FROST & SULLIVAN

Coinify

2017 Global Blockchain Financial Service Provider Product Leadership Award

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2017 BEST PRACTICES AWARD

GLOBAL BLOCKCHAIN FINANCIAL SERVICE
PROVIDER PRODUCT LEADERSHIP AWARD

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Background and Company Performance

Industry Challenges

Digital transformation is impacting all industries. Thanks to this major trend, many services are being disrupted including ecommerce, retailing and payment services. Payments are becoming more and more of a commodity rather than the strategic element of a purchase. Many major ecommerce players are already using terminology such as 'transparent payments' or 'hidden payments' to showcase that the payment method is not essential and that a simple confirmation button could serve as a proof of authorization.

However, the market is driving further innovation by creating an end-to-end digital value chain for digital money based on crypto mechanisms, including Bitcoin, the first and most popular cryptocurrency based on the blockchain technology. The concept of cryptocurrencies is to make the movement of money, over the open Internet, a natural and commonly used payment mechanism.

Furthermore, the cost of physical currency is extremely high compared to electronic money, as it is based on a complex and expensive process involving a lot of human interaction spanning its production, transportation, protection and destruction. Additionally, governments are struggling to find new revenue sources and the best ways to track tax evasion and dirty money. Currently, electronic payment is the best solution to deliver better control of payment flows.

In Europe, new regulation around the revised payment services directive 2 (PSD2) will force established banks and financial institutions to work closely with financial technology companies (Fintech providers). This mandatory approach has already facilitated the rise of innovative services to accelerate digital transformation within the financial sector. As a result, merchants using online payments are looking for trusted partners and solutions that are certified and compliant with global or regional payment regulations. However, it is not an easy task to find trusted companies within a nascent industry, and it is even more complicated to find such firms for Bitcoin and other cryptocurrency payments. Another critical point to focus on is the associated hidden fees that could appear during a digital payment transaction, nullifying the benefits of offering innovative services to customers.

Blockchain is not yet standardized, but since September 2016 the International Organisation of Standardization (ISO) has been working to develop standards for blockchain technology; this is expected to facilitate a massive increase in adoption over the coming year.

Product Family Attributes and Business Impact

Match to Needs

Coinify has platform for blockchain currency trading and payment processing: Individuals can buy and sell blockchain currencies; and merchants can accept blockchain currency payments with fiat payouts. Coinify has also developed API that allows trading and payment processing white label solutions for its partners: Payment Service Providers (PSPs) can offer blockchain currencies as payment method to their merchants; Cryptocurrency wallet providers can offer in-wallet trading; Loyalty point companies can offer rewards in form of blockchain currency, etc.

Reliability and Quality

Based on a solid reputation, Coinify can also leverage its global experience and thought leadership. The company was, for example, the first Danish member of Forbes Finance Council. Coinify established strong partnerships s with various market leaders, including global #1 cryptocurrency wallet provider Blockchain.info (16 million+ wallets) and global loyalty point provider Loylogic (millions of members). Coinify signed 40 international PSP partnerships, expanding its market into Europe and Asia. These initiatives have provided the company with a lot of experience, enabling it to improve the platform and to include relevant feedback from local merchants.

Coinify has also improved its AML (Anti Money Laundering) and KYC (Know Your Customer) processes from self-initiated adherence to payment industry regulation standards through collaboration with domestic and European regulatory bodies Blockchain and Virtual Currency Working Group (BVCWG), Kammeradvokaten (State Attorney office in Denmark), and Finanstilsynet (Danish Financial Services Authority) to the fintech industry standards recognized by financial authorities.

Additionally, the company is the highest ranked Bitcoin processor company for Service Level Agreement (SLA), creating a strong confidence between user and the processing platform. The processing platform has been built on PCI (Payment Card Industry) processes in order to facilitate its integration to existing system, but also to accelerate certification process with approved PCI modules.

Product/Service Value

The attractiveness of the Coinify platform is based on its pricing structure and, more specifically, by the way the company can significantly reduce fees. Coinify has decided not to charge set-up and to not include chargebacks (as per the company tagline: "a Coinify Bitcoin payment is final and guaranteed"). Coinify's vision is to reduce intermediary service providers to optimize the pricing structure while adhering to high security standards. Besides supporting bank transfers, the company also facilitates the purchase of Bitcoin via payment cards, in order to simplify the entry to cryptocurrencies for newcomers.

