REPORT

Capturing the multi-trillion-dollar Digital Asset market

Strategies to win the race

Roland Berger

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Key trends drive the adoption of Digital Assets

By 2030 the majority of value will be transacted in the form of Digital Assets.

The competitive arena to offer access to Digital Assets is intensifying swiftly - Dedicated strategy needed.

Introduction

By 2030 the majority of value will be transacted in the form of Digital Assets, and the race to capture the upcoming demand is on full speed.

Native Digital Assets companies, FinTechs, and traditional financial services institutions are in a rush to establish themselves as the go-to interface that can capture this growing demand. Consumer interest in Digital Assets is on the rise driven by the promise of higher risk-adjusted returns, ability to diversify away from traditional financial markets, and novel opportunities to earn passive income (e.g., through staking).

This article explores what executives need to consider to set up their company for success in the Digital Assets space, capture upcoming growth, and craft a solid competitive advantage.

Factors that will drive mainstream demand for Digital Assets

In the dynamic space of Digital Assets, several market trends are converging to drive a significant increase in adoption over the coming years. Each of these trends is playing a pivotal role in the transformation of the Digital Assets landscape, enhancing its appeal as a viable investment for a broad spectrum of participants.

A Growth of Digital Assets and its adoption drivers

Change in macroeconomic conditions
- Bitcoin price often correlates with increasing money supply
- Expectation of rate cuts in the upcoming years will likely result in Digital Assets capitalization increase

Regulatory clarity
- Globally, crypto regulation advancing across multiple jurisdictions
- Regulations are expected to foster transparency and drive institutional adoption

Rise in retail trading
- Retail trading is rising to prominence as a significant social phenomenon
- Almost 1 out of 4 Americans is very likely to invest in Digital Assets within the next year

Institutional adoption
- Bitcoin ETFs have been approved by the SEC with record results
- Multiple banks are building or increasing their offering in the Digital Assets space

Tokenization
- Tokenization is growing across the vast majority of public and private asset classes
- USD 10.9 trn real world assets are expected to be tokenized by 2030

Source: LSEG, S&P Global, Reuters, The Economist, Bloomberg Intelligence, Coin Desk, AMF France, Roland Berger

1 **Change in macroeconomic conditions:** The Federal Reserve's projections from March 2024 indicate a decrease in the federal funds rate[1]. Since Bitcoin's price often correlates with changes in the global money supply[2], this decrease could lead to an increase in the market capitalization of Digital Assets. Additionally, inflation in several fiat currencies, such as the Argentine Peso and the Turkish Lira, is likely to increase demand for Digital Assets as a way to protect value, potentially boosting their market cap further.

2 **Rise in retail trading:** The trading landscape has undergone a substantial transformation in recent times, with retail trading rising to prominence as a significant social phenomenon (e.g., through social networks). According to a survey by The Ascent in 2024, 23% of Americans are very likely to invest in Digital Assets in the next year – a steep increase from just 3% in 2021, underscoring the deep conviction that is building in the retail customer segment[3]. In addition, a leading retail focused crypto exchange just announced that their services cross 100 mn users in May 2024[4].

3 **Regulatory clarity:** The Digital Assets landscape is transforming significantly by introducing progressive regulations, fostering transparency, and enhancing market integrity. Across a sample of 43 relevant countries for Digital Asset adoption, ~70% of countries now have legislation in place as of January 2024[5]. This regulatory clarity reduces uncertainty for investors and businesses, making Digital Assets more attractive and thus leading to increased adoption globally.

4 **Institutional adoption:** The institutional adoption of Digital Assets has been on an upward trajectory recently. The success of Bitcoin Exchange-Traded Funds (ETFs)[6] and the progressive introduction of Digital Assets offering from Banks[7 8 9] underscores the growing role of Digital Assets in the traditional financial landscape.

