

## **Crowdfunding as the new Frontier of Sport**

### **Crowdfunding come nuova Frontiera dello Sport**

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#### **Abstract**

The present paper was created with the aim of investigating a rapidly spreading phenomenon, such as crowdfunding, starting with a general overview of the nature of the mechanism, to then focus on the growing importance in the sports sector.

Crowdfunding is a collective funding mechanism that arises fundamentally from the need for small projects to raise capital to be developed. Alongside the traditional channels, a new tool has developed since the early 2000s, the peculiarity of which is to leverage new entities willing to finance projects and exploit the potential of the network for this purpose.

Sport considers this phenomenon as a new lever to be exploited to finance the sector.

Il presente elaborato nasce con l'obiettivo di indagare un fenomeno in rapida diffusione quale è il crowdfunding, partendo da una panoramica generale sulla natura del meccanismo per concentrarsi poi sull'importanza sempre crescente nel settore sportivo.

Il crowdfunding è un meccanismo di finanziamento collettivo che nasce fundamentalmente dall'esigenza di piccoli progetti di reperire capitale per essere sviluppati. Accanto ai canali tradizionali si è sviluppato, a partire dai primi anni duemila, un nuovo strumento, la cui peculiarità è quella di fare leva su nuovi soggetti disposti a finanziare i progetti e sfruttare a tale scopo le potenzialità della rete.

Lo sport considera questo fenomeno come una nuova leva da sfruttare per finanziare il settore.

#### **Keywords**

Sport; Crowdfunding; Innovation; Technology.

Sport; Raccolta fondi; Innovazione; Tecnologia.

## **Introduction**

Sport is a dynamic and rapidly growing sector, whose macroeconomic impact is underestimated. It can serve as a tool for regional and local development, urban regeneration and rural development. Sport interacts with tourism and can stimulate the improvement of infrastructure and the start of new collaborations.

There is generally no reliable and comparable data on economic weight, safety is guaranteed by studies and analyzes on national accounts, economic aspects of large-scale sporting events and physical costs of the initiative, also as regards the aging of the population.

A growing part of the economic value of sport is connected with intellectual property rights, such as copyrights, commercial communications, registered trademarks and image and transmission rights. In an increasingly globalized and dynamic sector, the effective enforcement of intellectual property rights throughout the world is becoming an essential element for the health of the sports economy. It is also important that recipients are guaranteed access to sports events held in another EU country at a distance.

Moreover, despite the general economic importance of sport, most of the sporting activities take place in non-profit structures, many of which need public aid in order to give access to sporting activities to all citizens.

It is in this context that a phenomenon is born and develops which now represents a new frontier for the sports sector: crowdfunding.

### **1. Sport and economic impact**

Financial management in sport involves the application of accounting and financial decision-making processes to the relatively unique revenue streams and costs associated with sport organizations. It is important for sport managers to understand the financial management principles associated with membership income, ticketing and merchandise sales, sports betting income, sponsorship, broadcast rights fees, and government grants and subsidies.

Sport managers also need to understand the history of the commercial development of sport and the ways in which sport is likely to be funded and financed in the future, in particular the move to private ownership of sport teams and leagues, sport clubs being listed on the stock exchange, greater reliance on debt finance, and public-private partnerships (Cousens, 2005; Di Palma, 2016).

Crowdfunding is a form of funding for projects via the Internet. The concept is based on the fact that, in general, a large number of people are willing to invest money in cultural, social and commercial projects. Communication between lenders and beneficiaries of funding is based on the Internet; the role of the mediator (intermediary) is assumed by a crowdfunding platform (Belleflamme, 2011; Castrataro, 2012).

The projects funded through crowdfunding are very heterogeneous. From financing a local cookbook to a sports activity. This makes it difficult to categorize campaigns. The criterion probably simpler to use for a differentiation is, however, the type of counter-coverage, as shown in Figure 1. The counter-performance can be of a monetary or non-monetary nature. In the first case, lenders receive compensation for capital paid in the form of interest (“crowdlending”) or a corporate interest (“crowdinvesting”).

In the second case, ie in the case of non-monetary compensation, the lenders receive a material benefit or a service or receive no direct counter-performance. In the case of crowdsupporting, also known as reward-based crowdfunding, depending on the project as counter-claims, for example, a CD or an invitation to a performance of sports activity is conceivable (Gerber, 2011).

