

# FanHub & The Fan Finance Protocol (\$FANFI)

*A decentralised protocol creating a new paradigm in the sports industry*

## **Abstract**

The global pandemic has highlighted two fundamental issues in the sports industry:

1. Financially even the global franchises are in a fragile state, heavily reliant on sales of media rights and under pressure from massive wage inflation of elite athletes. This increasing financial burden has been passed on to fans.
2. The product as a spectacle loses much of its appeal and therefore value without fans present at the live event to generate the atmosphere.

**We believe that as the “jewel in the crown” of the product, fans should be economically rewarded for their contribution, rather than funding the entire ecosystem.**

In hindsight and with objectivity it is obvious, but unintended consequences from decisions made over previous decades have resulted in the majority of the value generated by sport ending up on the balance sheets of media giants.

The sports industry generates \$66 billion in sponsorship revenue annually<sup>1</sup>, of which over 80% is received by broadcasters. Of course sport has received payment for the media rights, but these amounts are dwarfed by the revenue broadcasters receive from advertising.

In a digital context, personal data has become a new asset class, however by building its digital audiences on social media platforms, sport has again surrendered an opportunity to capture value to media companies.

With the advent of distributed ledger technology and a progression towards a more decentralised world, there is a further opportunity for sport to get it right by retaining the value that it creates and aligning with the interests of its most important stakeholders.

The \$FANFI protocol facilitates entirely new business models that are decentralised and built on a public blockchain infrastructure meaning:

1. No centralised middleman capturing and extracting value from the ecosystem.
2. An efficient token economy that reduces friction costs for advertisers to reach their target market.
3. Fans are able to be paid, both for supporting their teams in the stadium and directly by brands for their attention.

FanHub will be the first app to be built on the protocol and already has a beta version that is a fully operational app with over 22,000 users at the time of writing.

---

<sup>1</sup> Statista.com

## Evolution Of The Sports Industry

An analysis of the evolution of what is now the most valuable sports property in the world, the English Premier League, reveals the macro forces that have resulted in a complex value chain:

### Matchday Paradigm (since 1800's to present day)

The original business model in sport involved only two parties - the clubs who charged an entry fee to the match, and their fans who paid to watch.

Being physically present meant that all fans had a very active role to play on a match day, as they reacted to the flow of the match and were themselves immersed in the experience. For a fan, nothing beats actually being there.

In terms of wealth creation, the only beneficiary in this paradigm was the club, and using the most commercially successful club over this period as an example, Manchester United have built a market capitalisation of £2.5 billion<sup>2</sup> in the 143 years since they were founded in 1878.

### Broadcast Paradigm (1990's to present day)

Although live matches were broadcast prior to the launch of the Premier League in 1993, this proved to be the dawn of a new era which entirely changed the dynamic of the business model. Initially this had the effect of expanding the domestic market but subsequently attracted a global following with the Premier League now broadcast directly to 1.03 billion homes worldwide<sup>3</sup>.

Unlike the fans that are in the stadium, these viewers are a passive audience in that they are unable to interact in the match from their homes.

Although Sky's monopoly to broadcasting live Premier League games was eventually broken by BT Sport, an oligopoly remains and Sky have created massive value as the right holder.

As an illustration to quantify just how much value in comparison to an elite Premier League club, Sky's net profit in 2018 was £1.17 billion or £50.86 per fan (23 million subscribers). Manchester United's earnings in the same financial period were £26 million or 4p per fan<sup>4</sup> (using a denominator of 659 million fans stated in their 2012 IPO prospectus).

---

<sup>2</sup> marketwatch.com

<sup>3</sup> premierleague.com

<sup>4</sup> statista.com

Taking a slightly wider perspective, in the 2018 season, 13 clubs made a profit and 7 made a loss with a cumulative profit of £465 million<sup>5</sup> so it is clear that the greatest value accrues with the broadcaster as the distributor of the product rather than the clubs that create it.

Within 28 years, Sky created £30.6 billion in value between 1990 (when founded) and 2018<sup>6</sup> (when acquired by Comcast).