5 **Tokenization:** The tokenization of real-world assets could represent a market of approximately USD 10.9 trillion by 2030. The process of tokenizing real-world assets is expected to revolutionize how we trade and invest by transforming tangible assets, such as real estate, art, or intellectual property, into digital tokens, boosting the asset classes' liquidity and accessibility. In addition, many banks have already tokenized debt, given the lower issuance costs.

The six customer archetypes for Digital Assets

Given the variety of Digital Asset customers, it is important for companies to fully understand their needs to formulate a winning strategy. These archetypes differ across the experience level, each having unique characteristics in terms of product needs, preferred assets, price sensitivity, custody preference, transaction frequency, and risk appetite. The following table details the six essential archetypes of Digital Asset customers.

1 Federal Reserve, (2024), "Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy"

2 S&P Global, (2023), "Are crypto markets correlated with macroeconomic factors?": Outlines a 0.75 correlation coefficient between S&P BDMI (Crypto Broad Digital Market Indiex) and M2 money supply

3 The Ascent, (2024), "2024 Cryptocurrency Investor Trends and Preferences Survey"

4 Crypto.com, (2024), "Crypto.com Surpasses 100 Million Global Users"

5 PwC, (2024), "Global Crypto Regulation Report"

6 Yahoo Finance, (2024), "Bitcoin ETFs Reach $10B in AUM One Month After Approval"

7 CoinDesk, (2023), "Hong Kong's HSBC Allows Customers to Trade Bitcoin, Ether ETFs but That's Not Really News"

8 Credit Agricole, (2022), "CACEIS selects Taurus' solution to enhance its Digital Assets offering"

9 Taurus, (2023), "Deutsche Bank and Taurus Sign a Global Partnership"

B Customer archetypes and needs

Digital Asset experience	RETAIL		INSTITUTIONAL
	Basic	Advanced	
Buy & Hold	**ENTRY-LEVEL INVESTOR**	**DEFI SPECIALIST**	**INSTITUTIONAL INVESTOR**
Product needs:	User-friendly platforms, educational resources, basic trading and investment tools including recurrent buy	Access to a wide range of Digital Assets, advanced charting tools, DeFi platforms, and direct token purchases	High-security trading platforms, OTC trading, large volume handling, and advanced risk management tools
Preferred assets:	Primarily blue-chip assets like Bitcoin and Ethereum; possibly interested in major stablecoins, derivatives (e.g. ETFs) and classic tokenized assets	Diverse, including tier 2 Digital Assets, DeFi tokens, and possibly niche or emerging tokens for higher risk-reward ratios	Mostly blue-chip Digital Assets, tokenized assets, potentially investments in blockchain-based funds or projects with significant backing and stability
Price sensitivity:	Low; prefers transparent, low-fee structures without complex pricing.	High, actively compares fee structures	Medium; more focused on features and security than fees, given large transaction values
Custody preference:	3rd party	Self-custody	3rd party with robust security, often from well-established custodians
Transaction frequency:	Low	Moderate	Low to moderate
Risk tolerance:	Low to moderate, prefers stable investment and is cautious about high volatility	Moderate to high, willing to take calculated risks for higher returns	Moderate; focuses on risk-adjusted returns and long-term growth

Source: Roland Berger

B Customer archetypes and needs

Digital Asset experience	RETAIL		INSTITUTIONAL
	Basic	Advanced	
Trader	**PASSIVE RETAIL TRADER**	**ACTIVE RETAIL TRADER**	**ALGORITHMIC TRADER**
Product needs:	Real-time data, intuitive trading interfaces, basic technical analysis tools	Sophisticated trading tools, diverse order types, access to leverage and margin trading, low latency execution	Institutional-grade infrastructure, API access, high-frequency trading capabilities, deep liquidity
Preferred assets:	A mix of blue-chip and tier 2 assets; often trades popular, highly liquid assets to take advantage of market trends and volatility	Wide range, from blue-chip to high volatility tier 2 and tier 3 tokens, incl. specific themes like governance or utility tokens, depending on market conditions	Broad spectrum, incl. blue-chip Digital Assets for stability and emerging tokens for high returns; interested in derivatives and synthetic assets for strategic trades
Price sensitivity:	High; seeks platforms offering low trading fees and tight spreads	Very high, additionally, focuses on the market depth and execution speed	Very high; Additionally, focus is on order book depth and execution speed
Custody preference:	Indifferent; focuses more on trading convenience than on custody specifics	Mix of self-custody for some assets and third-party custody for trading convenience	Third-party custody with institutional-grade security and insurance
Transaction frequency:	High	Very high	Extremely high
Risk tolerance:	High; comfortable with short-term market volatility for potential quick gains	High; engages in high-risk strategies like short selling and using significant leverage	High; utilizes complex strategies to manage and hedge risks while seeking to maximize returns

