



## Social Tokens

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*Introduction to Crypto Concepts: Crypto is a unique asset class that blends macro, venture capital, and deep tech expertise. With that in mind, Crypto Concepts are thematic research pieces that discuss emerging topics or concepts in the digital asset industry. These notes are meant to serve as educational pieces that provide context to any strategic insights provided in other products.*

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### What are Social Tokens?

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Social tokens are a category of digital assets that allow a broad array of entities to develop and manage relationships with their respective communities. Social tokens offer benefits to both content creators and consumers. Creators can pull future revenues forward via token issuance, potentially add additional revenue streams via unique token models, and engage their fans in a new way. At the same time, token holders can benefit from exclusive perks, content, and potential financial gain if their token appreciates.

Traditionally, the average person would have few ways of tying themselves to their favorite sports team or TikTok influencer beyond passively consuming their content. Social tokens open a new investment medium for those looking for an easily accessible direct link to creators and communities. Social tokens can be used to bet on the success of a community while offering owners a unique experience where they actively “engage to earn” and are rewarded for interacting with their favorite teams, artists, and communities. Social tokens simultaneously give their holders a sense of status and community compared to non-holders. Looking forward, social tokens and the platforms they operate on have the potential to disrupt traditional media industries and create a new paradigm for content consumption.

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### What types of Social Tokens exist?

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There are three broad categories of social tokens, all with unique differences and value propositions:

1. Social Infrastructure Tokens
2. Community Tokens

## 3. Personal Tokens



Source: Messari

## Social Infrastructure Platforms / Tokens

Social tokens can only grow if they have the proper infrastructure to capitalize on increased attention. To date, a few select platforms are responsible for the issuance and exchange of most social tokens. Creators and users can use these platforms to mint, buy, and sell tokens.

The largest player in social token infrastructure is [Chiliz](#), which primarily serves sports engagement company [Socios](#). Socios issues tokens for various sports teams, all of which operate on the Chiliz blockchain network. All transaction fees are paid in the network's native token, \$CHZ. Of the top 12 fan tokens by market cap, 75% operate on the Chiliz chain [1]. Chiliz mainly operates in the European Soccer domain, as regulations in the U.S. have slowed U.S. citizens' ability to access the full suite of services they offer. With that said, Chiliz is preparing for the future and has amassed a huge sports partnership pipeline. They have deals with 143 different teams across 25 countries, including NFL, NBA, NHL, MLB, and MLS partners. In addition to traditional sports partnerships, Chiliz is venturing into the e-sports market with partnerships with some of the largest professional gaming teams.

[Roll](#) and [Rally](#) [2] are platforms providing infrastructure for creators to mint their personal or community tokens. On Roll, these social tokens are ERC-20 tokens, compatible with the Ethereum network, and can exist on top of DeFi. For example, someone could buy and sell a social token they minted on Roll on a DEX such as Uniswap. Rally is slightly different from Roll, with the main difference being that Rally tokens are not ERC-20 tokens. They exist on a sidechain, meaning that Rally tokens are contained to the sidechain itself and cannot be used on Ethereum. While this sacrifices the composability of Roll, it does offer lower fees. Both serve as a launchpad for creators looking to launch their own tokens as well as a marketplace for people looking to buy or sell social tokens.

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## Community Tokens

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Community tokens, as the name implies, are made for membership into groups or circles of like-minded individuals. The communities are often aligned with similar interests or common goals. These tokens grant holders benefits such as discounts, access to exclusive content or merchandise, governance rights over the community, or a share of the community's profit. The tokens are sometimes launched by a decentralized autonomous organization (DAO). A DAO is a group with no centralized authority, with its decisions governed by token holders. DAOs rely on smart contracts on the blockchain to operate and enact decisions.

As referenced above, a popular example of community tokens are those issued by sports teams to enhance the fan experience. Fan tokens typically allow owners to interact with their favorite teams in a way that the average fan cannot. This includes being eligible to win signed memorabilia, game tickets, voting on what jersey the team should wear, or access to exclusive interviews with players.

