

Sports industry:

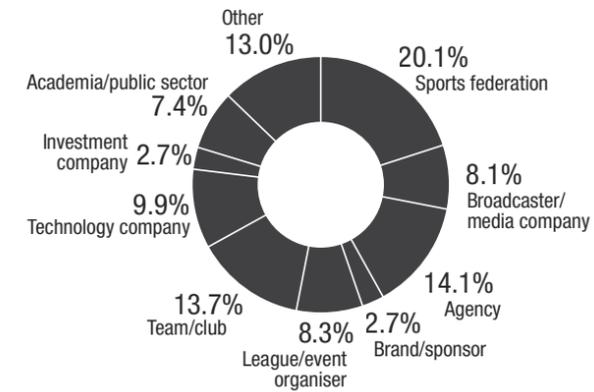
ready for recovery?



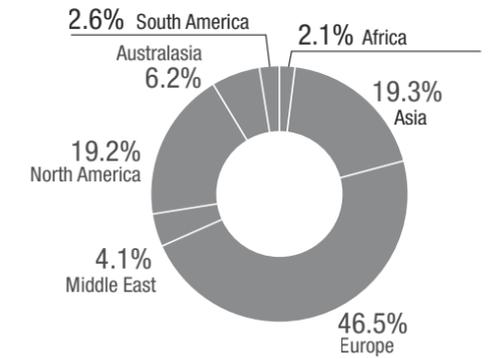
This survey was conducted by the Sports Business Advisory team between June and August 2021 through an online questionnaire distributed to sports industry leaders around the world. In total we received 792 responses to our questionnaire across 55 countries.

At the time of their response, each of the respondents occupied a senior/C-level position within their respective organisations. The analysis in this report is primarily based on the collective opinion of the respondents. It's complemented by data provided to us by Facebook, Videocites, IRIS Intelligent Research in Sponsorship, HYPE Sports Innovation and Parrot Analytics, as well as the team's knowledge, research and views about the industry.

Respondent profile by type of organisation



Respondent profile by geographical sports market they know best



Source: PwC Analysis, N=792

View from the top

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Dear friend of the sports industry,

For this sixth edition, we're pleased to have had the participation of nearly 800 sports industry leaders, exceeding the number of replies for the third consecutive year. I'd like to extend my warmest thanks to all respondents for sharing their valuable views, contributing to fostering a much-needed debate on the current state and future direction of the sports industry.

In the uncertainties of the global pandemic, this 2021 edition addresses the arduous journey of sports organisations' crisis recovery. A process we all hope will forge a new reality for the world of sport, where it uses its unique power of inspiration to help create a better, brighter future. This is the path we wish to illustrate through this publication.

Indeed, our findings reveal the imperative for sport to better confront today's collective responsibilities. Sports organisations must frontally embrace societal challenges, using their influential platform not only to promote human well-being and environmental protection, but more concretely, play an active role in developing a stronger society. Instrumental in achieving a sustainable recovery, our results also identify key areas of structural transformation for sports organisations, as well as the main prospects for future-proofing their commercial model.

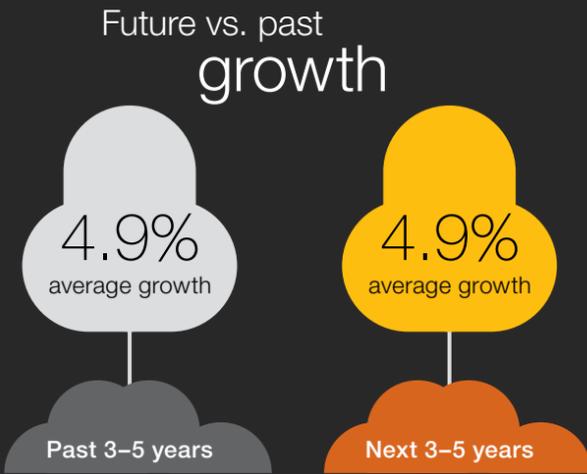
Ultimately, the reality of the world at large is now directly shaping the future of our industry, deepening and broadening change. This marks the launch of a challenging but exciting time, where multiple forces are converging towards rebuilding a better sports industry. Ready for it?

Yours sincerely,

David Dellea
Head of Sports Business Advisory

View from the top

Prioritised by over **80% of executives** shifting media landscape and growing expectations for sports' societal role are the sector's key market forces



Identified by **84%** of respondents, stakeholder pressure is the primary driver for sports organisations to engage in social and environmental sustainability



Nearly **60%** of football executives believe that sports organisations should focus primarily on controlling costs rather than increasing revenues

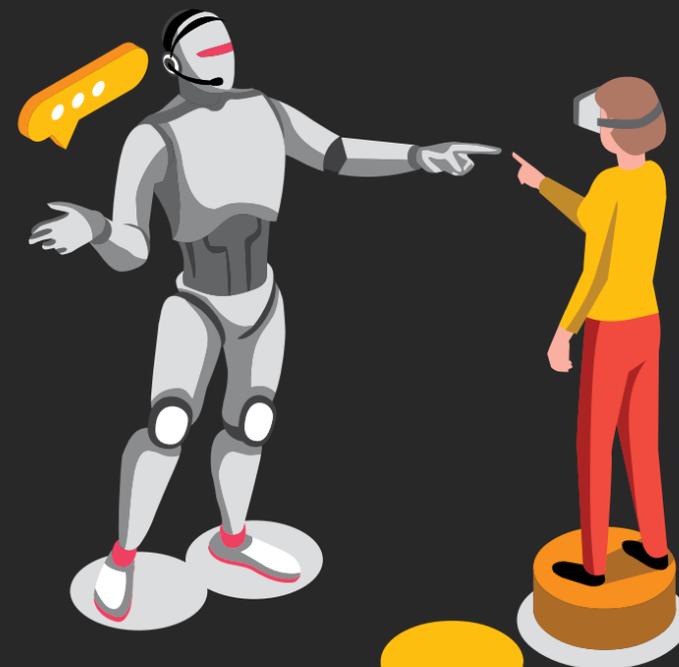


~63% of industry executives feel that reduced exclusivity and increased number of buyers per territory will lead to higher media rights value

73% of respondents perceive the commercial success of rights owners' use of fan data disappointing or below expectations



Although **83%** of leaders recognise that private investors boost sports' growth, **74%** are concerned that they may shift control away from sports bodies



70% of respondents identify gamifying physical sport as a greater opportunity than video gaming

Close to **70%** of industry leaders support the preservation of the sports' open ecosystem, pleading against the perspectives of an elite breakaway



The state of the sports industry

Since 2016, the PwC Sports Survey has been monitoring the annual pulse of the sports industry by analysing leaders' perceptions of past and future market growth. For the first time, this year's edition addresses the key market forces deemed to transform the sports sector over the next three to five years. We've complemented the analysis by assessing the prevailing sentiments among sports executives around these key trends – from transforming media landscape to sports' growing societal role – covered in more detail in the subsequent chapters.

