



# Digital Moon

## A 1ST STEP GUIDE TO NFTS & CRYPTO | BLOCKCHAIN BACKED FAN | AUDIENCE ENGAGEMENT IN SPORT – THE MOVE INTO WEB3

### WHY THIS PAPER EXISTS & SOME STATEMENTS THAT DEFINE OUR WORK

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I'm going to come straight to the point here **about some problems**; traditional commercial models based on media and sponsorship deals within sports rights holders, are not aligned to the brand ecosystem, not working and not creating the required value.

Sports brands need to grow audiences by engaging wider and deeper. Sponsors require value and return from their commitment, yet the models in place don't deliver this; at least as well as they seemingly used to. 'Stick a badge on it' doesn't work nowadays. Ultimately, securing lucrative deals in this space is becoming more difficult for rights holders and sponsors alike.

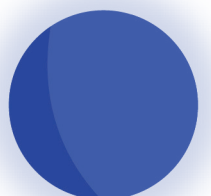
Revenue models in sport haven't changed for nearly half a decade. Services and offerings including merchandise, travel and corporate hospitality are not adapting. Key areas such as environmental sustainability and community are being ignored resulting in those key feelings of belonging, ownership and creation of emotional currency in many cases, is dwindling. This is aside from on-field performance. Finally, a dependency on contracted 3rd parties who own, control and shape many sports brands output creates a lack of control and creates gaps between the ecosystem, primarily with fans.

Sponsor activations alongside brands must create data, this data is valuable. However the MO of fans and audiences who provide this data is changing. Digital channels and personal data ownership colliding with new digital and decentralised technology all adds up to **the old not servicing the new**.

Currently within many sports organisations, federations and clubs, fans and audiences are not known nor measured properly let alone rewarded for their loyalty. Traditional digital channels or 'web2' as we refer to it, isn't as effective as it could be for multiple reasons and doesn't return maximum value for rights holders, sponsors or partners.

On top of this, the most valuable asset a sports brand has i.e. its Rights, IP and Content, are often contentious. Moving from analogue to digital assets is creating issues on multiple levels - however, this is a process that will eventually be resolved by all parties involved

**This all means** that digital needs a more aligned, integrated and long-term framework servicing the whole sports brand ecosystem with more than just revenue as the motivator.



Broadly we define ecosystem members as -

- Fans & audiences both known & unknown
- Sponsors & partners - commercial & charitable
- Stakeholders & guardians internally
- Athletes & sports staff - past, present & future

The new audience of Generation Z and A are the most conscientious of all; they make brand decisions on a new set of principles, their digital MO is very different to past generations, they don't interact with typical advertising in fact they actively block it out and they 'expect' much more from a brand they have chosen to have a relationship with. They are however, and will continue to be the most affluent of all consumers and where the biggest opportunity lies for sports brands and rights holders in terms of growth and maximising TLV (total lifetime value). The 'value exchange' they offer will prove more measurable, much longer-term and ultimately be more beneficial for all parties involved.

Digital interaction and technology progression is now and will continue to be prominent for all sports audiences. **We are on an exponential curve not linear** and this must be reflected.

### THE SOLUTION... WEB3?

Web3 is not a digital silver bullet...however it does offer a new type of model, a deeper value exchange, one that ultimately can create more return for the whole sports brand ecosystem, bringing each party closer together in a more sustainable and scalable model. Web3 stands on web2, but isn't defined by it - this means brands have a chance to be better, do more, act responsibly as well as create financial and wider value. There is a term we are adopting at Digital Moon as it makes sense, **web2.5**... another acronym? Maybe, but it makes sense as much of this is new for many as it means the bridge between digital now and that we talk about here. 'Educate not alienate' everyone in the ecosystem, build easy adoption and low friction offerings with utility, appeal to everyone who engages in sports no matter what their financial standing, create the best products and experiences for now with a route to the future however appreciate that future (inc the Metaverse) is not written yet and is being shaped now!

Importantly what we call the 'North Stars' such as ESG (environment & social governance) & CSR (corporate social responsibility) can be installed as fundamental elements, not box-ticking exercises. In this paper we will come onto how all of this can be achieved in some detail however, it's important to note at this stage that all those things that sports brands do amazingly well including with ever-important current and traditional fan bases, are not neglected on the journey to web3, in fact quite the opposite. Web3 is innovation and 'course correction' as opposed to unpalatable change.

Finally a question.

If from a group of four that all rely on each other equally, three are asking for change but only one is the blocker to required change, how long do the other three remain constant?

I don't have the answer but I hope, like those that I thank for taking the time to read or consider this paper will agree, we shouldn't get to that point in the 1st place..

