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HOW BLOCKCHAIN AND CRYPTOCURRENCIES CONQUER THE SPORTS INDUSTRY

A. Introduction

The terms “blockchain” and “cryptocurrencies” are nowadays very common in the daily business and the awareness and interest of the society is substantially growing. Thus, also the sports industry has detected the utility of fintech and the plans to implement its instruments for their purposes are present.

The US basketball team Sacramento Kings, for example, announced recently that it will be possible in the future to pay tickets for home games with bitcoins, several UK Premier League football clubs recently agreed on a partnership with a UK crypto trading platform to implement a digital payment structure and the transfer of Turkish football player Ömer Faruk Kiroglu in early 2018 was partly paid in Bitcoin; 0.0524 Bitcoin changed the owner. Further, the famous Colombian football player James Rodriguez released his own crypto token JR10 in June 2018. It should benefit the fans by exchanging tickets, souvenirs and exclusive merchandising articles or participating in fan club activities. Whether this is suitable as an investment remains to be seen. But it is imaginable that soon more and more players and clubs will issue their own tokens. These can further increase the value of the player or club and fans could buy tokens and pay for fan articles or tickets. As the value of the currency increases, players and clubs will benefit, as will fans. Just recently French football club Paris Saint-Germain as well as Italian football club Juventus announced its own cryptocurrency, along with an initial coin offering (ICO).

Moreover, Gibraltar United, a football club playing in the Gibraltar Football League’s Premier Division, is set to become the first club to use cryptocurrency as payment method and will be paying their players in cryptocurrency up from the next season. This was initiated through the owning company of the club Heritage Sports Holding, who will make the club the first football team in the world to offer their players the opportunity to receive their remuneration in cryptocurrency, i.e. in Quantocoin, which uses blockchain-technology to provide an alternative crypto-payment method for businesses, as opposed to using a traditional, physical wallet.

Furthermore, Heritage Sports Holding recently purchased 25% of the shares of Italian Serie C football club Rimini F.C. 1912 in exchange for Quantocoin and the club hereby became the first football club worldwide to be purchased in cryptocurrency.

These payment procedures based on blockchain could end the corruption in sports and it is the goal of Heritage Sports Holding to bring more transparency in the sports business, not least because of Qatar being accused for corruption in relation to the determination of hosting the FIFA World Cup 2022.

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What is blockchain?

The term blockchain is commonly used for a concept that allows an accounting system to be decentralized while still achieving consent on the correct state of accounting, even though many participants are involved in accounting. This concept is referred to as distributed ledger technology. Crucial is that later transactions are built on previous transactions and confirm them as correct by demonstrating knowledge of past transactions. This makes it impossible to manipulate or erase the existence or content of the previous transactions without at the same time destroying all subsequent transactions that the earlier ones have confirmed. Other decentralized accountants who are still aware of the later transactions would simply recognize a malicious copy of the blockchain as having inconsistencies in the calculations.

The process of cryptographic chaining in a decentralized accounting system is the technical basis for cryptocurrencies but can also help in distributed systems to improve or simplify transaction security compared to centralized systems.

B. The utility of blockchain and crypto in the sports industry

1. Anti-Doping

Doping scandals undermine the integrity of many sports. It affects cycling, athletics and many more. Many scandals were disclosed only years later. The professional athletes are facing serious reputational damage. Medical records must be located and analysed. Even if an athlete is officially exempted from doping charges, doubts can remain, which will lead to a negative reputation. In most cases a conclusive documentation that relieves the athlete is missing. The sports inspectorates are torn between the call for transparency and the need to respect the privacy of an athlete and his sensitive personal data for the past medical history.

The solution could be a secure system for managing these records. This would be built on a private blockchain system and log recipes and test results. Once data is entered into a blockchain system, its authenticity must be verified according to the network protocol. Afterwards, the data is inserted into the blockchain and cannot be amended anymore. For the system to function properly, it must be agreed on robust rules for validating data as they are entered.

