

How DeFi Framework Can Make Cryptocurrency Subscription Payments a Reality

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Netflix, Amazon Prime, Spotify, Disney+, and the list goes on. Did you know that Millennials have an average of 17 paid media and entertainment subscriptions each? Gen Z, Gen X, and even Baby Boomers are not so far behind, with averages of 14, 13, and 8 subscriptions each respectively. This does not even account for free services which users may be using that are paid for by watching or clicking through ads.

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The subscription economy is growing, and growing fast. In fact, it has grown over 435% in the last nine years, and only picking up more steam through the impacts of covid-19, and the change in behavior of consumers now *actively willing* to pay for certain things that have only become more popular in recent years (e.g. news, grocery delivery, food delivery). This upward trend is expected to continue as Gen Z continuously shows time and again that they value access over ownership.

Additionally, it is undeniable that cryptocurrency adoption is increasing, and with it, the usage of the blockchain. Mainstream adoption of crypto has increased dramatically in recent months, with digital payments companies like PayPal and Square allowing crypto purchases and payments through their

platforms, and with companies like Tesla and TIME magazine adding bitcoin to their balance sheets. Therefore, it is imperative that not only do businesses need to start thinking about subscription models, but also the manner in which those subscriptions are paid for (fiat money or cryptocurrency), and *how* those subscriptions are delivered to the end user (blockchain).

Advantages Of A Cryptocurrency Subscription Model

In addition to having to “adapt to the times”, there are several benefits that businesses can enjoy by adopting a cryptocurrency subscription model. Perhaps one of the most beneficial points is to be able to transact in a *global* currency – where one business does not necessarily need to worry about exchange rates (EUR to USD, USD to CNY, etc...). For those who are concerned with the volatility of many of the most popular cryptos out there, remember that there are stablecoins available, including Tether (USDT), and USD Coin (USDC). Companies willing to transact with the US Dollar as the underlying representative currency will find stability through the use of stablecoins in a cryptocurrency subscription model.

Other benefits include – ease of doing business (especially for those industries which payment processors are less willing to take on due to the nature of that business), and instant settlement (from 1-2 days with a credit card, to minutes on the blockchain). Depending on the blockchain being used to conduct the transaction, processing fees may also be lower. USDT transactions on the Tron Blockchain currently have a maximum fee of 10TRX (as of April 13th 2021, 1 TRX = 0.143 USD – In comparison, most credit card processing fees cost 2.9% + 0.30USD of the transaction cost).

With stability, speed, lowered barriers to entry, and lowered cost, why wouldn't everyone move to a cryptocurrency driven subscription payment model?

One Massive Unresolved Problem

Yes – of course, not all has been rosy and perfect in the world of cryptocurrency subscriptions. One of the biggest challenges to date has been how exactly to set up subscription payments – something which we take for granted in today's credit card and auto-pay dominated world.

Since the popularization of auto-pay, consumers could sign up for a subscription, and let it run indefinitely ("set it and forget it"). As a consumer yourself, you are probably familiar with how this arrangement works – businesses lure you in with low monthly fees, only to raise them months later, without advance warning. However, such an arrangement is not possible in the world of blockchain – with one of the underlying reasons being the way that a crypto transaction is performed versus a credit card/auto-pay transaction.

With crypto denominated transactions, these interactions take place from wallet to wallet. And so, businesses who need to be paid by their customers must wait for their customer to actively initiate a payment onto the blockchain (pushing payments). Unlike in the world of credit cards, where recurring payments and auto-pay can be set up, this functionality does not exist in the world of crypto. This feature, where the business is *pulling* payments from a user's wallet could potentially be dangerous – imagine if the business inadvertently or purposely decided to pull everything from the wallet!

This need for a user to actively push payments to the business creates a significant amount of friction (inconvenience and hassle) for the customer today, discouraging them from even considering cryptocurrency for subscription related services

(and going to the credit card instead), and not allowing both the business and the customer to take advantage of all of the other efficiencies that a cryptocurrency based subscription has to offer.

A Solution...

PARSIQ has released a risk-free, collateral-less solution to tokenize subscriptions in the Software as a Service (SaaS) market.

Its IQ protocol has completely reimagined how the subscription model is executed, optimizing for the world of cryptocurrencies and the blockchain. The IQ protocol revolves around two basic principles – Life-Time Value, and Rentability.