## PAPER PROLOGUE

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All over the world amongst lifestyle, entertainment, and sports brands, we are experiencing a deeper focus on 'Digital' as the prominent dedicated marketing and communication channel.

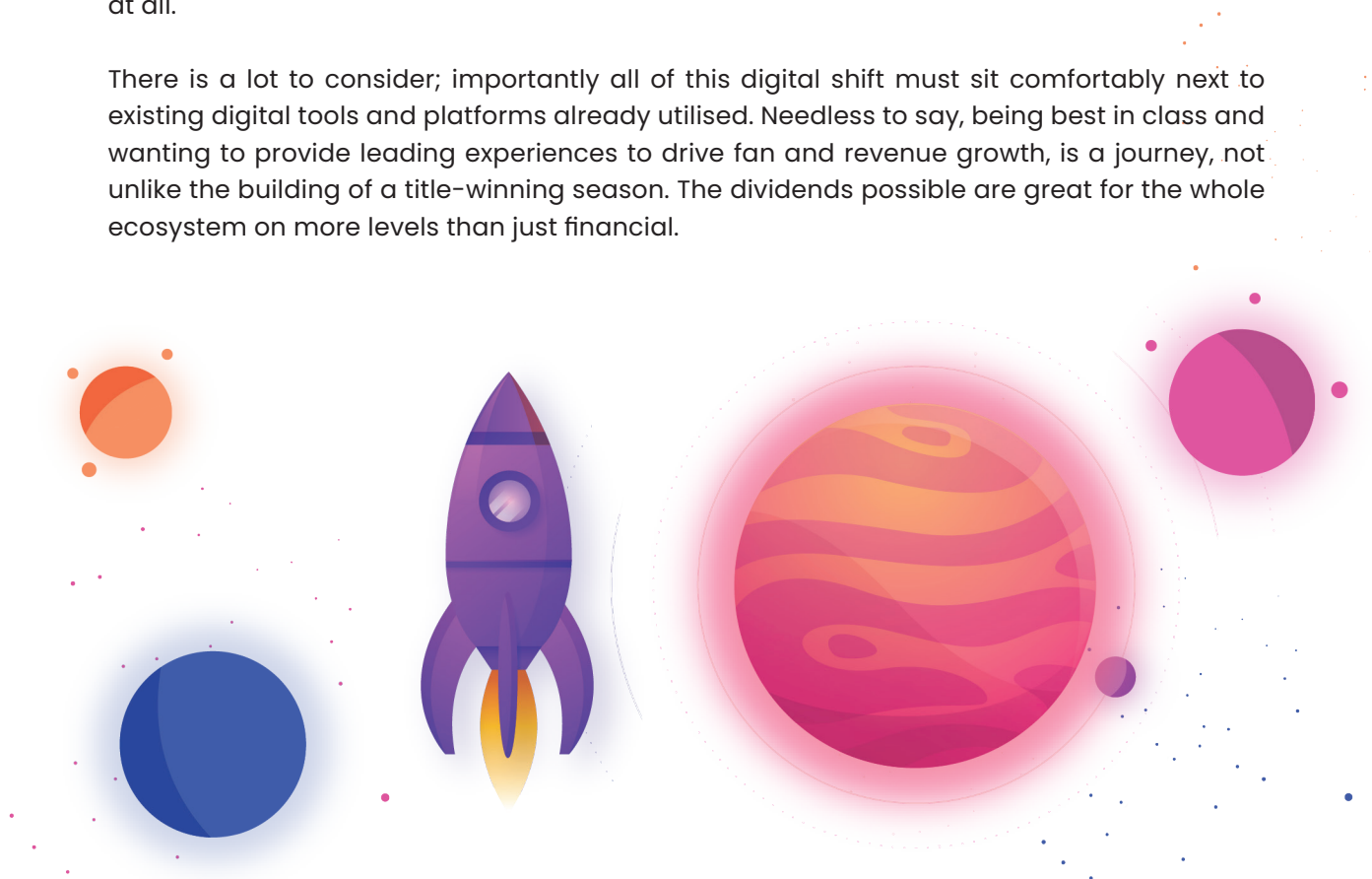
External and internal investment coupled with a quest for further commercial value away from traditional media and IP & Rights agreements requires deeper and more intelligent fan engagement aimed at changing demographics across the vast and rapidly changing digital landscape.

Web3 elements (we're operating at Web 2.0 in the main at this point), such as Blockchain, Cryptocurrency and Tokenisation including NFTs as a 1st step, are evolving alongside more prominently promoted UGC (user-generated content) and highly targeted interactive Social Media campaigns. All are in the limelight for their focus as part of 'Decentralisation' and their ability to give audiences, fans, and consumers a more controlled yet influential standpoint with ultimately, more decision-making power and connected utility.