## **Social Media Paradigm (late 2000's to present day)**

Although social media had been around for several years, it was only really towards the end of the 2000's that these platforms began to play an integral role in the football ecosystem. Twitter, Facebook, Instagram and YouTube now each play their own significant part and have again caused the dynamic to evolve.

Football clubs, players and fans have used these platforms to make announcements, distribute news and content, share experiences and opinion as well as interacting with each other. The global audience that was previously restricted to a passive participant in the broadcast paradigm is now an engaged community that can contribute to the conversation.

In fact some fans have established their own significant followings on social media platforms through distributing non-linear content such as blogs, podcasts and vlogs. There has been a significant migration, particularly amongst younger fans, to consumption of these forms of content whilst the popularity of broadcast media has waned.

Early success stories of high profile "fan content creators" include Arsenal Fan TV, with 1.25 million YouTube subscribers and Empire Of The Kop with 1.8 million Twitter followers.

Although at a nascent stage, the evolution of social media has facilitated an army of fan content creators producing proprietary content with each one growing their own core following. Rather than requiring significant capital expenditure on infrastructure, social media platforms mean that any individual can effectively build their own media production "company" with a global reach using only a smart phone and a WiFi connection.

However there is good reason why social media companies will provide potentially massive distribution for content. Every social media user provides their content to the platform absolutely free of charge and the platform monetises the engagements between the audience and the content by harvesting personal data to profile and segment their users.

Facebook themselves claim that over 60% of all sports fans around the world are on their platform<sup>7</sup>. Considering that 75% of sports fans say that they post on social media during

---

<sup>5</sup> theguardian.com

<sup>6</sup> statista.com

<sup>7</sup> statista.com

matches and 73% believe that it's important to be able to access content 24/7, it's indicative of just how important sport and its fanbases are to the social media giants.<sup>8</sup>

In only 16 years since 2004, Facebook has created £750 billion in value which is quite astonishing when compared to the 142 years that it's taken Manchester United to create £2.5 billion<sup>9</sup>.

## Current Challenges

We see a number of specific challenges faced by the sports industry today:

1. The owners of many clubs and franchises are no longer childhood fans but rather sovereign wealth funds, private equity groups and foreign oligarchs who may not have the long term interests of the club (and therefore fans) as their priority.
2. There are two layers of media companies (broadcasters and social platforms) that are capturing value from the market which is then permanently removed from this ecosystem to their balance sheets.
3. With the majority of the value leaving the ecosystem, there is a constant pressure for clubs to extract more money from their fanbases.
4. There is increasing unrest and disillusionment on the terraces as a result. The rising costs of not only watching live sport, but also general living expenses, whilst wages remain static places increasing financial pressure upon fans.
5. Whilst fans struggle to make ends meet, the wage of an elite player may be as much as 1000X the average worker's salary creating a disconnect between the fans and their idols.
6. Both clubs and the most popular fan content creators have built their communities on social platforms that will continue to be the major beneficiaries of this content.
7. Social platforms have done very little to combat on-line abuse creating a toxic environment for players and content contributors alike.

## Blockchain solutions vs Decentralised Solutions

"Fan Tokens" have recently emerged on the market, facilitated by blockchain technology to add a further dynamic to the evolution of the value chain outlined above.

The model delivered by clubs has involved clubs and franchises partnering with a supplier to conduct a token sale to their fanbase with the premise that fans can purchase tokens which represent votes on club decisions.

Ultimately the market will decide whether this product has a place in the future ecosystem or whether it is simply a further device for franchises to leverage further value from their fanbase.

---

<sup>8</sup> statista.com

<sup>9</sup> marketwatch.com

It is therefore important to differentiate between an offering that is supported by the features of blockchain technology, yet without the benefits of a decentralised economy.

## **The FanHub Project & The Fan Finance Protocol**

Whereas the very essence of a centralised business model is to transfer value (whether in the form of cash or data) from multiple market participants to the single entity, we propose a decentralised solution to these problems.

