



US Crypto Study

Wave 1

December 2022 Release

Bakkt Crypto Tracker: Wave 1 Results

STUDY 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
- Understand consumer openness and trust levels for new crypto acquisition pathways, such as primary banks and various crypto rewards loyalty strategies
- Understand consumer sentiment post-FTX collapse



METHODOLOGY

- A bi-annual tracker was set up among key groups of interest: existing crypto owners and the crypto curious. Study will be fielded every 6 months.
 - Crypto curious 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.
- Wave 1 fielded 10.13.22-10.26.22
- N=2,104
 - Crypto Curious = 1,403
 - Crypto Owners = 701
 - A minimum of 25% representation of HHI \$100K+ was maintained in sample
- A short-term assessment was fielded from 11.21.22-11.28.22 to understand short-term impact of FTX on Wave 1 findings.
 - Crypto Curious = 657
 - Crypto Owners = 344

**Please note: Wave 1 was fielded several weeks prior to the release of the CoinDesk Nov. 2 Alameda report regarding FTX. Better understanding of impact to long-term consumer sentiment will be reflected in Wave 2 (April 2023)*

Executive Summary

CRYPTO MARKET OUTLOOK

- Consumers are shrugging off 2022 market volatility and FTX collapse. Pre-FTX collapse, most Crypto Owners (89%) said they were likely to purchase crypto in the future. This sentiment declined by just 7% post-FTX events. Crypto Curious sentiments hold steady post events.
- Even weeks prior to the collapse of FTX, majority of Crypto Owners (71%) and Crypto Curious (70%) expressed high levels of safety and regulation concern around purchasing crypto. For Crypto Owners, level of concern increases with their level of crypto investment.
- Furthermore, consumers viewed having ownership of their crypto (“it’s your crypto, not ours”) as the most important safety and regulation feature.
- Those who had unaided recall of recent crypto market events were more likely to have higher safety and regulation concerns (73%). Crypto Owners naturally had higher recall of recent market events, contributing to their slight decline in outlook sentiment.

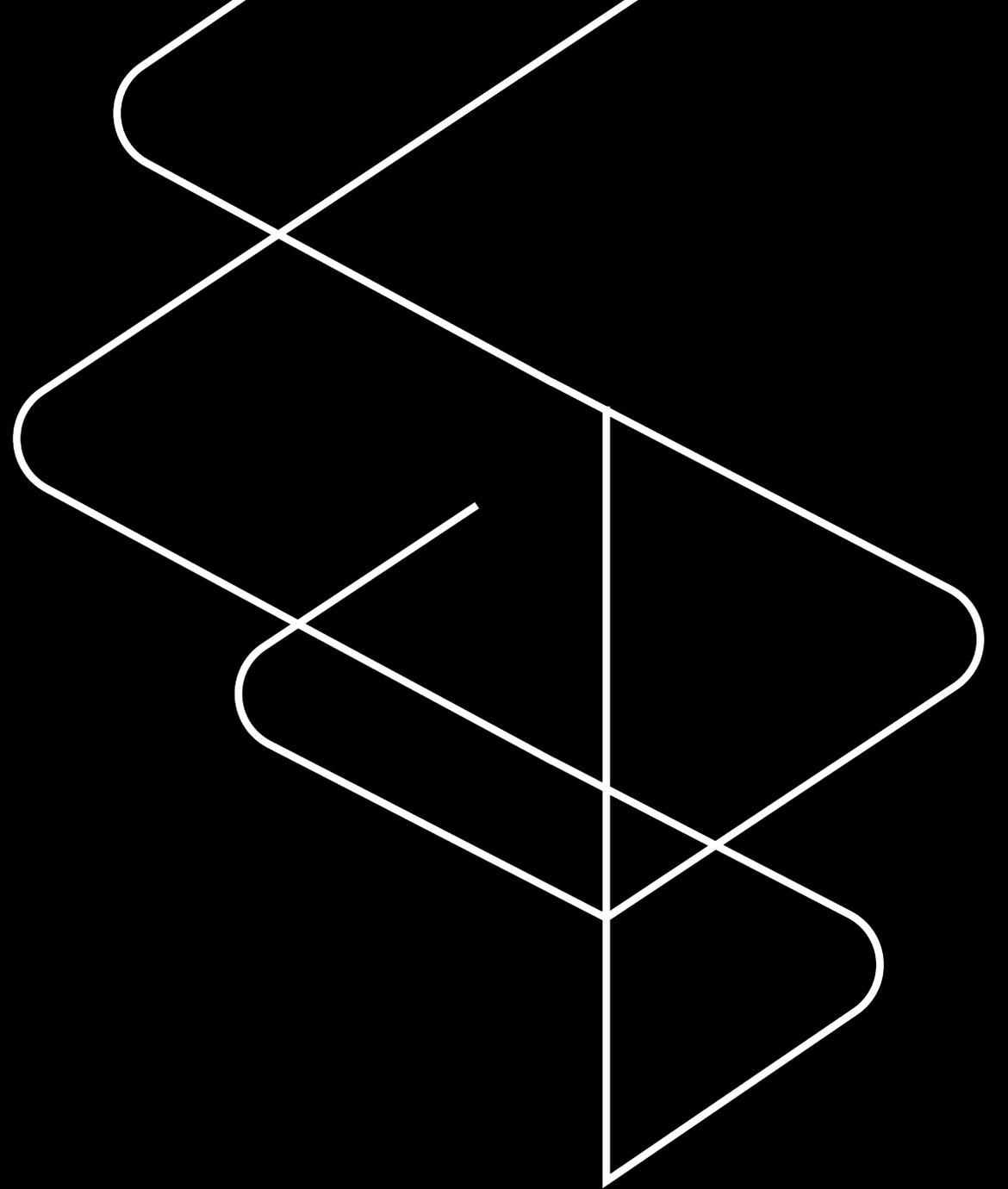
CRYPTO CURIOUS ADOPTION BARRIERS

- Top barriers to crypto entry fall into three categories: lack of education, security concerns and financial implications. “I don’t understand it enough” is top barrier (61%) for the Crypto Curious.
- Lack of education plays out in the inability to correctly identify the differences between the terms “bitcoin” and “cryptocurrency.” Only 48% understand bitcoin is a type of crypto, while the other half are not sure, or described the relationship inaccurately.
- Aided awareness of coins outside of bitcoin is low, with only 25% stating that they had heard of ether (ETH).

NEW CRYPTO PATHWAYS

- Majority of Crypto Owners (86%) and Crypto Curious (68%) are open to purchasing crypto from their primary bank or credit union. Openness to purchasing crypto from primary bank increases as household income increases.
- Crypto Curious rate their primary bank as “very trustworthy” or “somewhat trustworthy” for purchasing crypto, 30% higher than their trust of crypto apps (76% vs. 46%).
- Acquiring crypto through a favorite brand’s loyalty program (crypto rewards) rated as more trustworthy than traditional crypto trading platforms and apps by Crypto Curious (52% vs. 46%). Crypto Owners have even higher trust of acquiring crypto through loyalty programs (78%).
- Crypto rewards poised to drive crypto payments, with almost half of both Crypto Owners and Crypto Curious stating that crypto acquired through crypto reward redemptions would make them more likely to use crypto as a payment method.

Market Outlook

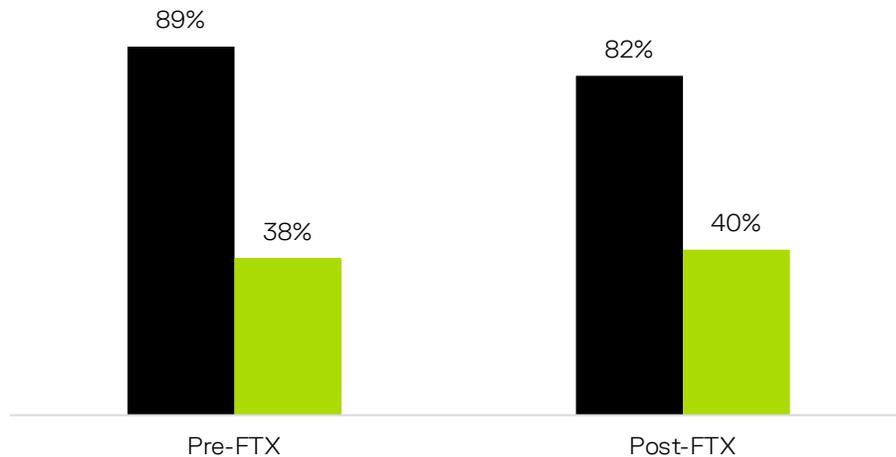


Post-FTX, intent to purchase crypto relatively unchanged

Consumers have mostly shrugged off 2022 market volatility and FTX collapse, and future purchasing consideration of crypto still strong for Crypto Owners both pre- and post-FTX. There are no signals of immediate exit from the market, and future study waves will reveal any long-term impact.

LIKELINESS TO PURCHASE CRYPTO IN THE FUTURE

Future purchasing consideration of crypto holds steady for both audiences post-FTX, with only a 7% decline in future consideration for Crypto Owners.



