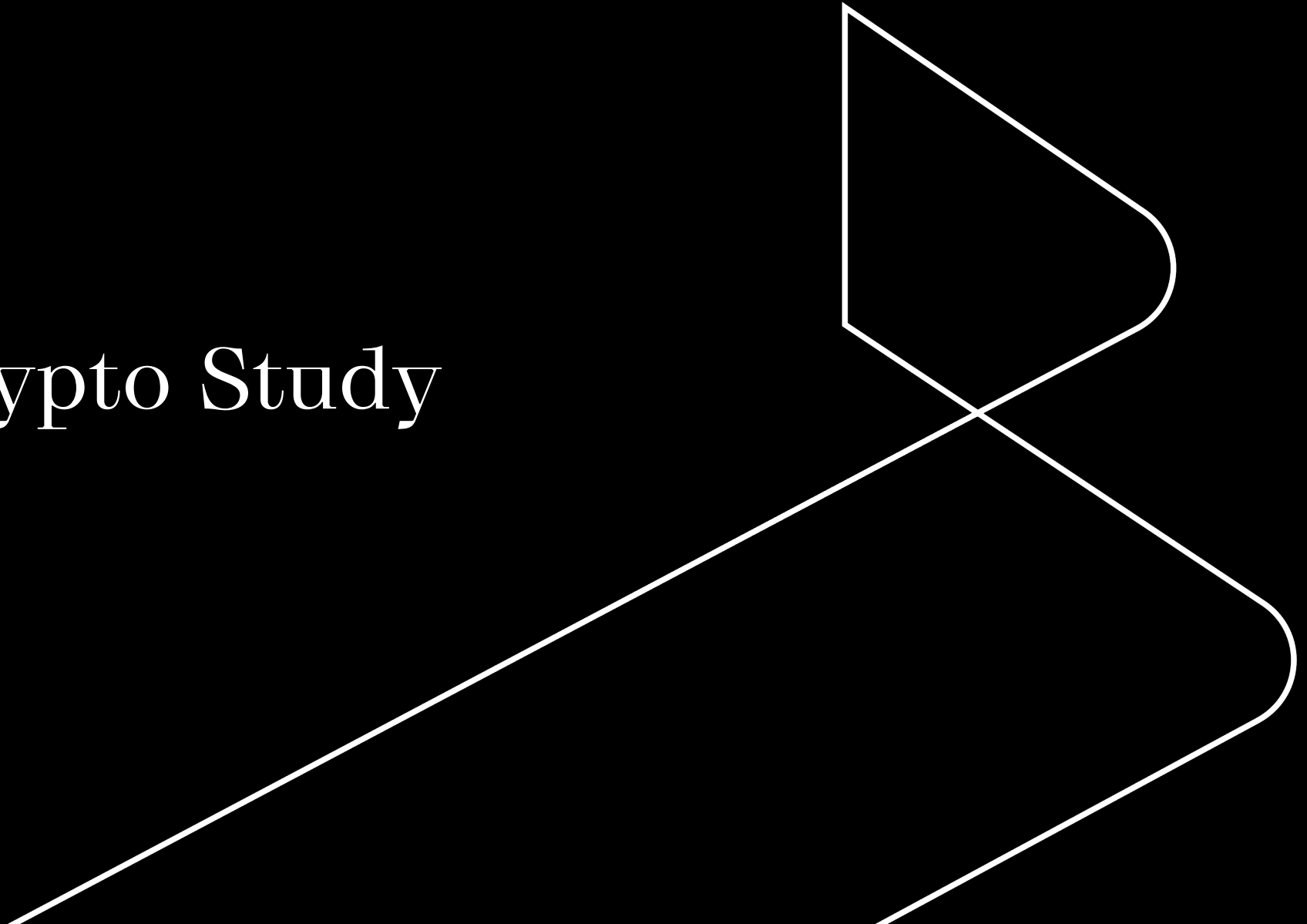




# U.S. Crypto Study

Wave 2

June 2023



# Bakkt Crypto Tracker Wave 2

## Goals

- Understand and monitor consumer crypto sentiments, adoption, and usage on a bi-annual basis
- Understand barriers to crypto adoption as well as key educational needs for non-crypto owners
- Measure security and regulation concerns and shifts
- Understand consumer openness and trust levels for new crypto acquisition pathways
- Understand similarities and differences among different types of crypto owners, specifically, those who buy from fintech providers



# Methodology

A bi-annual tracker was set up among key groups of interest: existing crypto owners and crypto curious

- Wave 1 field date: October 2022
- Wave 2 field date: April 2023 (current wave)

## Wave 2 Sample:

Market: United States, adults 18-65

N=2,002

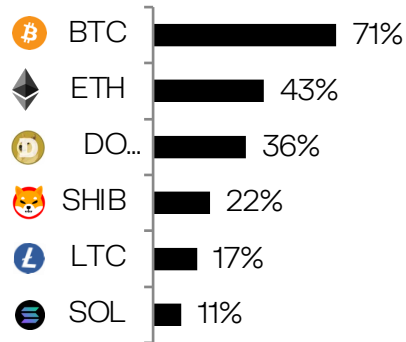
- Crypto Curious = 1,343
  - Defined as those who currently do not own crypto, but, are interested in learning more and/or stated they are likely to purchase in future
- Crypto Owners = 659
  - Defined as those who currently own crypto
  - Additionally, Crypto Owners were segmented by their primary crypto provider:
    - Fintech Crypto Buyers: those who purchase through platforms/apps focused on investing, personal finance, trading, and/or payments, alongside crypto
    - Crypto Exchange Buyers: those who purchase or acquire crypto through crypto-native platforms/apps
- A minimum of 25% representation of HHI \$100K+ was maintained in sample
- Participants must be a member of at least 3 loyalty programs

# Crypto Owner Participant Profile

Wave 2 study participants represent a range of coin ownership, crypto providers, and storage behaviors.

## COINS PURCHASED IN PAST 12 MONTHS

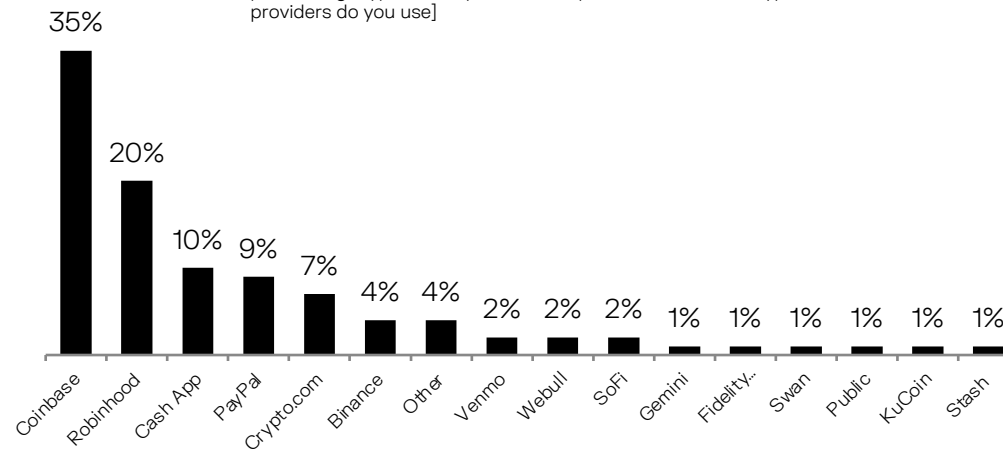
Which of the following coins have you purchased in the last 12 months?