Blockchain systems could also provide a source of recipe and test result information. This could reliably and safely protect the integrity of the sport as well as personal data. Of course, blockchain does not completely protect against human error. However, after many years of evidence of mysterious doping supplies, they can be reconciled with blockchain records.

2. Big Data

The sports industry generates huge amounts of data with game results or individual player statistics. And these are just the obvious examples. Sport data aggregators have developed a lucrative business from collecting, structuring, and selling sports data.

Blockchain technology provides a way to store, verify, and transmit data. The goal is to create an unchanging and credible record of race and biometric data. Data such as race metrics, heart rate and biometric measurements can be added to the database directly from the devices and confirmed as credible.

3. Fan interaction

Sports clubs use social media to interact with fans. Due to the blockchain technology, they could go a step further. Sports clubs could develop their own club-specific virtual currencies that fans could spend on tickets, merchandise, and food and drink at games.

This could lead to higher efficiency, which ultimately adds value for the clubs. The system could also facilitate peer-to-peer ticketing and ensure a fair ticket re-sales market between clubs and fans.

Loyalty programs managed using blockchain technology are already being used in other industries. Creative opportunities are offered by sports clubs and organizations in their own fan loyalty programs. Based on intelligent contracts, they can offer fans, automatically cheaper tickets for a particular game or fill their account with loyalty tokens. Clubs could enter partnerships globally to allow fans to spend their loyalty points over a network. The decentralized nature of blockchain could help to support and promote multiple partners.

US baseball team LA Dodgers is going to implement the first crypto giveaway in sports, where attendees of their games are rewarded with a digital bobblehead of some of the players which will be added to the attendees Ether wallet.

Boosting and rewarding fans is also part of the Jetcoin blockchain network. The network enables junior athletes to sell some of their IP rights in exchange for an investment in their careers, for example by financing their training programs. The talent assigns a portion of its IP rights to the Jetcoin Institute, who then offers the rights to fans via "smart contracts". The talent generates revenue. Fan investors automatically receive Jetcoins. Users can purchase Jetcoins by promoting sports talents on social media platforms and use it to purchase seats or participate in exclusive events. The more fans the talents promote, the more directly they benefit.

4. Sports rights

Sports rights are a billion-dollar business. The limit has not been reached yet. The competition is getting to be more intense. The established broadcasters are enormously dependent on the rights. New players like Facebook or Amazon are entering the market. The market is now increasingly fragmented. In addition to traditional live TV, fans consume video content on their smartphones and live streams through social media.

Blockchain networks can help rightsholders to track their licensed rights. The holders can quickly identify unused rights. Furthermore, they can use the blockchain network to realize automatic transactions with contractors.

5. eSports

There are several ways to merge blockchain and eSports. One example is a decentralized, blockchain-based eSports community, where a multiplayer infrastructure and integration can turn any game into an eSports. But gamers expect a fair match and strong competition. Unfortunately, this is often not possible. Cheats or game crashes destroy entire gaming communities. Gamers are increasingly unmotivated. The great economic potential of various games remains untapped.

An integrated reputation management through blockchain technology could bring gaming and eSports communities to a new level and could lead to new services, fewer frauds and more interaction.

C. Conclusion

The blockchain is more than just the technology behind a cryptocurrency. Blockchain allows processes to be recorded and monitor transactions. This reduces risks and costs. The application possibilities are almost limitless. Not few experts think that blockchain technology is revolutionizing large parts of today's economy. Also, for the sports industry changes are to be expected. The aforementioned business opportunities show only a few possible uses. There are numerous opportunities for business models and new experiences in sports and especially the Middle East is adopting and implementing the use of crypto and blockchain in fast pace.

MENA LEGAL is actively advising Heritage Sports Holding and Quantocoin and hence, was also highly involved in the setup, development and implementation of Quantocoin as a preferable payment method in the sports market. Other sports clubs and teams may be inspired to follow and adopt cryptocurrencies as a payment method.

For any specific question, further clarification required and legal advices on how to implement cryptocurrencies and/or blockchain to your own business, please contact MENA LEGAL via info@mena-legal.com.

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