Top 2 Box Scores

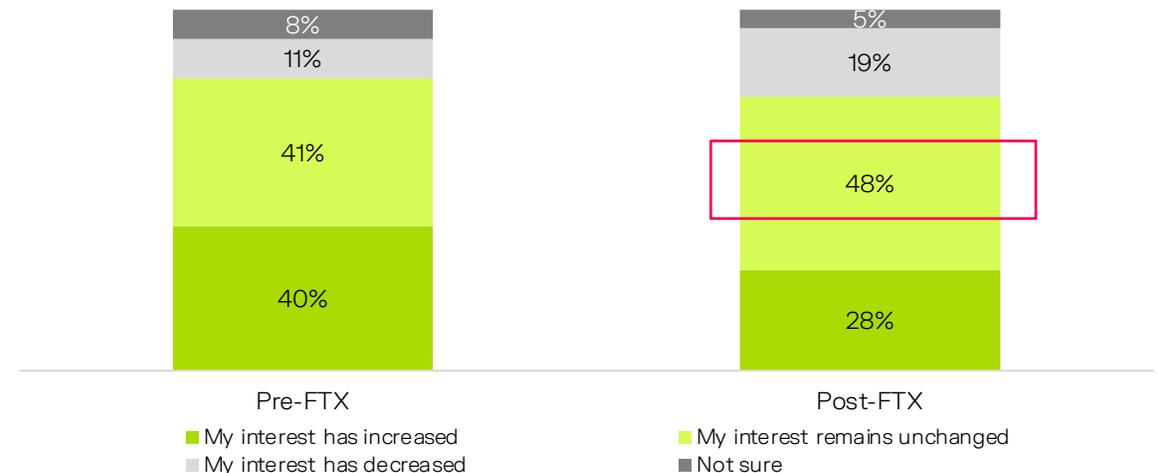
■ Crypto Owners ■ Crypto Curious

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

Pre-FTX: Crypto Owners N=701, Crypto Curious N= 1,403
Post-FTX: Crypto Owners N=344, Crypto Curious N= 657

CHANGE IN INTEREST

Overall, almost half (48%) say their interest in purchasing crypto hasn't changed. Post-FTX, only an 8% change in decreased interest.



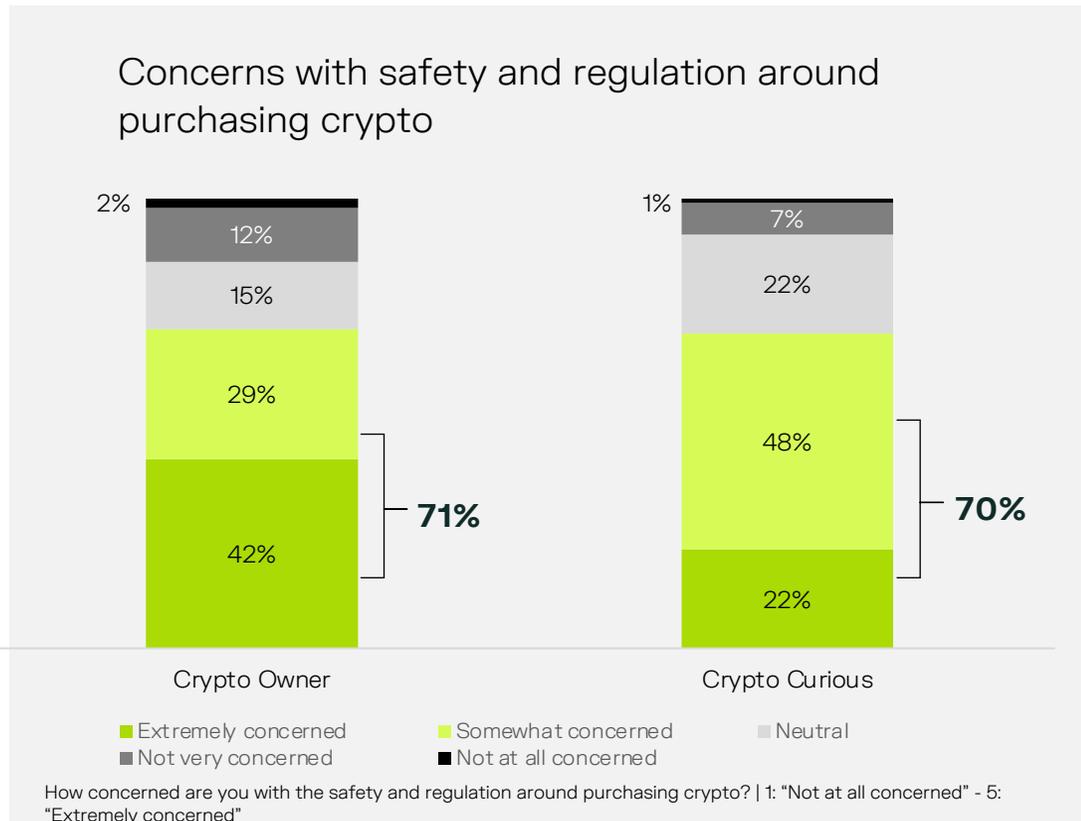
Change in intent: How, if at all, has your interest in investing in/purchasing crypto changed based on crypto's market performance?

Pre-FTX (all) N=2,401, Total Post-FTX (all): N=1,001

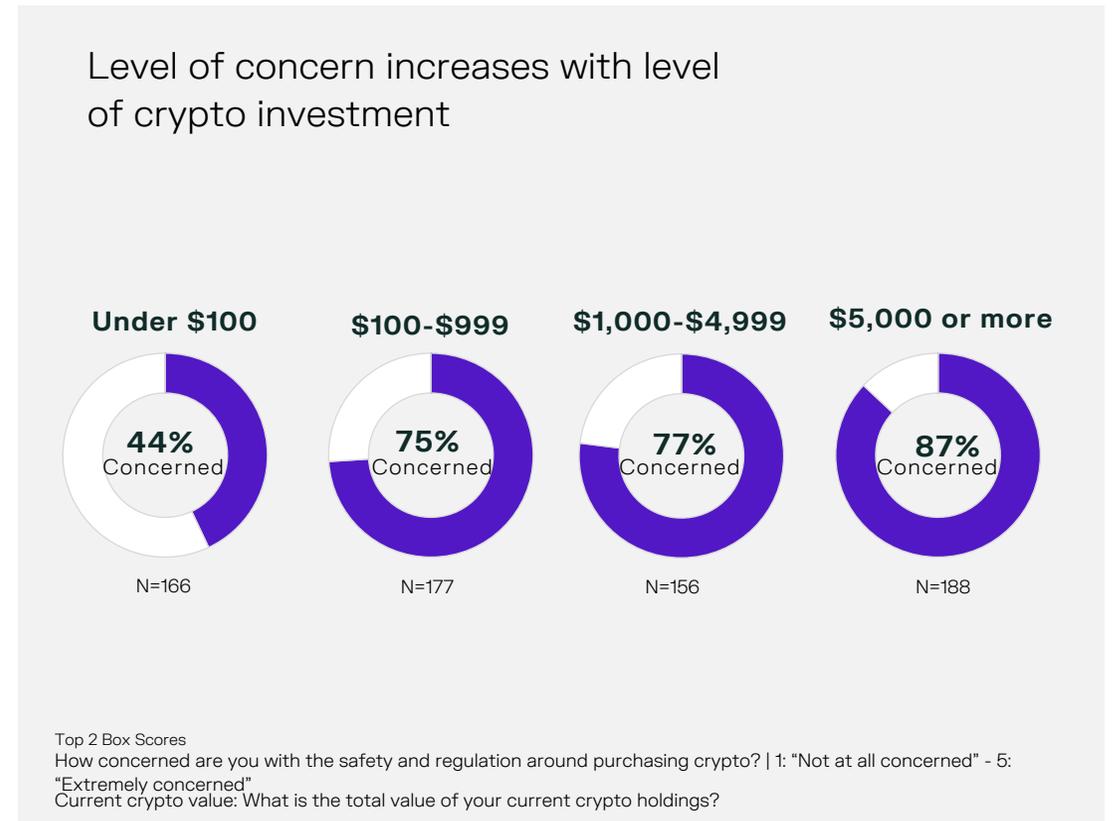


Concerns on crypto regulation—prior to FTX collapse

70% of both groups expressed the same high levels of concern with safety and regulation around purchasing crypto. Data also shows that concerns over safety and regulation increase as investment levels increase.



Pre-FTX: Crypto Owners N=701, Crypto Curious N= 1,403



Pre-FTX: Crypto Owners Total N=701



Safety concerns are shaped by recent market events

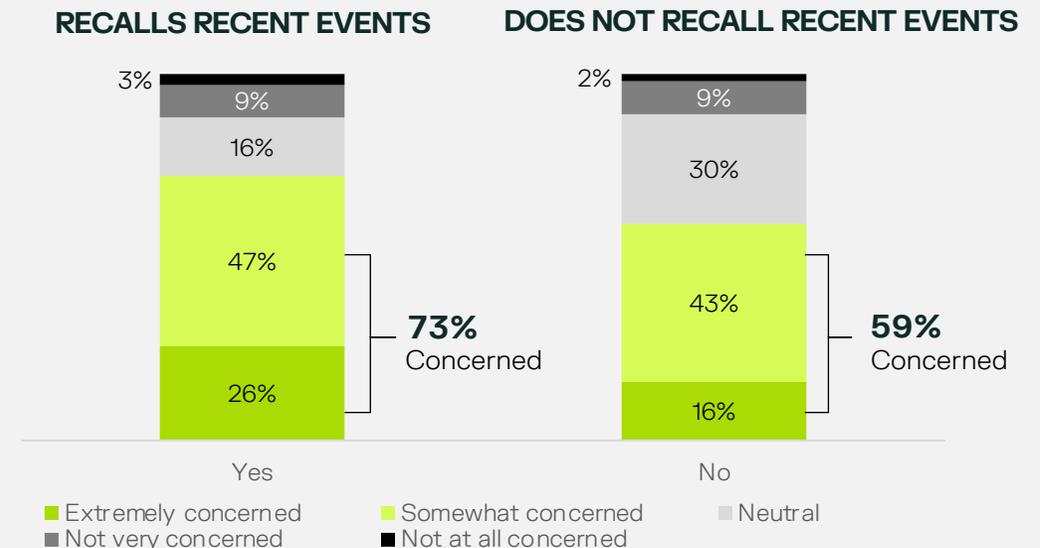
Just 33% of Crypto Curious recalled hearing about any recent crypto events (unaided). With no crypto investments of their own and low recall of FTX collapse, Crypto Curious sentiment holds steady from Wave 1. Crypto Owners naturally had higher recall of recent events (52%), contributing to their dip in outlook sentiment. The data also shows that those who recalled recent crypto events have stronger concerns around crypto safety and regulation.

