

The Kentucky Derby of NFTs? Welcome to Zed Run, the horse- racing game trying to break through the craze



By [Bill Shea](#) Apr 30, 2021 15

The Kentucky Derby, awash in almost 150 years of tradition, will unfold on Saturday with its usual spectacle of muscled thoroughbreds, fashionable gentry in the grandstands, and drunken degenerate gamblers stumbling around the mushy Churchill Downs infield.

While the pandemic will keep attendance to about half of the usual 150,000 fans, [the pageantry will be viewed in millions of homes via NBC](#).

And TV is how most horseracing fans enjoy the sport, which has a towering barrier to entry because of the money involved. The costs of buying, breeding and maintaining a racehorse, and entering it in the world's most famous race, easily run into the hundreds of thousands of dollars.

One Australian technology company offers a digital way to get into horse racing, and it could represent a formula for longevity in the burgeoning non-fungible token craze.

Sydney-based Virtually Human Studio a couple of years ago developed and launched an NFT horse game called [Zed Run](#). It's still in public beta testing but has picked up users and media attention in recent months in the wake of NFT-based [NBA Top Shot](#) collectibles that exploded on the scene this year.

(For a quick primer on NFTs, blockchain, and crypto, [click here](#) and scroll down.)

Zed Run's horses are digital and live on your phone or computer rather than flesh and blood in a stable, and they exist as authenticated data on the Ethereum blockchain network. But unlike most NFTs, the Zed Run horses can be bred (which is a buy-sell touchpoint for users) to create new ones, and like their real-world equine counterparts, each NFT horse has digital attributes that affect its racing.

Gamification of NFTs is one way to give them utility, which is the usefulness and enjoyment that people get from something. And utility is one way to survive in a crowded space largely dominated by digital collectibles that exist mainly to be flipped for profit.

To further goose that potential utility, Virtually Human Studio is working on new elements to keep users coming back, and to lure in new ones, said Rob Salha, the company's co-founder and COO, in a recent video call with *The Athletic* from Australia.

The game currently has 30,000 to 40,000 users across stable ownership and its Discord community, Salha said. Users are running about 1,500 races a day, and each race and each horse has an actual human behind the ownership of that horse.

"The level of engagement is absolutely incredible," Salha said.

Users can make money by winning races, by breeding horses, and by flipping on a secondary market like OpenSea, where they're selling for thousands of dollars.

"It shows true utility and is showing returns to users," Salha said.

There are about 21,000 Zed Run horses in existence, he said, and their combined value is about \$30 million based on resale market prices. Zed Run horses sell for about \$1,500 on average in the game's secondary market, Salha said.

A few have sold in the last few months for \$30,000 to \$50,000. One sold for \$125,000.

Virtually Human Studio has tried to separate itself from other NFT companies by making its digital horses viewable in the real world via an augmented reality app on user phones, Salha said.

Zed Run is enjoying the NFT popularity triggered by NBA Top Shot, the trading card-like NFT collectible of NBA-licensed video highlights. More than \$550 million worth of NBA Top Shot highlights have sold via direct and second-market sales since October. Baseball card maker Topps also is now pushing its cards as NFTs, selling \$7.5 million worth since April 20.

Many of those buyers are Millennials and Gen Z. That's the young (and young-ish) tech-savvy audience also into Discord, Twitch, YouTube, TikTok and other streaming content services that Zed Run wants to capture, Salha said.

"We are really going after a new demo of horse racing-enthusiasts," Salha said.

What could significantly elevate interest in the game is the ability for users to gamble on the virtual races, and Zed Run's developers say that's in the works. More U.S. states are legalizing sports betting, and Virtually Human Studio is keen to capitalize on wagering to grow the game.

"It's definitely a feature request from our community," Salha said. "We are researching and investigating and working with some of the brightest minds to see how to get to wagering."

Right now, users make money from winning races, from breeding horses, and selling them.

Also in the works is a real-estate angle: Users will be able to buy, develop, and manage their own racetracks. That means collecting entry fees, and perhaps sponsorship money.

"It opens up a game-play element and opportunity to monetize participation," Salha said.

And speaking of real estate, could players one day race their digital horse in the digitized shadow of Churchill Downs' iconic Twin Spires? Maybe! The company is in talks with famous tracks for potential partnership deals.

"We have spoken to many well-known tracks globally," Salha said, without naming names.

With so many NFTs dropping from athletes, celebrities, brands, etc., how does Zed Run break through the noise? Salha said it's the company

focus on what users want rather than aiming to maximize profits. He said they take seriously what is said in the Discord community and elsewhere.

“For us, we are just focused on our product and community and delivering utility and fun,” Salha said. “We see ourselves as an entertainment company foremost.”

The market will ultimately accept or reject Zed Run, which is not yet profitable as a start-up, but it’s grabbed the attention of outside investors. Virtually Human Studio in January inked a blockchain and NFT development deal with Paris-based Atari, the current iteration of the venerable video game company. There will be Atari NFT horses available in Zed Run.

Merav Ozair, a data scientist and crypto/blockchain expert at Rutgers University’s business school, likened Zed Run to one of the early popular public-facing NFTs, CryptoKitties. Created in 2017 by Canada’s Dapper Labs that also makes NBA Top Shot, CryptoKitties are NFT cats that can be bought and bred to make new generations with different characteristics.

“It’s taking that concept to that next level,” Ozair said. “It has more functionality.”

Creating utility is key for NFT developers that want to monetize a product for collectors, entertainment, etc., she said, but choosing what to turn into a digital asset the public wants to buy isn’t easy.

“Everything that is digital can be an NFT. If it’s already digitized, all you have to do is authenticate it and that is what blockchain does,” Ozair said.

Mark Cuban, the Dallas Mavericks owner and champion of crypto, blockchain, NFTs and other tech, is a fan of the game.

“I think it’s a great application and just the beginning of application development for sports using NFTs,” he said via email.

Continued simplification of the technology for users will help with both utility and longevity. Right now, the blockchain and NFT community remains in early stages, not unlike the internet 30 years ago. The concepts are not the simplest to explain.

“The internet at first was pretty clumsy and became user friendly,” Ozair said. “This is just the beginning. (Blockchain and crypto) will eventually look more like using your phone. They’re working to make it much more user friendly.”

Zed Run has an additional layer of complexity beyond the user interface and underlying blockchain technology. The breeding aspect of the game isn’t a simple plug-and-play element. Its series of [FAQs and explanatory videos](#) are evidence that it requires deeper thinking and understanding — like many games. The question is, will enough users commit the brainpower and time? They have with some games, not with others.

Simplification of the user interface and of gameplay are top priorities, Salha said.

“It just takes time to weave its way into society,” he said. “We are doing a lot of things to minimize the learning curve onto the blockchain.”

He acknowledged the game’s complicated aspects but noted that fans of Zed Run are creating their own websites to analyze data for breeding and racing.

Another issue, which is industry-wide and not unique to Zed Run, is environmental. The blockchain technology required to mint NFTs eats a lot of energy, which has brought criticism to the industry. Developers are working to reduce the energy consumption.

“We are confident there are more energy efficiencies to be had,” Salha said. “We are just leveraging the technology that’s out there at the moment.”

Ozair likened the current wave of blockchain, crypto and NFT businesses to the wider work of start-ups in any industry. Some make it, some don’t.

“Most of them disappear, and that’s what is going to happen with some NFTs. Some will last, some will never be remembered,” Ozair said.

Salha echoed that sentiment.

“There’s a lot of noise around the NFT space right now,” he said. “With any new, emerging technology, we’ll see businesses come and go. We’re positioned to stay in this game for the longer term.”