

Does crypto threaten or strengthen sport's relationship with its fans?

The past decade has seen sport's relationship with money come firmly under the spotlight. The \$600B global sports market has drawn in vast swathes of investment from all corners of the globe. Football has attracted club acquisitions from Saudi royalty and Russian oligarchs, and now even tech billionaires.

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The Superbowl this year was estimated to haul in \$1.8B over the space of four hours, with broadcasters selling off 30-second commercial spots for \$6.5M a piece.

Audiences' reactions range from excitement to fascination to disgust. With regards to the latter, 2021's reaction to a European Super League is exemplary of the widespread outrage towards sports owners when fans feel decisions are being made beyond their control. The higher the stakes (financial or otherwise), the less it feels that decisions are being made purely in the interests of sport.

A new movement in sport purports to solve this problem. Just as it has disrupted art, fashion, gaming, and a range of other sectors, crypto has firmly made its stamp on sport. Ideologues will insist that crypto's involvement will strengthen fans' relationships with players, clubs, and sports. But can crypto really live up to its promise and the expectations heaped upon it?

The rise of crypto in sport

'Crypto' is a catch-all term to refer to NFTs, fan tokens, and cryptocurrencies. Their profile has risen considerably in the past 18 months, attracting speculation and cynicism in equal measure. In sport, we've seen mass interest across all three categories.

NFTs have made a noticeable stamp on sport already. Just as punters might have spent their loose change on Panini stickers or Shoot-Out cards, they're now splashing it on digital sports collectibles. The only difference is the money. A Lionel Messi 'Golden One' card on football NFT platform Sorare sold for \$1.1M; LeBron James cards on NBA Top Shots are valued at \$200K. Sorare recently hit a \$4.3B valuation after investment from SoftBank.

Cryptocurrencies have also hogged the spotlight in the sporting arena. For one, sponsorship and partnerships with cryptocurrencies or crypto exchanges are rife: Crypto.com sponsors Italy's Serie A and the UFC, eToro is plastered across the sleeves and digital billboards at several Premier League clubs. Manchester United recently came under fire for exploring a partnership with Binance, one of the major crypto exchanges.

Even more significant has been attempts to build crypto-based clubs. Bedford FC have become the first Bitcoin football club after a takeover by Bitcoin podcast/investor Peter McCormack. The club's finances will operate on a Bitcoin standard, with profits invested in the currency.

"It's a club built around an idea. We're looking at more than just the community, and whether we can have international reach," McCormack said on the Guardian Football Weekly podcast.

Fan tokens (often linked to cryptocurrencies and cryptocurrency exchanges) have seen a similar rise in prominence. Socios issues fan

tokens that enable fans to have a degree of influence over clubs—allowing you to vote on matters like kit design, which player does the post-match interviews, and where the club might visit on their pre-season tour. The Socios website proudly displays the crests of several of Europe's top clubs, including Paris St Germain, Inter Milan, and Manchester City.

New revenues and closer engagement

The reason for crypto's rise in sport is no doubt linked to general rising interest in crypto. During the pandemic, when the economy ground to a halt, millions lost their jobs, and interest rates sank to (nearly) zero, many people turned to alternative methods of making money and investing their assets. Crypto's extraordinary volatility, and ability to produce startling returns, drew the attention of the crowd, and quickly became a popular investment alternative.

Similarly, sport clubs saw money in the bank sink as games were cancelled and fans were banned from stadiums. In this time, some clubs went into bankruptcy and administration, while the others no doubt reconsidered their long term financial futures. The European Super League was an extreme manifestation of this: the much derided Real Madrid president Florentino Perez underlined the fears of big clubs like his own that revenue was drying up and younger fans were no doubt looking elsewhere. It needed drastic action.

Fan tokens no doubt engage with this problem. For one, they present a welcome new revenue stream that goes largely into the pockets of clubs. It's estimated supporters have already spent \$350M on fan tokens such as Socios.

But more importantly, tokens offer a novel way of interacting with current and new audiences. Mainstream sports have faced a recent crisis with

engaging younger fans, who are instead turning to eSports and gaming. We've seen attempts by traditional sports to appeal to this gaming experience: Formula 1 coverage increasingly represents a video game, while new camera angles in football (particularly around the penalty area) reflect games like FIFA. Most major football clubs at the very least will have an eSports team attached to their franchise. Tokens are no doubt another attempt to appeal to these new preferences, combined with exciting new technology that can bring you even closer to the clubs you support.

It's not just younger fans this can appeal to. The wider Web3 movement has community at its core, promising to bring together people around the world with shared values, interests, or ambitions. Now that sport is truly global, tokens may offer an opportunity for interaction for fans who aren't able to wander down the road to watch their club play.

There's also an ownership element, too. A16z investor Chris Dixon defines Web3 as 'read, write, own', embodying the sense that blockchain technology allows users to have true ownership over their assets and their data. This presents an interesting new dynamic for supporters of a football club: while governance may now be limited to what colour gloves the goalkeeper wears, in the future this may extend to ticket prices or club appointments.

A cash cow—but at what cost?

Crypto, as it does in the wider world, will continue to split the room regardless of its successes or failures.

Fear of the unknown is no doubt a significant factor in negatively colouring people's opinions around crypto in sport. That fear is entirely justified. Crypto is very much in its infancy, finding its feet and its most valuable applications. Its first foray into sport, meanwhile, has not been

without scandal. On the one hand, there's a strong argument to be made that the high cost of fan tokens and cryptocurrencies prices out your typical fan, who are already stretched to pay for tickets and TV subscriptions.

There's risk involved too. Naysayers will point to 3Key, the crypto firm that briefly partnered with Manchester City; or IQONIQ, the cryptocurrency fan engagement platform which struck deals with Crystal Palace, La Liga, and the McLaren F1 team, which went into liquidation last month.

Much of the conversation comes back to an even wider debate in sports: that's the growing chasm between legacy fans and new fans, and their respective interests. Sports franchises have an unenviable task of trying to keep legacy fans happy while also remaining relevant for new, younger audiences. The former built those clubs, the latter will sustain them. Whether crypto can act as a bridge or a wall between the two is yet to be determined.

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