

Why sports sponsorship is unlikely to save cryptocurrency firms from 'crypto winter'

December 8 2022, by Andrew Urquhart



Credit: AI-generated image ([disclaimer](#))

If you have been watching the Fifa World Cup in Qatar closely, you will have noticed the advertising on the hoardings around the pitch. Alongside the usual names—Adidas, Coca-Cola, Visa—there are some new ones, including [Crypto.com](#), the Singapore-based cryptocurrency and payment platform.

Crypto firms' [use of celebrities](#) has become notorious of late but many are also starting to sponsoring [sports events](#), teams and venues. It's not a new phenomenon for industries to rely heavily on sponsorship as a communications strategy. Tobacco led the way in the 1990s, then beer brands took the lead, followed by telecommunications, airlines and sports betting companies more recently.

But investing heavily in sports sponsorship may not be the best way for individual firms to build strength. This is especially the case as crypto companies continue to succumb to the "[crypto winter](#)", with market values falling dramatically and firms [laying off staff](#).

In October, publicly listed [cryptocurrency exchange Coinbase signed a reported US\\$192 million \(£157 million\)](#) four-year deal to become the exclusive [cryptocurrency](#) platform partner of the NBA, WNBA and various other basketball leagues. Last year, Crypto.com [paid US\\$700 million](#) for the largest naming rights deal in sports history to rename the Staples Center in Los Angeles.

Meanwhile, Blockchain.com now [sponsors the quarterback of US NFL team the Dallas Cowboys](#). As its "exclusive digital asset partner", the crypto company said the player, Dak Prescott, would appear in television ads, signage and radio spots to bring his "personal brand firepower to introduce crypto to a broader audience".

It isn't just American sports that cryptocurrency companies have been sponsoring. Crypto platform Tezos [sponsors Manchester United soccer kits](#). Professional golfer Ian Poulter has [struck a sponsorship deal](#) with cryptocurrency exchange OKX. And 80% of [Formula 1 teams](#) have at least one cryptocurrency sponsor. Now one of the largest sports shows on earth, the Fifa men's World Cup, is getting in on the act.

There are a couple of reasons why cryptocurrency companies are

increasingly sponsoring big sporting events, teams and arenas recently:

Sports often have a vast global audience

Cryptocurrency brands are using the massive reach of sports to grow awareness of a relatively new industry. The cryptocurrency industry wants to educate people about these complex products, but also humanize the intimidating technology aspect.

One way to do that is to get a well-known (and loved) athlete, team or area to endorse a product. Several [studies](#) have shown that celebrities can influence consumer choices, [depending on the product](#) involved. Interestingly, some research shows [technology is better promoted by experts](#).

But a classic example of successful sports sponsorship is when [Nike sponsored Michael Jordan](#) in rookie season in 1984 in a deal worth US\$500,000 a year, a huge amount at the time. The company's goal at the time was to make [US\\$3 million](#) in Jordan sales over four years. Nike rapidly became the most popular shoe brand in the US after this deal and today makes that amount every five hours.

Sports fans align with crypto's target market

Cryptocurrency companies are sponsoring sports where the demographic of the events matches their users. Traditionally, firms would use adverts to promote their products, but in today's market many sports are shown on paid, online streaming services with no adverts.

A [recent UK poll](#) found that only 4% of TV viewers are very likely to pay attention to adverts. So cryptocurrency firms may get more attention by advertising on kits, hoardings or stadiums.

Avid sports fans are [typically male](#) and below the [age of 44](#). Recent figures have shown that [90%](#) of cryptocurrency users are also white males, while [94%](#) of crypto buyers are under 40 years old. These reports are supported by research that surveyed a group of German investors and found that cryptocurrency users tend to be [young and male](#), but also well educated and well off.

Does it work?

Returns from sports deals are difficult to measure, plus industry figures argue that [cryptocurrency firms need to be strategic](#) when it comes to investing in other firms, but also in the type of sponsorship they go for. Slapping a logo on anything may not be a great strategy, but integrating the industry into the sporting world could boost recognition among its core market and lead to long-term success.

Cryptocurrencies have been the news recently with the collapse of FTX and the possible contagion that could have across the wider market. Binance, the largest cryptocurrency exchange, has come out of this fiasco quite well. It highlighted FTX's trading activities in early November, before the exchange—along with several other [crypto](#) companies—was found to be very illiquid and to have insufficient reserves.

To encourage more transparency in this area, Binance has since [released its proof of reserves system](#), which details its assets. Last June, Binance founder, Changpeng Zhao, tweeted that the exchange had turned down sponsorship deals but planned to significantly up its headcount. In the same month, Crypto.com announced 260 employee layoffs, equating to a 5% cut of its workforce.

More recently, Zhao retweeted his June post alongside news that Binance is now aiming to build [a workforce of 8,000 employees](#) by the end of

2022.

These tweets suggest that he also sees the danger in cryptocurrency firms over-exerting themselves in terms of sponsorships at the expense of shoring up their businesses. Considering [current crypto events](#), it seems he might be right.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

Provided by The Conversation

Citation: Why sports sponsorship is unlikely to save cryptocurrency firms from 'crypto winter' (2022, December 8) retrieved 5 May 2024 from <https://techxplore.com/news/2022-12-sports-sponsorship-cryptocurrency-firms-crypto.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.