Fan tokens are looking to capitalize on a new initiative called “engage to earn,” where users are rewarded for consuming content and engaging with a community. Gaming components are being introduced, where fans can climb the leaderboards as they earn tokens for consuming additional content. The system ideally starts a positive flywheel where fans earn more tokens for more engagement, and in turn, those points can be redeemed for better rewards or experiences. Below is a table representing the top fan tokens and their respective market caps, displaying the popularity and adoption of these tokens by sports fans.

#	Token	Ticker	Market Cap (\$ Mil)
1	Santos FC	SANTOS	50.6
2	Brazil National	BFT	29.4
3	Lazio	LAZIO	26.9
4	PSG	PSG	25.4
5	Man City	CITY	24.5
6	FC Barcelona	BAR	19.8
7	Argentine National	ARG	16.6
8	Juventus	JUV	12.8
9	AC Milan	ACM	12.6
10	Spain National	SNFT	10.7
11	Inter Milan	INTER	10.1
12	Athletico	ATM	9.2

Source: CoinGecko as of 11/02/2022

## Personal Tokens

Personal tokens are the smallest subset of social tokens, which seek to capitalize on the creator economy. The creator economy has grown exponentially over the last decade thanks to social media and video streaming sites. According to [Zippia](#), the industry is worth over \$100 billion in revenue, with over 50 million different content creators contributing. Like community tokens, personal tokens represent membership into a group of like-minded people supporting a creator. Various writers and streamers are beginning to offer their personal tokens through platforms such as Rally and Roll. Personal tokens offer holders a way to speculate on a creator's success and benefit from potential profit or via the slew of exclusive perks. The personal token sector is still very nascent, with the number of personal tokens issued being minuscule compared to the number of potential issuers. Token issuance might become the standard mechanism for creators to monetize their brands instead of using traditional platforms such as Instagram, Youtube, Twitch, etc.

RAC, a musician known for creating various remixes across multiple genres, has issued his personal token to "create a new paradigm for creative ownership directly between artists and their communities." RAC token grants holders access to a private discord server and early access to future merchandise drops on Zora. In the future, RAC token will allow holders to access tokenized ad space on RAC's Twitch channel, discounts on merchandise, and access to exclusive crypto artwork drops. The benefits are still somewhat limited, but personal tokens are beginning to bring artists and communities closer together and will likely continue evolving to a point where personal tokens participate in profit-share with the underlying artist.