Crypto Owners have stronger unaided recall of recent crypto market events than the Crypto Curious



Unaided recall crypto news: Do you recall reading or hearing about any crypto events in the last one month?

Those who recalled reading or hearing about recent crypto events have higher safety and regulation concerns around purchasing crypto



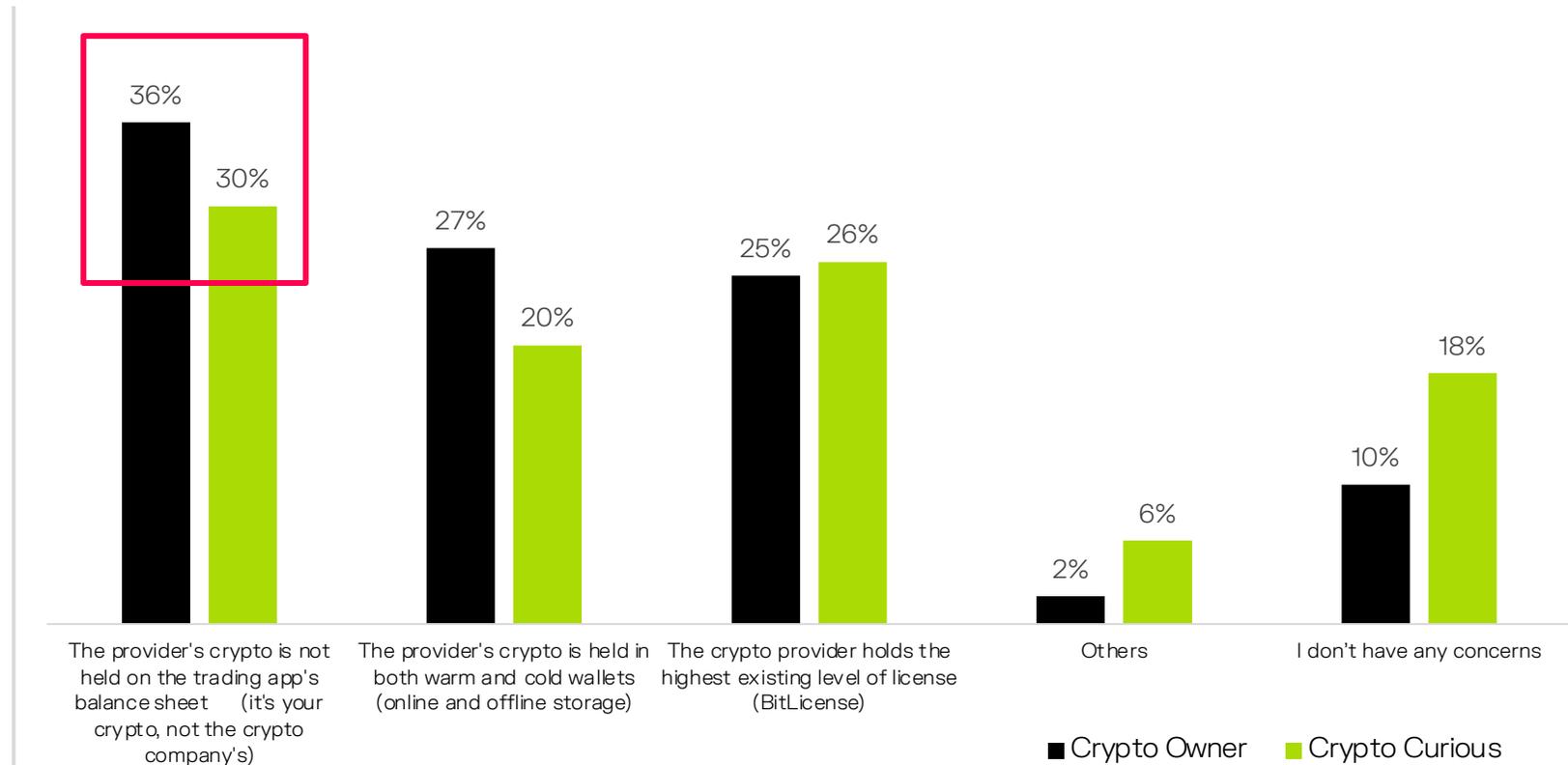
Post-FTX: Crypto Curious N= 657, Crypto Owners N=344

Post-FTX (Among All): Yes N=399, No N= 602

“It’s your crypto, not ours” is top safety feature for all

Both Crypto Owners and Crypto Curious agree that crypto not being held on the trading app’s balance sheet is the #1 most important safety and regulation measure.

- Even prior to the FTX collapse, consumers viewed having ownership over their own funds as #1 safety measure. Future waves will track how this shifts over time.
- Safety and regulation feature importance varies by age groups:
 - Top feature for 18-44 age groups is that the crypto is not held on the trading app’s balance sheet
 - Top feature for ages 45+ is that the crypto provider holds a BitLicense
- 18% of Crypto Curious say they don’t have any concerns, but that could be driven by overall lack of crypto education and awareness.
- No significant changes in safety feature importance found in post-FTX assessment.



When it comes to purchasing crypto, which of the following safety and regulation features is most important to you?
Pre-FTX: Crypto owners N=701, Crypto Curious N= 1403



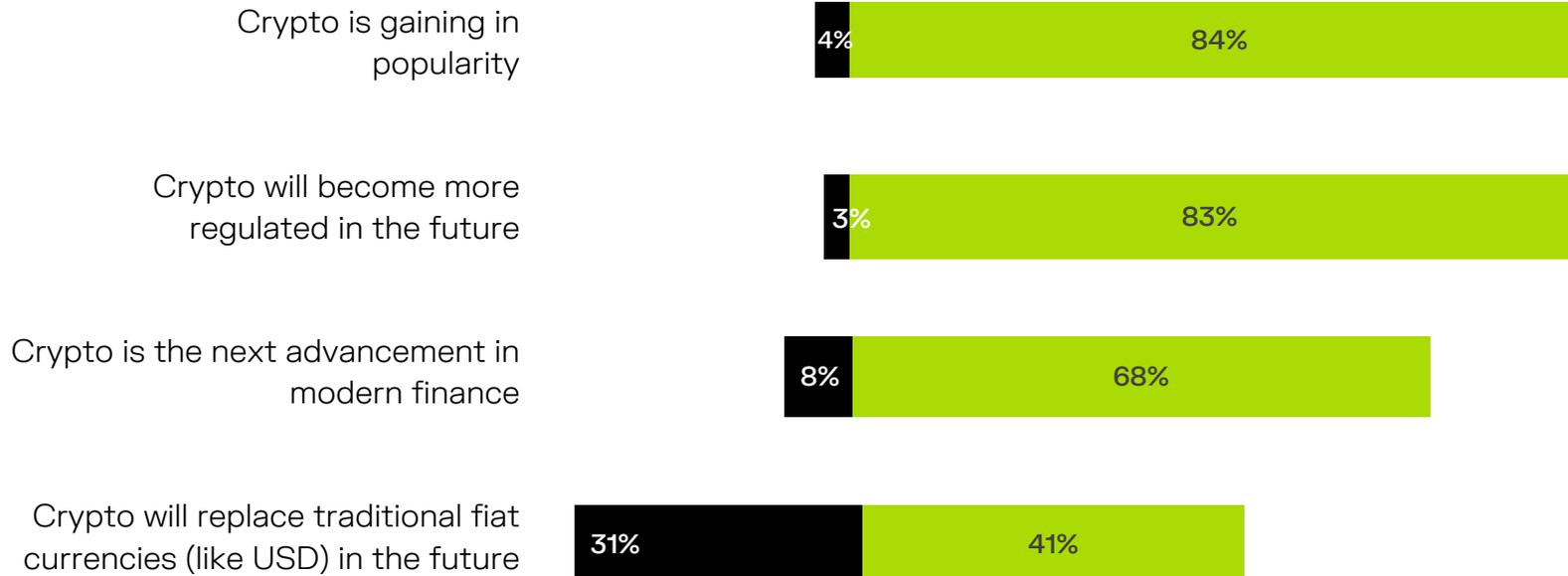
Consumers see crypto as next advancement in finance

Both groups agreed on crypto's popularity gain, as well as more regulation to come in the future. Only 3% disagreed on more regulation in the future. When tested post-FTX events, agreeability dipped slightly for all statements, mostly driven by decrease in agreeability from Crypto Owners.