Soon, 5G will allow for our digital interactions to be faster and more seamless with connections to a truly global audience becoming easier to establish, retain and scale. 'Virtual' and 'Augmented' reality is already being utilised in sectors such as EdTech and MedTech, soon to be applied alongside live and subscription-based platforms in sport. These will accompany in-person and in-stadia experiences heightened through innovative haptic, sonic, and personalised DX activation (digital experience) through a whole host of third-party services and solutions.

Web3 is not a specific set of tools with a fence; rather a learned mentality in the way content, data, experiences, and products are presented, controlled, and utilised by brands and consumers alike; powered by considered, open and exponential technology with no fence at all.

There is a lot to consider; importantly all of this digital shift must sit comfortably next to existing digital tools and platforms already utilised. Needless to say, being best in class and wanting to provide leading experiences to drive fan and revenue growth, is a journey, not unlike the building of a title-winning season. The dividends possible are great for the whole ecosystem on more levels than just financial.



## STARTING WITH CRYPTOCURRENCY & THE VERY VISIBLE WINTER

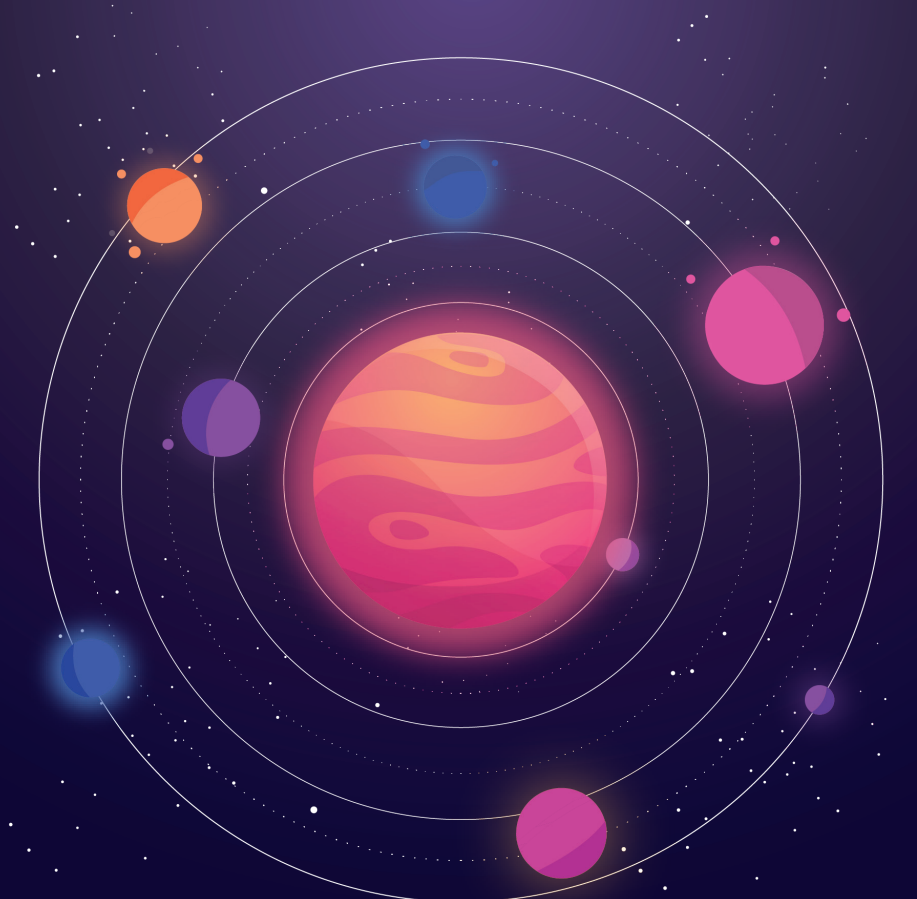
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So, the very big question from Rights holders is regarding Cryptocurrency. Whether the bad press surrounding seemingly fantasy based predictions, bad investments, dodgy fan information and ridiculous valuations, and now, visible collapses, affect or are in relation to the rest of web3 and in particular, NFTs? Well from our perspective, the answer is NO!

We are undeniably in the middle of some deep negativity surrounding Cryptocurrency. Early deals in sport in the 'fan engagement' space were definitely done based on high cheques, pixie dust and land-grabs (if a premier club called us and said we've done a deal with a blockchain but now we need to work out how that best applies to our fans), then we can verify that those making decisions were not as informed as they wanted or were required to be. At least the aforementioned club wanted to work it out before going to market; others didn't!