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## Value Accrual

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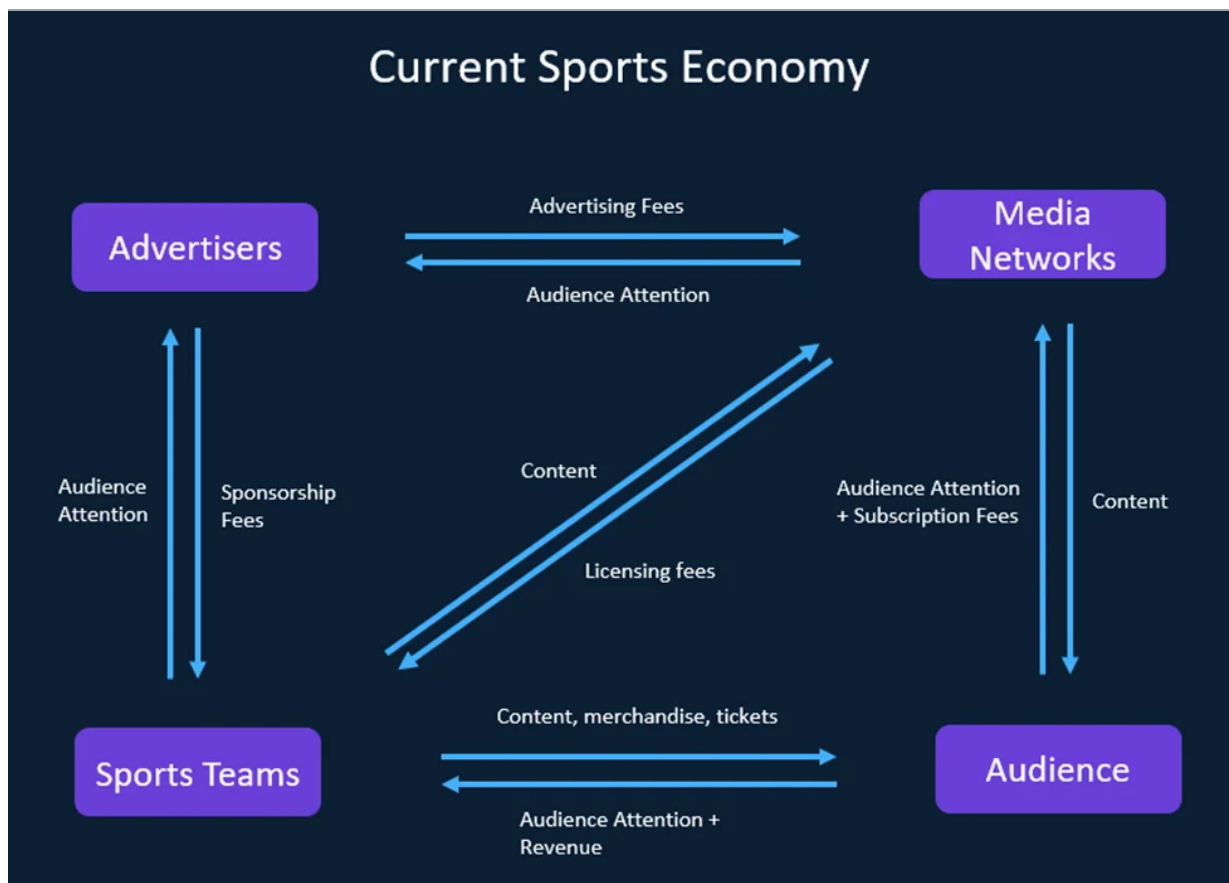
Currently, most value accrual for social tokens falls within the infrastructure category. Token platforms accrue value from their customers via minting, transaction, advertising, and partnership fees. Additionally, holders of infrastructure tokens have governance rights over the platform and can have a say in important platform decisions, such as which social circles to partner with. Different value accrual mechanisms for community and personal tokens are still being explored. The tokens clearly offer holders a sense of community and have the potential to provide holders exclusive experiences and merchandise, but these benefits might not be scalable nor sustainable long term.

Category	Current Value Accrual	Growth / Value Opportunities
Social Token Platforms	<ul style="list-style-type: none"> <li>• Governance rights over platforms</li> <li>• Potential profit share</li> <li>• Transaction fees</li> <li>• Advertising/partnership fees</li> </ul>	<ul style="list-style-type: none"> <li>• Media streaming rights</li> <li>• Untapped industries (i.e., movies / tv / music / betting / social media)</li> </ul>
Community Tokens	<ul style="list-style-type: none"> <li>• Voting rights regarding team/community decisions</li> <li>• Potential profit share</li> <li>• Enriched community experiences</li> <li>• Merchandise and exclusive content</li> </ul>	<ul style="list-style-type: none"> <li>• Profit share with social token platforms</li> <li>• Payment for community events</li> </ul>
Personal Tokens	<ul style="list-style-type: none"> <li>• Voting rights regarding creator decisions</li> <li>• Speculation surrounding the success of a creator</li> <li>• Potential profit share</li> <li>• Enriched experience with creator and community</li> </ul>	<ul style="list-style-type: none"> <li>• Profit share with social token platforms</li> <li>• Payment for creator content</li> </ul>

## Potential Disruption of Modern Media

Social tokens have the potential to disrupt traditional business models. For example, fan tokens seek to capitalize on the sports economy by building upon existing fan bases and their desire for interesting team content. They would fit perfectly within the current sports economy with the ability to disintermediate current media conglomerates. Below is the current high-level business model of the sports economy and how sports teams generate massive revenue streams.





Source: Tascha Labs

Sports are obviously the primary product driving audience attention, and media networks are the middleman that helps to connect sports, the audience, and advertisers. In a future world, fan token platforms such as Chiliz/Socios can begin to replace media networks. The potential for financial gain, along with unique fan experiences, has shown to be enough for people to purchase fan tokens. This new form of sports content offers token platforms an edge over traditional media networks that simply provide passive sports viewing. If they continue innovating and driving increased audience attention to their platforms, sports teams may find it more profitable to sell their rights exclusively to the new cutting-edge fan platforms.

