

Bitcoin finding its way from cyberspace to shops

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A streetwear clothing store in Bergenfield, N.J., will sell you a camouflage hoodie for about 0.10862 bitcoin. It's received bitcoins for online orders, but so far no one has walked into the Jeffersons storefront and asked to pay with it.

At Helen's Pizza in Jersey City, N.J., you can buy a slice for 0.00339 bitcoin by pointing your phone at a sign next to the cash register.

For 0.10560 bitcoin, at the current exchange rate, A Class Limousine will pick you up at Newark (N.J.) Airport and take you to New York City.

Those transactions, calculated at Friday's exchange rate, are small change in the Bitcoin universe, in which more than \$60 million changed hands on an average day last week, but they are a sign that the 5-year-old virtual [currency](#) is inching its way out of cyberspace and onto Main Street.

Bitcoins are digital cash. The technology behind the currency - Bitcoin (singular with a capital B) - lets someone convert dollars into digital strings of encrypted numbers - bitcoins (small b) - that can be sent around the world as easily as email.

Bitcoins can be purchased for dollars, euros, yen or other national currencies on more than 40 different trading exchanges. That's how most people now acquire them. But - in a process that confuses almost anyone

without a computer science degree - they can also be "mined" by rigging up a computer to perform high-speed calculations.

With the value of one bitcoin soaring from about \$5 two years ago to more than \$1,200 in November, bitcoins have been called the greatest wealth generator since the gold rush. And with the dramatic price swings that have accompanied that rise - since Feb. 9 the value of a bitcoin has plunged from close to \$800 to below \$400, then rebounded to more than \$600 - they've been called an investment bubble waiting to burst.

Every day, it seems, another business says it will accept Bitcoin. Internet retailers OKCupid and Overstock.com were the first on the digital currency bandwagon. Virgin Galactic will let you book a flight to outer space with bitcoins. And a Texas congressman has received campaign donations in the virtual currency.

Investors such as the Winklevoss twins, of Facebook fame, and Internet entrepreneur Marc Andreessen have poured millions into Bitcoin-related startups. Those investors, and those who are hoarding bitcoins, believe that because there is a finite limit on bitcoin creation - just as there is a finite limit on gold - the price of a bitcoin can only go up.

Others aren't so sure. Within the past two weeks, confidence in Bitcoin has been shaken. A Tokyo-based Bitcoin exchange shut down and said it had discovered a glitch that could compromise the currency. An exchange based in Slovenia suspended withdrawals and said it had suffered a cyberattack. Russia declared it an illegal currency. Apple Inc. stopped selling apps to store bitcoins on iPhones. Bitcoins exist on computers, and if the computers fail, the currency is not backstopped by a government or a central bank.

Despite uncertainty about what bitcoins will be worth in the future, a lot of people around the world are using them now to buy everything from a

Lamborghini (in California) to martinis (in midtown Manhattan). BitPay and Coinbase, two Web businesses that enable stores and other merchants to convert Bitcoin payments into dollars, say they have signed up 45,000 merchants. Coinbase claims that more than 900,000 consumers use their website to store their bitcoins.

Most Americans, however, are wary of Bitcoin - 79 percent of them said they "have never and would never" consider using a form of currency like Bitcoin, according to a survey from financial news company TheStreet.com. Supporters of the currency, however, are betting that's the same percentage of people who believed they'd never use the Internet in 1993.

Youth are more accepting of the digital currency. Three times as many 18- to 24-year-olds told TheStreet that they would consider using Bitcoin as did those over 65.

"It skews young and it skews geeky," said Paula Rosenblum, managing partner at Retail Systems Research. "If you're appealing to grandmothers, I don't think it's going to gain you a lot of new customers."

Bitcoin transactions have several advantages for store owners, Rosenblum said. Processing fees are far lower than those for credit cards, or online payment systems such as PayPal or Square - typically less than 1 percent, compared with 3 percent or more for credit cards. Second, there are none of the risks associated with credit card fraud, where retailers have to reimburse the credit card companies if something is purchased with a stolen number. Third, Bitcoin payments clear more quickly, compared with the three or four days it takes [credit card payments](#) to arrive in a merchant's account.

Rosenblum attended a Bitcoin conference in Miami at the end of

January, and the consensus at that event was that Bitcoin use won't continue to grow "unless there are some regulations wrapped around it," Rosenblum said. Investors and the average user, she said, want to see government regulation that ensures "it's guaranteed somehow, somehow," before diving in. Right now, the wild price swings are scaring away the wary.

Bitcoin investors are willing to take the risk on an unbacked currency because they are banking on it increasing in value. So far, bitcoins have rebounded, and increased in value after every plunge. Businesses that take bitcoins don't expect to have any risk, because they say they immediately convert their bitcoins into dollars.

Some businesses that have been early acceptors of Bitcoin have a young owner or key staff member who is a Bitcoin enthusiast.

Jack Apkarian, the 30-year-old owner of Jeffersons, a men's urban, hip-hop clothing store in Bergenfield, began accepting Bitcoin on his online e-commerce site, Jeffersons2.com, three months ago and already has received several online orders in bitcoins from international customers. Ashod Balanian, the programmer for Jeffersons' website and Apkarian's partner in a website development business, convinced him to incorporate Bitcoin payments into the Jeffersons' website.

"Bitcoins are going to be a big part of the future of e-commerce so we wanted to secure ourselves as one of the first companies, and specialty retailers, in the state that accepts them," Apkarian said.

At Helen's Pizza in downtown Jersey City, it was owner Steve Kalcanides' 36-year-old son, Nicholas, who was the currency's advocate. Nicholas began exploring Bitcoin as an investment during the Cyprus financial crisis last spring, when that country's banks were closed for two weeks and withdrawals were limited. The pizzeria announced in mid-

January that it would begin accepting Bitcoin, and got its first bitcoin-paying customer Feb. 1 But, Steve notes, that customer was another merchant who wanted to see how a Bitcoin payment worked in a retail setting. The cash register sign saying Helen's accepts Bitcoin is drawing interest, but not a lot of Bitcoin payments yet.

"It's just another form of payment," Steve said. "You take credit cards, you take cash, now we take Bitcoin," he said.

A Class Limousine in Bridgewater became one of the first New Jersey businesses to accept Bitcoin more than a year ago at the suggestion of its accounts manager, Aaron Williams, 25. Williams a few years ago began mining bitcoins himself, investing in the computer hardware needed for the high-speed calculations. The limo company decided to accept Bitcoin, he said, because "we expected the currency to grow, and we expected people to adopt the currency, especially travelers," Williams said.

The limousine company also liked the lower transaction fees, he said.

Typically the limo passenger has a Bitcoin wallet service, such as Coinbase, or a Bitcoin access key stored on his or her smartphone. The access key is an encrypted code - a string of numbers and letters - that lets the spender unlock his or her stored bitcoins, and send the needed amount over the Internet. The driver also has a smartphone, loaded with a QR - quick response - code that the client scans to get the limo company's Bitcoin account for the payment transfer.

"It's quick for the driver, quick for the client," Williams said. "There's no credit card to capture, or signature to get."

The limo company owners believe that accepting [bitcoins](#) gives the company a market niche, particularly with international travelers. "The

comparison would be before credit cards became popular; if only one limo business in the tri-state area was accepting credit cards and I wanted to pay by [credit card](#), I would go with that service," Williams said.

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