Let me be bold here. Cryptocurrency, although 'related' to NFT's and definitely an element of web3, does not have to affect what Clubs, Organisations and Federations create to engage and drive value for fans and their ecosystem. In fact, digital assets don't have to have a Cryptocurrency valuation initially as the value is in the asset itself and the part of the product journey and experience it fulfils.

You may be wondering how this is possible, and certainly it is part of a much wider strategy which is essentially Digital Moons job to create and implement, but the important take-away here is that sports rights holders and brands can create and implement effective web3 programs without a dependency or associated Cryptocurrency risk.



## LET'S FOCUS ON AN OVERVIEW OF THE HOTTEST TOPIC RIGHT NOW – WHAT ARE NFTS AND TOKENISATION AND WHAT'S HAPPENING IN THIS SPACE?

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The world of Digital Asset Value is upon us. Digital assets are created and added to an immutable Blockchain, and through this process form a unique digital asset holding value for fans and a wider audience. Ultimately releasing revenue for the IP owner, creator, and those who figure in the content of the asset itself. In theory, at least, this is value creation free from manipulation with a pay-out for many. We'll come back to that.

This is all part of 'Tokenisation' or the Token Economy - in its simplest form and concerning sport and entertainment, a Token is a way of giving access and engagement to fans/consumers; ultimately a digital asset offered to fans or consumers representing full or fractional ownership or in some cases, offering rights for governed participation in the organisation offering the Token. This pertains to the rights and IP they own of course.

There are indeed multiple advantages to highlight; Blockchain security, the associated audience data, both first and secondary market values with immediate allocation through 'smart contracts' as well as the relatively non-governed framework that allows for the issuance of 'Tokens'. Ultimately, however, any Token is a form of engaging brand consumers by offering utility, social status and social currency combined with gamification in the form of collectibles and challenges. Tokenisation works based on 'Golden Threads' including scarcity i.e. the uniqueness of the actual asset, and the ability for IP-owned digital assets to be fractionalised, owned by many, traded and sold. The opportunities for application are far and wide however as we will come onto, the learning curve is steep.

There are **two main types of 'Token'** - Fungible Tokens and Non Fungible Tokens **or NFTs**. Most recently there has been a large increase in the number of NFT projects across Sports and many consumer verticals. NFTs normally represent unique digital assets, allowing IP owners to create and offer digital collectibles or experiences to their audiences and fans. NFTs are not divisible, however, can be purchased, traded/swapped, or even gifted. NFTs have their core value attributed to the actual content they represent e.g. The video or images of a try, a goal, a team trophy lift, the awarding of the 100th cap for a player, or even a fan-based event within a game. I'll go deeper a bit further on.

It's important to outline that **Fungible Tokens** are different and offer a 'value' set by the rights holder relating directly to an underpinning Cryptocurrency, with no focus on a unique digital asset but rather ownership of a set of privileges with an assigned Token indicator. Value rises and falls related to factors such as player or team performance as well as other much more typical investment-type factors like issuance numbers, secondary trading etc - this relates directly to some of the bad press seen in recent months mostly seen in Football.

Back to NFTs. When an NFT is created, **the process of it becoming an indelible data block on the Blockchain is called 'Minting'**. Once minted, that unique digital asset becomes part of a public ledger and cannot be altered unless the president to alter was agreed and embedded in the attached 'Smart contract'.

Smart contracts are auto-generated contracts that essentially govern NFTs and ownership to consumers. They are coded onto a Blockchain and can be automated for triggers relating to the asset at hand. E.g. when a fan buys, sells, or 'gifts' an NFT under any circumstance.

In terms of 'Drops' or actual distribution, an IP owner will decide how 'rare' to make each NFT asset by restricting the number of times it is minted – determining the scarcity level. A relative example of this in the non-digital world for ease of example is signed prints of an original painting; the fewer the number of signed prints in circulation, the higher the value of each print. The most valuable NFTs will be 1 of 1, whereas, on NBA Top Shots for instance, the most common NFTs are minted 60,000 times. What continues to make each digital asset 'unique' is the presentation of a specific match highlight/clip plus the unique serial number of that clip e.g. 33,000/60,000 and potentially other meta-data specific to that asset such as the time, the date or the result of the game.

Generally, NFTs **once minted become part of the Ethereum blockchain**. This is likely to be the most suitable blockchain for many sporting and entertainment brands due to it being the most established with the widest platform relating to the (ETH) coin, offering connections to multiple marketplaces for secondary re-sale and trading. However, it is worth noting that other Blockchains such as Flow from Dapper are in-play with NBA TopShots being a key example. As time goes by, Blockchains are becoming more and more interoperable.