In the traditional subscription model, customers actively pay their suppliers for the services which they will consume. For example, a customer pays Netflix one month in advance for the right to stream unlimited Netflix content for the upcoming month. Or alternatively, a small business pays an annual licensing fee to a financial software provider, for the right to a set number of licenses to be used by their employees for the upcoming year. As discussed previously, this traditional model works well in the world of credit cards and auto-pay, but fails and introduces substantial friction to the user experience when applied to the world of blockchain.

PARSIQ's IQ Protocol *has solved this*. With IQ Protocol, businesses utilizing this solution will mint tokens to use on the blockchain. These tokens are then assigned a "life-time value" (which can be measured in various units – including time, quantity, weight, etc...). Tokens are released into the marketplace, where they are then made available to customers of that business.

Interested customers then have one of two options – they may

either buy the tokens or rent the tokens from the renting pool (which is composed of tokens owned by other users).

Using the concept of Life-Time Value for a token which is allocated a value related to service hours, a token holder would be able to consume a number of service hours allowable by the token. The more tokens held by the token holder, the more number of service hours that a user would be able to consume.

Alternatively, customers who may not want to hold digital assets on their balance sheet may opt to rent tokens instead. This allows them to still consume the service, but not have to carry the burden of having a financial asset to maintain and keep track of on the company books. In this case, customers would go to a 'renting pool' to rent tokens from token holders. At the point that a rental agreement is established, an expirable version of the original token is minted and passed to the renter. Until these tokens expire, they act like the original token in terms of being able to consume against the life-time value of the token.

Example

From the above, we create an example. Intuit creates one billion tokens. Each token allows a token holder to use one license to consume 8 hours worth of "Quickbooks Desktop Pro" *per day*. On January 1st, customer "Johnny's Ice Cream Land" purchases one token and begins using the application. Johnny uses Intuit's software every day for the entire year (business is good at the ice cream shop!), and gets really familiar with the software and how it works. However, on January 1st of the subsequent year, he realizes that he needs an even more advanced solution for his growing business.

At the start of year two, Johnny decides that he no longer wants to use Intuit's software. However, instead of selling

his token back into the marketplace, he decides to stake it in the renting pool – allowing other users of Quickbooks Desktop Pro to consume the services allowable by the token (and also allowing him *to earn interest* (payments) on his digital asset).

Customer “Tiffany’s cupcakes” has just opened and is in the market for a new accounting software solution. She doesn’t want to spend the funds necessary to hold an Intuit token, and prefers to rent instead. Tiffany goes to the renting pool and creates an agreement utilizing Johnny’s token for three months. An expirable version of Johnny’s remaining token is minted, and now, using Johnny’s token, Tiffany has the rights to use Quickbooks Desktop Pro for the next three months.

Entering the World of DeFi

If you understood all of the above, congratulations – you are ready to enter the world of decentralized finance, and you are ready to enter it knowing all of the benefits that it offers.

DeFi allows for a type of accessibility that simply has never existed before. In the world of Web 2.0, it is not possible to consume, rent, and pay for digital assets by the second. In the world of blockchain, not only is this possible, but it will soon be normalized utilizing solutions like PARSIQ’s IQ Protocol. Additionally, in such a world, a new type of economy is born, built on the backs of previously non-tradable, intangible assets such as SaaS software licenses.

This economy is strengthened by its participants – who are able to monetize and continue to extract value out of their underlying assets, even when that value may no longer be extractable by them (like in Johnny’s case, through the renting pools). Lastly, built on top of blockchain, these autonomous networks even the playing field for all users globally – creating a kind of accessibility that the internet was meant for.

Looking Forward

As the world evolves and the end of ownership draws near, it is critical that businesses continue to think about staying up to date on their revenue streams, and also adjusting as needed to meet the needs of the next generation. 2021 has not only re-introduced to the masses the possibilities that blockchain and cryptocurrency offers, but has also brought towards the surface the possibilities of NFTs and decentralized finance.

Businesses of all sizes should take note and look several years ahead into the future as we enter the world of Web 3.0. Are you and your customers ready to experience how the world wide web was meant to be?

About Author

Tom Tirman is co-founder & CEO at PARSIQ. Tom has extensive experience in business and finance, having worked in both traditional banking institutions and fintech companies as well as having been an entrepreneur. While working in management positions in finance and operations departments, Tom accumulated a track record of building teams ground up and transforming existing teams to deliver exponential improvements. Tom holds a law degree from TalTech University. He focuses his business on bringing disruptive next-gen technologies to the masses.

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