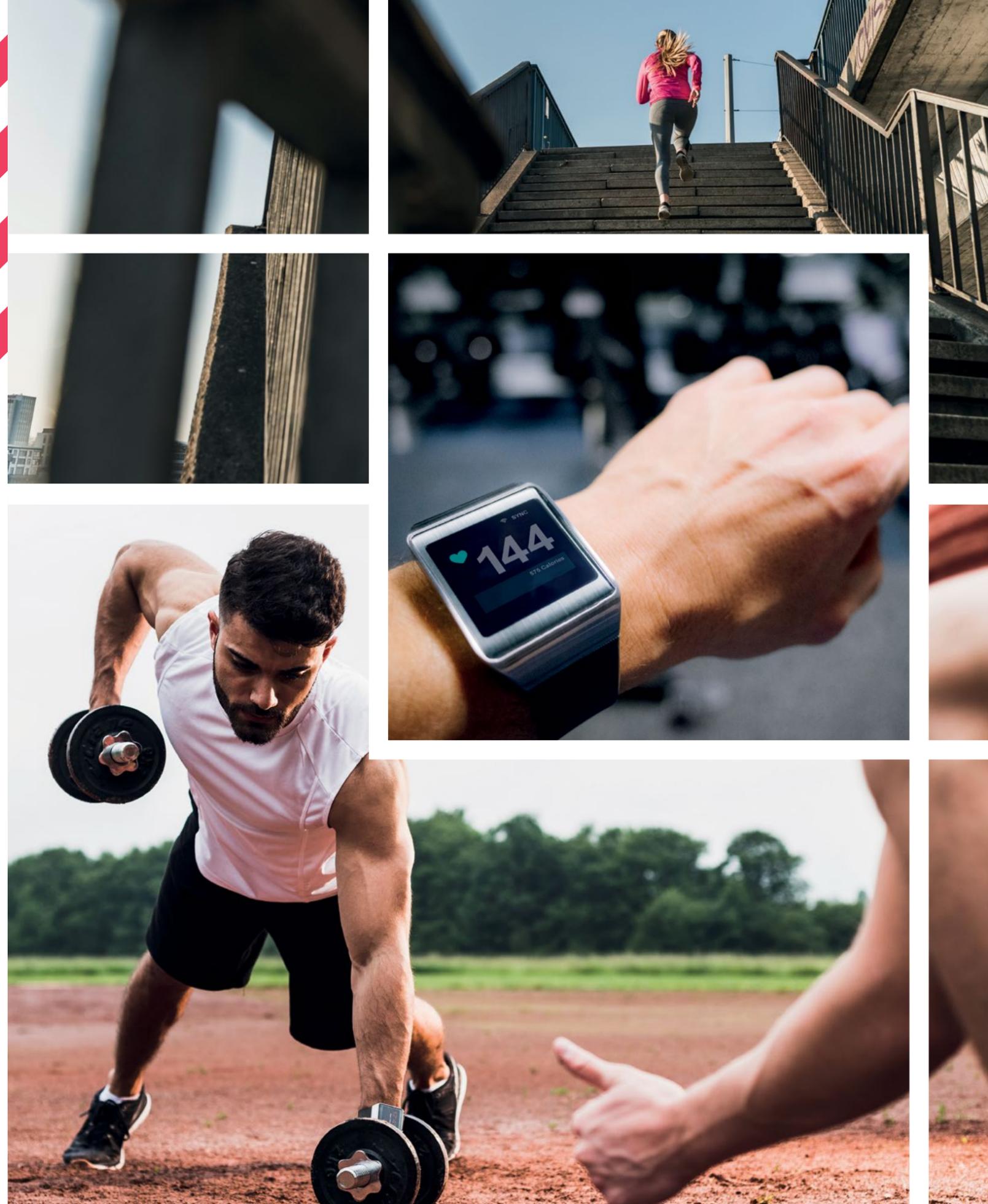


Figure 1: Market growth outlook by respondents' best known market
Percentage annual growth estimates over a 3-5 year period

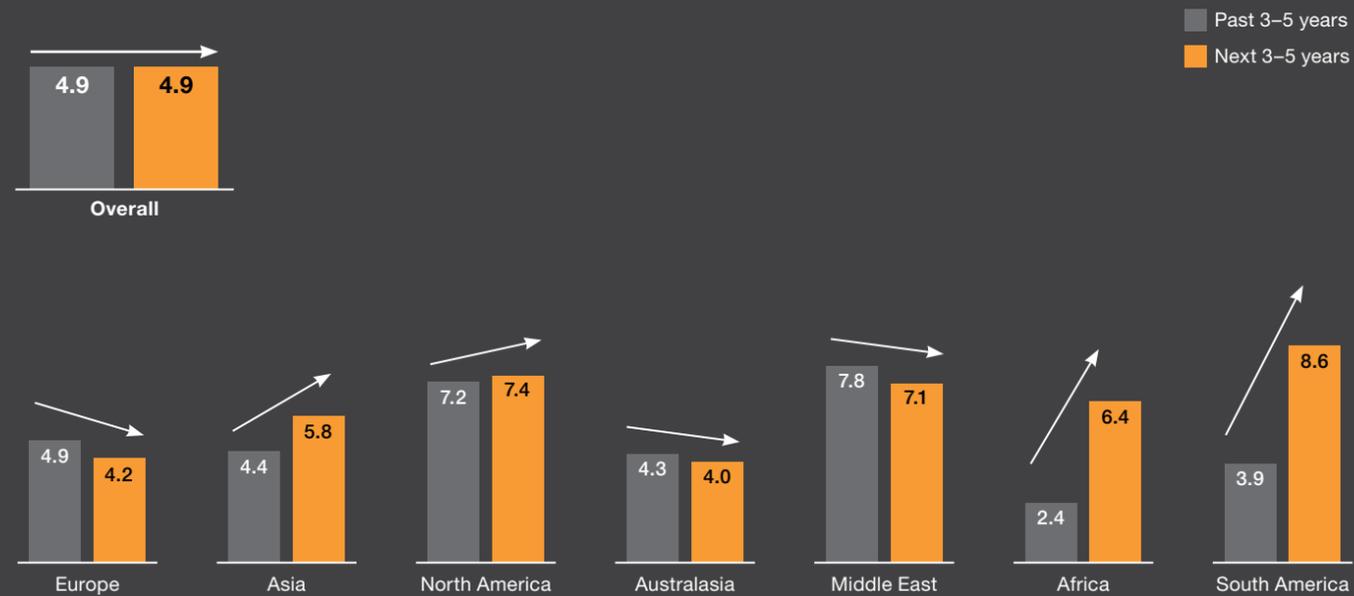
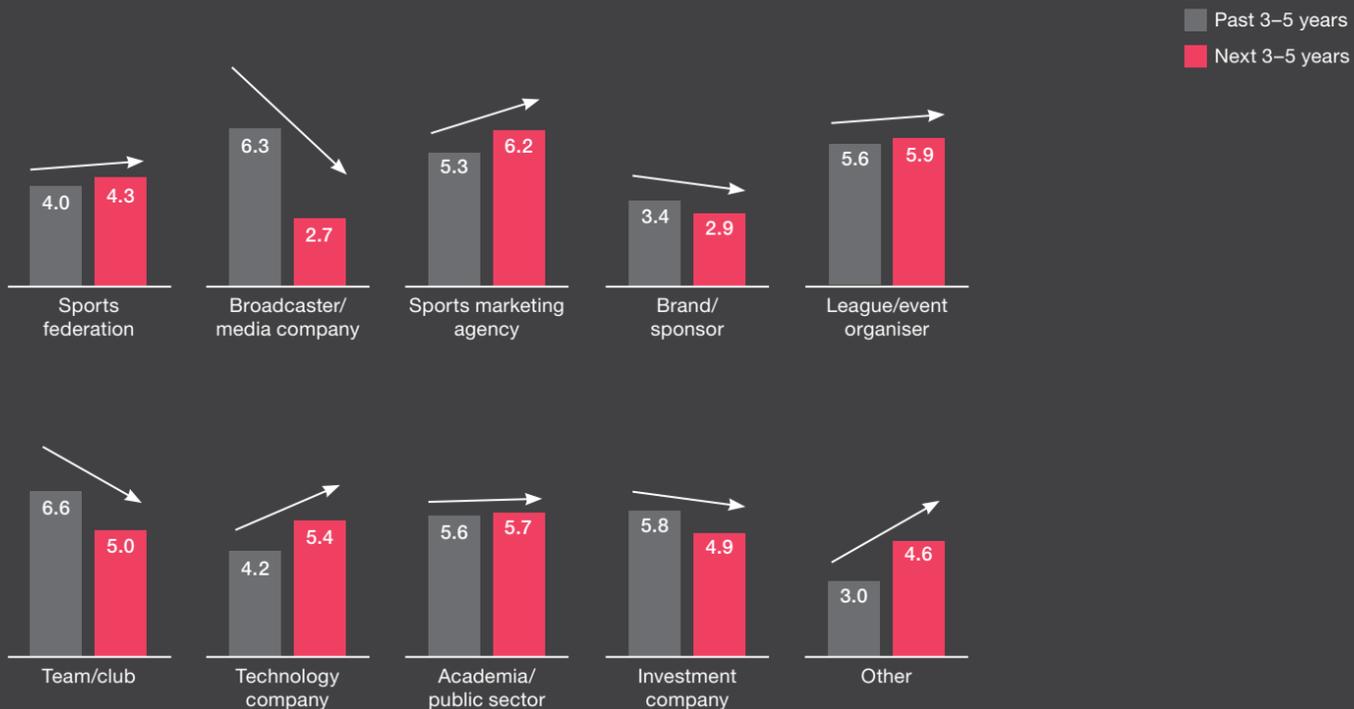


Figure 2: Market growth outlook by stakeholder
Percentage annual growth estimates over a 3-5 year period



Source: PwC Analysis, N=738



Insight 1: Steadying the ship

- Having navigated a year of lockdowns and event cancellations, executives' expectations for future growth over the next three to five years stand at ~5% – up from ~3% last year – reflecting the feeling that the market can stabilise and adjust to new conditions.
- Interestingly, brands/sponsors and media companies are the least optimistic, indicating that market disruption has created uncertainty for stakeholders who traditionally acquire sports rights, seemingly in contrast to the (greater) optimism of rights owners.
- Europe and Australasia remain the most conservative regions in terms of market growth prospects. In contrast, figures for the Americas suggest a stronger rebound in confidence, possibly fuelled by robust economic growth in the US and the return to live events.