On the contrary, in the case of crowddonating, no direct and measurable counter-compensation is envisaged. It is therefore generally an offer based on purely altruistic or social motivations.

è possibile fare affermazioni riguardo al successo dell'intero progetto, compresa la sua realizzazione.

Di regola nell'ambito di una campagna di crowdfunding esistono due modelli di versamento dei fondi: con un modello del tipo «all-or-nothing» i fondi vengono composti ai promotori del progetto solo se le somme di denaro assicurate dai sostenitori raggiungono complessivamente un determinato valore obiettivo. Questo valore obiettivo viene fissato prima del lancio della campagna. Si tratta del meccanismo riscontrato con maggior frequenza. Con un modello del tipo «keep-it-tilt», invece, i promotori del progetto ricevono in ogni caso i fondi raccolti entro la data finale della campagna.

I progetti finanziati attraverso il crowdfunding sono molto eterogenei. Dal finanziamento di un libro di cucina locale a quello di un'impresa start-up o di un modo professionale, tutto è possibile. Ciò rende difficile operare una categorizzazione delle campagne. Il criterio probabilmente più semplice da utilizzare per una differenziazione è però il tipo di controprestazione, come mostra la Figura 1. La controprestazione può essere di tipo monetario o non monetario. Nel primo caso, i finanziatori ricevono l'indennità per il capitale versato sotto forma di interesse («crowdfunding») o di una partecipazione societaria («crowdinvesting»). Nel secondo caso, ossia nel caso di un indennizzo di tipo non monetario, i finanziatori ricevono una prestazione materiale o un servizio oppure non ricevono alcuna controprestazione diretta. Nel caso del crowd-supporting, detto anche reward-based crowdfunding, a seconda del progetto come controprestazioni sono pensabili ad esempio un CD o un invito a una performance di danza. Al contrario, nel caso del crowddonating non sono previste controprestazioni dirette e misurabili. Si tratta dunque generalmente di un'offerta basata su motivazioni di tipo puramente altruistico o sociale. In Svizzera sono possibili finanziamenti attraverso tutti e quattro i modelli. La Figura 1 mostra le quattro forme di crowdfunding all'interno di un grafico.

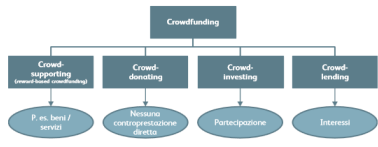


Figura 1: Forme e controprestazioni delle diverse categorie di crowdfunding

Crowdfunding is divided into four different fundamental types, as well as some hybrid and specific forms of some sectors in particular. Here are the main crowdfunding models:

- Lending-based: the operation is based on a relationship of mutual trust between the applicant and the lender, however, mediated by the platform, or a for-profit company that connects the parties and allows the transaction to take place.
- Donation-based: this is a model particularly used for pure charity, social initiatives and artistic projects, such as sport.
- Reward-based: consists in participating in the financing of a project in exchange for a prize, or recognition, entirely symbolic, representing the contribution paid to the cause (widely used in sports).
- Equity-based: Equity crowdfunding is a tool through which online collection is used to raise risk capital, to be used in an entrepreneurial initiative.

The platforms are the virtual place where the promoters of a project launch the funding campaign, and individual investors can respond to the call.

The platforms, in order to guarantee their reputation and success, must have requisites and functionalities capable of attracting projects that have a good chance of obtaining financing. The most important features in this regard are: simplicity of use for lenders; general reputation; positive rating from the web and other media; significant history behind it; advantageous terms and policies for the designer; clarity; attractive graphic design; discretion regarding promotion to itself; flexibility to change deadlines and other elements of the project (Belfiore, 2018).

The type of projects on the platform is also of fundamental importance. First of all, a distinction must be made between platforms that make a selection of projects before publishing them, eliminating those that are not considered appropriate (for the amount requested, presentation methods and / or other elements at the discretion of the platform operators) and platforms that, instead, they are open to any project and let the users of the platform itself decree, through their support, the validity of a given project. Other platforms decide a priori whether the project deserves to be published (Giudici, 2012; Di Palma, 2014). Moreover, a platform is not always aimed at the indistinct public of creators: sometimes we choose to support only those creators who do not yet have a real business idea, other times we support start-ups and, finally, some platforms allow publication of projects to companies already underway that intend to expand further. Generally published projects are divided into categories, the number of which varies from platform to platform.

