

Starbucks, Nordstrom And Whole Foods Now Accept Bitcoin. Just Don't Ask Them.

It is a freakishly hot May afternoon when Cameron Winklevoss decides to quench his thirst with a tall cold-brewed coffee from Starbucks, and “just a little bit of cream, to round it off,” as he says.

The temperature has shot up 20 degrees since the day before and is 20 degrees hotter than it will be the day after, too. With his twin brother, Tyler, and a small entourage in tow, the 6-foot-5 Cameron abruptly stands up from a proportionately giant boardroom table at the swanky New York offices of Gemini, the brothers' cryptocurrency exchange, and makes for the glass door in the glass wall that encloses the immaculately shiny room.

During a brisk two-minute walk through the hip Gramercy Park neighborhood, Cameron passes two gyms before entering a Starbucks on the corner of Park Avenue South and 23rd Street, in the same building as the IMG modeling agency that represents *Wonder Woman* actress Gal Gadot and the SPIN Ping-Pong lounge owned by actress Susan Sarandon.

Moving quickly past the chilled glass case holding cookie dough cake pops dipped in melted milk chocolate and doughnut cake pops in strawberry frosting topped with giant rainbow sprinkles, he approaches a counter where an infrared Honeywell scanner sits sandwiched between bunches of ripe bananas and Starbucks-branded sugar-free chewing gum.

As the song “Work” by Rhianna blares through the coffee shop's speakers, Cameron orders the small cold-brew coffee he'd been craving and takes out his phone. He brings up the beta version of a new app called Spedn, built by little-known payments startup Flexa and waives a QR code in front of the Honeywell scanner, paying for the drink with a cryptocurrency he and his brother invented that's powered by the ethereum blockchain.

In some corners of the world, what has just happened would be considered historic. He turns around like a proud father and smiles. “We're finally realizing the promise of crypto in payments,” says Cameron. “It's taken a long time, but as you've seen for yourself, we're here. It's a total win for the merchants. That transaction was effectively free.”

The problem is, Starbucks, along with every single one of a huge group of giant enterprises now accepting cryptocurrency as payment, seems to be having trouble admitting what they're doing. As a photograph of the receipt for the transaction was taken, one member of the Winklevoss entourage recommended that Cameron cover up the Starbucks logo with his thumb. “They're not participating in the first announcement,” she reminded Cameron.

In the days that followed, neither Gemini, which is custodialing the cryptocurrency, nor Flexa, the company that built the app and signed up the enterprises participating in today's

launch, were able to get any of their own clients to confirm via email, yet alone talk on the record. Nevertheless, all evidence points to the fact that as of today, some of the largest and best-known companies in the world are now accepting bitcoin, ether, litecoin, bitcoin cash, zcash and the Gemini Dollar (GUSD), a cryptocurrency backed by real U.S. dollars stored in a State Street account and built on top of the public ethereum blockchain.

Receipts provided to *Forbes* from a few of the hundreds of beta app testers confirmed that crypto purchases were made at Game Stop, Bed Bath & Beyond and Whole Foods. Emails from Barnes & Noble, Office Depot and Nordstrom were also provided by Flexa to confirm the stores' participation in the project. In total, 89% of the beta users spent cryptocurrency at at least one of the locations announced today, according to Flexa data, with 81% of those spending multiple times at more than one location.

Companies now officially accepting these cryptocurrencies, according to Flexa, are Barnes & Noble, Baskin Robbins, Bed Bath & Beyond, Caribou Coffee, Crate & Barrel, Express, GameStop, Jamba Juice, Lowe's, Nordstrom, Office Depot & OfficeMax, Petco, Regal Cinemas, Ulta Beauty and Amazon-owned Whole Foods Market. And of course, there's Starbucks, in spite of not being part of the official launch. In total, nearly 100 stores are expected to start accepting bitcoin and the other cryptocurrencies via the Spedn app by the end of this year.

"The crypto industry has historically overpromised and underdelivered," says Gemini CEO Tyler Winklevoss, 37. "And this is one of the first times we're actually delivering on the spend use case of using your crypto."

To be perfectly clear, this is a big, big deal. For an industry born in anonymity and mystery, grown by crypto-anarchists, and tested in the fires of black markets in the dark corners of the deep Web, this is the beginning of a new phase of mainstream acceptance. But also to be clear, none of the companies have independently confirmed they are accepting cryptocurrency.

In spite of Cameron's purchase, Starbucks, the only company that responded to our requests, claimed they are *not* working with Gemini or Flexa. One possible reason is that in August 2018, Starbucks announced it was a founding partner of a competing cryptocurrency exchange, Bakkt, and would help the New York Stock Exchange spin off convert digital assets into U.S. dollars for acceptance as payment at their stores.