Pre-FTX Collapse Sentiment Agreement

■ Top 2 score (Strongly agree + agree)

■ Bottom 2 score (Strongly disagree + disagree)



How much do you agree or disagree with the following statements about crypto? | 1: "Strongly disagree" - 5: "Strongly agree"

Pre-FTX : Total N=2,104

Post-FTX Top 2 Box Sentiment

Score Change

↓ 6%

↓ 3%

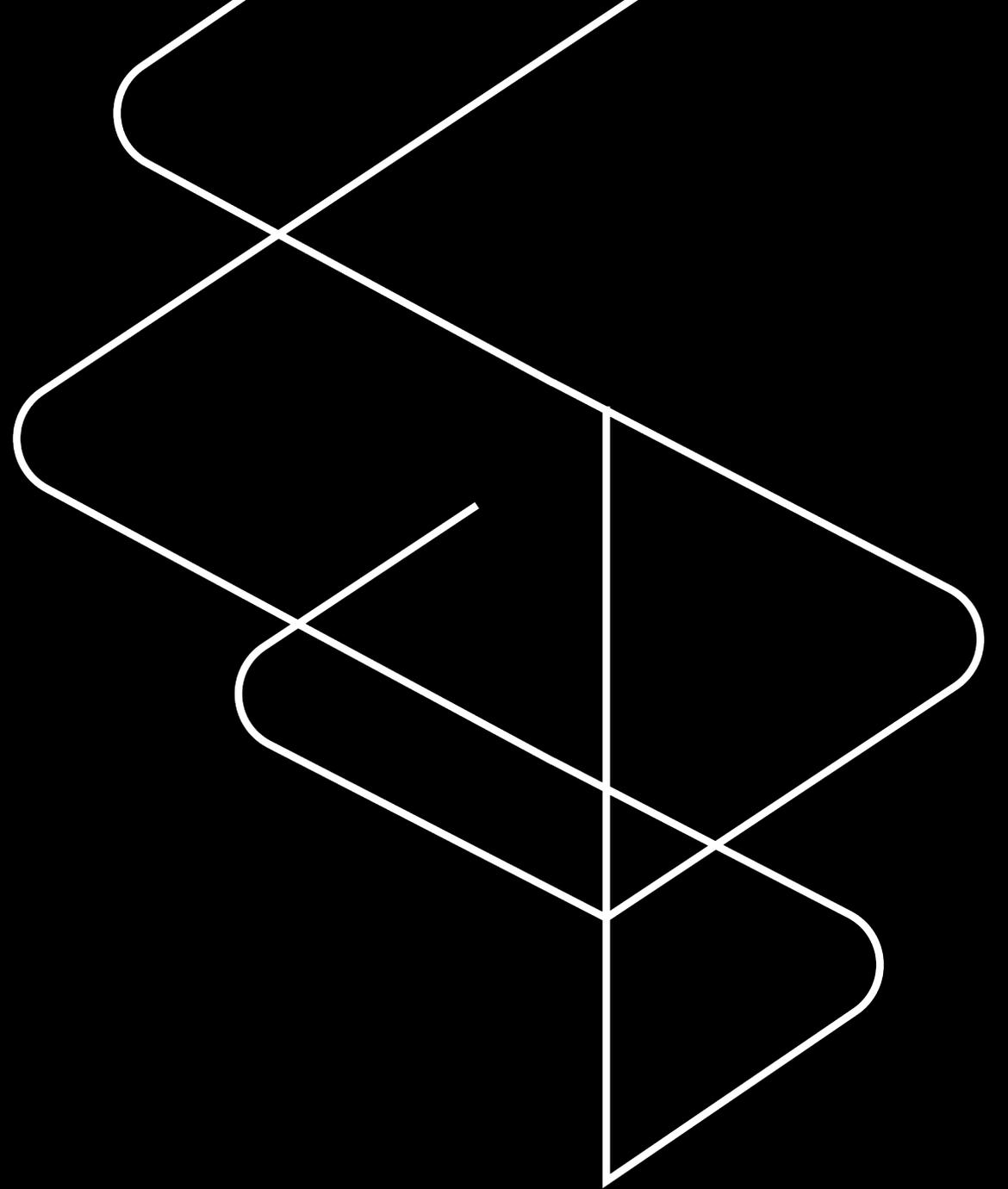
↓ 5%

↓ 3%

Post-FTX: Total N=1,001

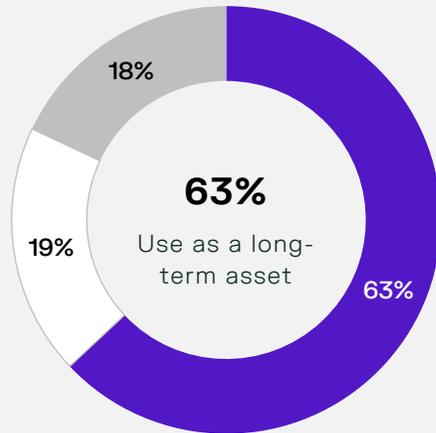


Usage and Attitudes



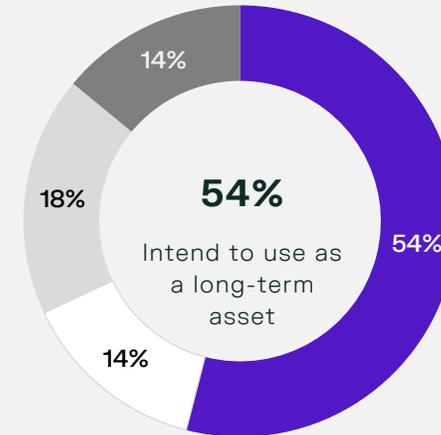
Primary use of crypto is still long-term investment but data shows possible shifts in the future

Over 60% of Crypto Owners primarily use crypto as a long-term asset, with almost 20% using it as P2P crypto exchange or for payments



- As long-term asset/investment
- For short-term trading
- As a way to send money or make payments

When asked about future intentions, less seemed certain on usage, with a drop in usage as a long-term asset



- As long-term asset/investment
- For short-term trading
- As a way to send money or make payments
- Not sure/I'm still deciding

Way used in the past (Owners): Is the crypto you currently own primarily being used...?
Pre-FTX: Crypto Owners N=701

Intended use in future (Owners): In the future do you intend to primarily use your crypto...?
Pre-FTX: Crypto Owners N=701



Top triggers for purchasing crypto vary with life stages

- Top 4 overall reasons for purchasing crypto (not pictured):
 - Crypto as long-term investment (48%)
 - Belief in blockchain (45%)
 - Wanting to learn more about crypto (41%)
 - Shorter-term profit potential (40%)
- As age increases, so does perception of crypto as long-term investment.
- Gen Z has strongest foundational belief in the future of digital currencies (52%), further signaling their strong entry into the crypto market. (caution: small sample size; directional only)
- Those 55+ see crypto as a portfolio diversification tool (48%) more than any other age group.

TOP REASONS WHY CRYPTO OWNERS HAVE PURCHASED CRYPTO BY AGE



Education is the biggest barrier to crypto entry

Barriers to entry for the Crypto Curious fall into 3 categories: lack of education, security concerns, and financial implications.

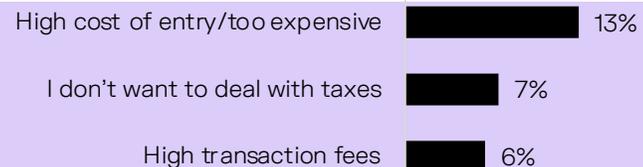
EDUCATION BARRIERS



SECURITY AND REGULATION BARRIERS



FINANCIAL BARRIERS



0% 10% 20% 30% 40% 50% 60% 70%

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

Pre-FTX: Crypto Curious Total N=1,403

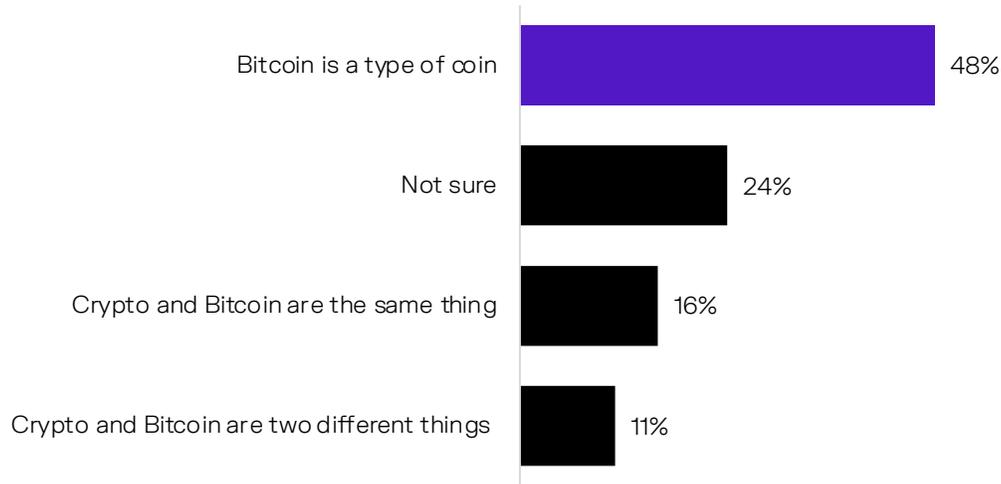
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Less than half can decipher between “crypto” and “bitcoin” terms

Less than 50% of Crypto Curious can decipher between “crypto” and “bitcoin.” While most participants have heard of bitcoin (#1 coin by market cap), only a small percentage said they had heard of the #2 and #3 largest coins by market cap, ether and tether respectively. Inability to differentiate between terminology and lack of awareness of coins outside of bitcoin suggests more education needed for adoption.