**NFTs can have data attached to them as well as the digital asset** and this can be associated with such areas as voting, access for example to one-off digital (or non-digital) events, community-level actions and information, gaming opportunities, and beyond including into mixed reality or the Metaverse. It is also possible to combine Digital and Physical products. For instance a player jersey with a corresponding NFT proving its authenticity including data such as how many times it was worn, major games/ results associated, and other fan-led data. We call this 'Phygital'.



## UTILITY IS KEY FOR FANS AND ALL CONSUMERS – NOT ALL NFTS ARE EQUAL

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Common knowledge includes NFT projects such as Bored Yacht Ape Club (BAYC) and in sports, the NBA Topshot that ruled the headlines for some time and continues to be the top netting NFT play in sports passing the \$1 Billion in sales recently. It doesn't take too much research to find out that in sports, earlier NFT and Crypto token initiatives were not positioned correctly by not prioritising fan's engagement, but rather aligned solely to revenue generation. NFTs have multiple applications and in the case of BAYC its all about access and exclusivity, being part of a club and the benefits this provides as well as other brands utilising the exclusive community and access rights. These NFTs are about value in terms of pounds and dollars; yes they have a unique digital asset of an auto-generated Ape with accessories, but mostly it's about the ownership and resale value on secondary markets such as OpenSea and the brand association created; you could liken this to a group of influencers promoting brands. The floor price for a BAYC NFT is over 200k euros currently and owners including multiple celebrities and high-net-worth individuals. Ownership brings access to a club and its benefits which include a slice of any associated brand's revenue; we can loosely term these as, 'access-focused NFTs'.

Sports NFTs in general, although having long-tail and sustainable revenue opportunities, require a very high level of **utility for their fans and audiences to achieve this potential**. There needs to be a great digital experience and product accessible to all; both pocket money and investor budgets. There must be a long-term product roadmap with interlinked utility and access to a wider set of experiences including collectibles, challenges and personalised assets such as PFP's (personal profile pictures), with customisable elements and multiple layer gamification. Importantly discounts and tangible rewards for those who participate must be available; new channels such as Discord and Telegram will be utilised for community access and contribution and driving fans from more traditional web 2.0 channels to those prominent in web3, also requires education and incentivisation all tying into the strategic roadmap.





## HOW THIS INVITES COMMERCIAL & PARTNER VALUE

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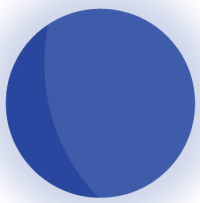


Multi-level NFT initiatives driven by scarcity, enables specific sets of 'access-based' fan engagement which in turn can be associated with commercial initiatives such as retail, travel tourism, sponsorship and ticketing. Most sports fans are aware of the Panini collector cards example; collecting a whole set opens up new levels, albums and chances to win real-life experiences - the digital versions are similar with deeper levels of connection and gamification. In its purest form, NFTs allow fans to own an asset bringing them closer to their sporting passion and heroes; it's up to the issuing brand to create the utility and meaning. Combine this with gamification, challenges, experiences and status/ hierarchy initiatives, linking to wider digital marketplaces it opens up a new host of 1st party data initiatives to build brand affinity sponsors naturally want to utilise.


Owning an NFT means a consumer **will own the original digital asset on the Blockchain only**, this does not stop anyone else viewing or sharing the asset as openly available elsewhere for instance on YouTube or specific sites with content. The actual analogue content is not sold, just the digital version of it. The rights to the original IP will remain with the original rights holder. Many are still unsure of why fans will then buy these assets and in much the same way a one of 100 copy of one of the masters famous paintings would be bought and possess value, digital assets of recognisable and specific sporting history will also be desired and ultimately collected, however you could still see pictures online or in a book.

Take for instance Jonny Wilkinson's drop goal that won England the Rugby World Cup in 2003. An outstanding moment in Rugby's history. Consider that moment as a digital image and/or video clip; how many people would want to own these, a digital twin of that moment? The answer is very many! Now consider that same moment elongated with the pass from Matt Dawson included, and the celebration afterward, maybe the commentary, fans faces, the image of the score-board. Imagine this as an illustration, or a version signed by Jonny himself; maybe even with the jersey or the boot, or the sock he wore potentially accompanied with an image of Jonny holding the world cup! Aside from the visual element, the data that could be attached is also inspiring. Jonny Wilkinson, Right-foot drop goal, 79th Minute, 34 seconds, standing 33 metres away! Would 1 or 100,000 people want to own a piece of that? We all know the answer to this question and could it be connected to a series called best ever drop-goals in rugby..?