Only those coins with ownership of 10% reported

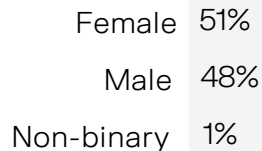
## PRIMARY CRYPTO PROVIDER

Which of the following providers do you use primarily for acquiring or purchasing crypto? [carry forward responses from which crypto providers do you use]



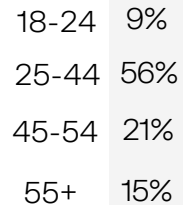
## Gender

Are you....



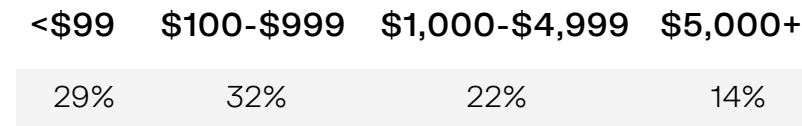
## Age

Are you....



## Value of crypto holdings

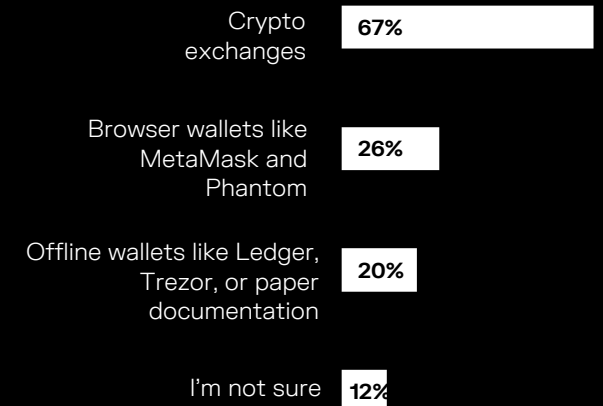
What is the total value of your current crypto holdings?



## Crypto storage behaviors

Study participants use a variety of methods to store their crypto, with exchanges being the most common.

Data also found those who own more than \$5,000 in crypto are more likely to use browser wallets and offline wallets for storage, in addition to exchanges.



# Wave 2 Executive Summary

## OVERALL MARKET OUTLOOK

- Future purchasing consideration still strong for majority of Crypto Owners, with 84% reporting they are likely to purchase crypto in the future, down 5 percentage points from Wave 1. The Crypto Curious report waning interest during same time frame, with 27% likely to purchase in the future, down 11 percentage points from Wave 1.
- Crypto news and events is not top of mind for consumers, as Wave 2 found economic and financial events such as current inflationary environment and recent banking collapses having higher unaided recall. The collapse of FTX is not salient in the consumer mind, with only 11% having unaided recall of that event.
- Overall agreeability and sentiment on statements around crypto's future has slightly dropped, however, most of the sentiment downgrades were to neutral, rather than to negative.
- Crypto knowledge increased, with higher aided awareness of various coins. Additionally, Crypto Curious made strides in their ability to distinguish between "bitcoin" and "crypto" terms.

## REGULATION AND CONSUMER PROTECTION CONCERNS

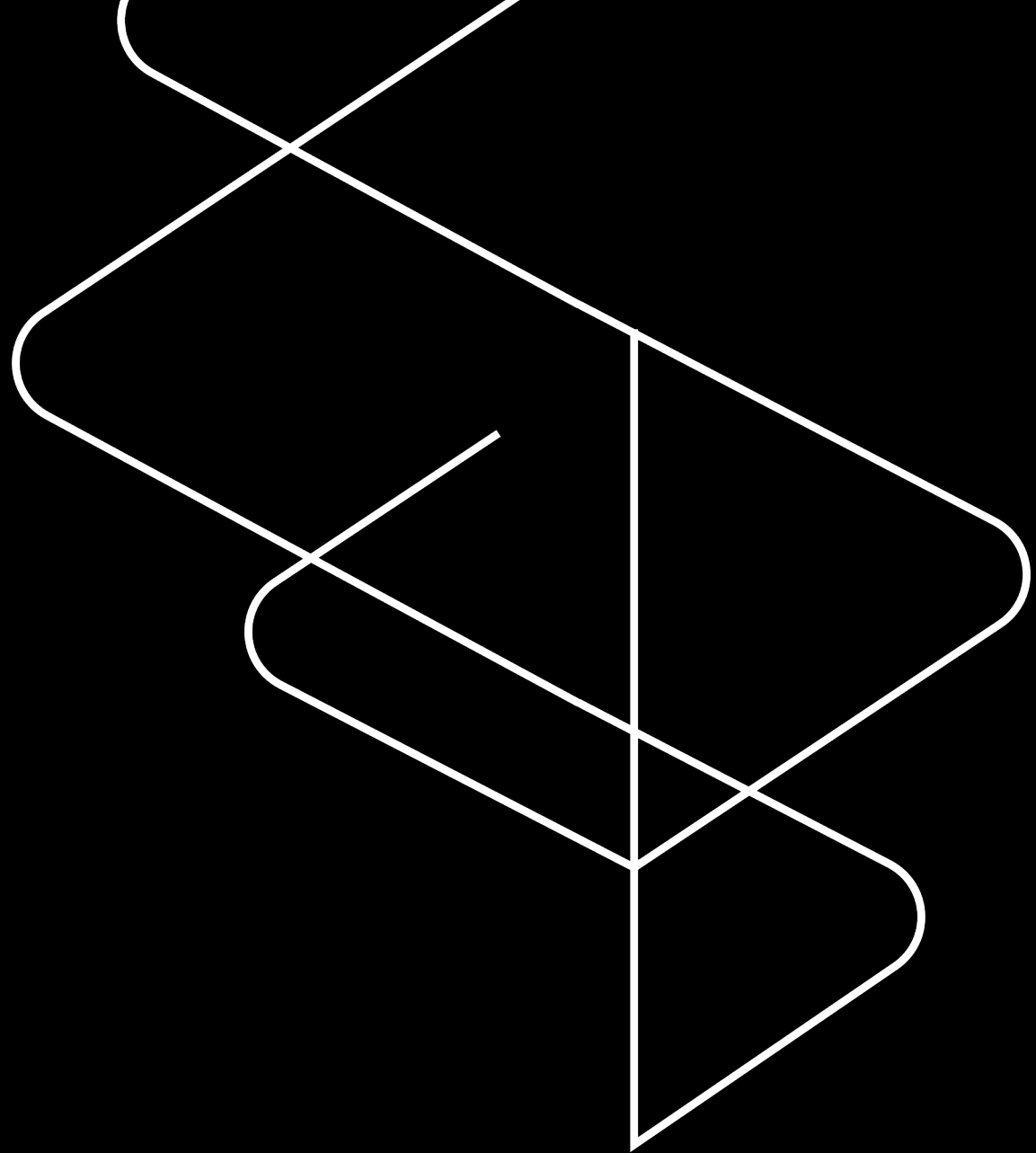
- Almost 50% of Crypto Owners say they have re-evaluated their crypto providers based on last year's industry failures.
- Increased crypto regulation (more protections for consumers and more guidelines for crypto companies) assumes more importance in reviving interest in crypto, up 20 percentage point from Wave 21 for the Crypto Curious. Increased crypto regulations assumed more importance for Crypto Owners as well, up 10 percentage points.
- Safety and regulation concerns remain high for both Crypto Curious and Crypto Owners, with the Crypto Curious concern levels increasing 8 percentage points from Wave 1.

## FINTECH CRYPTO ACQUISITION

- Safety and regulatory concerns among Crypto Owners vary based on who they consider their primary crypto provider. Those who purchase crypto primarily through fintech providers have significantly lower safety and regulation concerns than those who primarily purchase through traditional crypto exchanges (54% vs. 66%).
- Crypto Curious rated their primary bank, financial advisor, loyalty programs and fintech providers more trustworthy for crypto acquisition than traditional crypto exchanges. In particular, the Crypto Curious rated fintech providers 10% higher than crypto exchanges (46% vs 36%), suggesting existing relationships are key to the next phase of crypto adoption.
- Reasons for purchasing crypto vary by primary acquisition method. Those who purchase primarily from fintech providers bought crypto as a way to diversify their investments rather than a long-term belief in the underlying technology.



