

IACBE Case Competition White Paper



The Client: CoinSource

CoinSource is a privately-held, growing Bitcoin (BTC) ATM company headquartered in Fort Worth, Texas. There is ample competition within its industry, but the company's recent growth has shown potential to gain future market share. With 505 Bitcoin ATMs, CoinSource offers two different types of ATMs throughout the U.S. with heavy influence in Texas, California and New York. The first machine is described as "one-way," with the capability of solely buying Bitcoin for cash, while the second ATM has "two-way" abilities to both buy and sell Bitcoin for cash.

The development of proprietary software was a critical improvement to ensure the vision of the company and its growth remain consistent. The main advantages the CoinSource Software as compared to its competition is its ability to provide better control over the customer's experience and its ability to scale user experience through the use of proprietary software. CoinSource emphasizes customer experience with good customer support and reliability.

The greatest advantage the company provides are its licensing rights. CoinSource is currently the most advanced Bitcoin ATM company in terms of regulations with compliance standards. In fact, CoinSource has been able to achieve the holy grail of Bitcoin licenses called the Bitlicense, which has been issued by the New York State Department of Financial Services. The company is the only one in the Bitcoin ATM market to have been able to earn this license, which is its competitive advantage over the competition. This was a very important license considering CoinSource was operating in New York under a provisional license and now has the ability to provide its services to businesses and people in the state. With this license, CoinSource's software and machines are the only ones that are in line with the requirements and regulations of the United States Federal Banking System. Additionally, this means customers will be able to use CoinSource's services for more than just withdrawing money, but for services such as paying bills and taking on loans in the near future, if the company chooses.

The Opportunity:

However, CoinSource currently faces some challenges. The company lags behind in the total amount of Bitcoin ATMs compared to its bigger competitors. *But where there is adversity there is opportunity.* CoinSource must demonstrate better ROI to the potential operators and store owners. To keep the company growing, CoinSource will need to be able to find more store space to be able to implement more ATMs. Jointly, CoinSource will need to advertise its business and brand, positioning it in a way that looks better than any other product that could have been put in that space. Another key challenge for CoinSource is the competition with Genesis Coin and General Bytes is currently growing rapidly as well, making this a highly competitive and fragmented market.

The Mission:

To create a B2B marketing strategy to ensure CoinSource is able to reach its goal of 100,000 Bitcoin ATMs as quickly as possible.

Industry, Competitors and SWOT Analysis:

Industry Analysis

There are more than 42 producers of Bitcoin (BTC) ATMs and over 560 operators totaling more than 7,300 ATMs around the world. Since beginning in 2013, the BTC ATM market has grown at a rapid pace. However, the growth of BTC ATM installations is not experienced by all companies. The industries survival rates indicate that almost 60% of BTC ATM proprietors and manufactures with less than 10 physical locations fail in the first 18 months of business. New companies face a barrier to entry within the industry due to expenses related to providing technical and legal support in order to have ATMs operate in accordance with the law. Additionally, it should also be noted, there is a total possible market of 470,000 ATMs in the U.S.

Competitors

As of today, the majority of BTC ATMs are from the two producers, Genesis Coin and General Bytes. Together these two companies make up more than 60% of the entire BTC ATM market. Other notable competitors with greater or comparable market standing to that of CoinSource include BitAccess and Limassu. These companies have a product line comprised of both physical ATMs and software.

SWOT Analysis

CoinSource's strength is the company's emphasis on customer service, regulatory compliance and know-your-customer (KYC) authentication included in the CoinSource Network. The largest staffed department at CoinSource is its compliance team, illustrating the firm's unwavering commitment to remaining the industry benchmark for security and regulatory adherence.

