BITCOIN FOR BISCUITS
Durham shop, Rise, to accept virtual currency

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Tom Ferguson owns Rise, off Renaissance Parkway. Rise serves biscuits and doughnuts.
DURHAM — Although Tom Ferguson doesn’t consider himself a real techie, he does try to keep up with the changing times.

So starting Friday, he’ll start accepting bitcoins, a virtual currency, as payment for doughnuts, biscuits and other items at his South Durham eatery Rise. He also plans to accept the virtual currency at his catering company Durham Catering Co.

According to the website www.coinmap.org, Ferguson will be the first in Durham to accept bitcoins.

“(I) want to be one of the ones that makes this money revolution start happening,” Ferguson said. “If nobody was accepting bitcoin, it wouldn’t take off.”

Launched in 2009, bitcoins are a form of virtual currency that’s not regulated or backed by the government. Advocates say it helps eliminate the middle man in transactions such as money transfers and can cuts costs for retailers facing credit card processing and other payment fees. Skeptics say that because the currency is unregulated, it’s a platform for black market deals and a risky investment for consumers.

Campbell R. Harvey, a professor of finance at Duke University’s Fuqua School of Business, said the value of bitcoins is highly volatile – 10 times more volatile than the stock market. Last week, its value plunged on a major Tokyo-based exchange called Mt. Gox. It was trading on Mt. Gox for an average of $314 on Monday afternoon, and for more than $625 on another.

However, Harvey also said that because of the way that the virtual currency system is set up, the Bitcoin technology is highly secure, and is an efficient form of payment. He said it’s set up so that there’s essentially a “giant ledger” of every transaction. People can trade bitcoins, or add to the supply by “mining” for them, which involves unlocking new transactions using advanced computing.

“We know immediately the entire history of that bitcoin from the time it was first mined,” Harvey said. “It’s secure ... you can’t spend the same bitcoin twice, you can’t counterfeit it.”

And while he said there are companies launching that are acting as third-parties to help with processing bitcoin payments and other services, he believes it’s still a more efficient payment method. He expects its use to grow, although he said it’s been “relatively slow” to catch on compared with New York and larger cities.

“What I told my students is, you could view this as ... on one side, it’s not really backed by anything other than the faith of people who think it has some value,” he said. “It could go to zero tomorrow. The other way to view it is: this is a potentially very disruptive innovation that solves an important problem that makes exchange of ownership more efficient, more secure, easy to verify.”

Greg W. Brown, a finance professor at the University of North Carolina at Chapel Hill’s Kenan-Flagler Business School, said he believes it has advantages for retailers who want to avoid paying fees for credit cards and money transfers. But he also said that because it’s unregulated, it can create the potential for black-market transactions.

“If all of a sudden you wake up one day, and the whole thing was a sham, and the Bitcoin market collapses -- which my guess is, you probably will -- you’re out what you put it in,” he said. “It seems shady to me. I’d rather deal with a regulated U.S. bank, and the full faith and credit of the U.S. government, rather than trust some anonymous hacker.”

Another independently owned doughnut business in Durham, Monuts Donuts, doesn’t plan on accepting bitcoins
anytime soon, according to co-founder Rob Gillespie. As a small business, he said, “we find that U.S. dollars work just fine.”

Processing Bitcoin transactions in the store would slow down customer-service time, he said.

At Rise, Ferguson said customers will be able to pay with the virtual currency easily by scanning a code at the store using a software application on their smartphones. And he’ll save on processing costs associated with credit card fees.

He plans to use the third-party “digital wallet” Coinbase to help accept the payments and then convert the bitcoins into U.S. dollars each day. The company will see a small percentage of its sales go to the conversion of the currency to dollars, but he said that cost will still be less than the card-processing fees he pays.

He said he’s looking for savings everywhere he can, adding that he’s increased the minimum wage he pays his workers to $10.10. President Barack Obama recently called on Congress to raise the minimum wage to that amount for all workers.

He added that by converting the Bitcoin payments into U.S. dollars daily, he cuts down on the risk associated with fluctuating values. Personally, Ferguson said, he’s invested in a few bitcoins, but said he believes the typical consumer shouldn’t put any more money into it than they’re ready to lose.

He said in a news release that he’s used to being on the leading edge of cultural changes. For example, he said, they used Twitter early on to advertise the location of the Only Burger food truck to consumers at the truck’s founding in 2008. Ferguson was a co-owner and founder of Only Burger, but he sold his share in the company and launched Rise.

Eventually, Ferguson said, he thinks Bitcoin also will catch on. He thinks it will be really useful – and cut unneeded costs – in transferring money to friends, or supporting other people’s business or philanthropic or personal campaigns to raise money.

“Why are we giving the banks and all these third-party people and all these other people a percentage of our hard work?” he said. “Why don’t we deal directly person-to-person?”

For the first 50 customers that pay with bitcoins at Rise on Friday, the business will give out T-shirts printed with the words “I bought my biscuit with bitcoin,” according to a news release.
For readers interested in learning more about Bitcoin, please check out the Triangle Bitcoin Meetup group and learn along with local users and entrepreneurs. [http://www.meetup.com/Triangle...](http://www.meetup.com/Triangle...)

For those who are unable to attend tonight, you can stream the meetup at [http://ncbitcoin.org/](http://ncbitcoin.org/)
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