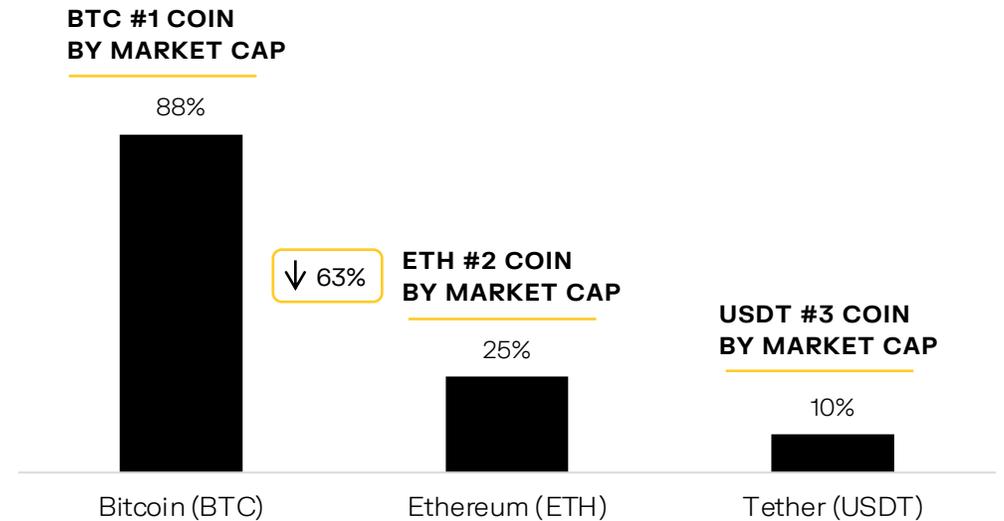
 48% understand bitcoin is a type of crypto, while the other half are not sure, or described the relationship inaccurately.



Perceived difference/similarity: Please select the option that best describes your understanding of the relationship between the terms Crypto and Bitcoin. Pre-FTX: Crypto Curious N=1,403



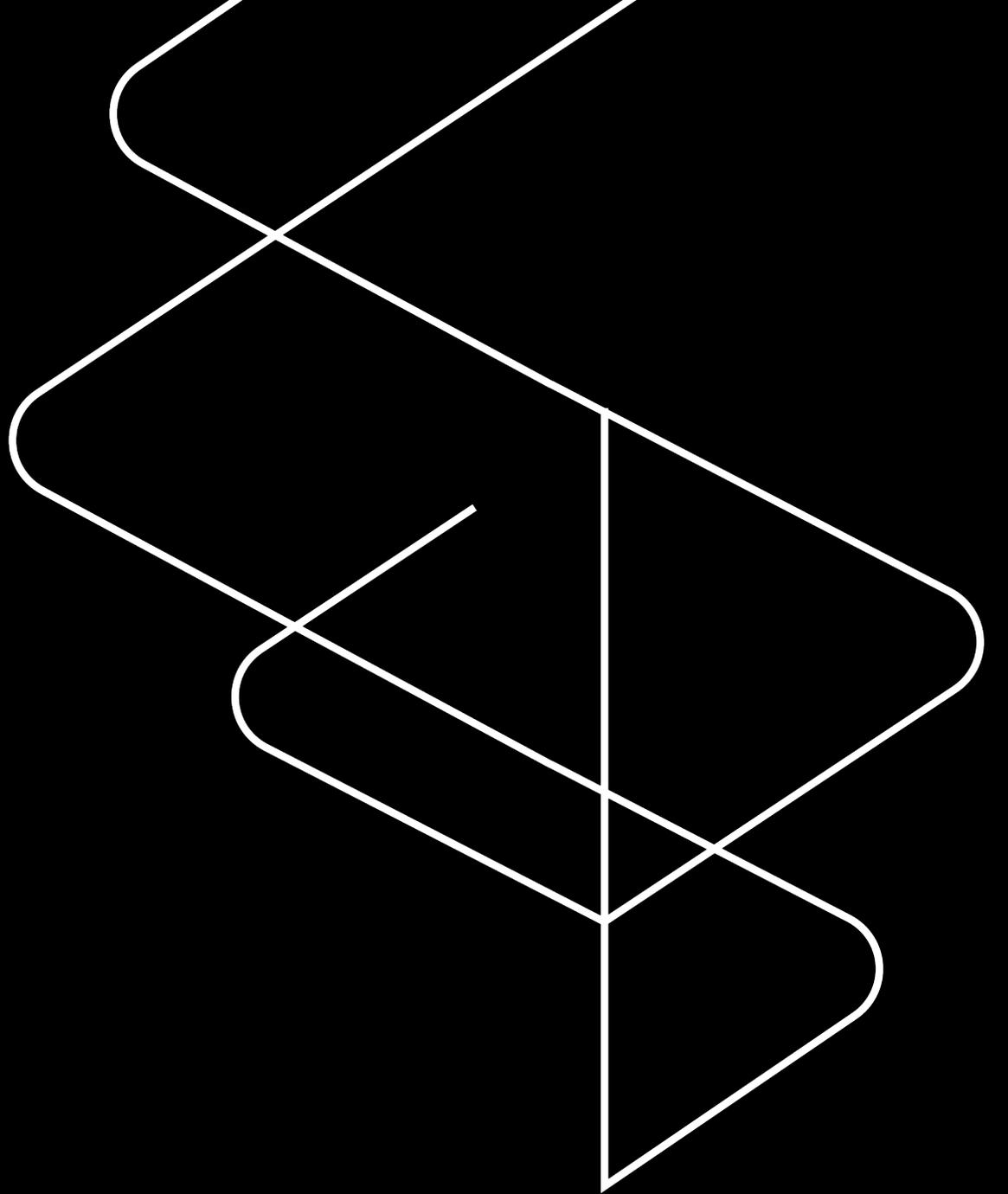
 While bitcoin has almost 90% aided awareness, aided awareness for the second largest coin by market cap is down 63 percentage points.



Aided Brand Awareness: Which of the following crypto coins have you heard of, even if only by name? Pre-FTX: Crypto Curious N=1,403

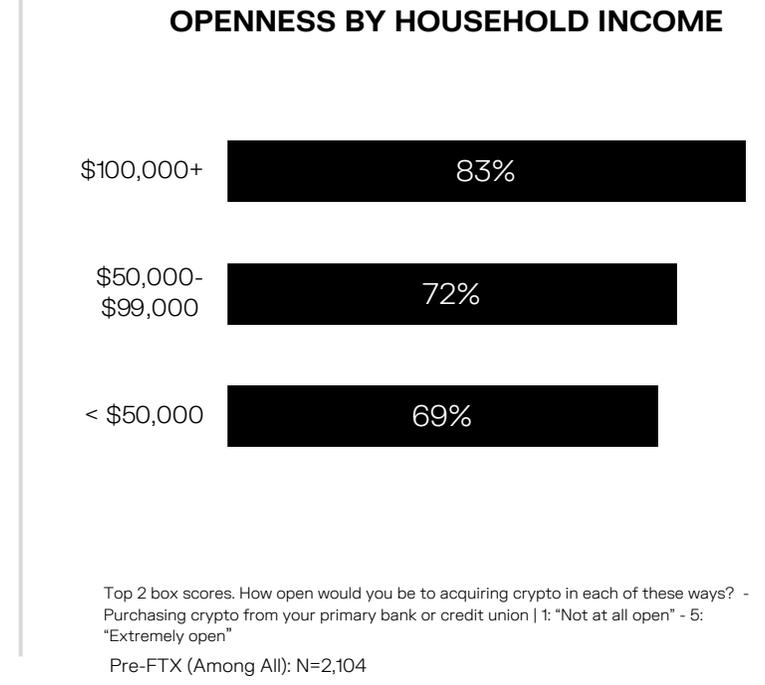
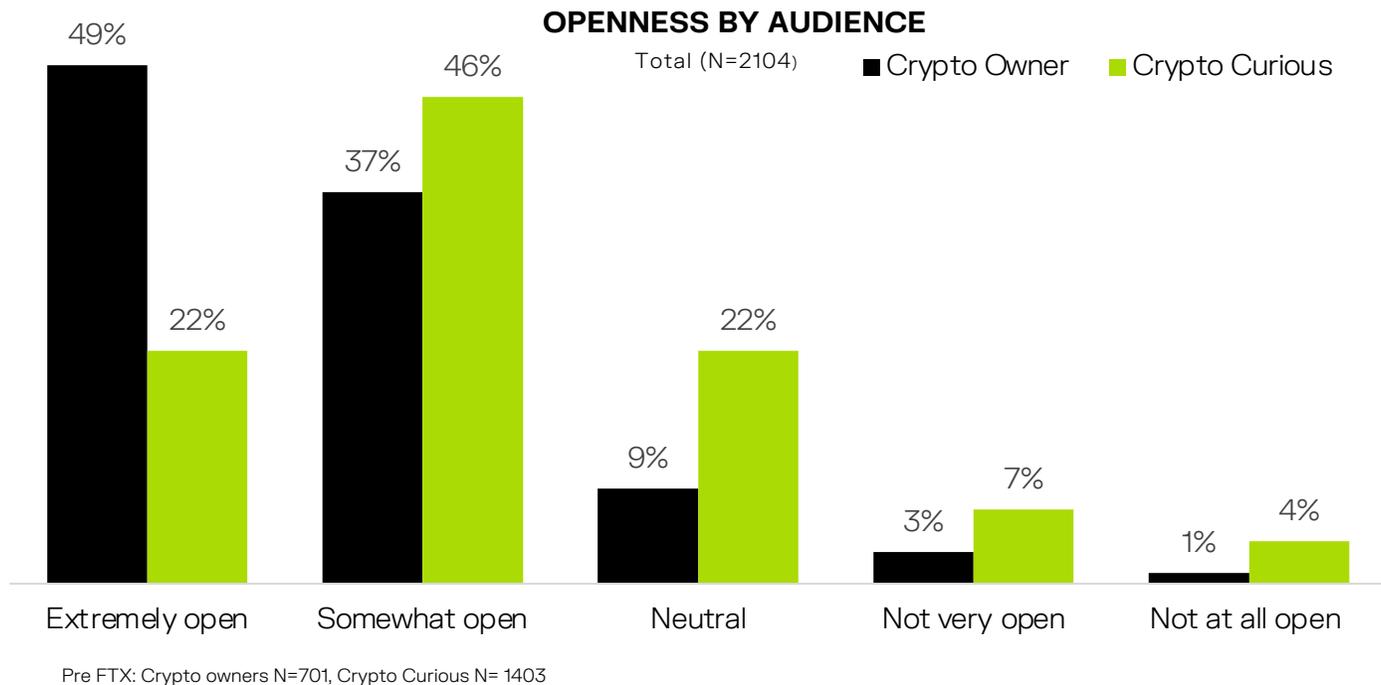
*Market caps as of 12.5.22

