

Should Your Online Business Take Bitcoin?

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Business is booming for Bitcoin and other cryptocurrencies. Major online retailers like Overstock and Microsoft accept it at checkout. Many smaller online businesses take it as well, from belovedshirts.com to Strapping Fellow, a retailer that sells custom watch straps.

However, some business owners are wary about accepting the new form of currency, and some companies that once accepted it no longer do. Expedia used to allow customers to pay for hotel and flight reservations with Bitcoin but quietly stopped in 2018. Online game store Steam decided to stop accepting it in 2017 due to high fees and price fluctuations.

Read on to discover some of the pros and cons of accepting Bitcoin for online businesses, as well as ideas for getting started if you decide to give it a try.

Pros of Accepting Bitcoin

Attracting Customers

For some businesses, accepting Bitcoin can help attract tech-savvy customers. This is the case with NewEgg, an online retailer that sells computer equipment and other electronics.

If your competitors are taking Bitcoin and you're not, you might be losing sales. Millennials, who make up a desirable share of the market, are more likely to pay with Bitcoin than older consumers.

Avoid Chargebacks

If you've been hit with a credit card chargeback, you know they can be difficult to deal with and can result in lost sales. Even if you get your funds back, you still have to pay a chargeback fee to your credit card processor.

Bitcoin transactions, on the other hand, can't be charged back. The way the technology works means that funds can only move one way: from your customer's Bitcoin wallet to yours.

Get Paid Fast

Depending on your credit card processor, it can take at least a full business day to get paid for your transactions. If the processor decides to place a hold on your funds

because they suspect fraud, it can take several days, or the transaction can end up being reversed.

With Bitcoin payments, the entire transaction usually takes 10 to 20 minutes, although it can take longer if the network is busy. The average processing time in June 2019 was just under 10 minutes. The speed is the same for both domestic and worldwide transactions.

Lower Processing Fees

Many online business owners worry about spending too much on credit card fees, especially since online transactions are charged higher interchange rates than those that occur face-to-face.

With Bitcoin, you essentially choose your processing fee due to how Bitcoin miners get paid for their service. Bitcoin miners are the people who confirm payments by adding them to the public record of Bitcoin transactions, called the blockchain. These miners get to choose which transactions to work on first, and they usually choose the ones with higher fees. So, the more you pay, the faster they complete your transaction.

The processing fee does depend on how busy the network is and other factors. At one point in December 2017, the fee for an individual block, or group of transaction records, spiked to \$37.50. That meant individuals accepting bitcoin transactions had to pay a fee of \$20 per transaction in some cases. Thankfully, fees have leveled off since then. Many merchants now feel that bitcoin transaction fees are more affordable than credit card processing fees.

Cons of Accepting Bitcoin

Volatility

The price of one bitcoin has fluctuated from less than a penny to more than \$19,000 since the cryptocurrency's invention in 2009. On September 9, 2019, the price was \$10,339. Changes in price can result from events like big selloffs and new government regulations.

Even in the time between a customer adding one of your products to their cart and checking out, the price could fall, causing you to lose out on profits. NewEgg avoids this concern by only giving customers 1 minutes to finish their transaction and pay.

Changing prices are also a concern once you have accepted some payments and have bitcoins in your online wallet. If the price drops before you have a chance to exchange your bitcoins for dollars or another currency, you lose profits.

Tax Complications

The IRS is still catching up with the popularity of cryptocurrencies. If you do decide to take Bitcoin, you'll need to keep careful records and report transactions accurately to protect yourself in case of an audit.

Uncertain Future

The future of cryptocurrencies is unknown. The U.S. government is reviewing requests from financial experts for much stricter regulations, which could impact Bitcoin users. Other countries, like China, don't allow cryptocurrencies at all. While many Bitcoin users believe that the currency will only continue to grow, there may be some hiccups along the way.

Getting Started

Have you decided to get in on the advantages of accepting Bitcoin? The simplest way is to start by setting up a personal Bitcoin wallet; there are several online resources to help you choose the best wallet service for you. Once your wallet setup is complete, let your customers know you accept Bitcoin and that they can contact you directly to pay. When a customer is ready to pay, all they need to do is send their bitcoins to the unique wallet address you provide.

If you want to set up your website to allow Bitcoin payments automatically, you can open an account with a payment service. There are options designed specifically to work with Bitcoin, including Coinbase and Bitcoin. Some payment services that primarily work with credit cards, such as Stripe and Shopify, also process Bitcoin transactions.

You might also decide to work directly with a web programmer to add a Bitcoin payment option to your site. Be sure to find someone well-versed in the specifics of Bitcoin payments to avoid any trouble down the line.

Now that you know more about how taking Bitcoin payments can affect your online business, you're ready to decide whether to accept the cryptocurrency. Please comment below and let us know how you decide to proceed!