Headlines

NBA increases its sponsorship revenues by 6%

Sports events compete for top post-pandemic attendance figures

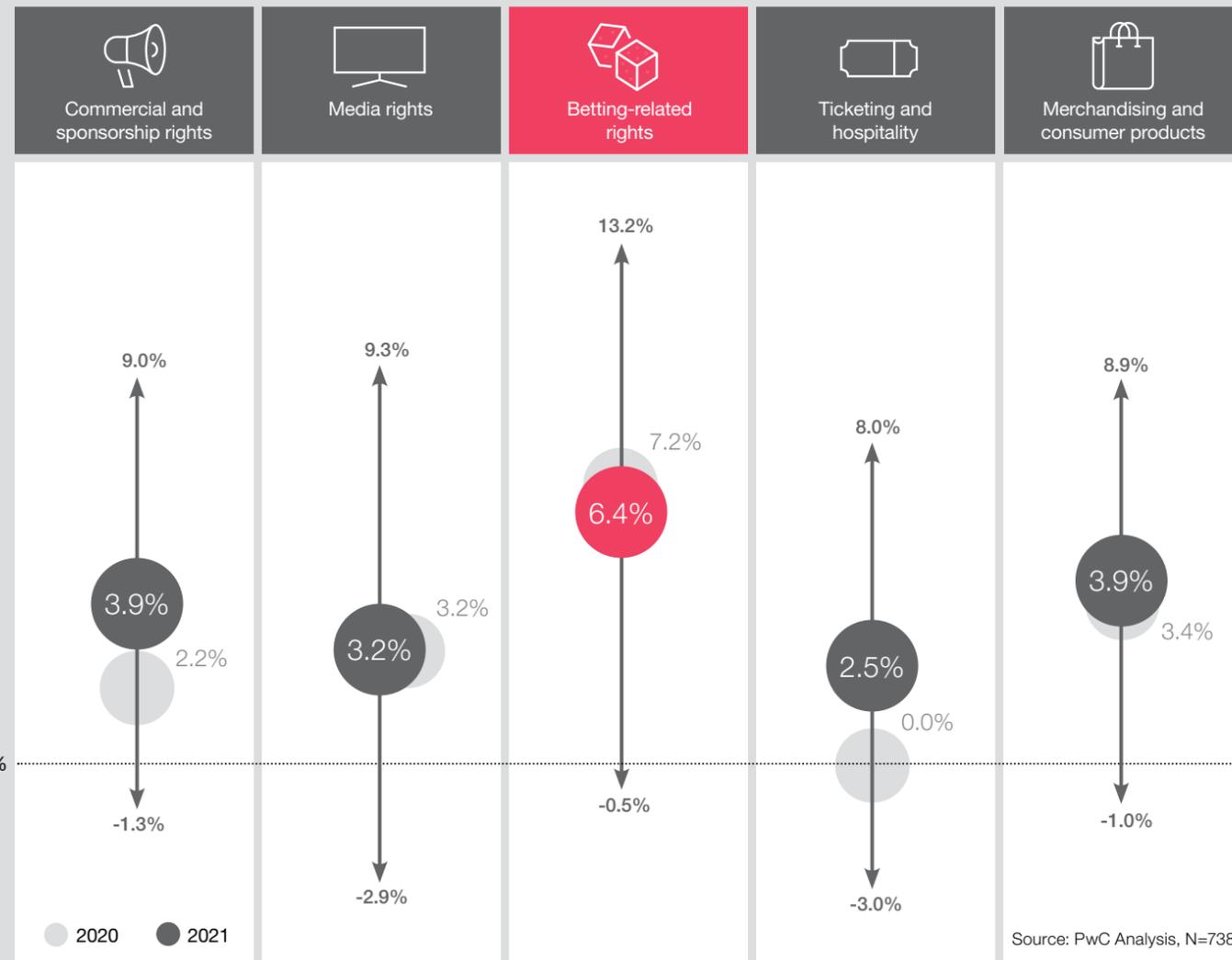


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It doesn't matter how slowly you go as long as you don't stop.

Confucius

Figure 3: Expected annual growth rate by revenue stream
Percentage annual growth estimates over a 3-5 year period



Insight 2: Betting and fantasy continuing to grow at a fast pace

- Sports betting has been boosted throughout the pandemic, and executives forecast continued growth at an annual rate of 6.4%. Indeed, legalisation in the US and new data-driven technologies converging with fan engagement solutions are likely to accelerate betting-related income in the coming years.
- Traditional revenue streams such as media and sponsorship rights are expected to stabilise at between 3 and 4%. Referring to our previous note on divergent expectations of stakeholders who acquire (as opposed to sell) rights, this augurs interesting developments when both sides come to the negotiating table.
- Unsurprisingly, gate revenues are the least likely to grow (forecast at 2.5%), as there's still a huge cloud of uncertainty around future attendance of live events, which is highly dependent on local regulations, vaccination rates and general response to an evolving pandemic.



Headlines

Genius Sports acquires Second Spectrum for USD 200 million

NFL signs three landmark betting deals



Figure 4: Key market forces in the sports industry
Percentage of respondents, Top 2 box ('above average' and 'very high')

Transforming media landscape	82.1%
Growing expectations for sport's societal role	81.8%
Rising voice and influence of fans	77.8%
Shifting fan preferences and behaviours	73.4%
Technology augmenting physical sport	69.7%
Concentration of financial resources affecting competitive balance	67.7%
Gaming and esports winning greater share of fan attention	67.1%
Increasing interest and role of private investors	66.5%

Source: PwC Analysis, N = 792



Insight 3: Shifting media landscape leading change

- The accelerating transformation of the media landscape, dominated by the shift from cable to streaming and the ecosystem fragmentation fostered by digital media, is the industry's primary change driver according to respondents, impacting multiple dimensions from content access to media rights revenues.
- At the heart of the European Super League debate and ongoing discussions about audience decline, fans are also a major force for change as behaviours and expectations continue to vary considerably across generations.
- Expected to have a significant impact on the overall sector, the rise of sports tech's connected solutions and the booming market for home fitness equipment are providing sports with increasing opportunities to enhance physical practice.



Insight 4: Sport recognising its influence beyond the pitch

- In recent months, the world of sport has been in a state of flux due to the COVID-19 pandemic and ongoing social unrest: many critical business decisions had to be accelerated to avoid the economic collapse of leading institutions.
- In this context, sports organisations have suffered significant backlash for initiatives that failed to recognise their role in the community and global legacy, making the industry aware that the influence of fans goes far beyond that of mere consumers. A perception gap that has come at a high price for some.
- Professional teams and athletes are increasingly using their following to speak out on social issues, which is now expected by fans. However, there's still no consistent approach on how sports organisations can address societal issues in an appropriate way, setting the relevant framework for their actions and the powers of expression of athletes.



Accept the fact that sport is political, and take a stance.