# Market Outlook

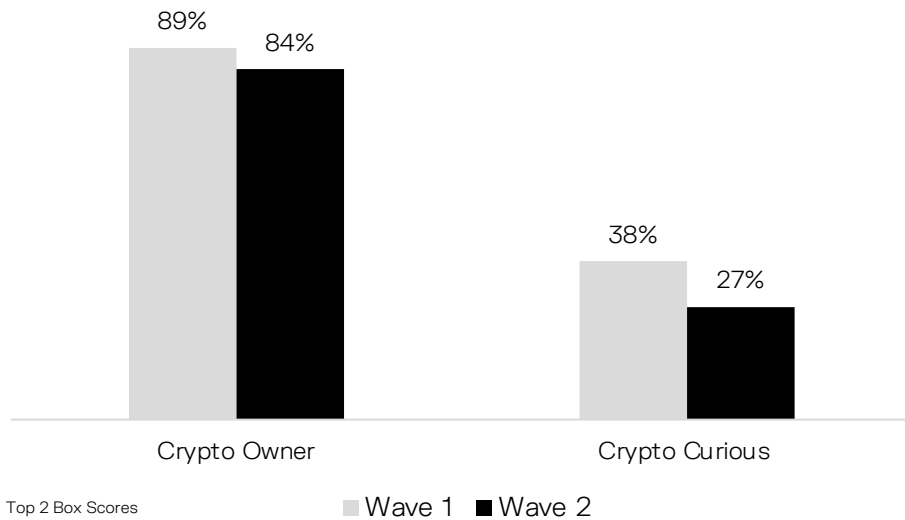


# Majority of Crypto Owners inclined to future crypto purchases

Future purchasing consideration still strong for majority of Crypto Owners, in light of recent crypto and banking market collapses. Crypto Curious report waning interest during same time frame. Falling sentiment for both groups driven mostly by those with household incomes over \$100,000.

## Likelihood to purchase in the future

Future purchasing consideration still strong for Crypto Owners at 84%. Crypto Curious purchasing consideration declines 11 percentage points.



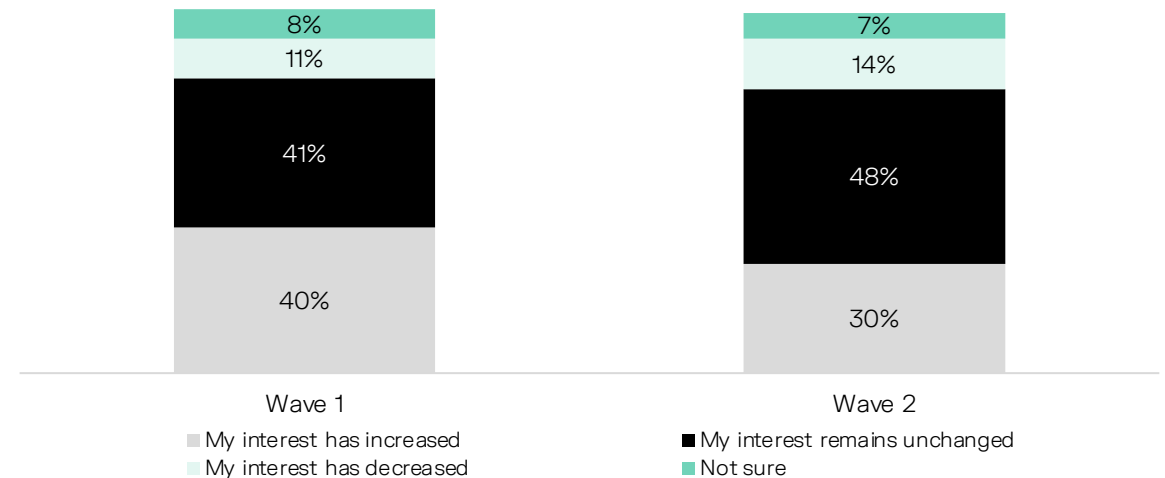
Future consideration: How likely are you to purchase crypto in the future? | 1: "Extremely unlikely" - 5: "Extremely likely"

Wave 1: Crypto Owners N=701, Crypto Curious N= 1,403

Wave 2: Crypto Owners N=659, Crypto Curious N= 1,343

## Change in interest in past 6 months

Overall, almost half (48%) say their interest in purchasing crypto hasn't changed, and 30% report an increase in interest.



Change in intent: How, if at all, has your interest in investing in/purchasing crypto changed based on crypto's market performance?

Wave 1 All: 2,104

Wave 2 All: 2,002

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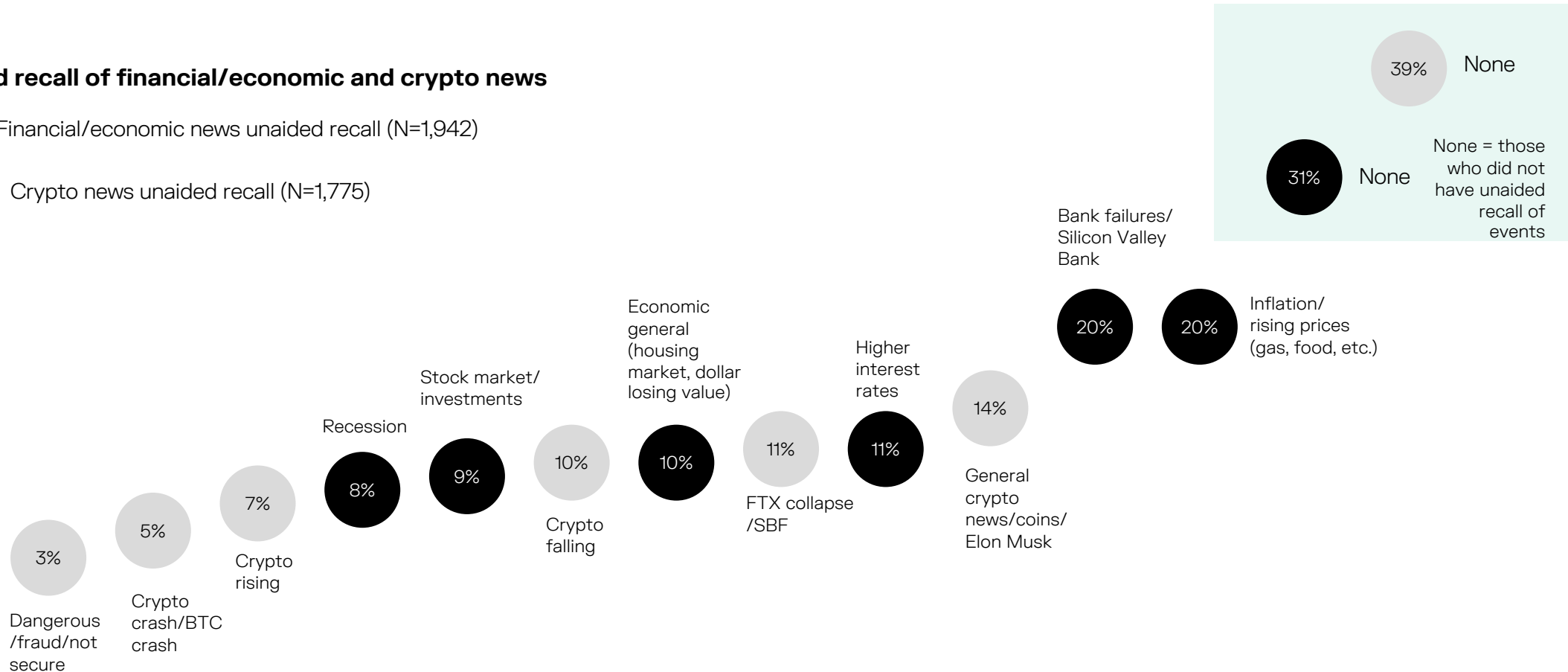
# Inflation and banking failures top of mind; FTX not salient

Unaided recall of economic and banking news outweighs crypto news recall, suggesting crypto sentiment declines may be driven by overall financial outlook rather than crypto itself. FTX collapse is not salient in the consumer minds (11%), and April's early bitcoin rally is not top of mind either (7%).