Banking



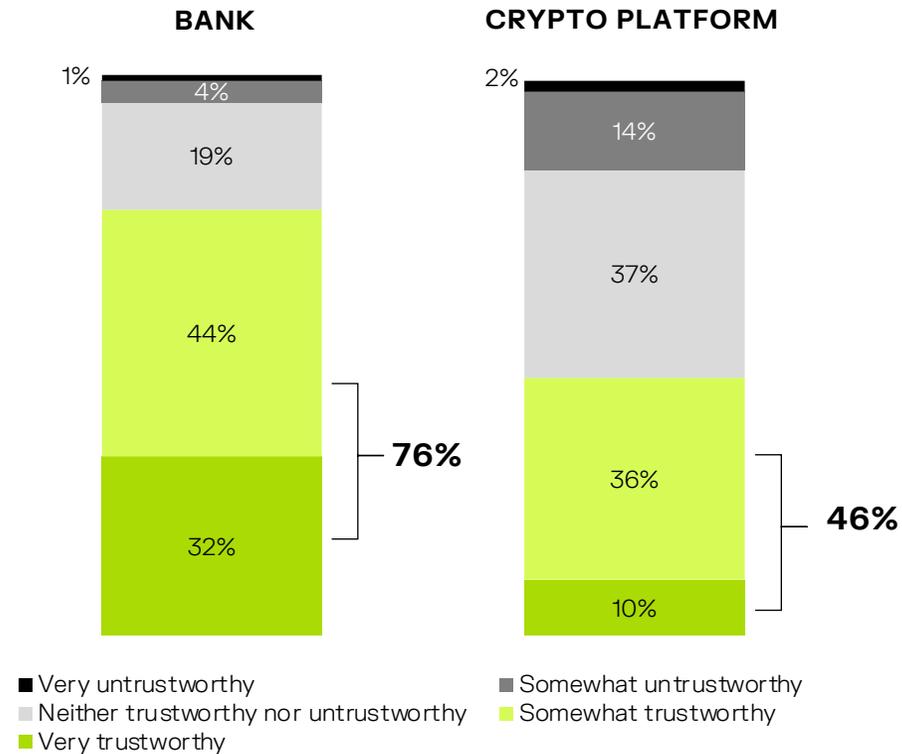
Open to purchase crypto from primary bank, credit union

86% of Crypto Owners and 68% of Crypto Curious are open to purchasing crypto from their primary bank or credit union. Openness to purchasing crypto from primary bank increases as household income increases.

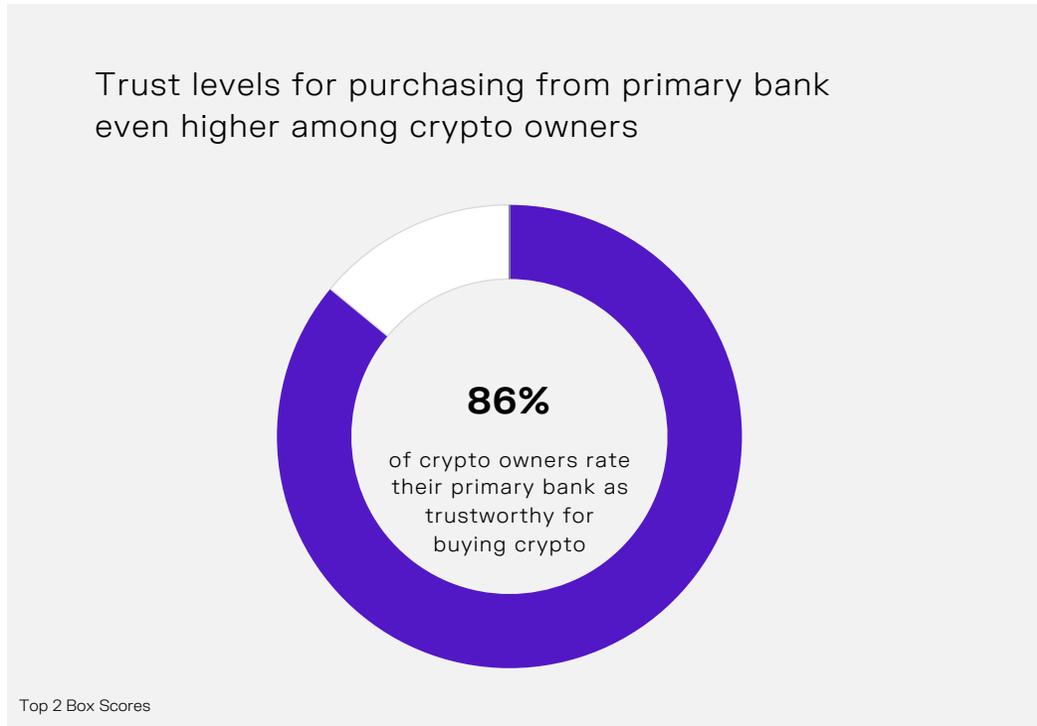


Banks rated more trustworthy than crypto platforms

Crypto Curious rated their primary banks or credit unions more trustworthy than traditional crypto trading platforms for buying crypto. 76% rated their primary bank as “very trustworthy” or “somewhat trustworthy” for purchasing crypto, jumping 30% higher than how they rated crypto platforms and apps.



Pre-FTX: Crypto Curious N= 1,403

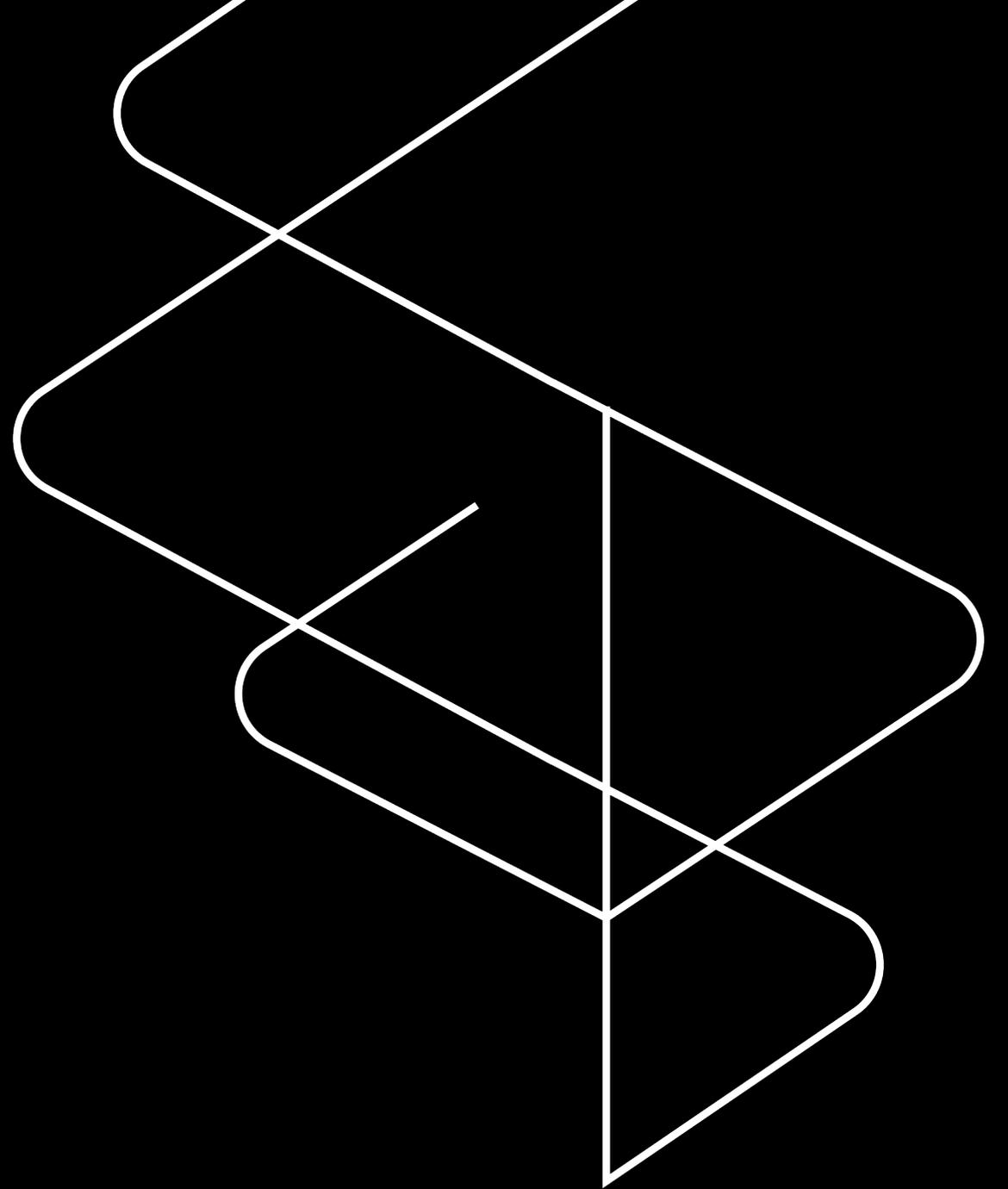


Trustworthiness of places of acquisition: Below are ways in which one can acquire or earn crypto. How trustworthy do you feel each of these is for acquiring crypto? | 1: "Not at all trustworthy" - 5: "Very trustworthy"