Mikkel Draebye, Professor of Entrepreneurship, Strategy and Sports Management at SDA Bocconi School of Management



Headlines

Live sports are thrown into the streaming wars

Home fitness equipment market expected to reach USD 14.7 billion in 2028



Headlines

English football's fan-led review focuses on greater fan involvement

Athletes' mental health becomes a hot topic for sport governing bodies

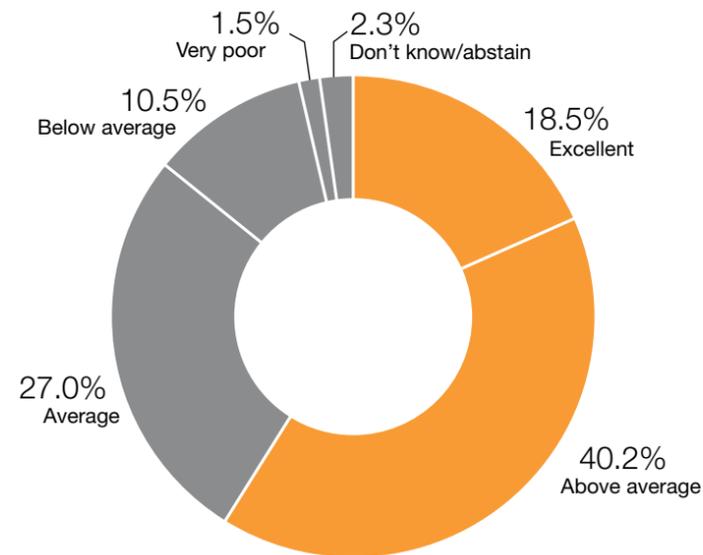


Figure 5: Respondents' feelings about key market forces
Percentage of respondents



Source: PwC Analysis, N = 792

Figure 6: Level of preparedness of respondents' organisations to react to key market forces
Percentage of respondents



Source: PwC Analysis, N = 792



Insight 5: Executives feeling cautiously optimistic

- Survey results show that most respondents are confident that they'll be able to capitalise on key market forces. This may be related to the multiple opportunities arising around the sport product, such as the promise of new technologies to positively impact both the consumer and the participant experience.
- Validating their optimism with pragmatism, most sports leaders also believe that their organisations are prepared to respond effectively to these forces within their own sphere of control.
- However, as sport isn't insulated from macro events, we believe that the full recovery of the sector is directly linked to its ability to absorb the risks of an uncertain pandemic, whether through coordinated decision-making with relevant stakeholders or safer event experiences in general.



Headlines

Technology plays a crucial role in sport's post-pandemic return

Event organisers coordinate with public health authorities to stage safe events





Deep Dive I

Athlete-centred sports gaining popularity

This summer, five new sports were successfully introduced at the Olympic Games; the most since 1920. The IOC selected a mix of emerging and established disciplines – mainly urban and youth-oriented – with the aim of maintaining and growing the Olympic fanbase. In the digital age, a sport’s popularity is indeed determined by the ability to continually evolve and capture the public’s attention.

Based on video consumption on its channel, Facebook has compiled a ranking of the most watched sports in 2020, exclusive to this year’s edition of the PwC Sports Survey. While this data cannot be considered the ultimate indicator of success, it provides a great opportunity to debate how different sports stack up

against each other, and how their digital presence can develop on one of the world’s leading social media platforms.

At a glance, there’s consistency in the top nine sports, while the gender breakdown shows some variations in preference. Fighting’s high ranking clearly stands out, reflecting the particularly engaging content strategies of sports properties such as the UFC, supported by the strong social presence of the individual athletes involved. For its part, boxing is among the fastest growing sports. A new generation of fights and fighters – driven by entertainment personalities – seems to be overturning the stagnant and political dynamics sometimes blamed on professional boxing.

Data provided by Facebook

Figure 7: Top 15 sports globally determined by video consumption on Facebook¹

Total		Female		Male	
Change from 2019	Rank 2020	Change from 2019	Rank 2020	Change from 2019	Rank 2020
0 →	1. Football/soccer	0 →	1. Football/soccer	0 →	1. Football/soccer
+1 ↗	2. Fighting	+1 ↗	2. Basketball	+1 ↗	2. Fighting
+2 ↗	3. Cricket	+2 ↗	3. Fighting	+2 ↗	3. Cricket
-2 ↘	4. Basketball	-2 ↘	4. American football	-2 ↘	4. Basketball
-1 ↘	5. Professional wrestling	+1 ↗	5. Professional wrestling	-1 ↘	5. Professional wrestling
+1 ↗	6. Motorsports	+5 ↗	6. Cricket	0 →	6. Motorsports
-1 ↘	7. American football	0 →	7. Motorsports	0 →	7. American football
0 →	8. Baseball	+7 ↗	8. Boxing	0 →	8. Baseball
+5 ↗	9. Boxing	-5 ↘	9. Baseball	+4 ↗	9. Boxing
0 →	10. Golf	-1 ↘	10. Tennis	-1 ↘	10. Golf
-2 ↘	11. Tennis	-3 ↘	11. Ice hockey	-1 ↘	11. Tennis
-1 ↘	12. Rugby	-2 ↘	12. Rugby	-1 ↘	12. Rugby
-1 ↘	13. Ice hockey	+7 ↗	13. Skiing	-1 ↘	13. Ice hockey
+1 ↗	14. Cycling	-2 ↘	14. Golf	+1 ↗	14. Cycling
-2 ↘	15. Surfing	-2 ↘	15. Surfing	-1 ↘	15. Surfing

Source: Facebook | Top 15 sports globally determined by video consumption (3-second views) | 2020

¹ Note: Esports not included



Headlines

Majority of young fans feel sports should do more to drive positive change

Standard Ethics creates European Football Index as a sustainability benchmark



Insight 6: Stakeholders driving sport's societal change

- Sports leaders generally see the risk of losing the trust of fans and participants as the main driver for investing in sustainability, recognising the need to optimise the social and ecological impact of their event and commercial operations.
- In turn, institutional stakeholders such as commercial partners and funders are now demanding more transparency and commitment from sports organisations' societal policies, expecting concrete actions that go beyond the role of sport as a mere awareness-raising platform.
- Looking ahead, we very much hope that the sector will prioritise sustainability inside-out regardless of external pressures and public relationships, rethinking its role in society as a genuine vehicle for positive change both globally and within local communities.

Figure 8: Motivations for sports organisations to actively engage in social and environmental sustainability

Percentage of respondents, Top 2 Box ('important' and 'very important')

Build trust of fans and participants	84.5%
Meet sponsors' and investors' expectations	83.1%
Improve diversity and inclusion	81.9%
Reinforce overall brand appeal	80.9%
Preserve the environment	70.1%
Demonstrate sport's ability to self-regulate	61.0%

Source: PwC Analysis, N = 608

Sustainability

Rebuilding for a durable future

Recently, the dialogue around the social and environmental role of sport has intensified, with many athletes and stakeholders openly taking a stand on issues beyond the field. In this section, we address what drives sports organisations' sustainability initiatives and how they plan to integrate them in their broader strategic planning. We also examine issues related to the sector's financial recovery, with a focus on cost control and revenue distribution systems. Finally, we attempt to anticipate the industry's responses to the growing influence of fans.

Being a good human being is good business.

Paul Hawken



Insight 7: The rise of purpose-driven sponsorship

- Both rights owners and brands are re-evaluating the overall narrative of sports sponsorship, seeking to incorporate a deeper sense of purpose to resonate with fans' and public opinion's growing concerns for environmental issues, healthy living and social equality.
- This shift is driven by the evolution of behaviours and expectations of consumers, who are increasingly empowered to reconsider their purchasing habits if a brand doesn't match their values.
- We thus expect the ability of both sports organisations and athletes to enable meaningful awareness and activations as a critical factor to maintain a relevant sponsorship value proposition.



Headlines

Real Betis creates Forever Green platform to engage partners in sustainability

Ocean Race partners with TIME to inspire change for the ocean



Insight 8: Female athletes bringing social activism at the forefront

- Traditionally, professional athletes have long maintained a political and social neutrality in the public debate, aware of the risks to their image and the related repercussions on their relationship with sports and commercial partners.
- A new generation of athletes, particularly women, is now speaking out not only for their own rights and status, but also for broader community causes, using their platform to protest or advocate for issues such as racial and gender equality, mental health or child poverty.
- While female athletes' activism may be rooted in a heightened sensitivity to causes such as gender equality or wage discrimination, the accelerated growth of women's sports in general has given rise to new transversal icons, who serve as both sporting and social role models.



Headlines

Women athletes raise their profiles at the Olympics with political and social protests

Naomi Osaka, Megan Rapinoe and WNBA driving athlete activism



Organisations should pay more attention to the values of their sponsors and partners. Marketing partnerships should lead to common sustainable initiatives rather than simple visibility.

Juliette Bietry, Senior Commercial Manager, Deltatre



Insight 9: Sustainability raising as a major strategic driver

- As companies increasingly demonstrate that they can achieve financial performance while making a positive difference to the world, there's an even greater expectation for sports organisations to use their unique influence to create a beneficial impact on the triple bottom line – people, planet and profit.
- Although many rights owners have long used their assets to support communities in various ways, CSR initiatives have mostly been planned and operated in an ad-hoc manner, without being fundamentally integrated into the corporate strategy.
- In today's global ecosystem where sustainability is an imperative, respondents confirm that sports organisations are increasingly addressing social and environmental performance in the same vein as their wider strategic issues, becoming a major driver of their event concept, recruitment policy and operating model in general (**Deep Dive II**).