From there, the advertisers will follow, and advertising fees will accrue to token platforms. Social tokens can grow to receive a portion of advertising fees, viewers can pay to watch their team via their fan tokens, and NFTs can serve as tickets to in-person games. Some teams have experimented with burning tokens when they score or win a game, causing a potential increase in token price. On the other side of the equation, tokens can be subject to sharp sell-offs in the case of a huge upset loss. For example, in the first round of the World Cup, Argentina was stunned by Saudia Arabia, causing over a 20% drop in token price.

### Argentine Football Association Fan Token Price Chart (ARG/USD)

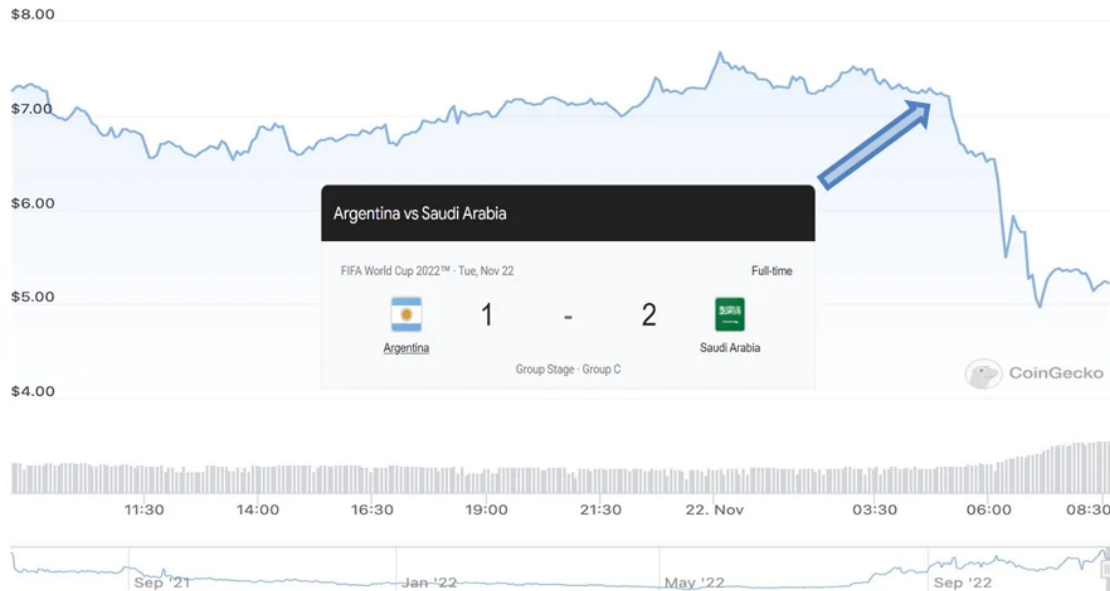
Last updated 01:35PM UTC. Currency in USD.

