

## 2018 Sport Marketing Association Conference (SMA XVI)

### Leveraging Blockchain Technology and Cryptocurrencies for Organizational Growth

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**3:30-3:55 PM, Ballroom D2**

**25-minute oral presentation**  
**(including questions)**

#### Introduction

The purpose of the current research is to provide an overview of how sport organizations can leverage the blockchain technology and cryptocurrencies to grow their business and gain competitive advantages. On January 15th, 2018, Mark Cuban announced that the Dallas Mavericks will accept cryptocurrency to purchase tickets in the 2018/19 season (Shen, 2018). The Mavericks will join other sport organizations, such as Unikrn which lets customers use crypto tokens to bet on eSports games in countries where betting is legal (Unikrn, 2018), Other businesses, like Bandwagon which collects fan data from tickets that are sold on blockchain technology (Bandwagon, 2018), or Stryking which uses crypto tokens to fund their company and engage the users of their daily fantasy soccer app (Stryking, 2018), are integrating blockchain technology and cryptography to grow their business.

#### Literature Review

The foundation for Bitcoin and other crypto currencies is blockchain technology. It consists of connected blocks that are secured through cryptography and contain transaction data, a timestamp, and a hash (i.e., an identifier containing unique information) of the previous block (Swan, 2015). Consequently, a blockchain cannot be modified and the transaction between two parties is verifiable and permanent.

Organizations can take advantage of the unique characteristics of blockchain technology in their management and their marketing. In their backend operations (management), they can automate time-consuming processes that would otherwise be done manually. For example, sport organizations can use blockchain technology to manage their data warehouse and store sensible customer data. Additionally, they can cut-out organizations from their value chain that have established their business on the premise of being a trusted service provider, such as cutting-out secondary ticket agencies (e.g., Bandwagon). Overall, blockchain technology may be able to strategically influence the brand development strategies of sport organizations (e.g., Kunkel, Doyle, Funk, 2014).

#### Method

We conducted one semi-structured in-depth interview with the co-founder and CMO of Stryking. The German-based company provides a platform for daily fantasy soccer games. In Quarter 2 2018, they are in the process of launching an Ethereum-based crypto Token called "Strykz" through an Initial Coin Offering (ICO) (Strykz.io). Data was analysed following a three-round process (Neuman, 2012).

#### Results & Discussion

**Product Development:** The respondent stated the funds raised through the ICO will be used for product development. The funds will enable the company to hire developers and other staff to integrate new features in the platform. These features will "open up the platform to the user, making it more user-centric" and the crypto Token can be used to purchase products on the platform.

**Business Development:** The respondent stated the crypto Token will be used for business development purposes. He said: "We will reward the users for bringing new users as well. If they promote our platform, if they create videos about the platform and upload them to YouTube, if they post about Football Stars on Facebook, and all these kinds of things, they will get rewarded for this." Additionally, developing partnerships with companies that will accept the

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Token outside of the Stryking platform was a priority. "Right now, we have [a partnership with] Kicker in Germany, but this model can be duplicated to other publications in different countries. We are already in discussions with partners where this token can be used, for example, if you have a fan shop for a team that you buy fan merchandise and other stuff with it outside of the platform."

Consumer engagement: The respondent stated the Crypto Token will be used for marketing and consumer engagement purposes. "We have a virtual currency which the player can get by playing the game, by unlocking achievements, by doing special things by playing through challenges, and can play challenges with a special currency. On top of that, we do only concentrate on the fantasy mechanics, but we also use gaming mechanics like level system, like an achievement system, [...] to engage the user not only with the challenges itself but with additional mechanics that help the users to proceed through the game."

Legal challenges: The respondent stated there are legal challenges that need to be considered for the launch of the Crypto Token. He stated that it was not possible for investors from the United States and China to participate in the ICO. "In many countries it's just not regulated and its quite unclear what the legal situation is. We also want to go to the Asian market. That's why we will do our token sale event from Singapore. But because of that, there's a lot of uncertainty what is allowed, what is not allowed, and in which countries."

### Discussion

Like Fiat money (e.g., US dollars), the value of cryptocurrencies is determined by the value people assign to it (Bitconnect, 2018). Consequently, sport organizations may be able to create their own crypto currency, assign a certain value to it, and use it to motivate desired consumer behavior. Results indicate funds raised through an ICO can be used for brand development strategies, such as product development and business development activities (e.g., Kunkel et al., 2014). Particularly, crypto Tokens that have a function and/or assigned value, such as loyalty points that can be used to purchase fan equipment, represent an option to leverage extrinsic motivation to reward users to perform desired behavior (e.g., Brown, 2007).

However, organizations seeking to leverage blockchain technology and cryptocurrencies for growth must understand the legal complexities facing the industries. In the United States, there are four main legal issues that need to be considered: 1. consumer protection concerns; 2. securities law requirements; 3. commodities law requirements and 4. state regulatory requirements. Overall, it is critical cryptocurrency providers ensure the legitimacy of their endeavours and provide consumers with safeguards to protect cryptocurrency investments and transactions. While the United States has a body of federal law protecting consumers' financial privacy, it is unclear how these laws would apply to protect cryptocurrency holders (Agarwal, 2016).