Headlines

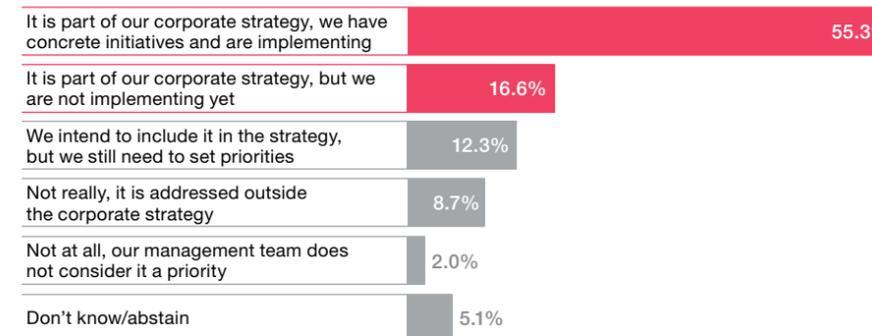
World Athletics announces Sustainability Strategy for carbon neutral events by 2030

NWSL's Angel City FC launches as a purpose-driven club



Figure 9: Does your organisation address social and environmental sustainability as part of its corporate strategy?

Percentage of respondents



Source: PwC Analysis, N = 253 (only rights owners)

Deep Dive II

How to become a sustainability leader

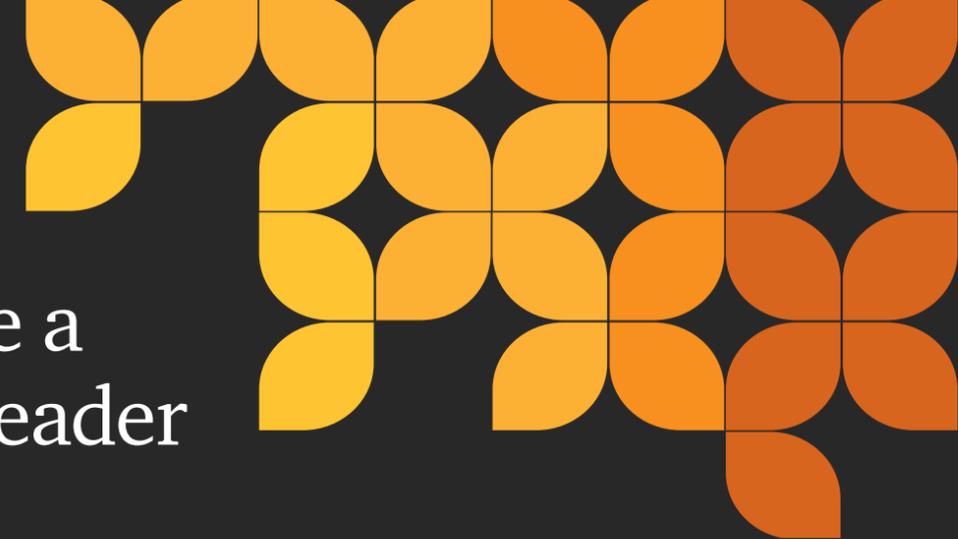
Although the sports industry suffered significant financial losses during the pandemic, it also connected with social issues in an unprecedented way, strengthening the role of sports organisations and athletes in society at large.

Highlights included athletes speaking out for social equality, child food poverty and mental health, or teams providing their stadiums as medical facilities to conduct testing programmes. In addition, sport in general has proven to be an effective resource for people of all ages to maintain and improve their physical and mental health during periods of confinement.

In parallel, a growing number of fans, media and public figures are expressing concern about the environmental and social footprint of sports, demanding

greater activism from sports properties in the fight against human rights abuses, climate change and social discrimination (among others).

With a vital community role and unparalleled global influence, sports organisations have the opportunity to position themselves as leaders of Environmental, Social and Governance (ESG) sustainability by taking a truly holistic approach. The PwC framework below outlines the key impact areas of a sports organisation's sustainability roadmap, brought together through an integrated strategic planning and performance management process.

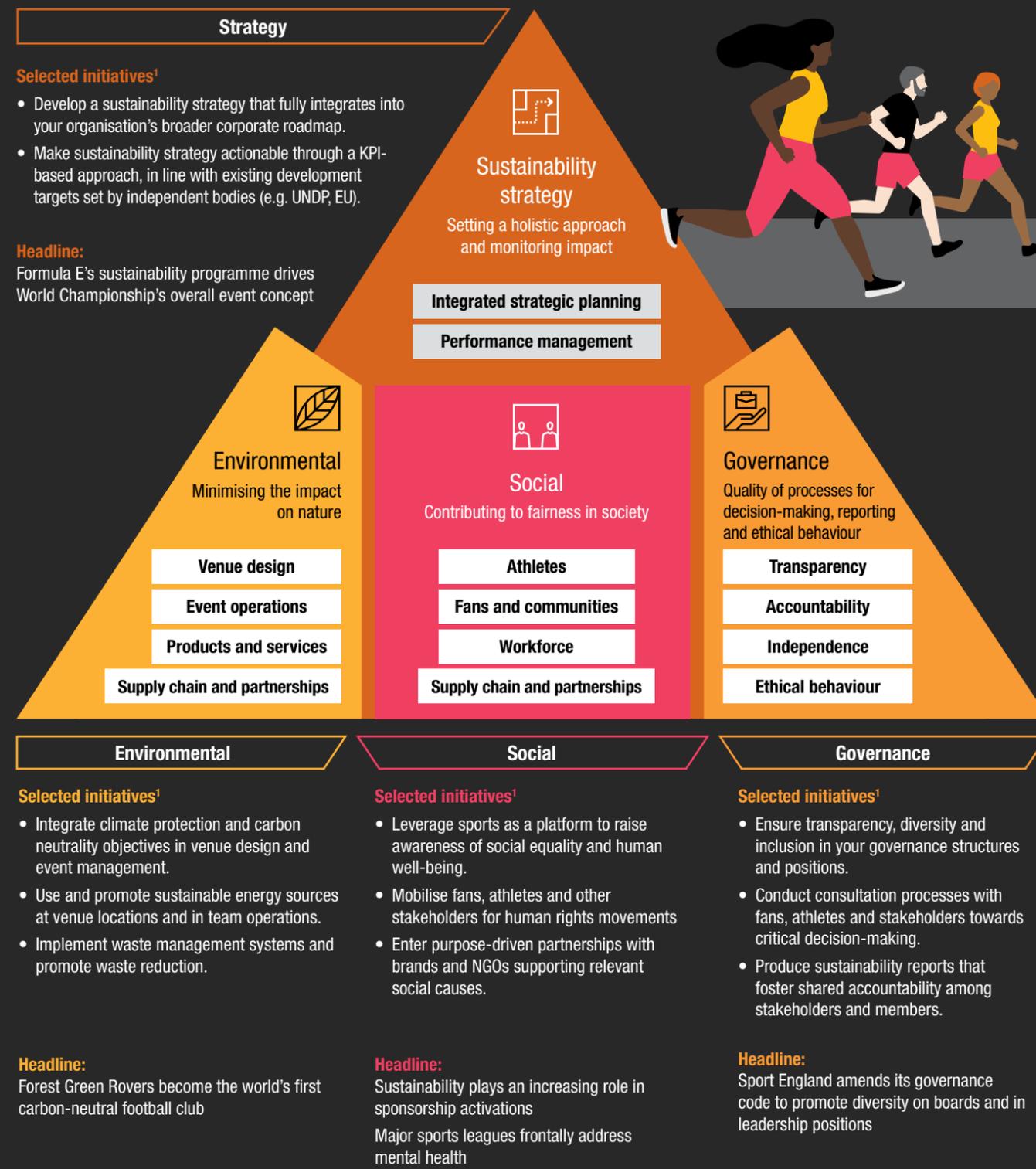


We need to embrace and empower moral leadership that connects what's good for the game with what's good for the world.

