

Bitcoin Boosting Businesses

Love them or hate them, cryptocurrencies have been turning the financial world upside down over the past few years. Back when a mysterious inventor, Satoshi Nakamoto, initially launched Bitcoin, that was the whole idea.

There had to be a way to perform payments for goods and services online, directly from one peer to another—a system that allowed complete transparency and that, because of its structure, was hard, if not impossible, to hack.

The blockchain technology that Satoshi used when setting up the Bitcoin network started to make peer-to-peer transactions possible for the first time ever. There was no need to worry about banking with a particular institution; the user could, literally, just transfer funds quickly and efficiently.

Needless to say, it is not something that made the large banks very happy because it makes it possible to cut them out completely. But, as the system gained popularity, the banks and other financial institutions had to acknowledge that blockchain and other financial technology (fintech) were extremely valuable.

And, to be fair, Bitcoin and similar technology could be a boon for business owners.

Bitcoin and Security

One major issue that many organizations need to overcome is that their systems are prone to being hacked. No matter how many firewalls are installed or what level of encryption is used, there is still a chance that a hacker could get through.

That is where the blockchain technology that Bitcoin employs could come in very handy. To start, organizations can use a blockchain-based system to secure their client information.

While it is still possible to hack such a system, it is extremely difficult to do so because the data are spread out over a number of different computers.

Hackers would also have a problem stealing money, as each transaction must first be digitally signed and then verified within the network. Standard single-server-based systems, even with very high-level encryption and security, pose an easier target for the attackers.

Bitcoin for Clients

Where clients stand to benefit is that they never have to provide their personal financial details. There is no entering a card number and card verification value (CVV) code. All users have to do is get the organization's Bitcoin address and send the money to it directly.

Customers select the item they want to buy. They put in their order and then the seller provides them with a Bitcoin address to which to send the money. They initialize the transaction and, as soon as it has been authorized, the merchant is able to see it in his or her account.



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It is fast, easy and less expensive than traditional methods. There is a wrinkle, though: Customers must make sure that they have the right address and are sending the right amount of bitcoins. If they make a mistake, there is no way to request the money to be returned.

And, with PayPal protection and credit card companies, customers have ways to refute the transactions. In contrast, with Bitcoin, merchants could easily be left without the item and without the money for it as well.

The final benefit for merchants is that the currency values could rise. Keeping some of the revenues generated in Bitcoin as an investment opportunity makes sense. It worked well for Overstock, as described in the following case study.

Overstock Case Study

Overstock was one of the first big organizations to start accepting the cryptocurrency, and it did so in 2014, before it was such a hot commodity. At that stage, Overstock opted to invest 10 percent of the income received in Bitcoin and cash out the rest.

In 2017, Overstock decided to keep increasing those reserves, which makes it possible to estimate how much extra profit this move netted from 2014 to the beginning of 2017.

This calculation is based on an estimate that Overstock averaged around US \$50,000 worth of Bitcoin sales per week over this period. This case study will keep to a three-year term, to be on the safe side.

That would have totaled US \$7.8 million in sales over that term, so Overstock would have put aside US \$780,000 for reserves.

Based on the price history of the cryptocurrency over the same period, the company made US \$2.7 million in profit just from the 10 percent it put aside.

Naturally, the value of the currency can change from one day to the next, so this is not the right move for everyone. It is an interesting prospect, though.

Banking Booster

One of the most exciting things about Bitcoin is that it is a payment system that requires very little infrastructure on which to run. Bitcoin runs on a network of computers that have all downloaded the Bitcoin software.

That means that each computer within the network is donating a little of its computing power to the

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The only possible way to get back cryptoassets that have been sent erroneously is to ask the receiving party to send back the amount in question and hope for the best. For the most part, though, as long as customers are careful and deal with reputable merchants, that is not going to be a problem.

Bitcoin for Merchants

This is the area where Bitcoin comes into its own. For merchants, the benefits are great. For starters, they do not have to worry about setting up expensive infrastructures to handle payments and safeguard their clients' card details.

The immediacy of the transaction is another big bonus. With credit card transactions, merchants have to wait a day or two for the funds to be credited to their bank account. With Bitcoin, the only delay is when the transaction is being verified and that takes only 15 minutes or so. Once the transaction has been verified, it is complete, and the funds are the merchant's to use as needed.

Another point in favor of this system for businesses is that the transactions are irreversible. Of course, scrupulous merchants want their customers to get their money back if they are not happy with any purchases.