☆ Add To Watchlist

Price Market Cap TradingView 24h 7d 14d 30d 90d 180d 1y Max

Logarithmic Linear

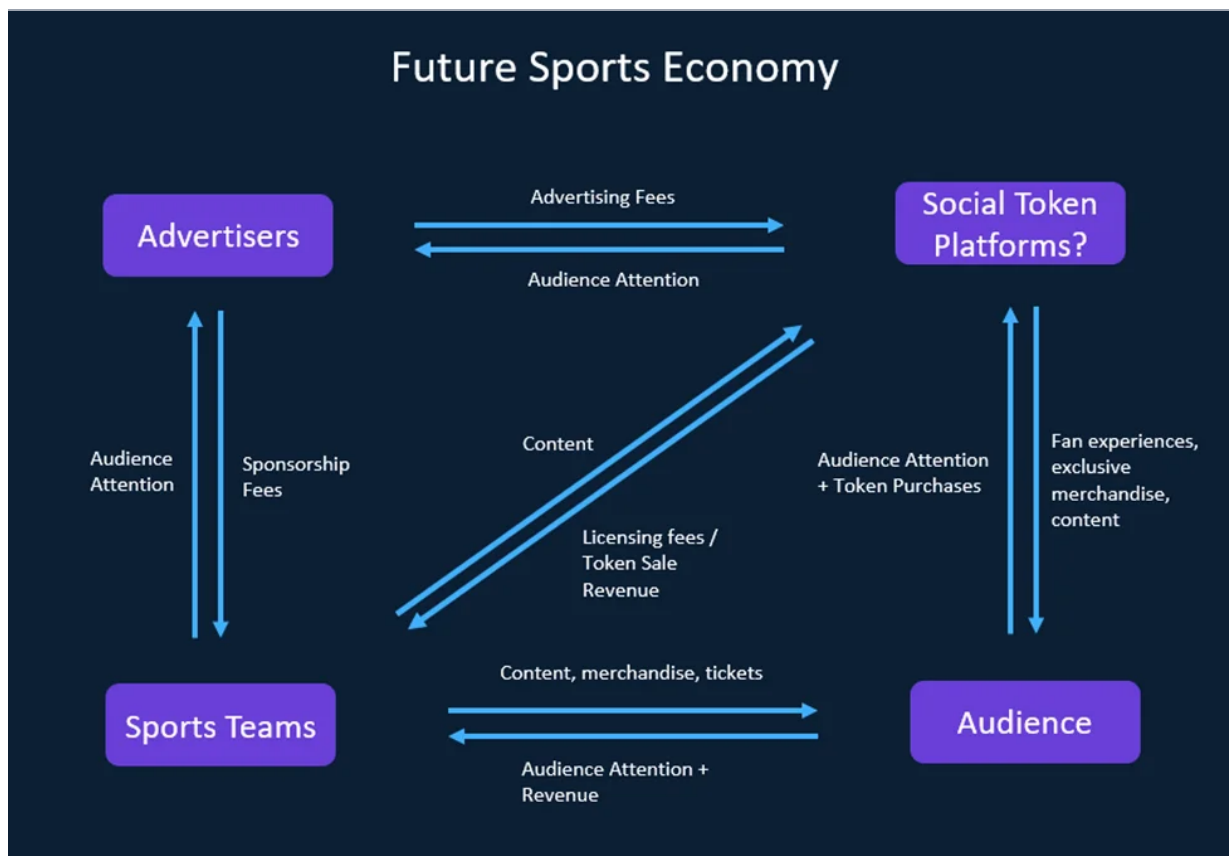
Nov 21, 2022 → Nov 22, 2022



Source: CoinGecko

It's not far-fetched to imagine social tokens integrating with sports gambling, having bets paid for with the team's native token, or serving as a rebate. Fan tokens have the potential to embed themselves at the intersection of multiple industries and be the center of an all-in-one media experience.





Source: Tascha Labs

## Potential Roadblocks?

One of the largest roadblocks for social tokens will be how they are classified from a regulatory perspective. Suppose all community and personal tokens are deemed securities by U.S. regulators. In that case, the industry will struggle to grow as token platforms and content creators will have to tailor their product offerings to meet regulatory restrictions. For example, Socios announced in 2021 that they were limiting a large part of its in-app features in the U.S. and would launch a future US-specific product. The app currently does not offer its American users any ability to deposit or withdraw funds from its wallet, and extensive KYC verification is needed to qualify for many of the exclusive benefits offered.

One of the other potential issues for social tokens is the ability to scale utility. Most of the benefits currently revolve around special access to community content or a chance to win merchandise and rewards. As more and more users are on-boarded to social token platforms, exclusivity gets diluted. It will take constant innovation to keep users engaged and offer them an adequate reward in exchange for their attention. Additionally, many of the current benefits of social tokens can be replicated via Web2 platforms. While novel and exciting, tokens are not inherently critical to the experience most engagement platforms offer. Social tokens must continue innovating to increase relevance and staying power.

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## Conclusion

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Social tokens are an innovative way for people to engage with their favorite communities or content creators. Of the three different categories of social tokens, infrastructure tokens currently accrue the most value, while community and personal tokens are still maturing and finding product market fit. Community and personal tokens offer a new way for holders to “engage to earn” and benefit from content consumption. Social tokens have the potential to disrupt traditional media industries if they continue innovating and expanding upon the network effect. The success of sports tokens in Europe is a positive indicator for the future but navigating regulatory hurdles in the United States will be critical for the next leg of growth.

[1] *As of 11/02/2022*

[2] *Rally’s native token, \$RLY, was alleged to be a security by the SEC in the Coinbase insider trading case on July 21, 2022.*

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