Source: Roland Berger

The race to capture this demand is on

Who will capture this market and serve which archetype? Today's market already encompasses a broad range of players, each with their own natural USP and target customer group. We classified the main incumbents into seven categories:

C Types of competitors

Players	Description	Value proposition	Target customers
CEX	• Centralized platform that operates a matching engine with an orderbook • Facilitation of majority of crypto trading	• High liquidity, lower slippage • (Often) advanced trading features	• Advanced retail - Traders • Institutional - Traders
Brokers	• Intermediaries providing simplified crypto trading access to a broad rangeof retail clients	• Provides wide array of asset classes • User-friendly interfaces	• Basic retail - B&H[1]
DEX	• Direct wallet-to-wallet trading • No intermediary as trades are conducted on-chain	• Higher user control over funds • Widest coin selection • Enhanced privacy	• Advanced retail - Traders
Banks	• (Traditional) financial institutions integrating crypto trading into their banking services	• Integration with banking services • Regulatory compliance	• Institutional - B&H • Basic retail - B&H
Wallet providers	• Crypto storage solutions expanding into integrated in-app crypto trading features	• Direct control over private keys • Integration with custody solution	• Advanced retail - B&H
Payment service providers (PSPs)	• PSPs allow users to buy, sell, hold, and transfer Digital Assets alongside traditional financial tools within a single, secure environment	• Seamless integration of cryptocurrency transactions into everyday financial activities	• Basic retail - B&H
Infrastructure providers	• Infrastructure providers offer customizable white-label interfaces, custody services, and trading engines to businesses looking to offer digital asset services	• Turn-key solutions, streamlining operations for businesses in the Digital Assets space	• Basic & advanced retail - Indirectly through B2B2C offering

Source: Roland Berger

1 Buy and Hold

1 Centralized Exchanges (CEXs): High-speed trading hubs

Centralized exchanges (CEXs) are pivotal in the Digital Assets trading space, serving as major hubs by efficiently matching buy and sell orders through their trading engines. These platforms not only offer high liquidity and minimal slippage, which is crucial for large-scale trading, but also provide advanced trading products such as derivatives and margin trading. With daily transaction volumes often exceeding billions of dollars, CEXs dominate the Digital Assets trading market with a market share estimated at over 90%. Their dynamic nature is evident as they expand their services to include ecosystem tokens, NFT marketplaces, launchpads, and payment solutions. Primarily targeting digital asset-native advanced and institutional traders, CEXs cater to a sophisticated customer base seeking diverse and robust trading solutions.

2 Brokers and Neobrokers: The familiar access point

Both traditional brokers and neobrokers are shaping the landscape of digital asset investments by blending traditional financial services with the evolving Digital Assets space. Established brokers now offer Digital Asset ETFs and direct coin trading, making it easier for conventional investors to delve into Digital Assets. Meanwhile, neobrokers focus on providing simple, user-friendly interfaces that integrate Digital Assets into comprehensive investment portfolios, effectively attracting basic retail investors who are new to this asset class.

