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## Merchants and Crypto: Money Loser Today, New Opportunities Beckon



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By **Shane Rodgers**

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Our current merchant payment systems are a ball and chain around our feet, dragging the industry down and driving up costs for merchants and consumers alike. If we're ever truly going to move to the digital economy — including the ability to purchase using cryptocurrencies — we must modernize and create a new streamlined payments infrastructure.

Merchants are frustrated. Essentially, all of our payment platforms are built on an expensive 70-year-old legacy system that feeds off high fees and payment delivery delays, all because we shuffle data between multiple middle parties, each of whom gets a cut. The constant shuffling exacerbates the fraud risk — the more we move data, the greater the number of parties involved. It's a recipe for disaster.

Some forward thinking players are pushing back. For example, last year Amazon.com unsuccessfully attempted to get rid of Visa from its UK payment lineup. Government efforts haven't fared better. In Europe, despite regulation limiting bank interchange fee rates, these savings haven't been passed along to small merchants.

Some companies hope to carve themselves a niche in a new digital payments economy. But the problem is that even the newer platforms are "bolt-on" mechanisms built on top of the legacy system. For example, Apple's Tap to Pay service doesn't actually process any payments. Instead, it simply replaces the hardware that reads credit or debit card numbers. Same system, same disadvantages: fees, lag time and fraud risk.

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### Will Crypto Drive the Change?

A full 20 percent of adult Americans are now engaged with cryptocurrencies, and there's increasing pressure on retailers to take crypto payment. Can crypto payment capability be a catalyst? Companies including Sheetz, Starbucks, Overstock.com, and The Home Depot, wanting to be hip, attract customers and, of course, facilitate payment, all offer crypto payment mechanisms. But these preliminary efforts are crypto-washing: indirect, clumsy and not really a crypto payment at all.

Besides, today retailers don't want to hold crypto — it's still too volatile. They just want payment, and crypto makes this difficult. Crypto conversion "services" again introduce high fees, transaction issues, and even greater fraud risk, as such processes continue to use the old legacy payment rails — and less-than-secure crypto exchanges.

Venmo, Stripe, and Flexa, for example, have apps allowing consumers to pay in crypto at retailers, but require consumers to open an account with an exchange company, start a wallet, and once on-site exchange a few kinds of crypto for dollars at high fees. For a retailer, such an arrangement offers no advantage and could even be seen as cost prohibitive. For the consumer it's an expensive hassle.

### What's Really Required to Make Seamless Crypto Payments

What retail needs is a platform that sidesteps both our antiquated payment systems and the add-on solutions that now work on top of them. In the medium term, we can have parallel systems, but the key is to build peer-to-peer payment systems that natively leverage digital economy advantages, including the blockchain's security, speed and cost effectiveness.

This blockchain foundation already exists and has made significant inroads into our digital economy, offering blazing fast transaction times. With such an infrastructure, companies seeking to create new tools and capabilities that support faster and cheaper merchant payment can build seamless applications, including apps for easily converting crypto so that consumers and businesses can use it for real-world and meta-world purchases.

When merchants can accept blockchain-based payments through easy integration of an app with their point-of-sale (POS) system, those hefty 3 percent fees can be slashed to a minimum. And it's the POS terminal and related software vendors that have the installed base and financial motivation to roll such a solution out more broadly and derive additional income in the process. If retailers can pass the savings on in price cuts they can begin to recapture market share lost during COVID.

Similarly, a seamless and rapid crypto-to-cash conversion platform can also stimulate sales as consumers seek to use their appreciating cryptocurrency. In our work with the Polygon blockchain, for example, we expect to have a POS-integrated app and platform that matches Visa in volume of transactions per second. However, the key to making such a platform truly useful is not just the acceptance of Bitcoin as a sole convertible currency, but also the ability to convert multiple major cryptocurrencies. Today, as many as 150 cryptos are considered "solid," meaning they're highly liquid and thus can be sold almost instantly. A crypto conversion platform based on the blockchain can also interface easily with POS systems to make conversion ubiquitous, simple, and inexpensive.

### Moving to the Modern System

Our current legacy payment system is like an old derelict taxi with bad mileage and no functioning locks — we as customers are forced to pay for the inefficiencies and lack of security as we seek to get around in a new sparkling digital city. Rather than continuing to patch up the taxi to gain minimal efficiency and safety, it's time to get a new fleet.

With this new digital foundation provided by the blockchain, and with the development of streamlined payment; crypto-to-fiat conversion; and purchasing apps that are inexpensive, fast and easy-to-use, retail can thrive. It won't be long now.

*Shane Rodgers is the CEO of PDX Global, a global payments and digital banking platform that is being built as an on-ramp to enable hundreds of millions of retail users, institutions, merchants and vendors and other ecosystem partners worldwide to fully participate in the crypto economy freely and easily with instant conversions and low fees.*

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Shane Rodgers is co-founder of Singapore-based PDX Global, which created the PDX Coin project that's based on a crypto-to-fiat payments and banking application suite facilitating practical cryptocurrency payments via instant, no-fee transactions at stores and restaurants as well as online sites.

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