The mission of the \$FANFI project is to recognise and reward every participant within the decentralised economy according to their contribution to the community. Whereas the status quo concentrates wealth in the hands of the few, our proposed model distributes value by rewarding market participants to align their interests.

The token economy brings fans, content creators (which may be fans themselves, clubs, players or publishers) and advertisers together through behavioural incentives, allowing each actor to participate freely to distribute or consume content guided by the following foundational beliefs:

1. Users should be economically rewarded in proportion to the value they create for the network.
2. Users should retain sovereignty of their content and data in order that no third party shall benefit from those assets.
3. Users should receive an economic benefit from an advertiser seeking to gain exposure to their attention.
4. Access to opportunity should be democratised so that any user can contribute their content to the community with market forces determining the contribution of value.
5. Earnings for market participants should be predictable and transparent.
6. Governance power should be earned by market participants in their contribution to the community.
7. KYC processes for all users will ensure that on-line trolls and those that seek to abuse others whilst hiding behind anonymity will have no place in this community

## **Traction**

Since its beta release in February 2021, FanHub has become home to over 22,000 users with over 360,000 unique content views via the app.

## **The Opportunity To Create A New Paradigm**

As demonstrated in the analysis of the the evolution of the UK football industry, the digital age has created unprecedented wealth yet the majority of this has accumulated within a highly concentrated group. The rich have got richer and those outside the top 1% of the global economy have got comparatively poorer.

There is growing mistrust in the “system” across society, however this feeling is particularly acute in sport. With established networks and opinion leaders within fanbases across the

world, sport is fertile ground for the germination of a new democratised system that is fair, transparent and built on human connection but facilitated by algorithmic technology.

The pandemic has perhaps accelerated systemic issues within the macroeconomic system with workers' wages stagnant and rising inflation due to the quantitative easing programs of governments.

Whilst multiple lockdowns have caused small businesses across the world to cease trading with the jobs that they provide, large corporations have seen their stock prices soar through governmental economic support.

The equity indexes are at all time highs, indicating that the major economies have never been healthier, yet even that is misleading as the growth is driven by a small minority of companies that have built digital monopolies on the internet.

Google, Facebook, Apple and Amazon own the platforms that harvest our data and translate that into hundreds of billions of revenue.

In the digital paradigm, personal data has become the new asset class, perhaps the 21<sup>st</sup> Century equivalent of oil.

When combined with a smartphone, blockchain technology provides the individual with not only the opportunity to harness the value of their own personal data, but also creates a powerful network node for the sharing of content and information.

Users can therefore participate in this new economy at the intersection of fandom and finance to unlock the latent value of their loyalty with the Fan Finance Token (\$FANFI).

As the community grows, node by node, the decentralised business model incentivises each of these market participants to be rewarded, thereby creating network effects and driving value to the token economy for the benefit of all.

## **Token Distribution**

The protocol allows users to contribute value to the community in the following ways:

- attending live matches (proof of attendance)
- growing the community by referring new members
- distributing proprietary content to the community
- providing their attention by consuming and sharing information from advertisers

Each of these activities are rewarded with \$FANFI and in this way, fans earn a direct economic benefit for following their team.

As the community builds, we anticipate that increasingly businesses within this market will wish to enable users of the protocol to pay for goods and services with \$FANFI and thereby increasing its utility.

In this way network effects drives further users to the protocol which in turn attracts further businesses which in turn attracts further utility.

The \$FANFI token is built on the Avalanche blockchain.

## **Token Demand**

As the \$60 billion spent on sponsorship and advertising demonstrates, there is significant capital seeking to reach sports fans. The \$FANFI protocol provides a significant advantage when compared to the options currently available.

The target market receive payment directly from the advertiser in return for their attention, who are algorithmically selected based upon key triggers (such as checking in at an event or consuming specific content) meaning that:

1. The target user is much more likely to be at the appropriate stage in the purchasing cycle (such as placing a bet or buying a beer).
2. The target user is more likely to connect with the advertiser as they are receiving a reward from the advertiser for their attention.
3. As the target user receives payment rather than a social media platform, the capital does not leave the ecosystem on to the balance sheet of a media company but will at some point be redeployed within the ecosystem by the user.