Pre-FTX: Crypto Curious N= 1,403

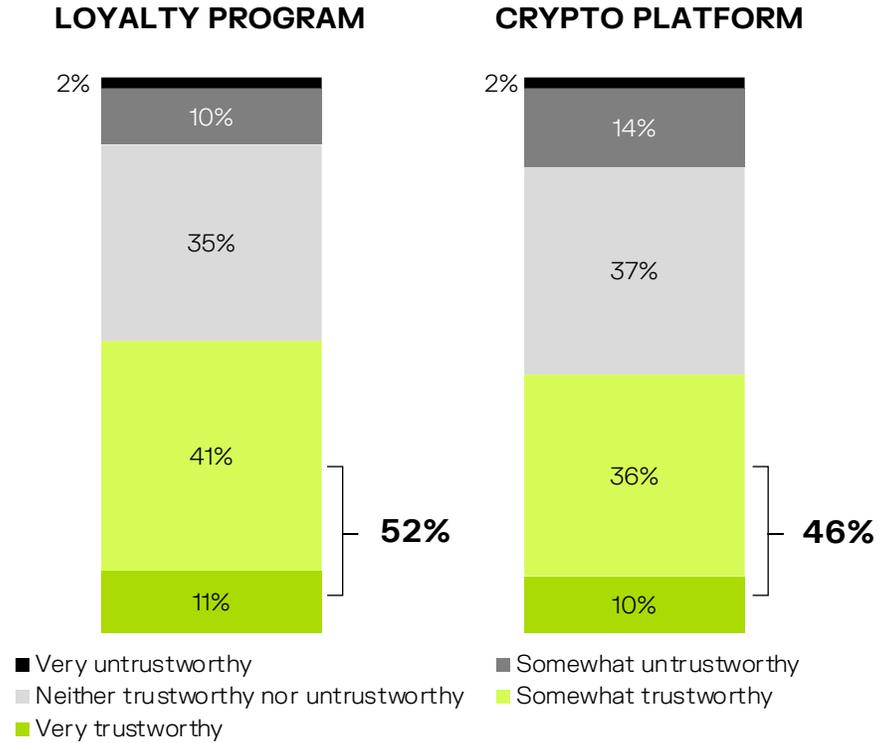


Loyalty & Rewards

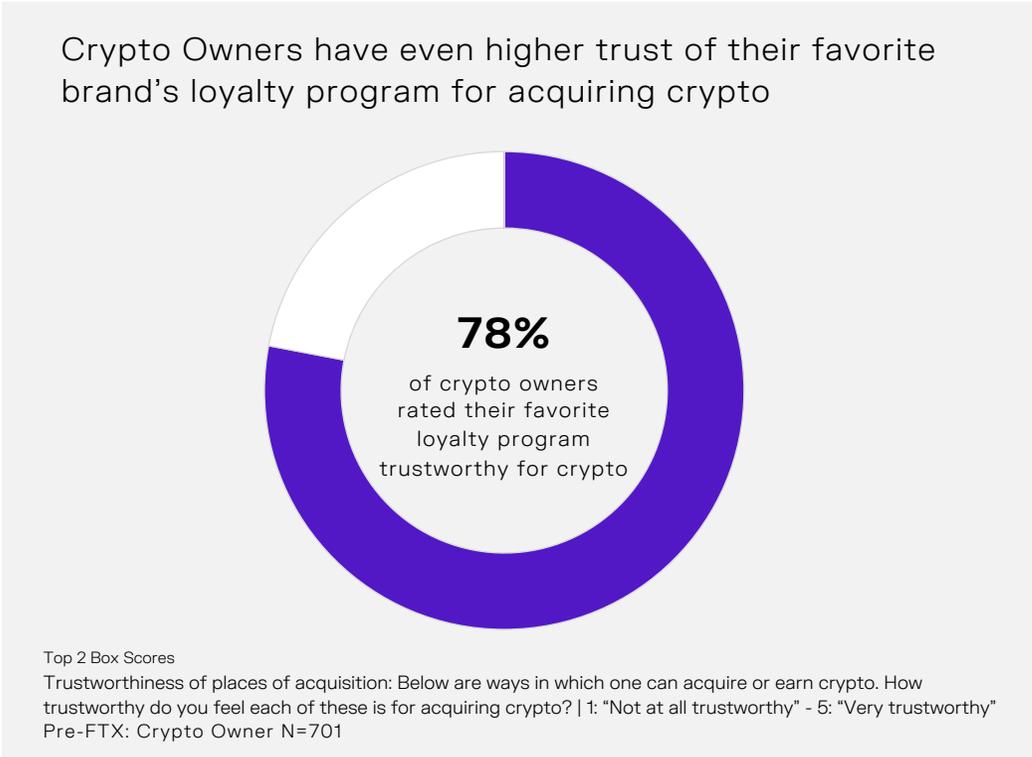


Trust higher in loyalty programs than crypto apps

52% of the Crypto Curious rated their favorite brand's loyalty rewards program as "very trustworthy" or "somewhat trustworthy" for acquiring crypto, compared to 46% for crypto apps. Only 12% of Crypto Curious rated loyalty programs as untrustworthy.

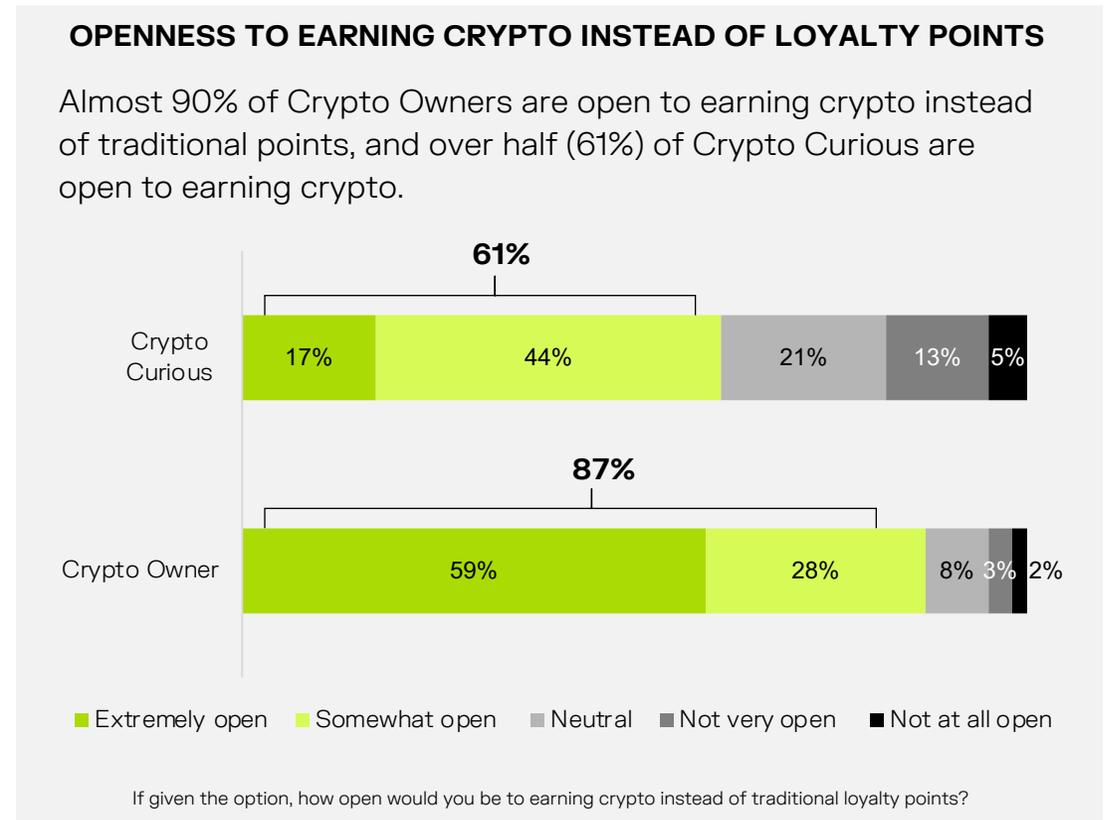
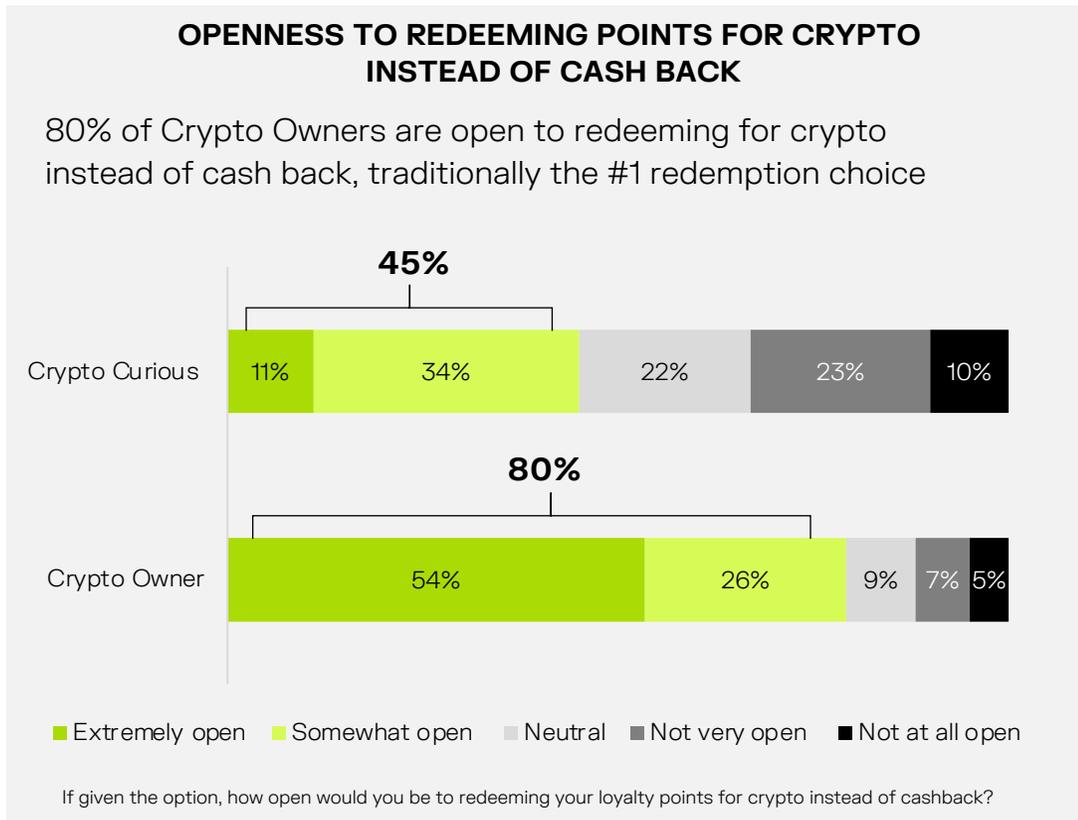