## Unaided recall of financial/economic and crypto news

**%** Financial/economic news unaided recall (N=1,942)

**%** Crypto news unaided recall (N=1,775)

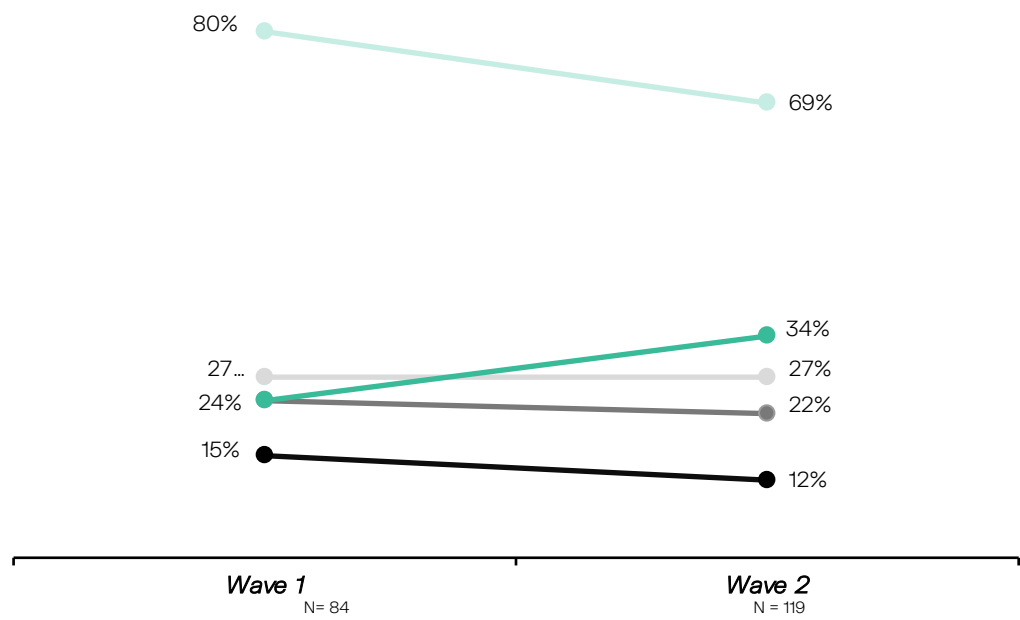


Please list any economic or financial or crypto news or events that you recall reading or hearing about recently. Please write down economic/financial news in first column and crypto related news in the second column.

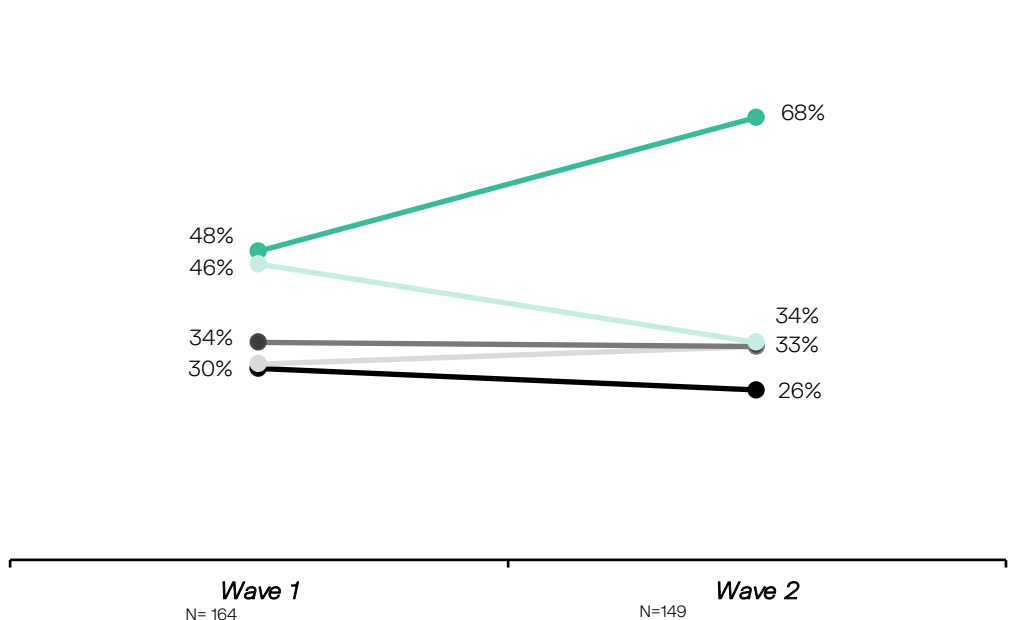
# Consumer protections assume more importance in reviving interest

For those who said their interest in crypto has decreased in the past 6 months, data shows increased regulation has taken a more prominent role in rekindling their crypto interest, especially for the Crypto Curious. Increasing valuations of the currencies themselves are found less motivating in Wave 2, highlighting the growing importance of consumer protections over gains.

Increased regulation jumps 10 percentage points for **Crypto Owners**



Increased regulation jumps 20 percentage points for **Crypto Curious**



- The ability to purchase crypto from my existing financial institution
- Increased advocacy by financial advisors
- Increased adoption of crypto (i.e. when I see more friends/family/people around me investing in crypto)
- Increased regulation (more protections for investors and more guidelines for crypto companies)
- Increased value of cryptocurrencies themselves (crypto goes up in price)

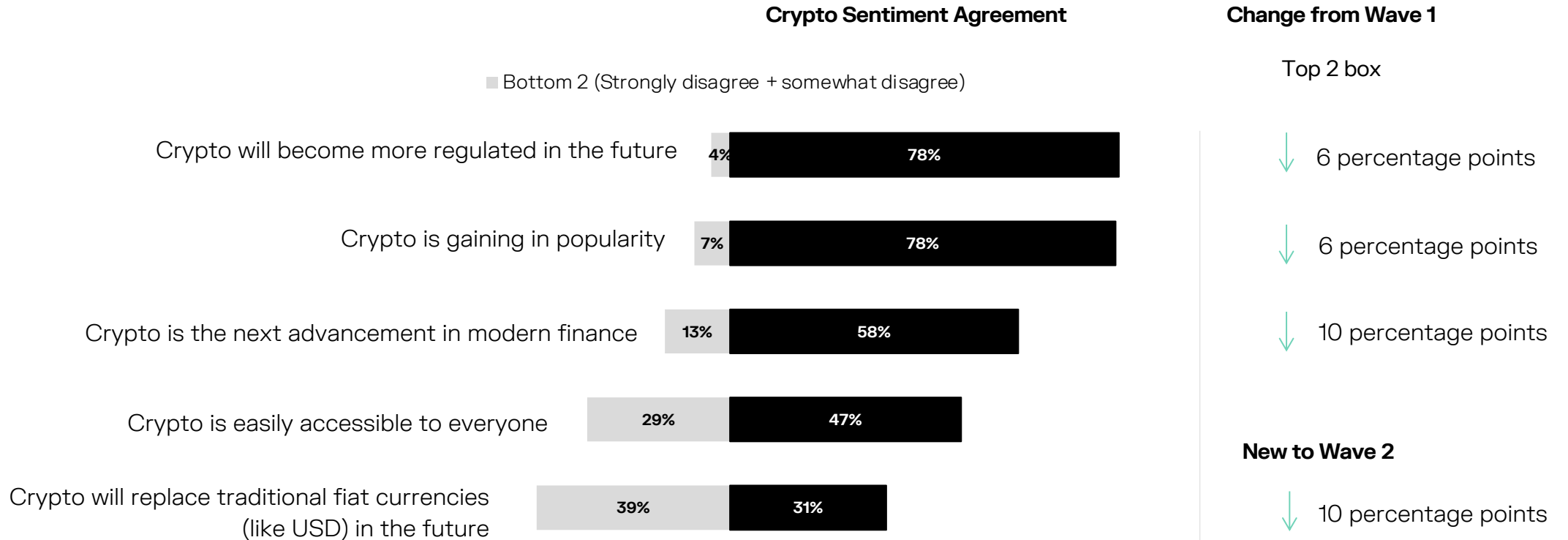
What, if anything, would revive your interest in investing in/purchasing crypto? [Those who indicated their interest in crypto has decreased]