Unfortunately, however, buyers are not always scrupulous in their dealings with merchants. Many online stores can tell tales of woe about clients claiming they never received items or the items arrived damaged when the merchant has evidence to the contrary.

system. This enables Bitcoin to run more smoothly without any single person needing to foot the bill for the entire infrastructure. This is something that has been of interest to the World Economic Forum (WEF) as a way of giving the unbanked in developing countries a means of taking part in the global economy.

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For example, there is a villager in the middle of rural Zambia with no access to local banking facilities. He could, if he wanted, take a long drive to get to one of the larger cities to open a bank account, but what would that help? The expense of making the trip would outweigh the potential benefits of depositing the money, so the villager is never able to save money.

This particular villager is very skilled at weaving cloth, but the local demand is not sufficient to help him feed his family, so he has to look for another way to survive.

That is where something like Bitcoin can really prove beneficial. The villager has access to the Internet (there are many cell towers all over, so coverage is possible). He decides to open an e-commerce store to sell items and asks people to pay in Bitcoins.

In this scenario, it does not matter whether or not there is a bank nearby. When someone buys something, the funds are deposited in Bitcoins, which can then be used to order more supplies, pay

for postage, etc. Converting the cryptocurrency to cash at home might be troublesome, but the villager could always look to make a trade with someone who wants to order something online.

The basic benefit is that the villager is now a participant in the global economy and is building up an income and, potentially, savings for himself. It is something that would not have been possible without access to some kind of financial services.

Business Booster

The WEF is positive about the future of the blockchain, but it does advise that this technology will not be suitable for everyone. The WEF white paper released in April 2018 deals with the adoption of the technology by organizations.¹

It begins by highlighting that, despite all the hype, blockchain is still just a new form of technology, similar in some ways to what is already being used. The paper goes on to say that organizations should realize that blockchain centers on change management as much as anything else.

Organizations are advised to carefully consider the economics involved in adopting the technology, also taking potential changes in procedures into account.

The WEF's advice for organizations considering implementing this technology is to first discover what the benefits of doing so will be for them. What problem could adopting this technology solve for them? The WEF urges organizations to avoid rushing just to get their hands on blockchain technology, but rather to look at the full range of solutions when it comes to the utility they want from it.

Blockchain as a Benefactor

According to the WEF, the potential for disruption with blockchain technology is high. According to a post² in mid-2017, blockchain has the most potential for disruption in what the WEF calls the Fourth Industrial Revolution.

Among other things, it has already been showing promise in helping to protect the environment through better supply chain management.

The World Wildlife Fund and Blockchain

Overfishing or illegal fishing is a major problem all over the globe. The World Wildlife Fund (WWF) has partnered with TraSeable and ConsenSys to create a blockchain-based application that can help to ensure that tuna is ethically sourced.

Eventually, all consumers will need to do is scan the packaging to find out where the tuna was originally caught.

Businesses wishing to prove that they live up to their claims will register every movement their product makes, starting at the time the fresh fish was bought all the way to the time it ends up on the shelf.

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Blockchain and Financial Institutions

When it comes to standard banking institutions, blockchain has been a disruptive influence. The chain provides a more secure means of transferring money directly from one person to the next without the need for an intermediary.

Banks are starting to take notice and are looking for ways to incorporate the technology to help them run their operations more efficiently, faster and more securely.

Obviously, banks do not want to use a public blockchain; they want to use one they have built themselves and limit access to the information it contains. Many have already started to do exactly that.

This should lead to transactions that are processed faster, more accurately and with less expense.

Investment Banking Is Changing

The primary developments in this sphere, at the moment, center on providing better know-your-client (KYC) databases and, also, more information on investors.

In these regards, a centralized registry will serve both clients and organizations well. The client would provide KYC on the chain just once. The organization would be able to confirm that the client's information is correct. (Though it will need permission to do so.)

The client's account is updated quickly and easily. If the client decides to invest at a new bank, that bank would be able to access the information as well.

The Real Estate Industry Is Changing

Blockchain applications could end up streamlining the entire real estate business. It would allow home buyers and sellers to be much more aware about the actual state of a property. If everything, from the initial purchase of the plot through the planning, erecting and maintenance of a building is committed to the immutable blockchain, potential home owners will have a detailed, trustworthy history of the property in which they are interested.

In this sense, blockchain can remove the element of trust that is so essential in the real estate sector of today. No longer should the buyer wonder whether the real estate agent is hiding—or plainly unaware of—something about the property. Likewise, real estate agencies that deal primarily with properties with history will have a much easier time making an objective evaluation.

Lastly, smart contracts could be used to send clients payments automatically once all the necessary documents for a successful deal have been uploaded and verified.