3 Decentralized Exchanges (DEXs): The home of DeFi

Decentralized exchanges (DEXs), offer a direct, wallet-to-wallet trading environment that eliminates intermediaries, thus enhancing user control and privacy. Despite facing challenges like lower liquidity and usability complexities, innovations such as Automated Market Makers (AMMs) have improved their liquidity and competitiveness. Additionally, technological advancements, including Layer 2 solutions on Ethereum, have broadened DEXs' appeal by reducing transaction costs and speeds, strengthening their competitive edge in promoting a new era of decentralized financial services. Accordingly, these platforms have become particularly attractive to highly digital asset-native and advanced traders who value financial sovereignty, facilitating a broad array of coins and fostering a decentralized financial ecosystem. In addition, users of decentralized exchanges are rewarded with governance tokens for providing liquidity and - in some cases - executing trades.

4 Banks and Neobanks: Trusted custodians in digital finance

As Digital Assets increasingly gain legitimacy, traditional financial institutions and neobanks are incorporating access to this asset class into their services. Their value proposition is focused on seamless integration with existing banking services and strict regulatory adherence, catering to basic retail and institutional investors. Moreover, the introduction of the Bitcoin ETF highlights the growing eagerness among legacy financial institutions to provide Digital Assets exposure, especially to their high-net-worth individuals (HNWIs) clients, with giants applying to become authorized participants.

5 Wallet Providers: Secure keys to digital wealth

Wallet providers have evolved from simple, secure storage solutions to multifunctional platforms. Initially centered on non-custodial (hot and cold) wallets, wallet providers have expanded their offerings to include features that enable direct interactions with DEXs and Decentralized Finance (DeFi) applications. This reflects a key shift towards integrated trading functionalities and becoming a one-stop-shop in the Digital Assets space, primarily targeting digital asset-native and advanced retail investors.

6 Payment service providers: Connectors of commerce and Digital Assets

PSPs are pivotal in driving the mainstream adoption of Digital Assets, catering to basic retail investors and allowing businesses to interact with Digital Assets for commerce. With their extensive infrastructure and often large, established user bases, they are well-equipped to facilitate the transition of Digital Assets from niche investments to widely accepted payment methods. PSPs can utilize payment-focused layer 1 blockchains or use layer 2 solutions like the Lightning Network to enhance transaction efficiency and reduce costs. Further, launching their own stablecoins or blockchains can be a significant revenue driver.

7 Infrastructure providers: The picks and shovels

Infrastructure providers in the cryptocurrency industry act as the backbone for businesses looking to offer digital asset services. They offer customizable white-label interfaces, custody services, and trading engines to streamline client operations. Targeting a wide range of businesses, from startups to established enterprises, their value proposition lies in providing turnkey solutions and reducing time-to-market and operational complexities. This enables businesses to focus on delivering value to their customers while outsourcing the technical heavy lifting.

Conclusion: The competitive arena is intensifying swiftly, demanding that players quickly adapt and carve out their market share. Developing a comprehensive strategy has never been more pressing as these entities strive to maintain relevance and secure a long-term competitive edge in the rapidly evolving market.

Dedicated strategies are needed

In the competitive world of Digital Assets, having a clear, well-thought-out strategy is key to carve out a significant market share. The cornerstone of devising such a strategy can be done by defining four critical components:
(1) Defining the product offering **(What?)**
(2) Identifying the target customer segments **(Who?)**
(3) Selecting the appropriate markets or geographies for deployment **(Where?)**
(4) Crafting a sustainable competitive edge **(How?)**

Each of these elements serves as a fundamental building block in constructing a comprehensive strategy that not only addresses the current market landscape but is also agile enough to adapt to its evolving dynamics.

D Strategic framework to define positioning

1 What? (Product layer)

What are the products offered?

Trading (e.g., spot, derivatives)	Custody	Staking
Token offering	Lending and borrowing	Wealth management

2 Who? (Customer layer)

Who are the target customers?

B2C (Serve retail customers)	B2B (Serve institutional/ corporate customers)	B2B2C (Enable businesses to serve retail customers)

3 Where? (Geographical layer)

Where are the target customers?