CoinSource's weakness is its lack of online presence and brand recognition. Unfortunately, when Googling relevant key terms such as "Bitcoin ATM" or "Bitcoin ATM Software," CoinSource does not appear. Competitors such as General Bytes, BitAccess, Lamassu, and Genesis Coin, all appear within the first 3 pages of the Google search. According to a recent report regarding search engine result pages (SERPs), 71.3% of all clicks are generated from the first page of Google. The first 5 positions of a Google search make up 67.6% of all clicks. However, search engine positions 6-10 receive a click through rate (CTR) of 3.7%. Additionally, pages two and three of a Google search only receive a combined CTR of 5.6%. As a result, potential customers may not know about CoinSource, and thus miss the opportunity to fully understand CoinSource's scope, competitive offer and advantages.

By providing industry leading compliance standards, CoinSource is in the optimal position to become the leading provider of processing software to the growing number of BTC ATM manufacturers. This competitive advantage also presents CoinSource with the opportunity to acquire customers outside of the FinTech sector such as commercial businesses and investors seeking passive income.

Currently, the market foothold held by Genesis Coin and General Bytes is the greatest threat to CoinSource's potential growth. Genesis Coin has comparable software and experience in supplying backend processing to BTC ATM producers. While General Bytes has software that enables the sale of 26 different cryptocurrencies. Increased interest and use of incompatible coins (to CoinSource) like Ethereum, Litecoin and Ripple could lead to a decrease in the demand for CoinSource.

Marketing Strategy: Simpler. Safer. Smarter.

Target Markets

1. BTC Proprietors and Manufacturers

BTC proprietors and manufacturers can take advantage of CoinSource's industry leading compliance standards. The time and cost savings by subscribing to CoinSource's software, in which they are immediately provided with the licensing, regulatory compliance, and security as a member of the CoinSource Network needs to be communicated to manufacturers and proprietors. CoinSource provides everything from the processing software, to armored cash deliveries. BTC ATM proprietors and manufacturers can make their own businesses **simpler** with CoinSource. There are 29 BTC ATM manufacturers and proprietors that would benefit be the ideal prospects for CoinSource's B2B marketing efforts. Together, these companies are in control of 505 of the BTC ATMs installed to date.

2. Commercial Businesses and Private ATMs Owners

Commercial businesses can improve ROI per square foot with the inclusion of a CoinSource ATM. Strategic placement in compatible businesses with multiple locations and discernible levels of foot traffic will create an additional revenue stream for commercial business owners, as well as increase CoinSource's revenue and exposure. Many commercial businesses have traditional ATMs on location, which are owned by the business or acquired from a private ATM company. As part of the B2B strategy, compatible business partners will be targeted in specific industries including: hotels, international airports, pharmacies, groceries and convenience stores. In the U.S., there are currently 1,067 luxury hotels, 149 international airports with retail conglomerates totaling over 1,200 locations. There are 642 pharmacies in 10 major cities, thus creating an opportunity to expand into another 67,000 locations nationwide. There are also 152,720 convenience stores and 49,034 grocery stores.

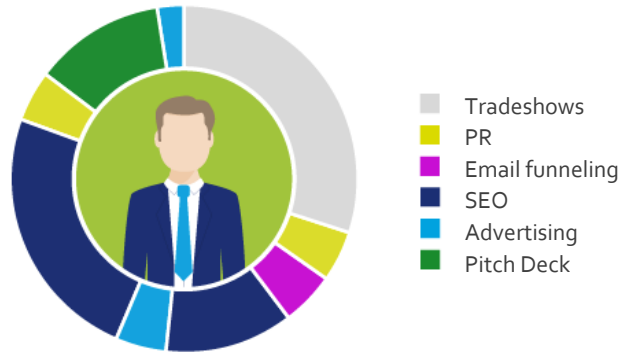
In conjunction, CoinSource has the opportunity to expand through independent ATM owners. Through marketing, it can be demonstrated that BTC ATMs are not just a new and profitable opportunity, but can also feature how CoinSource provides verification and KYC authentication requirements, meet legal and regulatory compliance, and more. Thus, CoinSource provides a **safer** way to conduct business and earn passive income. There are currently 278,394 independently-owned ATMs in U.S.

