoted to the best audience for organization to partner with. This includes leveraging speaking engagements, key booth locations, and branding on conference materials such as lanyards, bags, and wristbands. This will ensure the Coinsource branding remains in the forefront of future business connections.

European Market

In Europe, the cryptocurrency market is in its initial stage. There are several abandoned ATMs from cryptocurrencies in Europe which are shut down as they did not receive certification from the necessary authorities. This environment will allow for Coinsource to enter the European market as a new provider. The European people, especially Germany, Austria and Switzerland, does have limitations as they do not embrace new technologies. However, the ATM concept is a preexisting piece of hardware that this customer base can support thus making the transition to cryptocurrently an easier process. It is one of the reasons, the cash withdrawals from ATMs are highly prevalent in these countries as compared to digital payments. One point of note is the European bureaucracy that may cause additional hurdles for Coinsource. Considering this, the average age group in Europe is 42 which means the potential for individuals looking for a stable passive income source and an option to continue building long-term growth is good.

Summary

As stated in the above business to business proposal for Coinsource, we are recommending a mixture of short-term and long-term options as well as both digital and in-person situations to accommodate for the changing times, including the impact from COVID-19, to ensure Coinsource can take the needed steps regardless of current events. Coinsource has a healthy business to consumer model and expanding on this success, we are recommending they broaden their customer-base scope to allow for more opportunities to connect with other business partners. Going forward, Coinsource will need to continue to transparently build their relationships with financial services that support the ever-developing cryptocurrently market and the underbanked, continuing to establish themselves in the digital footprint as an industry expert by collaborating with existing industry leaders and websites leading to organic lead-generation, as well as initial exploration into the European market for long-term growth. Coinsource is in a unique position by providing the product, service and experience in each future business relationship and their business to business success will come from maximizing exposure of the comprehensive partnership that they are offering to prospective partners.

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