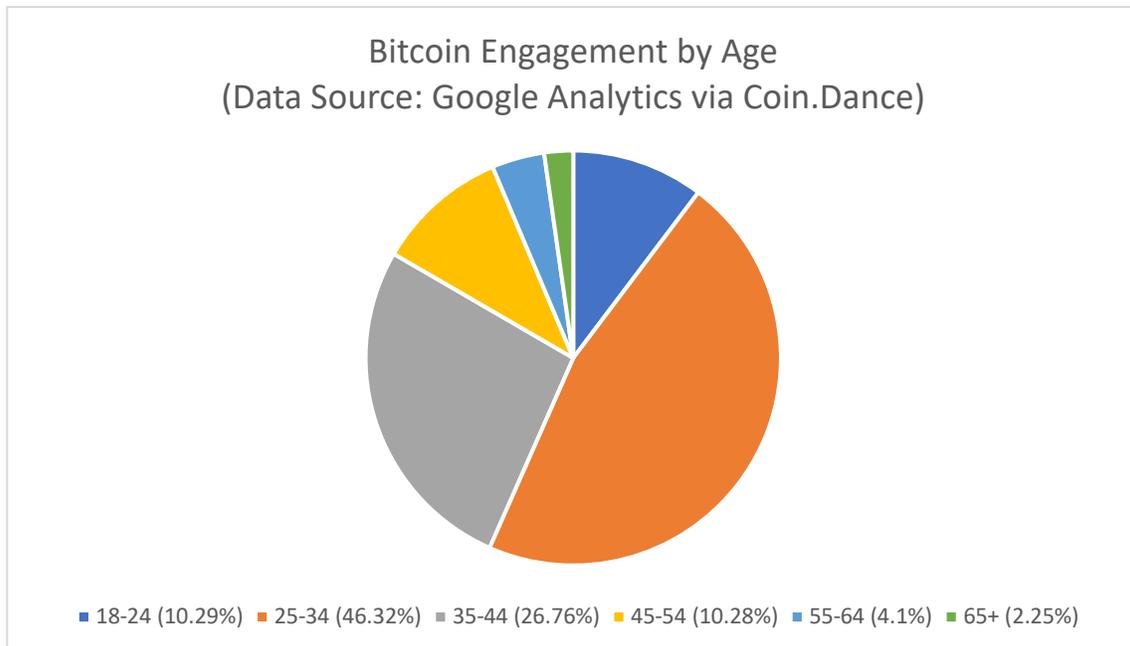


## Pizza and Bitcoins: A B2B Growth Strategy for Coinsource

### Introduction

Based on our research, we believe the majority of people interested in cryptocurrencies buy them through established online exchanges. Bitcoin ATMs target a different market (unbanked individuals, millennial first-time investors, and baby boomers testing the market). It is our belief that the strongest outlook for Bitcoin remains within the younger population (25 – 44-year-olds).

Given this age demographic, our proposed growth strategy will capture these cash carrying individuals in their local communities. We have named this demographic the *'happenstance consumer'*. The Bitcoin transactions they undertake would likely not have occurred had they not come in contact with a Bitcoin ATM. This means the ideal location will have a high volume of foot traffic from individuals in our target age group. With this goal in mind, our B2B growth strategy focuses on the **pizza** industry.



## **Target Market**

Our primary motivation for this selection is the shared demographic. Based on data regarding the pizza industry, the above-mentioned target demographic between the ages of 25 to 44 represents the primary source of pizza industry revenue, accounting for about 38% in 2019. It is essential to take into account the physical exposure to the restaurant venues, as such exposure represents access to the ATMs. Given the necessity of exposure, Coinsource has a choice it can make. On one hand, it can focus on the sit-down style pizza restaurants which currently represent a healthy 32% of pizza industry revenue and would, if selected, maximize ATM exposure. Alternatively, Coinsource can opt to target the 54% of the industry tailored towards carry out and delivery. Though this would make exposure to on-site ATMs a challenge, this segment of the industry has historically been exceptionally pro-Bitcoin. Domino's, as an example, accepts Bitcoin under certain circumstances in payment for its pizza and engages in promotional Bitcoin giveaways. The existence of 'Bitcoin Pizza Day' as celebrated by both Dominoes and Papa Johns as well as other industry members speaks volumes to the potential for a partnership. In addition, our research showed that the target demographic buying pizza has an annual household income in excess of \$100,000. Bringing the idea of purchasing Bitcoin, especially from an ATM, into the minds of these customers is more than likely to repurpose some of that income to products other than pizza.

## **Key Partners**

We believe it is critical to identify a key partner or partners in the pizza industry to make this strategy successful. The ideal partner would own (or market to) a large number of restaurant

locations to justify their investment in a network of Bitcoin ATM's while having the ability to draw heavy foot traffic from the primary pizza restaurants.

We propose that Coinsource negotiate partnership agreements with one or several major pizza chains (Domino's, Pizza Hut, Papa Johns, etc.) to install Bitcoin ATM's at their company-owned locations. As an incentive, Coinsource could offer deferred payment terms on ATM purchases to match future increases in usage (and additional revenue to the restaurant). As an added benefit, since many of these pizza chains have foreign locations, Coinsource could partner with them to expand internationally with relative ease.

Our research shows a large percentage of pizza industry sales coming from a few states.

We propose trials in two states. First would be Coinsource's home state of Texas, which is responsible for nearly 7% of pizza industry revenue. Second is California, accounting for over 9% of total national pizza sales.



Pictured: Distribution of Domino's Restaurant Locations (Source: ScrapeHero.com)

## **Consumer Challenges**

In addition to this educational consideration, we noticed that first time as well as repeat users of the Coinsource ATM required pre-existing knowledge of and access to an already functioning Bitcoin wallet. This artificial barrier to entry would more than likely dissuade the ‘happenstance consumer’ by requiring unseen research and preparation. To combat this, we recommend Coinsource take one of two actions. First, identifying and collaborating with an existing cryptocurrency wallet company or organization to provide easy access to reliable wallets and/or wallet creation resources. We realize there may be legal implications involved in this type of approach. As such, we offer the alternative solution of adding wallet information to the existing wallet page of the ATM. For example: “No Wallet? Press here.” Even without pointing to a specific source of wallet creation, providing some information to an otherwise uninformed consumer would help to facilitate first time user transactions.

## **Digital – The Key to Future Growth**

We understand Coinsource’s strategy to use their physical ATM business to allow their software to become the dominant industry standard. As they move toward this dominant position, we highly recommend the creation of a digital version of the product. In regards to exposure and branding, physical products are an exceptionally powerful tool. However, many of the people we’ve had the opportunity to interview have cautioned that a physical manifestation of a digital currency is unsustainable and ultimately counterproductive. Regardless of how accurate such an assertion is, to truly capitalize on all potential customers Coinsource should prepare to transition into the digital realm. Creating a Coinsource branded online exchange with

physical ATMs for recognition would be an indisputably powerful competitive advantage while also avoiding the trust issues and uncertainty which plague existing digital exchanges.

We envision Coinsource becoming the 'Netflix' of the Bitcoin world. Netflix used their physical DVD delivery business to enter the entertainment market, compete with Blockbuster, and establish a large customer base. While in parallel, they developed the capability to move to the digital world when the technology as well as the size of their customer base could support it. Coinsource should follow the same successful strategy - physical ATMs today transitioning to a digital future tomorrow.

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