# Most consumers still agree more regulation to come

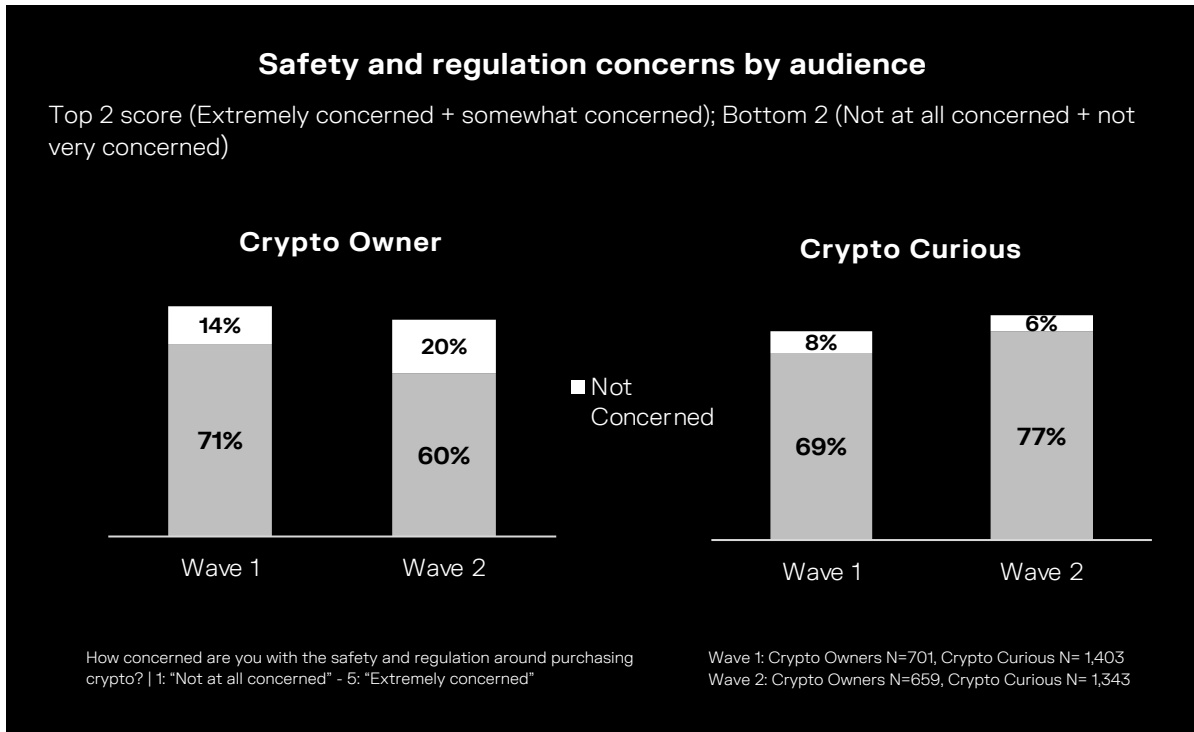
Both groups still agree on crypto's popularity gain, as well as more regulation to come. Although enthusiasm and agreement about crypto's future lessened in Wave 2, most sentiment downgrades were to neutral, rather than to negative.



How much do you agree or disagree with the following statements about crypto? | 1: "Strongly disagree" - 5: "Strongly agree"  
 Wave 1 All: 2,104  
 Wave 2 All: 2,002

# Regulatory concerns still high, but less so for fintech users

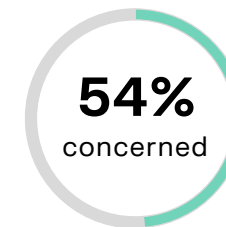
Although safety and regulation concerns slightly declined for Crypto Owners, concerns are still relatively high, at 60%. Level of concern for the Crypto Curious jumped 8 percentage points. For Crypto Owners, their primary crypto provider plays a role in level of concern. Those who primarily use fintech providers for crypto purchases have significantly lower safety and regulation concerns (54% vs. 66%) than those using traditional crypto exchanges.



### Safety and regulation concerns by primary crypto provider

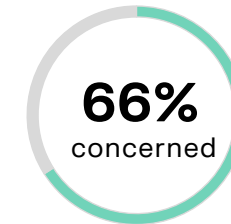
Crypto owners segmented into two groups, based upon their selected primary crypto provider

#### Fintech Crypto Buyers



Includes users of:  
Robinhood, PayPal,  
SoFi, Venmo, Cash  
App, Fidelity Crypto,  
Webull, Stash, Public

#### Crypto Exchange Buyers



Includes users of:  
Coinbase,  
Crypto.com, Binance,  
Gemini, KuCoin, Swan

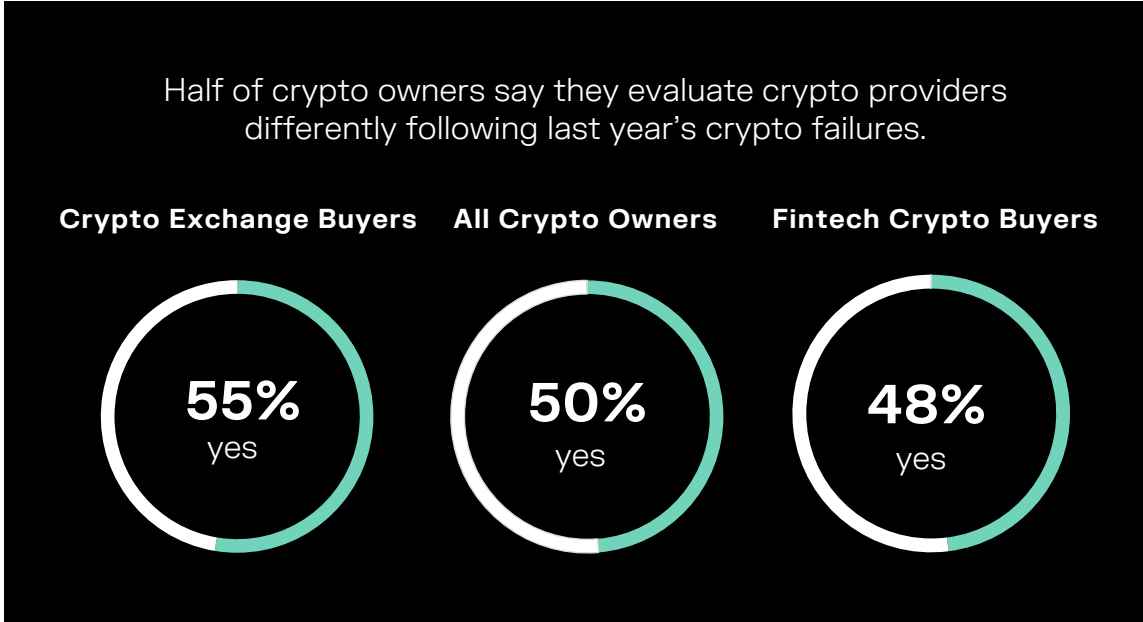
How concerned are you with the safety and regulation around purchasing crypto? | 1: "Not at all concerned" - 5: "Extremely concerned"

Fintech Crypto Buyers N= 279  
Crypto Exchange Buyers N=285



# Crypto Owners evaluating providers with protections in mind

50% of Crypto Owners said they have changed how they evaluate crypto providers after last year’s crypto failures, but less fintech users have reevaluated. When it comes to evaluation criteria, both groups have similar set of priorities, with consumers protections top of mind. Crypto custody ranks lower on the list, suggesting many consumers aren’t yet associating it with risk management practices.