Sjors Brouwer, Captain of Strategy, KNVB (Dutch Football Federation)



Figure 10: ESG framework for sports organisations



Source: PwC Sports Business Advisory
¹ Note: Non-exhaustive, illustrative only



An executive point of view

with Julia Pallé, Sustainability Director, ABB FIA Formula E Championship

A story about the importance of ESG and purpose

Julia is a trailblazer for sustainability in motorsport. Quite apart from her role in the ABB FIA Formula E Championship, she is an advisor to Extreme E and President of Sports and Sustainability international (SandSI).

ESG – it’s the latest buzzword and stands for Environment, Social and Governance. It has become increasingly relevant during the pandemic with the world striving to identify new ways to #buildbackbetter by learning from the global crisis how to build a better world for both people and the planet.

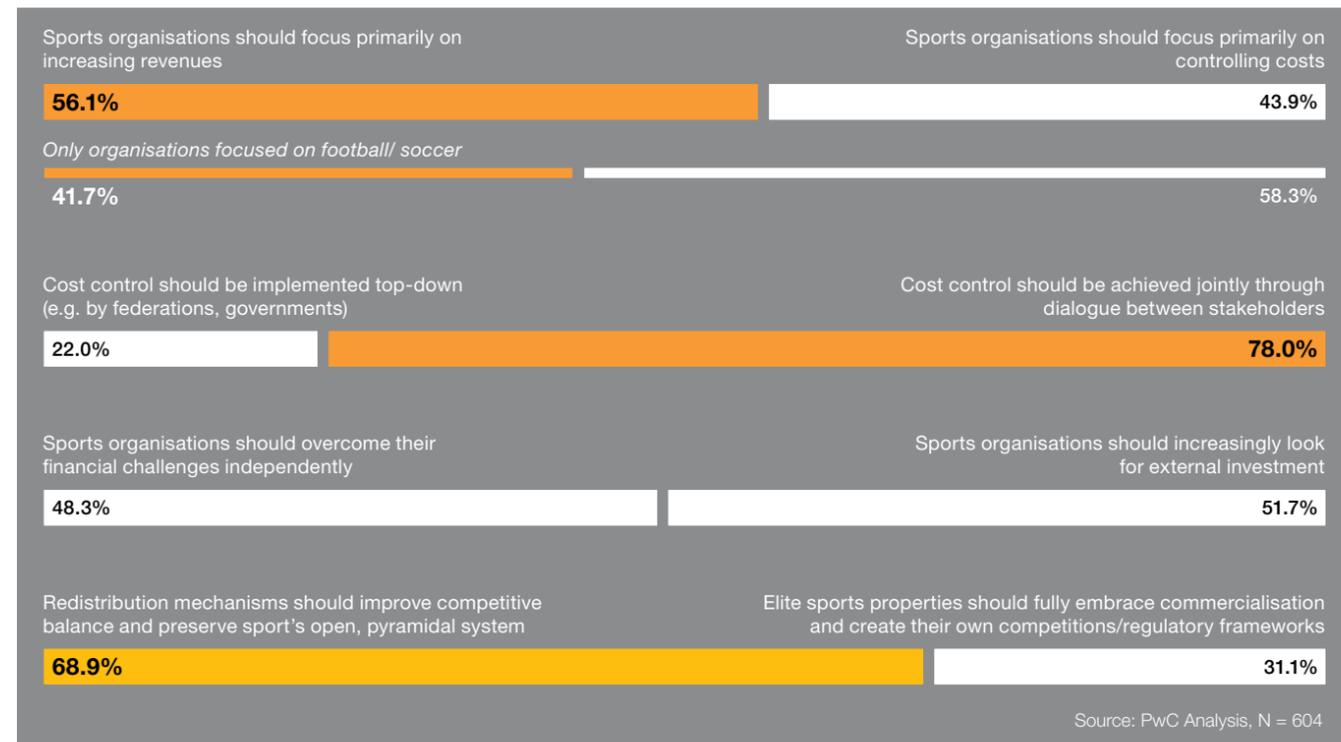
The sports industry has been directly impacted by this phenomenon, with increasing pressure for sports to define their own “Purpose”. The equation is simple but it is hard to be authentic: the next generation of fans,

the Gen Z, are extremely demanding when it comes to grabbing their precious attention. However, they undoubtedly have a great sense of community and they are more than prepared to step up to the plate when it comes to protecting the planet. They find sustainability inspiring, and this is reflected in their “consumption choices” of sports and entertainment.

If sports want to keep attracting new fans and generating growth, they need to demonstrate that they are on a mission to

leave this world in a better place beyond the excitement of their event. This is, however, far from a mere theoretical exercise. Investors have seen the ground swell coming and view ESG scores as an effective way of assessing sustainability credentials and performance. Sponsors are themselves also being scrutinized on the basis of their own ESG ratings, and are now applying this tool in their own decision-making processes when considering associating their brand image with a sports entity.

Figure 11: How the sports industry should address financial sustainability in the next 3-5 years?
Percentage of respondents, forced trade-off among two options



Insight 10: Executives swinging between cost control and revenue growth

- Sports executives have traditionally concentrated on – and at times been obsessed with – growing revenues. Refreshingly, slightly over 40% of respondents believe that the focus should be on controlling costs; the proportion rising to almost 60% for those representing organisations active in football/soccer (**Deep Dive III**).
- To this end, sport remains inherently consensus-driven, as cost control is considered as only possible (and sustainable) through better coordination between stakeholders. Albeit on the horizon, a top-down approach is seemingly not welcomed by industry leaders.
- While debt financing has traditionally provided relief for sports organisations under pressure, the growing opportunity offered by private equity financing is dividing sports executives, demonstrating that external investment is far from being seen as the ultimate remedy for achieving long-term financial sustainability.



Headlines

LaLiga president calls on top European football clubs to focus on reducing costs

Juventus F.C. to raise EUR 400 million to offset COVID-19 losses



Insight 11: Redistribution mechanisms dividing the football ecosystem

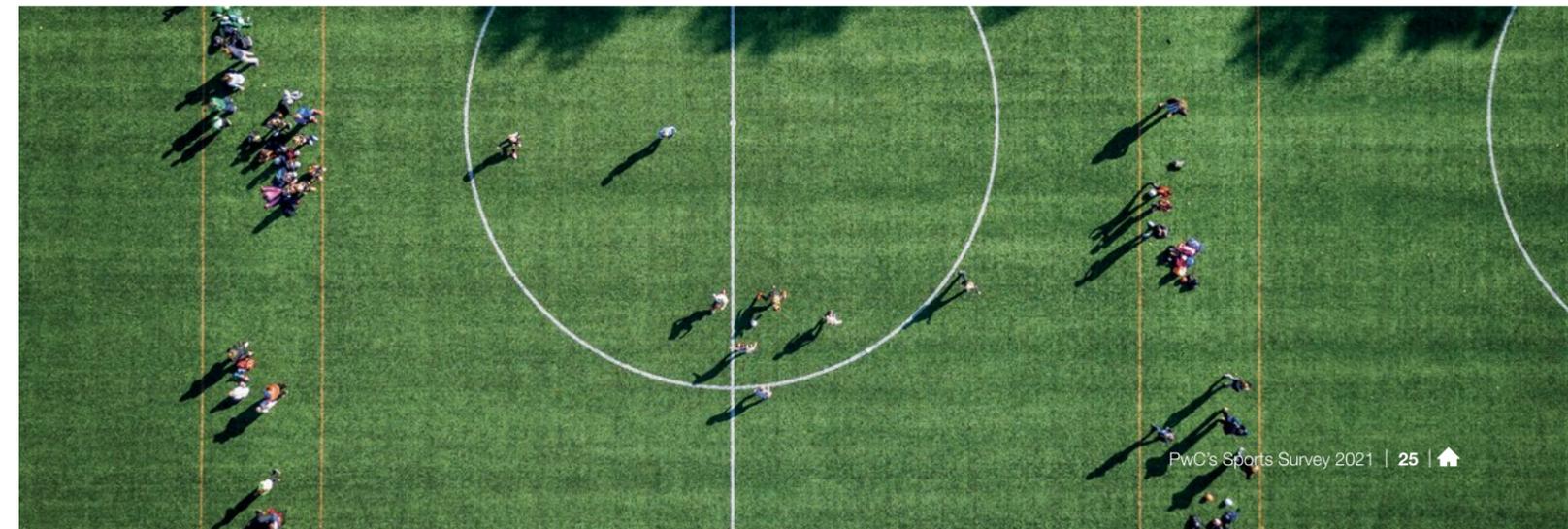
- Revenue distribution systems, designed as a regulatory mechanism to maintain competitive balance within and between European football leagues, are under intense criticism and one of the major factors behind the European Super League initiative.
- While governing bodies are called upon to take a greater regulatory role and soften their commercial grip, elite clubs – who bear a significant financial risk through player wages – are demanding more power in competition governance and decision-making regarding revenue distribution (**Deep Dive III**).
- Overall, taking strong measures to protect sports’ open, pyramidal system is seen as the way forward by most respondents. Indeed, although converging towards entertainment, elite sports properties may have a too deep-rooted legacy in the traditional ecosystem to thrive in a standalone structure.