In principle, however, the categories are identifiable in the following: animals, art, design, cinema, cooking, events, photography, comics, games, journalism, literature, fashion, music,

nature, new technologies, religion, science, solidarity, sport, theater, web (Jular, 2017; Eskiler, 2016).

Kickstarter, the most popular US platform, considers 13: art, comics, dance, design, fashion, cinema, food, games, music, photography, publishing, technology and theater. Regardless of classification, all platforms prohibit projects with a content that is contrary to law, public order and good debt; therefore, projects with offensive, pornographic and violent content are prohibited, as well as dangerous medical and / or chemical preparations (Hoye, 2011).

## **2. Crowdfunding and sport**

Over the years the world of sport has undergone an extraordinary evolution, moving from simple recreational activity to a real business, able to generate huge sums of profit for sports clubs that are increasingly assimilating to the business model. Traditional (Raiola, 2017).

Since the 1960s, sports associations have become aware of the fact that the simple and exclusive financial contribution of the members would no longer be enough to sustain the expenses, always increasing, as the number of participants increased rapidly and also the technical rate of competitions it had vertiginously high. The breakthrough occurred above all thanks to the diffusion of the means of communication, above all the television, which made sport a real show that, as a service, had to be remunerated in relation to the quality of the service offered (Kunkel, 2017; Kelly, 2016).

In this context, we started talking about crowdfunding in the sports sector. Crowdfunding has the advantage of not presenting social, economic or political barriers to the development of new ideas, if not those, introduced by the individual platforms. From this point of view it is a totally democratic instrument (May, 2013; Misener, 2014).

On the other hand, an active participation in the financing process and subsequent development is required, with the possibility of interacting and determining the outcome of the project in the first person. Users are nodes of a network based on social mechanisms of reputation and trust, rather than on a simple relationship between promoter / investor (Mollick, 2013; Munari, 2014).

This usually leads to a self-regulation process, thanks also to the transparency within the platforms regarding the contributions received, the objectives to be achieved and sometimes the names of the lenders. The growing weight of the management increasingly onerous and the advent of professionalism led the football associations to turn to the market in an attempt to intercept the interest of entrepreneurs and bring them closer to the sporting project: the figure of the c.d. "Sport patron" who, by investing resources in the sector, expected benefits for the benefit of his business (Manley, 2016; Ascione, 2018).

Crowdfunding, in this sense, does not need much explanation considering that for some years now it has experienced a considerable expansion all over the world and also in Italy where there are those who have used it, managing to finance ideas that they are then revealed to be of considerable success. What we had not yet seen was the crowdfunding used to promote a sporting activity or to finance the sporting season. In truth there is already a similar form of financing in sport, the popular shareholding (Tokuyama, 2016; Tafuri, 2017; Di Palma, 2017).

It is a rather widespread participation of the fans in Europe, just think that Barcelona and Real Madrid are two sensational examples and, again to remain in football, we can also mention the case of Bournemouth. The Cherries were far from the Premier League, nailed to roll the ball to save their niche in League Two and, above all, committed to make ends meet in offices where the specter of bankruptcy hovered insistently. Salvation came from the pockets of the fans who came into society with a real collection (Jensen, 2016).

The application of this concept to crowdfunding, however, is completely new and is only being developed now. In Finland we have a case, even if they did not limit themselves to the mere financing pushing themselves up to the equity crowdfunding. The Finnish football team has in

fact successfully sold a number of shares on Invesdor and has turned the commercial success on the field by winning the Ykkonen and earning its place in the Veikkausliga, the Olympus of Finnish football (Greenhalgh, 2017).

## Conclusions

Crowdfunding in the sports sector is a new form of financing that is rapidly taking hold all over the world and is a great possibility for the future and economic recovery. The true power of crowdfunding lies in the ability to harness the wisdom of the crowd and create a community of individuals emotionally and intrinsically motivated to initiate real change; creates, therefore, a new type of active participation that is not limited to simple appreciation, but translates into support, especially for sports activities.

If other public bodies involved in cultural and sports promotion decide to involve crowdfunding in their activities, the question arises whether this should be done through collaboration or if it is more appropriate to create a crowdfunding platform. Alongside similar fundamental decisions, however, it clearly emerges that crowdfunding offers great potential for forms of financing in sport, ie achieved through a combination of funds from cultural / sports promotion agencies and crowdfunding campaigns.

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