Did the crypto failures of last year change how you evaluate crypto providers?  
Crypto Owners N=659

### Crypto provider evaluation criteria



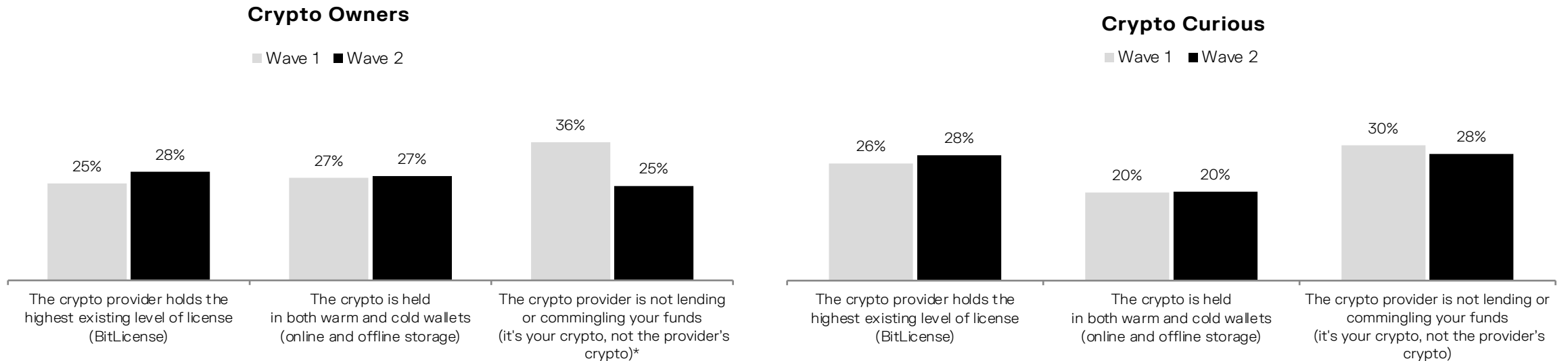
Following some of the crypto failures of last year, what criteria do you review when evaluating crypto providers?  
Crypto Owners N=659



# BitLicense importance increases for both audiences

While no safety and regulation feature stands out as more important to either group in Wave 2, a crypto provider holding a BitLicense increased slightly in importance for both audiences, the only safety feature to do so. Commingling and lending of funds dipped in importance for both audiences.

## Safety and Regulation Features Importance



When it comes to purchasing crypto, which of the following safety and regulation features is most important to you?

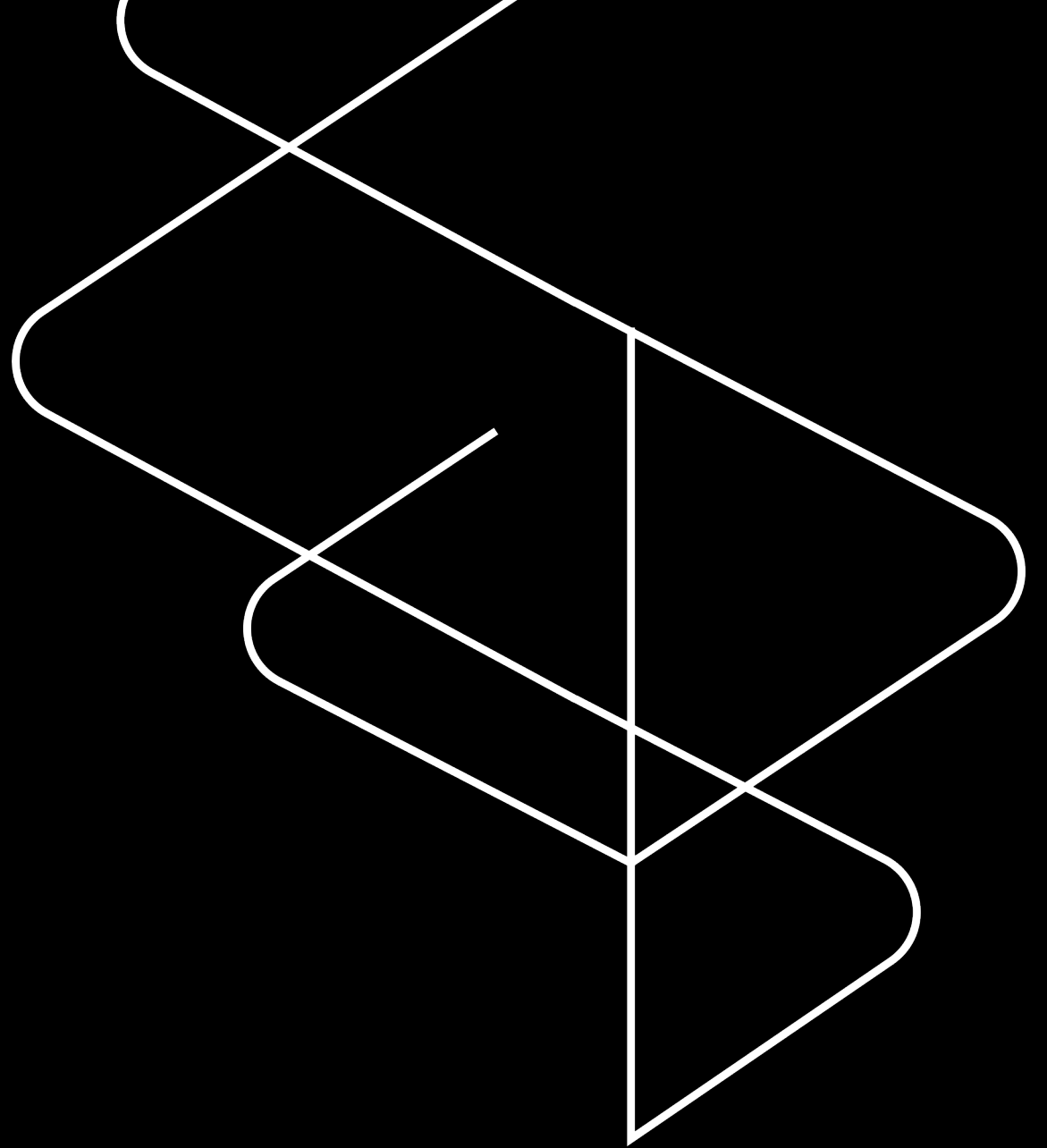
Wave 1: Crypto Owners N=701, Crypto Curious N=1,403

Wave 2: Crypto Owners N=659, Crypto Curious N=1,343

\*Wording for Wave 2 evolved to "The crypto provider is not lending or commingling your funds" from "Provider's crypto is not held on trading app's balance sheet (it's your crypto, not the provider's crypto)".