National (Serve clients across a country)	Regional (Serve clients in multiple countries)	International (Serve clients globally)

4 How? (Value proposition layer)

How to gain competitive advantage?

Cost leadership (Most cost-efficient company in the entire market)	Differentiation (Most unique product in the market)

Source: Roland Berger

(1) Product layer
Firstly, the definition of the target product portfolio must be approached. The goal is to build an offering that fits to or extends the current product offering of the business. The potential product landscapes spans from offering trading solutions over custody and staking, to token issuance (e.g., tokenization services), earn products (e.g., lending and borrowing) and wealth management services. When defining the product configuration not only market standards need to be considered but also implementation feasibility. Exploring partnerships or leveraging white-label solutions can be strategic moves to accelerate market entry and navigate regulatory landscapes, although with careful consideration of their impact on your revenue and profit margins.

(2) Customer layer
Secondly, defining the target customer segments is foundational. Businesses need to decide if they target consumers (i.e., B2C) or institutions (i.e., B2B, e.g., banks, funds, corporates) or utilize institutions as a channel to service consumers (i.e., B2B2C, e.g., white-label provision for a retail bank). This involves a careful analysis of potential customers, considering how they align with the existing customer base to unlock cross-selling opportunities and assessing their revenue potential to ensure a viable path to profitability.

(3) Geographical layer
Next, choosing the right geographical scope (i.e., national, regional, international) and markets for launch is a critical strategic decision influenced by a variety of factors. The size of the total addressable market in a given geography will inform the potential scale of the business, while the regulatory environment will affect operational and compliance requirements. Additionally, the presence and accessibility of local partners can provide essential support for market penetration, e.g., local fiat rails, KYC providers and others.

(4) Value proposition layer
After building a tailored product-market fit, the last critical step is to carve out a competitive edge through the dominant value proposition. This means offering something unique and valuable that's hard for competitors to imitate. The competitive advantage could generally stem from either cost leadership or differentiation:

- **Cost leadership:** In a market where fees are a key purchasing criterion, offering lower prices can be a powerful way to attract customers. As costs to interact with Digital Assets become more transparent, driven by regulatory requirements, being the cost-effective choice can win over price-sensitive customer segments. Having a sustainable advantage in pricing necessitates lean operations and differentiated monetization approaches to generate revenues besides transaction fees.
- **Differentiation:** Having a differentiated offering can enable significant customer lock-in effects. This can be achieved through a variety of options. For example, it can be observed that offering a localized experience can give an edge, for regional players that compete with better capitalized global players. Whether it's catering to specific user interface desires or incorporating regional functionalities, customization can make a significant difference to drive customer acquisition, engagement, and loyalty. Further, establishing a trustworthy brand in this emerging market, which has witnessed its share of scandals, can be a competitive edge. This involves not just adhering to regulatory standards but also engaging with the community and establishing a strong local presence. Trust can be a slow build but is a potent differentiator once established. Lastly, leading the market with innovative products or features can secure a first-mover advantage. Trying to build innovative product features carries its risks, including the costs of development and the possibility of failure. However, for customers eagerly seeking out the latest innovations, this criterion will be a major advantage to join and stay with the provider.

In summary, to thrive in the competitive Digital Assets landscape, businesses must clearly define their product portfolio, select its customer segments, choose geographies for market penetration, and carve out a competitive advantage that is hard to copy for other players.

We support you in crafting and implementing your winning Digital Asset strategy

Our dedicated Digital Assets team spans across many geographies and has in-depth market and value chain experience to ensure the best support for your Digital Assets strategy and implementation.

Our support covers the full journey from the initial ideation phase through to the definition and implementation of strategies. With significant experience crafting Digital Asset strategies for banks, brokers, and centralized exchanges, coupled with our deep involvement in projects for other ecosystem entities like Bitcoin mining companies and leading Web3 protocols, we ensure that our clients' strategies are actionable and based on market insights and credibility. Reach out to us to discuss the opportunity for your company. We look forward to engaging with you.

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5.2024
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