There are very many views, angles, perspectives and narratives of that one moment that can create a digital image.

The point here of course is the opportunities are immense. The chance to give fans ownership of moments providing engagement and closeness to their sports and stars. In the same vein as the example above, imagine a hole in one on round one of 'The Open' tournament at St.Andrews Scotland, by an outsider, not even a top ten golfer. Second shot on a par 4, lands 15 feet away, spins back and finally makes its way to the hole... cut back to the golfer who has picked his caddy up above his shoulders! A moment for fans, absolutely. Someone who loves golf who saw that, didn't see it, was there, wanted to be there, heard about it and wants to own a version of it, ultimately. Maybe they see the value and offer it on a secondary market at a later stage and another golf enthusiast or investor snaps it up; more revenue



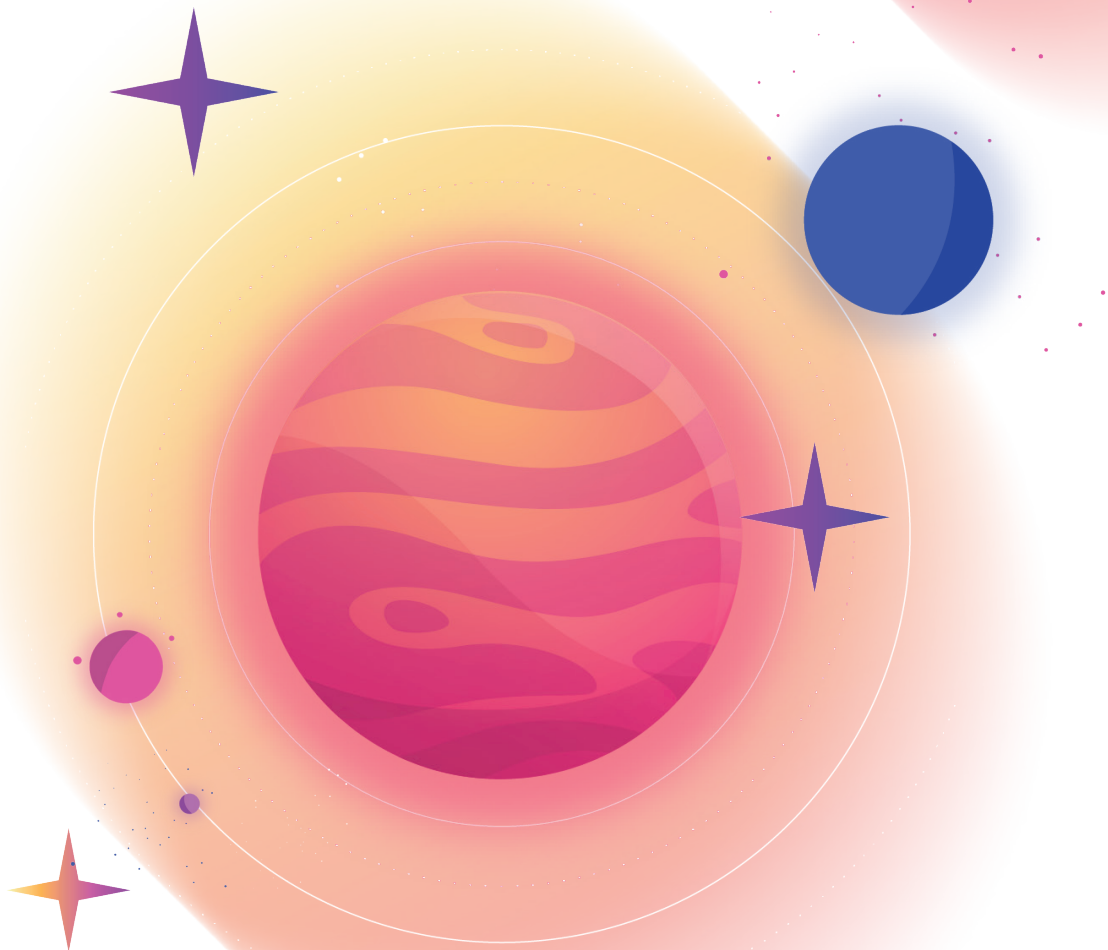


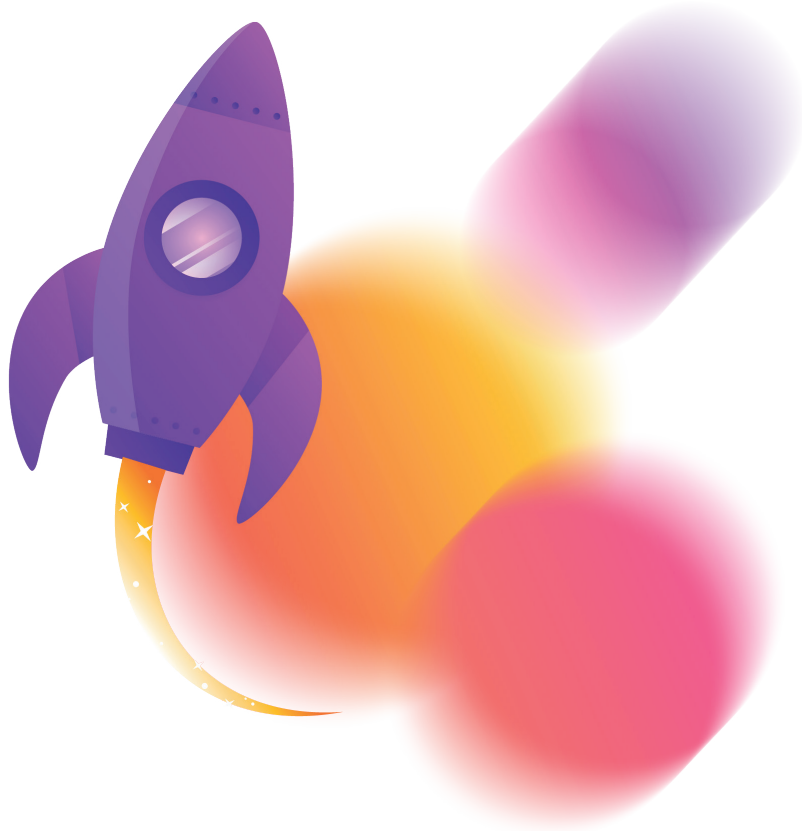
created with multiple parties benefitting and all the history and sales information stamped onto a Blockchain.

Not every moment will be a 1 of 1. Not every moment will be massively valuable on the secondary market. Engaging fans, focusing on collectibility and gamification will be key. We have to educate and not alienate anyone in a brand's ecosystem.

**NFTs are a way of engaging fans in the wider 'token economy' for sports and entertainment entities.** By offering key elements for engagement such as undisputed ownership (bragging rights/ social currency), tradeability, attached data sets, digital platform experiences and voting input - with control held solely by the IP holders, we can create a scaling ecosystem with multiple entry and exit points for audiences. Digital assets can hold deep financial value for IP holders, however modelling potential financial outcomes with any certainty is difficult and fans need to engage for success; this is a long-haul play where early entrants who listen to their ecosystems and operate on a test and learn basis, are likely to gain the most traction.

One thing we know for sure is that primarily, NFTs and indeed any type of Token project must have fan engagement as a primary concept for its design and launch. Commercial value will of course be a driver for all brands, and can be achieved, however, this is a large ecosystem that must fit in with existing digital products and strategy to unlock long-lasting value and growth for both fans old and new as well as the issuing rights holder.