Headlines

European Super League is cancelled but reforms loom large for European football

Lionel Messi’s move illustrating the economics of modern football



Deep Dive III

Football in search of a sustainable financial model

The economics of European football are under strain. The effects of the COVID-19 crisis have put unprecedented pressure on the short-term financing model of clubs, driven by heavy fixed costs (essentially player wages). While the average wage to revenue ratio is circa 64% for Europe's top divisions, many clubs are operating at significantly higher proportions.

How does the issue take shape? In several European leagues, while top-flight teams struggle to maintain profitability, second division clubs can be seen irrationally investing in player salaries in the hope of promotion and a larger share of distributed revenues. In fact, revenue distribution mechanisms – designed to preserve competitive balance – seem to fail to allocate funds equitably along the

sports pyramid, propagating a spending pattern focused on short-term sporting results.

As our survey results illustrate, it's not surprising that almost 60% of respondents active in football/soccer today conclude that the ability to control costs should be prioritised ahead of the (more elusive) quest for revenue. The economics of European football seem to be caught in a game theory deadlock, best represented by the 'Prisoner's Dilemma': no single club or league can break the deadlock on its own, as this would risk jeopardising its own position. Yet everyone agrees that a different collective outcome would be preferable.

As disparities are widening, there's a growing pressure for long-term financial

management control, as illustrated by England's fan-led review, considering the creation of a financial regulatory body outside leagues' commercial structures. In contrast, nearly 80% of our respondents agree that a top-down approach to addressing cost control wouldn't be conducive, preferring dialogue. It remains to be seen whether this path will deliver concrete results.

Overall, it's high time that the football industry aligns behind a set of principles that advance the game for all and takes the relevant initiatives to implement them. Indeed, short-term financial relief and half-measures would only fuel the flaws in the model, putting football at risk of reaching a point of no return.



By deeply understanding cohorts of audience and building more meaningful engagement, rights holders will give themselves the datasets they need to create lasting transformative change.

Sanjit Atwal, CEO & Founder, Halfspace Signals & Engagement Agency

Figure 12: Most relevant initiatives to facilitate relationships with fan communities
Percentage of respondents, Top 2 Box ('very relevant' and 'highly relevant')

Improve on-site and online fan experience	79.4%
Establish fan relationships as key performance metric	72.2%
Enable fan communication with teams/athletes	58.7%
Further invest in CSR initiatives benefitting fan communities	52.8%
Include fans in symbolic/cultural decisions (e.g. logo design)	35.2%
Include fan representation in governance	28.2%

Source: PwC Analysis, N = 593



Insight 12: Fans growing influence, stressing relationship management

- Survey results show that improving fan experience remains the main area of intervention for sports executives. In contrast, including fans in decision-making receives only a mixed reception, although is far from being considered irrelevant. The jury is out on how sports organisations can best nurture fans' sense of ownership in an increasingly tense climate.
- As the notion of fan centricity continues to gain traction, it's becoming essential for rights owners to gain a more concrete understanding on how to improve relationships with fan communities (**Deep Dive IV**).
- In recent months, sports organisations have become more aware of the plurality of the role of fans, and how their growing – and sometimes misunderstood – voice enables them to drive and influence key industry debates (**Deep Dive V**).



Headlines

How European Super League blurred the lines between fans and shareholders

Manchester United to create a fan advisory board



Deep Dive IV

A fact book on fan behaviours

The belief that younger generations are less interested in sport continues to permeate the sector. Too often taken at face value, this idea doesn't do justice to the complex notion of fandom, which poses increasing challenges for sports organisations. As gaining a deeper understanding of fan communities is the starting point for (re)building healthy relationships, PwC Sports Business Advisory has collaborated with IRIS to compile a fact book on fan attitudes to sport, with a focus on media habits.

Comparing media habits in general, the share of sport is struggling at between 17% and 24%, shrinking among younger generations, where it's neck and neck with gaming. Often questioned, the level of general interest in sport of Generation Z is in fact the highest value of any age group, reaching 60%. This result is mitigated by the average number of sports followed with great interest (two to four for younger generations, who tend to engage with sports in a more superficial way), whereas Boomers follow on average six different sports with deep commitment.

Also running counter to industry beliefs, around 40% of Generation Z and Millennials are willing to pay for sports content, versus 22% for Boomers. This gap is inversely proportional to the monthly household budget currently allocated to sport, which doubles from the youngest to the oldest age group.

In terms of content formats, live and near-live remain the most dominant, again with major differences at both ends of the spectrum. Generation Z now consumes more highlights than live, while Boomers watch relatively twice as much live as highlights. The same generational contrast can be observed when looking at preferences by platform.

Another breakpoint is seen when looking at the percentage of fans watching live events in their full length, rising to 93% among Boomers compared to 62% for Generation Z. 37% of them are even 'crunch timers', who only tune in for thrilling moments. This validates the adoption of a moment-based approach to content delivery, as taken by the NBA League Pass and Buzzer.

Overall, although younger generations are more interested in sport than their elders, their habits can be radically different – more expeditious and volatile and, above all, less aligned with traditional platforms and formats. Most importantly, the fact book shows the deep diversity of sports fandom, highlighting the importance of a tailored approach to engaging with each cluster and, with the scale gradually brought by technology, each individual.

Data provided by Iris

Figure 13: PwC fan behaviour fact book

	Age 9-24 Generation Z	Age 25-40 Millennials	Age 41-56 Generation X	Age 57-75 Boomers	Average
Global share of time, by media type					
Sports content	17%	18%	19%	24%	19%
Entertainment content	42%	41%	42%	38%	41%
Gaming	16%	16%	12%	8%	13%
Music	25%	25%	27%	30%	27%
Global interest in sport					
Overall level of interest in sport	60%	55%	49%	47%	53%
Number of sports with high level of interest	2	4	5	6	4
Willingness to pay for sports content					
Percentage of fans willing to pay	44%	40%	35%	22%	35%
Average monthly value (household, in USD)	32	48	57	63	50
Share of time consuming sport, by format					
Live	35%	44%	50%	50%	45%
Near-live/highlights	50%	38%	27%	24%	35%
Long-form/documentaries	4%	5%	5%	4%	4%
Written content	7%	8%	12%	14%	10%
Audio	4%	5%	6%	8%	6%
Share of time consuming sport, by platform					
Linear TV (cable, satellite)	31%	47%	57%	67%	50%
OTT	46%	34%	27%	21%	32%
Social media	24%	18%	16%	12%	18%
Sports consumption intensity					
Percentage of fans watching live events in full	62%	74%	83%	93%	78%
Percentage of crunch timers ¹	37%	18%	13%	10%	20%



Source: PwC Analysis, IRIS Intelligence | 05/2021 | CAWI | Base: n = 18.717 | 36 markets worldwide

¹ 'Crunch timers' are fans who only watch live sport when a moment of particular intensity (crunch time) occurs

Deep Dive V

Who's owning the sports conversation?

Illustrated by the European Super League case, the sports industry is realising that, with digital media and increasingly vocal fans, its market has turned into a dialogue whose course can make or break even the most powerful plans. Indeed, sports organisations must acknowledge that, although they often initiate it, they no longer control the sports conversation.

To illustrate this, PwC used Videocites' proprietary technology to track media sources across a sample of 46 sports events, analysing behaviours from content creation to consumption. Starting with creation, it's striking to see that 79% of so-called 'citations' – video uploads or re-uploads – are generated by fans or

other creators outside of rights owners' ecosystem ('organic' source).

Whether fans expressing their fandom by republishing content on their own feeds, creative edits or illegal broadcasts, the fact is that numerous content-driven discussions take place beyond the rights owners' control zone. Yet these neglected ecosystems are extremely valuable for measuring media value for sponsors and broadcasters, as well as fan sentiment.