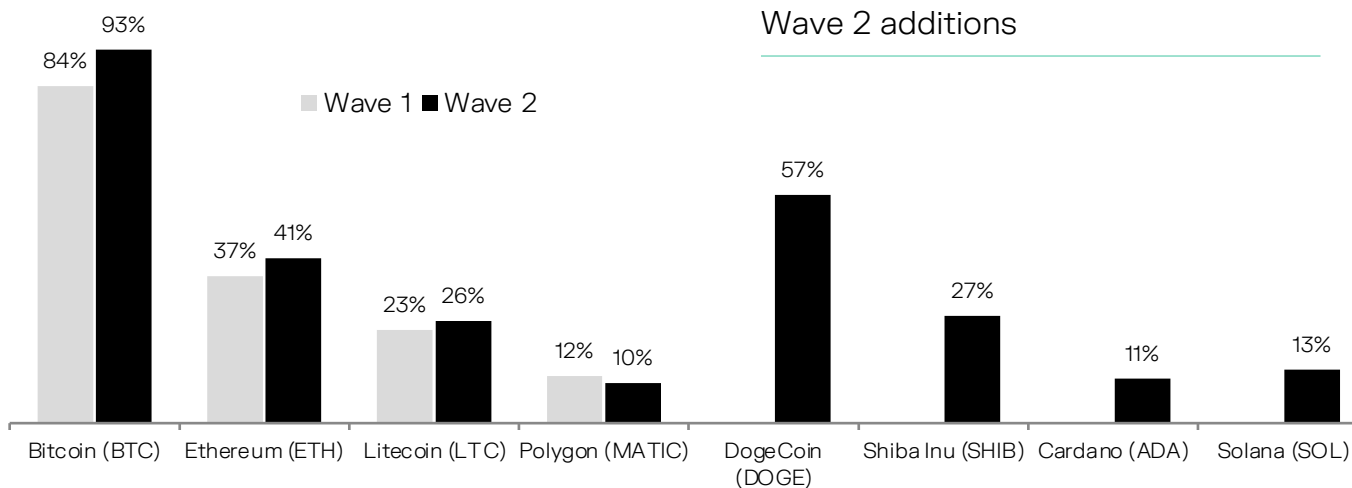


# Usage and Attitudes



# Strides in industry knowledge for all

Coin aided awareness mostly increased for both Crypto Curious and Crypto Owners, with BTC, ETH, and DOGE as the most recognized.



Aided Brand Awareness: Which of the following crypto coins have you heard of, even if only by name?

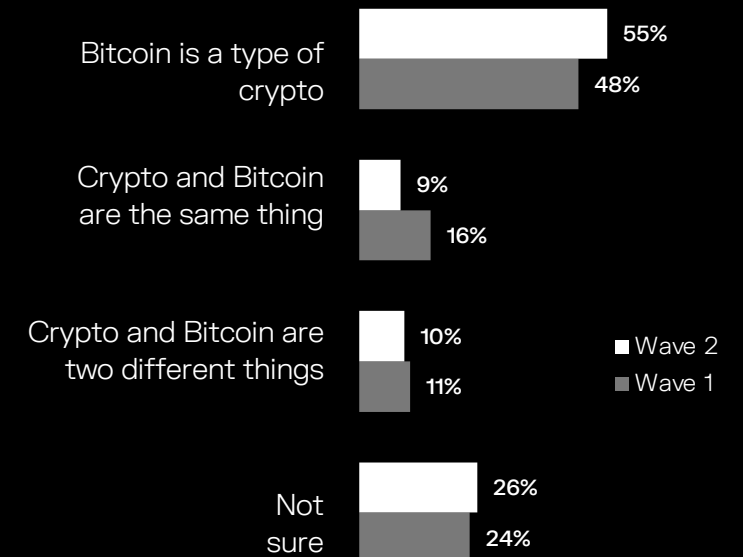
Wave 1 All: 2,104  
Wave 2 All: 2,002



## Crypto Curious crypto literacy grows

The Crypto Curious have made strides in their ability to identify that Bitcoin is a type of crypto, and, that the terms “crypto” and “bitcoin” are not one and the same.

This distinction suggests consumers are gaining the knowledge to take important steps in the flight to quality.

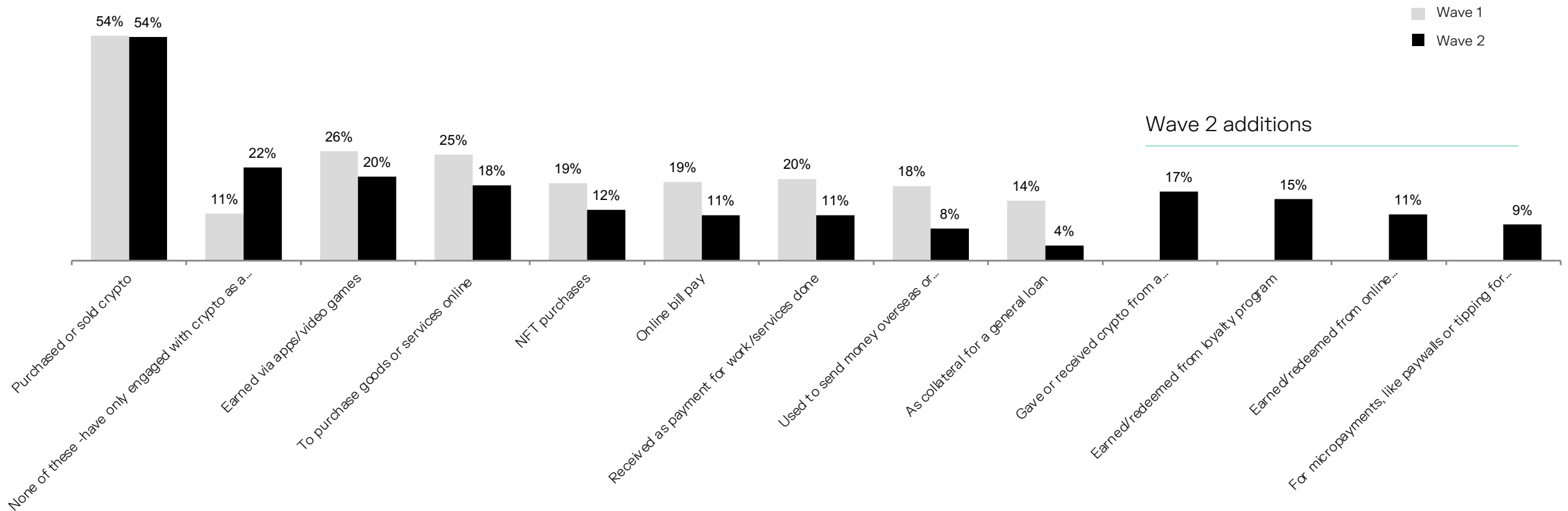


Please select the option that best describes your understanding of the relationship between the terms Crypto and Bitcoin.

Wave 1: Crypto Curious N=1,403  
Wave 2: Crypto Curious N=1,343

# Crypto utility, such as payments, has declined

While general trading activity remains consistent across study waves, crypto utility, such as various payment use cases, has decreased. Crypto Owner behavior suggests a shift to the long-term as regulatory debates continue.



Which of the following are ways you have engaged with crypto in the last 6 months?  
 Wave 1 Crypto Owners: N=701  
 Wave 2 Crypto Owners: N=659

# Fintech buyers see crypto as important portfolio ingredient

Reasons for purchasing crypto vary by crypto owner type and show the unique goals and beliefs of each segment. Those who primarily buy from crypto exchanges are more motivated by the long-term, as well as their belief in blockchain technology. Fintech crypto buyers most strongly view crypto as part of their diversified portfolio. Desire to use crypto for payments is the lowest purchasing motivator for both audiences.