## RISK ASSESSMENT – HIGH LEVEL

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Clearly there has been information and stories in the press relating to the negative aspect of fan based Tokens. In the main, this has been aimed more at Fungible tokens as opposed to NFTs. Although both hold a value and can indeed in many instances be purchased using Cryptocurrency and therefore have a value relating to an ungoverned set of currencies, NFTs have much greater utility with value attributed to an actual digital asset such as video, moment, image and or physical item or experience that is owned.

There is a fine balance for clubs, teams, organisations and players to find based on fans owning sporting memorabilia and the value that comes as part of that ownership including the mechanics of transfer of ownership. Anywhere there are assets there are those focused on monetary value alone. The greatest value to an NFT or Tokenisation programme is affinity and engagement with the associated value being released over time. This comes back again to what we term the 'Golden Threads' of utility, access, gamification and scarcity.

Clearly, Tokens related to the value or performance of a property such as team or player and associated Cryptocurrency have a higher risk than those assets with value attached via digital or phygital asset. NFTs in sport are also purchased the most with traditional Fiat currency initially, creating low-friction for fans. Owning NFTs and web3 assets requires elements such as a digital 'wallet' which on their own can prove demanding for those with limited technical savvy. Many solutions in sport offer this all in a one-place solution in white-labelled format so fans feel they are interacting with a direct extension of their club etc. Although trading NFTs on secondary markets does take some knowledge of Cryptocurrency, most fans who own an NFT in the form of a digital collectible wont have to be involved with these stages at all, if they do not want to.