So how is Flexa already letting Cameron Winklevoss pay for that Starbucks coffee with crypto, and how are the 15 other enterprises also doing so? First, users need to download the app from Apple's App store, then send it their asset of choice from any cryptocurrency wallet. While Gemini custodies the crypto funds, Spedn takes care of the payment itself by generating a one-time QR code on the phone's screen, which is scanned by the participating store's existing scanner, debiting the amount charged from the customer's account. While the customer gets a receipt showing the purchase as a gift card, Spedn settles the payment with the merchant in the preferred currency at a later date.

There are two main reasons why these merchants might want to use a product like Flexa, according to its CEO, Tyler Spalding, or competitors such as BitPay, Coinbase, or Circle Pay, the last two of which also have their own stable coin, called USD Coin (USDC). The first is that because cryptocurrency transactions are permanent, they give Spedn the certainty it needs to decline requests that funds be returned, a process called chargebacks. Consulting firm Javelin Strategy [estimates](#) that chargebacks cost merchants \$31 billion in 2017. "We

have a verified, irreversible payment,” says Spalding, 39. “Which is not possible using any other current method.”

Spalding, a former NASA researcher and a director at Lockheed Martin Space Systems, says the second benefit to merchants is that it only costs his company about four cents to “process any payment of any size.” With average interchange fees in 2017 ranging between \$0.22 and \$0.52 depending on the transaction value and the percent fee, according to U.S. Federal Reserve bank [data](#), there’s plenty of room to negotiate and still turn a profit. For larger transactions, the profit for Flexa could be massive, and so could the savings for merchants. “Whatever they’re paying now, we want to go lower than that,” says Spalding. To give an idea of what’s at stake, \$5.93 trillion in traditional credit card payments resulted in \$88.39 billion in fees in the U.S. alone, according to a 2017 Nilson [report](#).

Spalding was first inspired to bitcoin payments as a result of Game Seven of the 2016 World Series between the Cleveland Indians and his beloved Chicago Cubs. It had been 106 years since the Cubs had won a World Series, and as 40 million viewers tuned in to watch the game on television, tickets to the game were selling for as much as \$50,000 a pair, with worries over fraud rampant. A lifelong Cubs fan who grew up in Chicago, Spalding and his wife flew, to Cleveland to watch the season-clinching historic game.

At the time, Spalding was the chief technical officer of gift card startup Raise, and was already familiar with alternative means of payment. So when he found a season ticket holder willing to sell him two tickets for \$10,000 worth of bitcoin, he wasn’t surprised, and jumped at the chance. “This was a very high-value, very risky transaction, and this person is saying, ‘No. No. I want crypto,’” says Spalding. “It was perfect.” A Chicago Cubs victory and two years later, he co-founded Flexa.

Spedn is the first app powered by the Flexa Network, an ethereum-based payments network similar to Visa or Mastercard, but for spending cryptocurrency. To build on the network, Spedn and others are required to lock up its native flexacoin cryptocurrency as collateral. “The apps need to pledge within the network to allow their apps to spend,” says Spalding.

In addition to giving builders access to the network, the token was sold to Pantera Capital and others to raise \$14.1 million in a private initial coin offering (ICO) to pay for development and compensate the founders, among other uses. About 15% of the total coins in existence were sold during an ICO, which valued the company at about \$80 million at the time. Over the week before today’s announcement, the price of a flexacoin actually dropped 30% to \$0.0053, according to price site CoinGecko, but over the past 30 days it increased 108%.

While today’s crop of giant, well-known companies accepting the Spedn app is certainly the largest, highest-profile group to ever accept cryptocurrency, they are not the first. In fact, this is really the latest in a second wave of companies to do so. Early in the history of bitcoin a number of high-profile companies including CheapAir, Microsoft, Overstock.com, Reddit, and Expedia started accepting cryptocurrency. Venture-backed OpenBazaar is an online market that lets its vendors accept a wide-range of cryptocurrencies as payment for goods.

But in 2018, as the price of bitcoin collapsed from \$19,000 to \$5,000 Expedia, Reddit and a

flurry of other companies stopped accepting the cryptocurrency, citing lack of interest due to price volatility. The mantra of the time was "hodl," a misspelling of the word "hold," meaning not to sell or spend cryptocurrency. The app's name, Spedn, derived from "spend," is a play on this mantra.

One big difference between the first generation of companies accepting cryptocurrency and those announced today is the relatively recent invention of stable coins like the Gemini Dollar and USD Coin, which give users the benefits of crypto without the risk of fluctuating prices. "Our dream one day is to allow any coin to be spent at any merchant," says Flexa cofounder Trevor Filter, 29. "Not just in the U.S. but across the entire world."

<https://forbesmiddleeast.com/starbucks-nordstrom-and-whole-foods-now-accept-bitcoin-just-dont-ask-them>