## Crypto Exchange Buyers

1. I see crypto as a long-term investment asset
2. To diversify my investments
3. I believe in the future of digital currencies because of their blockchain technology

↑  
Top  
Purchasing  
Triggers

## Fintech Crypto Buyers

1. To diversify my investments
2. I like the idea of potentially making more money in the short to medium term
3. I want to learn more about crypto

Bottom  
Purchasing  
Triggers  
↓

7. I don't want to miss out on potentially the next big thing
8. I see others around me purchasing crypto
9. I want to use it as a way to send money or payments

7. I believe in the future of digital currencies because of their blockchain technology
8. I like the idea of decentralized finance
9. I want to use it as a way to send money or payments

Which of the following are reasons why you purchase crypto? | Crypto trading platform providers vs. Fintech providers

Data below 10% not included

Fintech Crypto Buyers N=279  
Crypto Exchange Buyers N=285

## Sentiment Agreement

Top 2 Box (Strongly agree + somewhat agree)

Crypto will become more regulated in the future

■	88%
■	89%

Crypto is gaining popularity

■	80%
■	86%

Crypto is easily accessible to everyone

■	73%
■	80%

■ Crypto Exchange Buyers  
■ Fintech Crypto Buyers

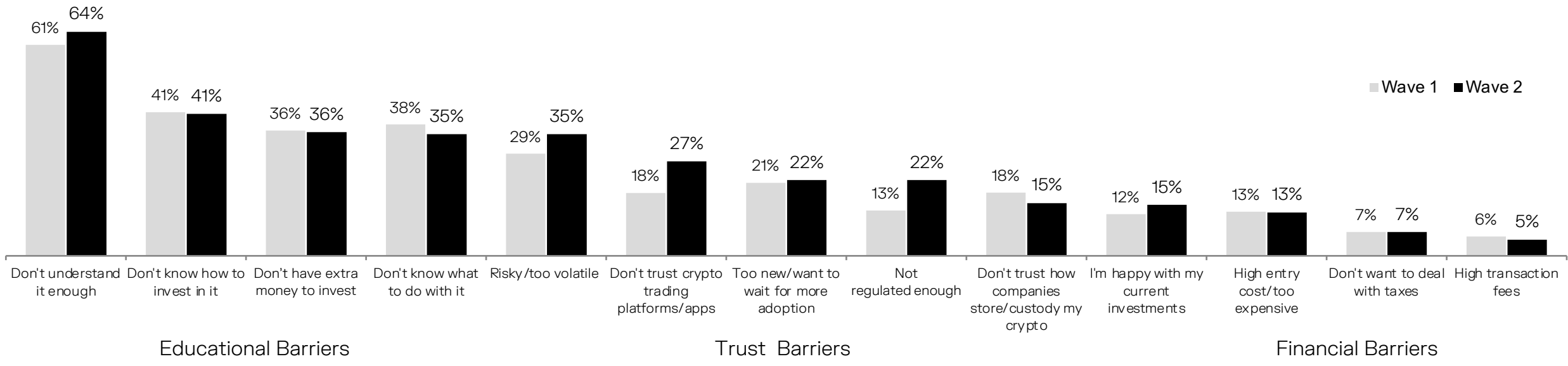
How much do you agree or disagree with the following statements about crypto? | 1: "Strongly disagree" - 5: "Strongly agree" | Crypto trading platform providers vs. Fintech providers: Crypto Owners N=571





# Trust and regulation become bigger barriers for new entrants

Educational hurdles remain top barriers for the Crypto Curious, while both lack of trust and regulation increase almost 10 percentage points.



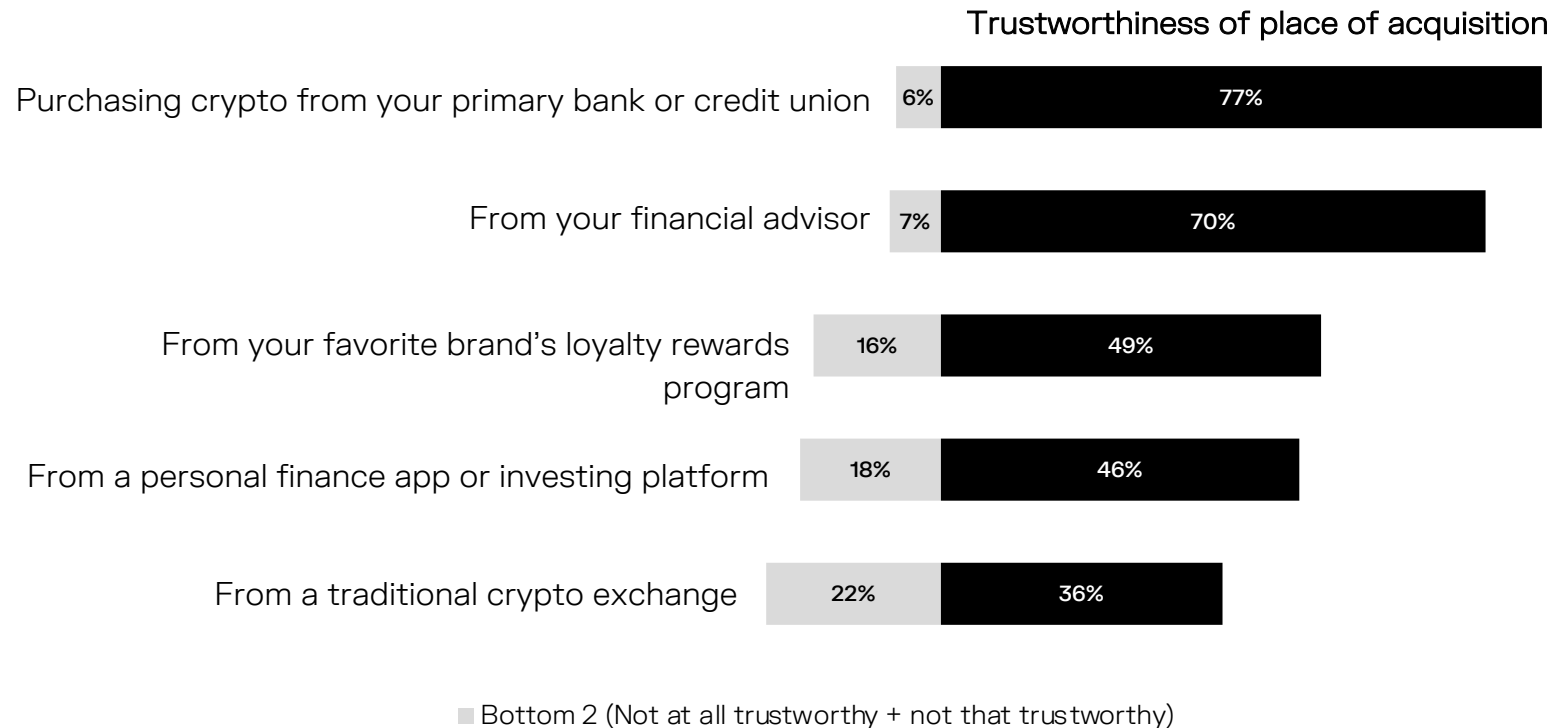
You indicated earlier that you have never purchased crypto. Which of the following describes why you have never purchased crypto?

Wave 1: Crypto Curious N=1,403

Wave 2: Crypto Curious N=1,343

# Next phase of crypto adoption powered by existing relationships

Although trust is a growing barrier for new market entrants, data suggests trust can be built through channels where the Crypto Curious already have existing customer relationships. Traditional exchanges are most out of favor with Crypto Curious, with the fintech channel significantly more trusted than traditional exchanges (46% vs. 36%).



Trustworthiness of places of acquisition\*: Below are ways in which one can acquire or earn crypto. How trustworthy do you feel each of these are for acquiring crypto? | 1: "Not at all trustworthy" - 5: "Very trustworthy"

Crypto Curious Wave 2 N=1,343