3. Individual Investors and Users

Bitcoin and crypto currency adoption has increased dramatically since 2010. Although the primary users of Bitcoin are Millennial, tech-savvy men, CoinSource offers an outlet for others to benefit from increased use of the blockchain. The Baby Boomer Generation controls 2/3 of the U.S. economy's disposable income and has a preference for passive investment strategies as they become one of the 10,000 who retire daily. CoinSource grants the ability to generate passive investment stream for these investors. CoinSource provides investors a means to partake in the cryptocurrency arena without the volatility of being invested in the coin itself. This type of messaging will allow CoinSource to penetrate the wealthy Baby Boomer investor subset of the population. For this market CoinSource is not a service, but an investment, where they can invest **smarter**. The amount of affluent households in the U.S. has been increasing steadily since 2010. Today, this income bracket makes up 2% of all American households, totaling 2.56 million potential individual Baby Boomer investors.

The Simpler. Safer. Smarter. Campaign:

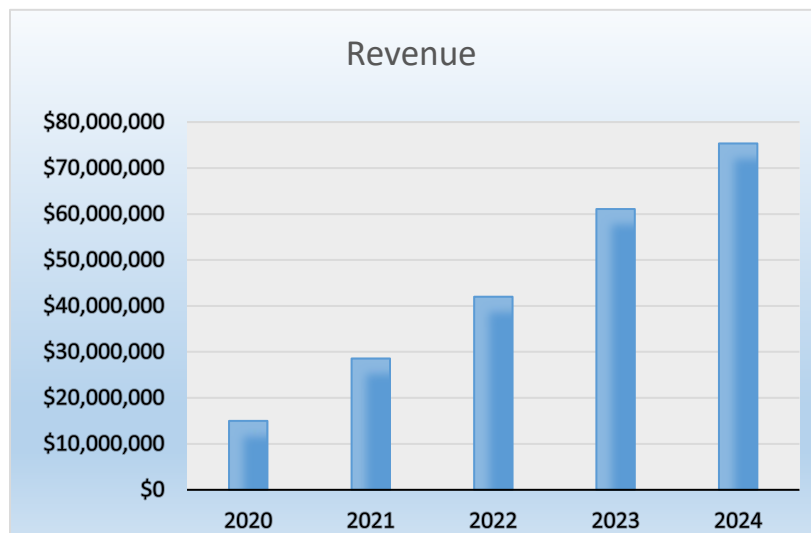
The **Simpler. Safer. Smarter.** Campaign is a 12-month, fully-integrated B2B campaign utilizing a multi-prong approach of B2B tactics using both traditional and nontraditional methods. The campaign is centered around tradeshows, SEO, data mining and email funneling, a complete pitch deck tailored to satisfy concerns and communicate the potential value of CoinSource, speaking opportunities, and the use of PR to position the company as an industry expert, and online forums.



Revenue Projections & Financial Summary:

The Bitcoin ATM industry in the U.S. has been calculated to be approximately \$122 million. According to *Statista*, there are approximately 5,000 BTC ATMs in the U.S. with CoinSource owning 505 of the machines. This means that CoinSource has a market share of approximately 10%, as of 2020, and ranking behind rivals Genesis Coin and General Bytes with 29% and 32% market share, respectively. It can be expected for growth to decrease slightly as more competitors enter the market, however, revenue will increase with the growth of users, the growth of Bitcoin ATMs, and the growth of software sales for CoinSource. With

CoinSource growing at the same pace of the industry, a 125% growth can be expected for 2020 and 2021. Thinking conservatively for 2022 and 2023, the anticipated growth rate may slow to 75% as the industry becomes more saturated and nears closer to maturity. Using the same line of thinking, a 50% growth rate is anticipated for 2024. In addition, based on the average number of transactions per BTC ATM being 1,560, and the average transaction



size of buying and selling being 175, it has been determined that the projected annual revenue for CoinSource to be \$15,015,000 (as displayed in the graph provided). Utilizing all of the information mentioned, forecasted revenue for the next 5 years has also been estimated. Please see graph. It is believed that with the implementation of the plan presented by Lynn University, CoinSource can become highly profitable and obtain great position in the industry.

Appendix – References:

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