Pre FTX: Crypto Curious N=1,403



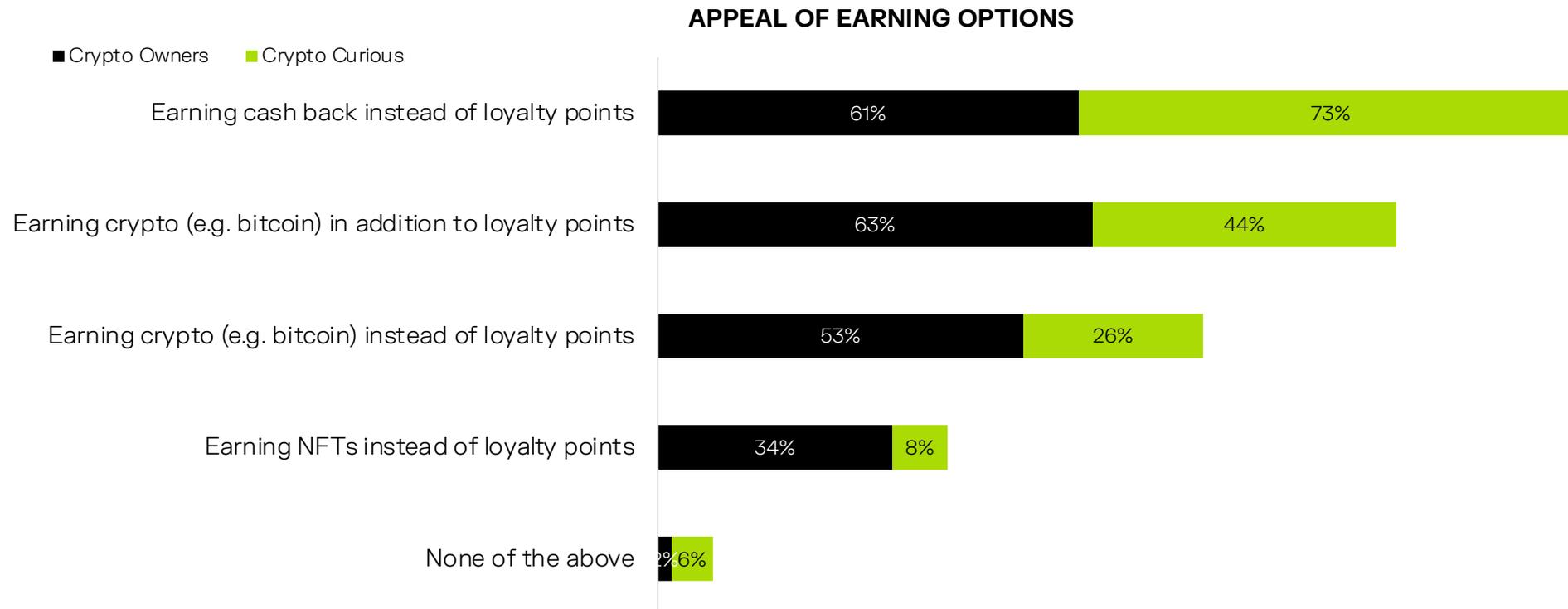
Crypto owners show excitement for Crypto Rewards

When it comes to reward redemptions, 80% of Crypto Owners are open to redeeming their points for crypto, instead of cash back. Majority of both the Crypto Owners and Crypto Curious are open to earning crypto instead of traditional loyalty program points.



For Crypto Owners, there's appeal to earning crypto

While the Crypto Curious find cash back most appealing, they are fairly open (44%) to earning crypto in addition to loyalty points. Crypto Owners find earning NFTs instead of loyalty points over 4x more appealing than the Crypto Curious.



Which of the following options, if any, would be more appealing to you than earning traditional loyalty points?

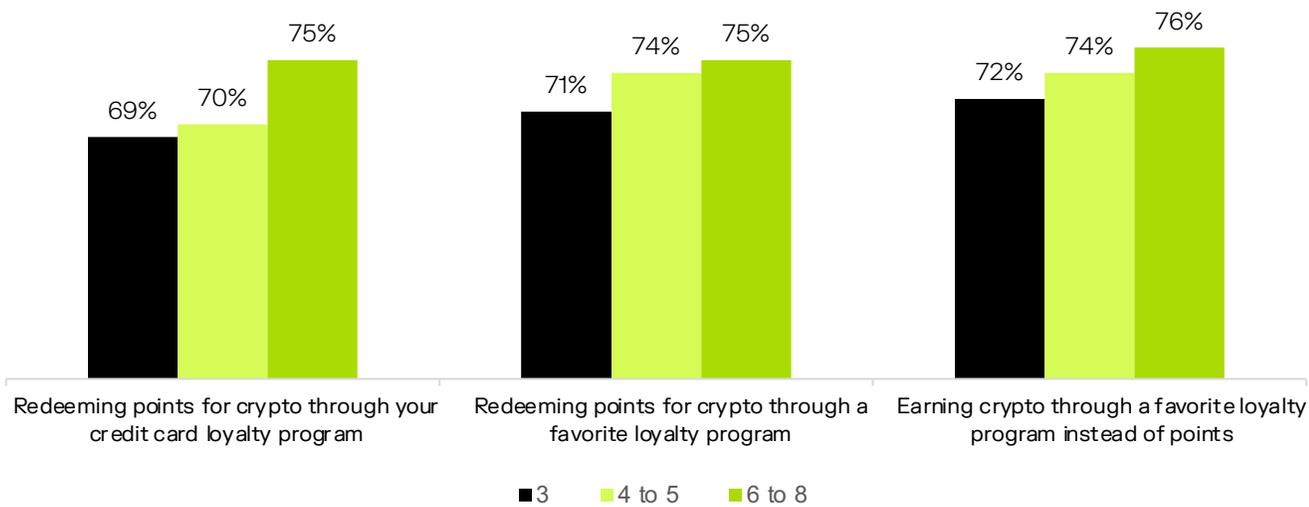
Pre-FTX: Crypto Owners N=701, Crypto Curious N= 1,403



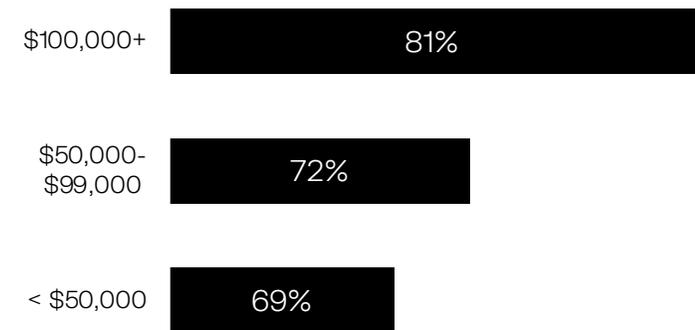
Loyalty program superusers more open to crypto rewards

Superusers of loyalty programs are more open to various types of crypto rewards. Participants' openness to crypto rewards increases as their number of loyalty program memberships increase. Across multiple formats of crypto rewards, those with 6 to 8 loyalty program memberships show highest levels of openness.

CRYPTO REWARDS OPENNESS BY NUMBER OF LOYALTY PROGRAM MEMBERSHIPS AND PROGRAM FORMAT



AS HOUSEHOLD INCOME INCREASES, SO DOES OPENNESS TO REDEEMING LOYALTY POINTS FOR CRYPTO



Top 2 Box Scores
How open would you be to acquiring crypto in each of these ways? - redeeming loyalty program points for crypto through a favorite brand's loyalty rewards program | 1: "Not at all open" - 5: "Extremely open"

Pre FTX (Among All): N=2,104



Top 2 Box Scores
How open would you be to acquiring crypto in each of these ways? | 1: "Not at all open" - 5: "Extremely open"
Pre FTX (All): 3 N= 635, 4 to 5 N=885, 6 to 8 N=294

Crypto rewards poised to drive crypto payment adoption

Almost half of both Crypto Owners (51%) and Crypto Curious (48%) agree that crypto acquired through redeeming loyalty points for crypto would make them more likely to use crypto for payments, more so than P2P crypto exchange.

LIKELINESS TO USE CRYPTO FOR PAYMENTS



Which of these situations, if any, would make you more likely to use crypto to make payments for goods or services?
Pre-FTX: Crypto Owners N=701, Crypto Curious N= 1,403