No More Downtime

With all the computers supporting the network, as described previously, downtime is practically a thing of the past. Even if 90 percent of the computers in the network were wiped out of existence, the remaining lot would still have all the information and could carry on.

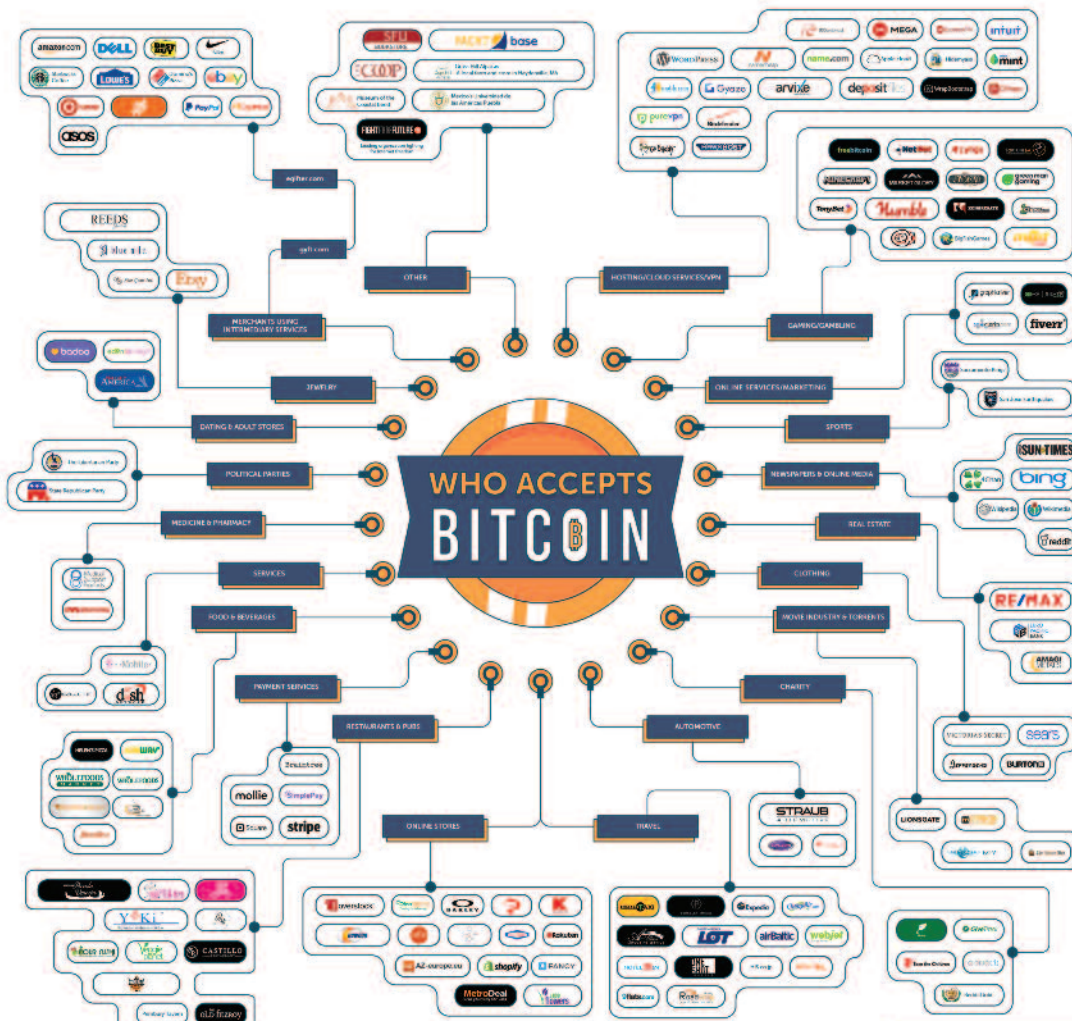
This is a significant advantage that all blockchain-based technology can boast. The larger the network holding the chain, the less the possibility of the system going down.

Bitcoin and the blockchain technology that underpins it have done a lot to change the way the world looks at transactions going forward. That it has many interesting possibilities for businesses down the road is clear (**figure 1**). Blockchain is not going to go anywhere any time soon.

Endnotes

- 1 World Economic Forum, *Blockchain Beyond the Hype*, 2018, <https://www.weforum.org/whitepapers/blockchain-beyond-the-hype>
- 2 Tapscott, D.; A. Tapscott; *Realizing the Potential of Blockchain*, World Economic Forum, June 2017, http://www3.weforum.org/docs/WEF_Realizing_Potential_Blockchain.pdf

Figure 1—Businesses Accepting Bitcoin



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