Positioning

The Coinify platform has been developed internally and is operational since 2014. The accumulated industry experience and product bundle have evolved into a bank grade white label API platform offered to existing partners and new customer segments entering the field. The Coinify platform is more cost efficient and user friendly than of most of its competitors. Thanks to sophisticated fraud prevention processes (KYC and risk-engine) Coinify enjoys credit card fraud rate below 1%, which is better than the industry average.

Design

Coinify's concept is to offer an easy-to-use and integrated blockchain currency payment options to merchants as well as fast and secure trading services to its customers. For large clients, Coinify offers API that enables tailored integration with the partner website/platform.

Growth Potential

Coinify has a strong management team that is perfectly aligned with the evolution of the Bitcoin industry. Recently, the company signed a strategic partnership with Loylogic, the global leader in e-commerce and e-payment solutions for loyalty programs, to offer First loyalty points to cryptocurrency conversion. On the payment processing side, Coinify partnered with Countr, a Dutch point of sales software provider, in order to offer a broader variety of payments including Bitcoin and 14 other cryptocurrencies for more than 3000 Countr's retailers.

The financial stability of the company is strong, with venture investments in addition to government funds. The fact that global wallet leader Blockchain has been partner with Coinify for over a year and is looking into expanding the collaboration outside Europe with Coinify is a positive signal to Coinify followers. Indeed, the company can be seen as a trusted partner to accelerate the spread of virtual currencies. Coinify offers a frictionless experience when purchasing Bitcoin by facilitating the integration of credit or debit payment cards in the process. Industry-wide interest in crypto currencies is undisputed; the number of requests to the Coinify platform has drastically increased, putting the company in a strong position for future growth.

Conclusion

Coinify has developed a platform for blockchain currency trading and payment processing that addresses customer expectations and recent market developments. This pioneering approach gives Coinify true differentiation compared to its competition.

Frost & Sullivan believes that Coinify's API platform strategy will pave the way for it to grow further in the coming years, supported by an increasing interest in cryptocurrency trading and a strong demand for alternative payment solutions.

Because of its strong overall performance, Coinify is recognized with Frost & Sullivan's 2017 Product Leadership Award.

Significance of Product Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company and then making the decision to return time and again. A comprehensive product line, filled with high-quality, value-driven options, is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Product Leadership

Demand forecasting, branding, and differentiating all play a critical role in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communications, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay product excellence into positive business impact, increased market share will inevitably follow over time.

Key Benchmarking Criteria

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

Product Family Attributes

Criterion 1: Match to Needs
Requirement: Customer needs directly influence and inspire the design and positioning of the product family.

Criterion 2: Reliability and Quality
Requirement: Products consistently meet or exceed customer expectations for performance and length of service.

Criterion 3: Product/Service Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 4: Positioning
Requirement: Products or services address unique, unmet need that competitors cannot easily replicate or replace.

Criterion 5: Design
Requirement: The product features an innovative design, enhancing both visual appeal and ease of use.

Business Impact

Criterion 1: Financial Performance
Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition
Requirement: Product strength enables acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency
Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential
Requirements: Product quality strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital
Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, which in turn enhances employee morale and retention.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP		OBJECTIVE	KEY ACTIVITIES	OUTPUT
1	**Monitor, target, and screen**	Identify Award recipient candidates from around the globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2	**Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates	Matrix positioning of all candidates' performance relative to one another
3	**Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4	**Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5	**Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized Award candidates
6	**Conduct global industry review**	Build consensus on Award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible Award candidates, representing success stories worldwide
7	**Perform quality check**	Develop official Award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8	**Reconnect with panel of industry experts**	Finalize the selection of the best-practice Award recipient	• Review analysis with panel • Build consensus • Select recipient	Decision on which company performs best against all best-practice criteria
9	**Communicate recognition**	Inform Award recipient of Award recognition	• Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10	**Take strategic action**	Upon licensing, company is able to share Award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.