

Non-fungible Tokens: A Research Primer and Implications for Sport Management

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ABSTRACT

Non-fungible tokens (NFTs) have gained considerable media attention and sparked growing public interest. NFTs are unique units of data recorded on a permanent ledger or blockchain. NFTs are used to record ownership of both physical and digital goods. Prominent sport organizations have embraced NFTs for innovative growth opportunities such as generating revenue via novel digital products (e.g., digital collectibles). For example, the National Basketball Association (NBA) launched NBA Top Shot, an online marketplace to buy and sell digital sports highlights. Sport organizations are exploring future innovation opportunities where there is a need to reliably track and verify authenticity or ownership of digital or digitizable assets. This includes existing sport products (e.g., tickets) and novel fan engagement initiatives. To benefit from NFTs, sport managers need to reconceptualize how sport is marketed and managed in a digital domain. The purpose of this research primer is to acquaint readers with key concepts related to NFTs. Specifically, we provide an overview of NFTs, a review of NFTs' brief history, conceptualize NFTs via parallels with collectibles, and address the speculative nature of the NFT market. We conclude by outlining innovative growth opportunities of NFTs for sport managers and future research directions for sport management scholars.

DEFINITIONS

NON-FUNGIBLE

Unable to be interchanged, unique, and indivisible.

TOKEN

A tradeable, digital representation of ownership of an asset recorded on a blockchain

NON-FUNGIBLE TOKEN

A unique digital identifier that cannot be copied, substituted, or subdivided, that is recorded in a blockchain, and that is used to certify authenticity and ownership (as of a specific digital asset and specific rights relating to it)

NFTS ARE THE NEW COLLECTIBLE

NFTs represent a reconceptualization of scarcity in an era of digitalization, allowing digital content to be simultaneously both scarce and abundant (Chaim, 2021). NFTs that represent famous and viral content capture cultural significance (Chaim, 2021), thereby monetizing said significance and enhancing its value. As a result, the more ubiquitous the digital content, the higher its value. The abundance of digital replicas only further enhances the value of NFTs. In short, NFTs represent the future of digital collectibles, with value based less on owning an asset that no one else has and more from owning the asset that everyone else has (Wark, 2017).

APPLICATIONS OF NFTS IN SPORT

Any context in which there is need to reliably track and verify authenticity or ownership, particularly of digital or digitizable assets. NFTs unlock value when there is a need for a secondary market or where residual royalties for the original creator are desirable

FAN ENGAGEMENT



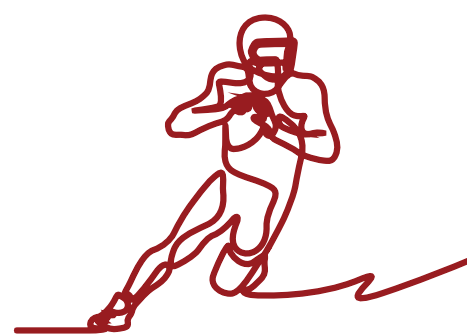
RESALE OF ASSETS ON THE SECONDARY MARKET



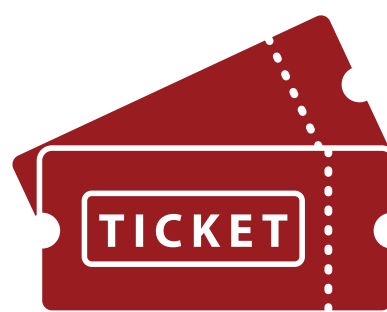
FRACTIONALIZED TEAM OWNERSHIP



NAME, IMAGE, LIKENESS



TICKETS



PROMOTE SOCIAL RESPONSIBILITY



FUTURE RESEARCH DIRECTIONS

1

Investigate the readiness of sport organizations and consumers toward innovation.

2

Understand processes by which collectors discard items versus those who intend to maintain ownership.

3

Understand how ownership intention interacts with core sport marketing theories (e.g. Team Identification or Attachment.).

4

Identify factors that impact the pricing of near-identical NFTs within the same collection.

5

Understand how customer relationships are created and strengthened using brand-related NFTs.

6

Investigate how social networks around NFTs provide insight into how such networks evolve over time.

CONCLUSION

NFTs represent an emergent phenomenon with both established applications and future potential in the sport industry. The purpose of this primer is to provide an introduction and establish a groundwork for understanding key concepts related to NFTs for sport academics and practitioners.

The hype surrounding sport NFTs mirrors consumers' intrinsic and extrinsic motivations for buying sport collectibles. NFTs provide sport organizations innovative ways to monetize their intellectual property, particularly digital content, and capitalize on new growth opportunities.

Furthermore, associated technologies (e.g., smart contracts) provide athletes with opportunities to leverage their personal brand. While the psychological aspects of collecting are not novel, NFTs parallel the broader digitization of the sport industry and represent a reconceptualization of scarcity triggered by the expanding field of blockchain technology.

Therefore, NFTs open new avenues for monetizing digital content in the sport industry. Sport managers must gain familiarity with the core principles of NFTs to appropriately innovate in this emerging space.

NFTs open new realms in collectibles, ticketing, ownership, and fan engagement. We call on sport managers and sport scholars to engage with this new technology and proactively shape NFT-related innovation to enhance equitable outcomes for all sport industry stakeholders, including athletes, sports consumers, teams, and leagues, as well as to promote greater social good.