## SO HOW DOES ALL THIS RELATE TO WEB3 AND TERMS LIKE 'METAVERSE'?

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Web3 as touched upon is a concept, a new set of tools that allows us to interact digitally in a new and more developed manner. At its heart lies decentralisation where consumers control data and content and how they engage across multiple parts of life including communication, money and finance, entertainment, learning and sharing. There will of course be deep applications in key sectors such as health and medicine, education and real estate; as is often the case we develop new technology and interactions for social and entertainment reasons primarily hence gaming and social media developing so rapidly into the web3 space.

The short answer to this very large leading question in the heading is... web3 is a journey with NFTs and digital assets right at the beginning. It's widely agreed by those in the space that this is an 'on-ramp' to what Metaverse and mixed-reality will eventually become for brands. One thing for sure is, this Digital Evolution is upon us. Fans and audiences of now and the future look to digital, 1st.

A succinct line to help explain the Metaverse is, it's a new form of 'browser' for the internet of everything, a new gateway to new, exciting and engaging content, creators and experiences. It is not developed yet, we are some way off understanding and building the technology that allows the sustainable, reliable, and healthy tech to support this new immersive movement however at some point soon, quicker than most think, brands and household names including within sport and lifestyle will be factoring in web3 into their mid-term digital strategy. NFTs are the first step into this new world and must be considered in product roadmaps to some extent right now.

What we do understand is that brand affinity will need to be built in the Metaverse – some brands are already doing this, most prevalently in fashion and luxury goods, edtech and of course, gaming. However main-stream sports brands such as Nike, Adidas, New Balance and Under Armour all now have Metaverse and NFT products. Younger generations will become much more at home with digital interactions including Cryptocurrency, decentralisation and spaces including personal cloud and data storage, VR, AR, gamification such as avatars and tokens for personal brand affinity and what we term 'value-exchange'. As of now, most people's online and digital signature is their email address and only a fraction of people have a digital-wallet to own and store Cryptocurrency and digital assets etc. This will change over time and as it does, new areas such as the Metaverse will become more prevalent and important. NFTs as a digital asset will allow for access and entry into layers of the Metaverse for all consumers. Specifically for sport, this means areas such as digital stadiums, in-stadia experiences, new platforms for content, and engagement between teams, players, peers, and commercial partners such as sponsors and charities.



## LET'S TALK A LITTLE ABOUT ESG, CSR AND SOCIAL RESPONSIBILITY

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Whilst terms such as NFTs and Blockchain are relatively new and only beginning to be understood as of now, the value creation and value exchange they bring with fans and audiences is definitely being contemplated in a wider social context.

Web 2.0 and the internet we experience day to day has many faults and a lot of negative press, for good reason. Parents are struggling to keep their children's content secure and relevant, social media has been central to much negativity for many and over the last 10 years our personal data manipulation has been central to much of the negative discussions we experience. Web3 is a chance for us to correct some of this course. Without going into detail here on such important topics such as how the Metaverse should or could be structured to facilitate education and support children, or how our data will ultimately be decentralised and control given back to the consumer by utilising Blockchain technology, we can make some more central and widespread comments about social responsibility from both brand and consumer perspectives.

The demographic that will utilise digital elements such as NFTs and all discussed in this paper, are making brand affinity decisions and expressing their buying power by choosing ethical and socially responsible companies and organisations for both work and personal application. Brands that pay all of their tax and don't employ lowest wage workers as well as brands who actively 'give-back' and donate to society, understanding the role they play in social responsibility are absolutely heading to the top in terms of generation Z and A affinity.

Rightly, ESG (Environmental, Social and Governance) and CSR (Corporate Social Responsibility) initiatives are represented at the board-table across most brands. Sport is no different, and now is the time for rights holders, clubs, organisations and federations to use digital and technology innovation to support their athletes, contribute to communities and give to those that require support. Fans want to be involved and are pushing for this drive - web3 offers this opportunity for all.

This trend can be seen within NFT drops and new wave digital fan engagement. Fans and audiences do not want to see those brands and stars making even more revenue from digitising their assets, without allocating revenue and time to those who need it the most. Examples of those to benefit will be grass-roots development in the sport itself or revenue going directly to charitable partners, foundations or community development projects; it is worth noting that being vague is not an option when defining allocation and intent. Fans and audiences must be informed and engaged. Significant sports brands and stars have been too vague or not mentioned at all any intention of social responsibility in their NFT projects and the results have bombed with specific feedback regarding not enough input and thought to these fundamental elements.

This is a chance for NFTs and web3 to provide value for some of those who need it the most by rights holders and brands appointing ESG and CSR initiatives as the 'North Star'.