Advertisers may also build their own communities on the FanHub platform enabling community members to earn rewards, participate in events or sharing information and receiving unique offers.

## **Tokenomics**

The total \$FANFI supply is 10 billion tokens, allocated as follows:

Team & Early Investors 20%

Company Treasury 19%

Community Rewards Pool 40%

Partnerships 5%

Liquidity Pool 5%

Private Token Sale 8%

Public Token Sale 3%

Both the Private Sale and Team/Early Investor allocations are subject to a lock up period and vesting schedule.

## **Transactions And Fees**

The platform will enable transactions to take place within the economy between parties including:

- the sale of NFTs on an internal marketplace
- incentives paid from advertisers to users

On such transactions, a gas fee will be levied on the total payment received with proceeds distributed as follows:

40% to the company treasury

40% to the community rewards pool

20% to a charitable foundation

## **Staking**

Users can stake their tokens to enhance their check in and content rewards as well as receiving a variable yield.

## **Community Rewards Pool**

Community rewards are received for:

- checking in to live matches
- creating and sharing content
- joining the community
- referring a new member of the community

A proprietary algorithm will distribute rewards to users for these actions according to the number of weekly active users on the platform.

## **Governance**

At a point in the future, governance of the community will be handed to a FanHub DAO where staked tokens represent voting power in network decisions. Such decisions may include:

- budgets and resource allocation
- incentive and reward allocation
- charity partners
- new features or products for the software

## **Use Cases**

### **Fans**

Fans will use the FanHub protocol to follow their club/franchise and earn economic rewards for their contribution as they do so. Fans will also receive NFT collectibles from live events that they attend which they can then trade on the marketplace.

### **Freelance Content Creators & Clubs/Franchises**

Content Creators have the opportunity to build an audience on a platform that both rewards them for their content and those consuming it. This may also include clubs in the future, who are currently producing content for benefit of media companies by may see the benefit of this paradigm. Content Creators and clubs/franchises may also sell NFTs using the marketplace.

### **Advertisers**

This group may include businesses from corporations to micro entities or individuals, publishers, marketers, charities or any organisations seeking to reach an audience and willing to pay them for that.

## **Senior Team**

### **Gareth Lippiatt – Chief Executive**

A serial entrepreneur, Gareth started his first company shortly after graduating from Loughborough University and has subsequently been involved in several businesses as a Chief Executive, Finance Director, investor and advisor. He has an MBA from Cambridge University where he developed an interest in macro economics, financial systems and decentralised business models.

### **Harley Thorne – Chief Operations Officer**

Harley has a background in DevOps having been part of the team at VC backed companies Alterian and most recently BookingLive. He is currently studying for an MBA at Bristol Business School and has previously founded a football media company.

### **Rob Gregory – Head Of Partnerships**

A senior executive with international experience having managed 35+ client accounts in over countries worth £110 million. Former clients include Adidas, Puma, Decathlon, Manchester United, Real Madrid, Bayern Munich and Juventus.

### **Rob Steiner - Advisor**

As an entrepreneur, Rob worked to develop CSR and millennial social engagement programs on Wall St. Subsequently, he was also an early advisor for Solana, one of the first Heads of Blockchain at a Fortune 500 company and recently became the owner of a European football club.

### **Marco Sansoni – Advisor**

Marco is a former FIFA executive with experience in the delivery of events including the Olympic Games at London 2012 and Rio 2016, the FIFA World Cup 2018 and UEFA 2020.

## **Roadmap**

Q1 2022 – Private token sale

Q2 2022 – Public token sale and exchange listing

Q3 2022 – Launch of smart contract and proof of attendance protocol

Q4 2022 – Launch of social features

Q1 2023 – Launch of NFT marketplace

Q2 2023 – Launch of advertising protocol

Q3 2023 - Launch of third party payment API

Q4 2023 – Launch of debit card