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Should Merchants Accept Crypto Payments? Looking Towards 2024 – Pros and Cons

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The past year has seen many changes in the fraud, risk, and payments industries. Supply chain challenges are almost sorted, pandemic recovery no longer dominates every news cycle, and crypto experienced interesting headlines in the last year. We survived the Crypto Winter, the collapse of Silicon Valley Bank (and others), the fallout of crypto bankruptcies – and yet, some crypto prices seem to have recovered into late 2023. What has changed for merchants accepting crypto as part of their payment stack?

Enthusiasm for new technologies is a key part of innovation, but it must be tempered with strategic and practical implementation to be successful. Determining whether crypto is a good fit for a merchant's payments stack requires thoughtful analysis of the advantages and disadvantages cryptocurrency acceptance provides. It is not a simple decision, and rapid evolution makes it even more difficult.

The advantages of accepting cryptocurrency

Many of the reasons consumers are drawn to cryptocurrency as a payment method are advantages for merchants as well. After an initial learning curve for consumers, cryptocurrency offers virtually instantaneous transactions that are cheaper than many traditional payment methods due to fewer third-party fees. Crypto also simplifies cross-border transactions and mitigates the inconvenience of currency conversion.

A powerful potential advantage of accepting crypto for merchants is the finality of the purchase. In most transactions, there are no refunds and no costly chargebacks. All sales are final. While this can free up resources, a potential downside is the added burden to customer service departments when a consumer regrets a purchase.

This past year has seen crypto adopted or backed by mainstream financial institutions. Reasons include customer demand, access to new markets, and diversification, among others. This provides the perception of stability to some customers who may be wary, while other customers could eschew this as it stands in opposition to why they choose crypto in the first place. Regardless, financial institutions are watching the same things merchants are – regulatory uncertainty, volatility, security, and fraud concerns that have only begun to surface.

Perhaps the single most compelling reason merchants should consider accepting cryptocurrency is their customers' will to pay with it. Providing the payment method that consumers want will empower them to spend more. It also enables those without access to traditional banking to engage with the economy – and will likely continue to play a pivotal role in emerging markets. This is still a key consideration. Crypto is only one of the payment methods showing adoption, in conjunction with alternative, local, and peer-to-peer payment methods.

These are some of the reasons why 73% of small businesses say that new forms of digital payments are fundamental to their growth, and why larger merchants have been cautiously exploring this space for a long time. →

The risks of accepting cryptocurrency

As compelling a reason as customer preference might be, there are obstacles that need to be considered as well.

The most obvious concern is continued volatility. The wild swings of even the most stable cryptocurrencies make pricing items a struggle – and cryptocurrencies a challenging fit for subscription-based merchants, where predictable revenue streams are a critical part of a successful business model. The price swings that plagued the crypto market early on may be less dramatic and more in line with traditional currency exchange rates, but it's impossible to predict when, or if, that will happen. The past year is no different as it has demonstrated continued volatility for numerous reasons.

Another unpredictable element of cryptocurrency is the shifting regulatory landscape. It's still the early days of crypto, and the global patchwork of regulatory infrastructure makes compliance a challenge. This may cause problems for global merchants who must accommodate a wide variety of vastly different regulations. There are existing payments-related regulations that global merchants must consider but the relatively untested legal and regulatory landscape of cryptocurrency makes predicting what's coming and adapting to it a significant challenge. These are topics that are receiving attention at the G20 summit, and various countries are introducing bills to regulate the cryptocurrency market.

The types of fraud associated with traditional payment methods are also being seen with crypto. According to the 2023 **MRC Global Payments and Fraud Survey**, phishing remains the most common fraud attack merchants are dealing with, and crypto users would not be immune to this. Account takeovers will have more serious impacts for customers with little recourse at this time. Tracking fraud by payment type will become a useful KPI and input into decision solutions (whether rule or machine learning-based).

There are other challenges too, including the best way to store cryptocurrency, privacy concerns given the transparency of the public ledger, how to account for it as revenue, and when to convert it to traditional currency.

Should you accept crypto?

As of 2023, global crypto ownership rates average 4.2% of the population, with over 420 million crypto users worldwide. However, accepting crypto just because others are is not a viable strategy, especially if it's antithetical to your business model or not a good fit for your customers.

Last year, we started with a simple question: do your customers want to pay with crypto? And while this is still a valid question, with the continued innovation in payments, now we have to add 'what is the method the majority of your customers wish to pay with, and how does that align with your internal business and profitability priorities?'. If the answer to the first question is yes, remember that, as adoption grows, so do third-party companies that can help with this complex process, regardless of your organisation's size. There are many logistical considerations when adopting crypto into a payments stack but it is much easier to accomplish than it was a few years ago. Merchants don't have to do it all in-house, and they don't have to do it alone, but they do have to make sure their priorities align with the product offering roadmap from their third-party solution providers. If the answer is no, or not yet, it is still worth gaining education and insights while the market is maturing. Knowing your risk appetite combined with practical knowledge as well as what competitors are doing is vital to good discussion.

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