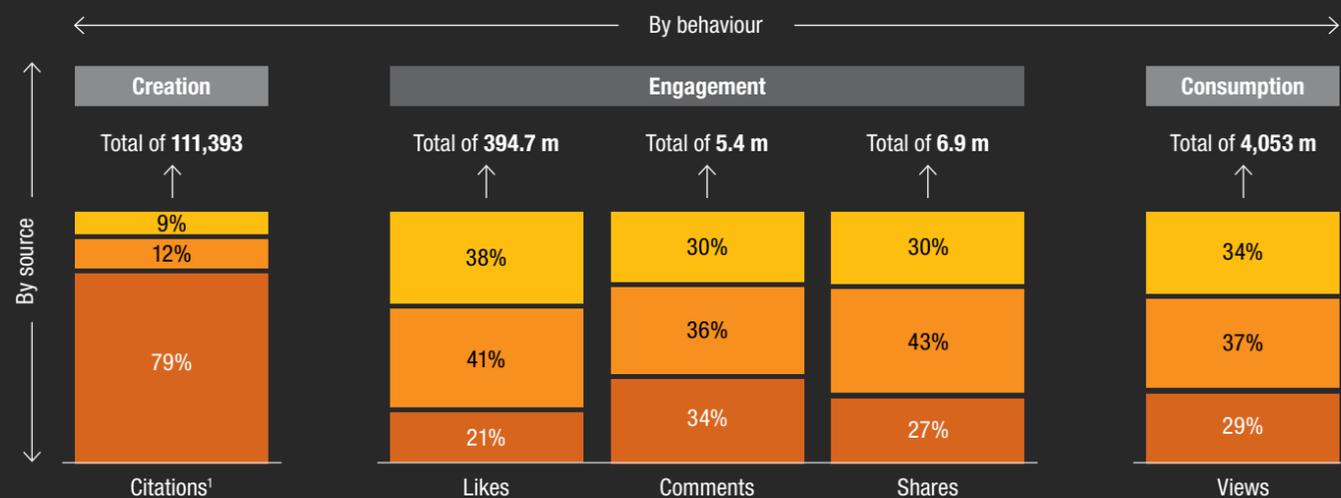
In terms of engagements and video views, the ratio between 'owned' (driven by rights owners), 'affiliates' (generated by commercial partners and athletes) and 'organic' sources tends to balance out, implying a

higher return on content created for official stakeholders. But again, a considerable number of interactions are still taking place behind the backs of rights owners (28% on average).

In the burgeoning creator economy, where fans and athletes are empowered to create and monetise their own content, it's key for rights owners to take a more proactive role in moderating the overall dialogue, enhancing stakeholder relationships while reclaiming the sports conversation and its many upsides in their ecosystem.

Data provided by Videocites

Figure 14: Media sports conversation breakdown



- Owned: driven by event owners such as clubs, leagues, federations
- Affiliates: driven by stakeholders such as sponsors, broadcasters, athletes
- Organic: driven by fans or creators outside of event owners' ecosystem

Source: Videocites, PwC Analysis | 01/2020 – 07/2021 | Video content | n = 46 sports events across Europe and US, normalised to account for relative size

¹ Citations refer to video uploads or re-uploads. Organic citations are mostly re-uploads; e.g. fans downloading and re-uploading video on their own content feed

In a nutshell

Sports have long engaged in CSR activities to create positive impacts in their communities. But in recent months, we've seen a multitude of both internal and external factors heralding a powerful paradigm shift, where sports organisations' societal role must take on an integral dimension, with social, environmental and financial sustainability fully integrated into the wider strategy.

A perfect storm is indeed forming, with athletes raising their voices and fans demanding a greater role in governance, pushing rights owners to strengthen their social fabric at an unprecedented level. In addition to sponsors' quest for deeper purpose, the rise of professional investors in the sector, who increasingly consider sustainability criteria in order to guide their investments, also acts as a powerful driving force.

More than just ticking the box, it's crucial that sports organisations walk the extra mile from being primarily an advocacy platform to becoming a true, actionable hub for sustainability. Using their unparalleled influence to do good in society, sports are indeed expected to exceed the ethical standards followed by most industries.

Overall, sports need to recognise that their underlying narrative is shifting from just human performance to human rights as a whole and environmental preservation. As its value system is being completely overhauled, the sector really needs to recover from its recent crises by authentically engaging with today's world, including its most burning political and social issues.



Transformation

Rethinking the whole, coherently

We asked industry leaders about the major governance reform priorities for sports' rights owners. We also probed the main hopes and fears related to private investments, as well as the impact of gaming on traditional sports practice. Overall, the industry is largely focused on transforming its business capabilities and the way it operates to achieve greater agility and efficiency. The results also show that the surge in gamification technologies, symbolised by the booming sports tech industry, should primarily augment historical practice rather than create new, purely virtual products.

Figure 15: Governance reforms of highest priority to rights owners
Percentage of respondents, Top 2 Box ('priority' and 'key priority')

Build up entrepreneurship and commercial agility	74.7%
Transform operations/ways of working	70.5%
Apply cost control measures	69.3%
Implement enhanced transparency standards	68.3%
Modernise sport's rules and experience	60.7%
Redesign sport's calendars and competitions	49.6%

Source: PwC Analysis, N = 585

Insight 13: Rising expectations forcing rights owners to recharge their commercial skills

- As competition increases and historical revenue streams are under pressure, survey results show that redesigning commercial structure is the most pressing area of reform for sports' rights owners (**Deep Dive VI**).
- On the one hand, sport is being strained by the continuous launch of new leisure offerings that are squeezing fans' disposable attention and income, forcing sports companies to increase their marketing efforts at the fan level.
- On the other hand, capturing value from commercial partners is also becoming increasingly difficult as expectations of brands and media companies are getting higher and more varied, with sports organisations expected to deliver proven business results against partners' objectives.

Insight 14: Governing bodies seeking operational excellence

- Most industry leaders recognise operating model redesign as a key priority area for rights owners, reflecting the challenge of (re)building fit-for-purpose organisations: agile, future-oriented, able to attract and retain talent etc.
- Among rights owners, the common organisation model based on functional areas may well have reached its efficiency limits, as it tends to foster siloes, create strategy gaps and, ultimately, doesn't mirror the level of stakeholder integration and responsiveness needed to operate in tomorrow's world.
- Reflecting a fluid 'way of working' taught by COVID-19, governing bodies should consider a more decentralised, output-based model, operating around core outcome areas while exploring if there's sufficient scale to establish transversal functions that bundle key areas of expertise.



Headlines

Golf's European Tour and Ryder Cup Europe create a new commercial venture

NFL looks for strategic partner to boost its media business



Headlines

Through WTT, ITTF revamps its structure to achieve its global potential

FIFA aims for a more balanced and global set-up, launches an office in Paris

Deep Dive VI

Torn between multiple identities, how should sport define its future self?

At a macro level, the convergence of leisure consumption and new technological opportunities are blurring the boundaries between the sports sector and other industries. While it's vital that sports organisations diversify beyond events, some have stated their bold ambition to, in the long term, become publishing, entertainment or even technology companies.

Many questions arise from the above. Are publishers the right benchmark considering their (generally) modest financial valuation? Is building up technology assets and potentially competing with partners and suppliers a sound strategy? Shouldn't the focus simply be on growing rights licensing revenues?

In this race for adjacencies, there's a risk that sports properties lose focus and make a common strategic mistake: just because you can, doesn't mean you should. Rather than following benchmarks, rights owners should first and foremost focus on gaining a clear vision of their unique, differentiating capabilities system — building and managing IP, event operations, content creation or whatever else makes them special — and grow from these strengths.

PwC's capabilities-based approach to growth makes precisely the difference between right to play and right to win. Sports organisations today may indeed have multiple rights to play, but do they really have a right to win in all areas?

Recently, Schalke 04 announced the sale of its esports' League of Legends European Championship licence for "stabilisation of the core business". Clarity on what the core business is and where the priorities are not only helps to refine the growth roadmap, but also frees up the required resources to fund it.

All in all, envisioning a coherent strategy is becoming increasingly important for sports organisations to shape their future in both an efficient and effective manner, preventing them from becoming merely good enough at everything, while mastering nothing.

With the current diversification, there's no one-size-fits-all solution. Each organisation needs to assess what commercial innovations it should adopt, including a critical assessment of the existing portfolio.

Ralph Straus, Commercial Director at Federation Equestre International

Figure 16: Driving growth through transformation

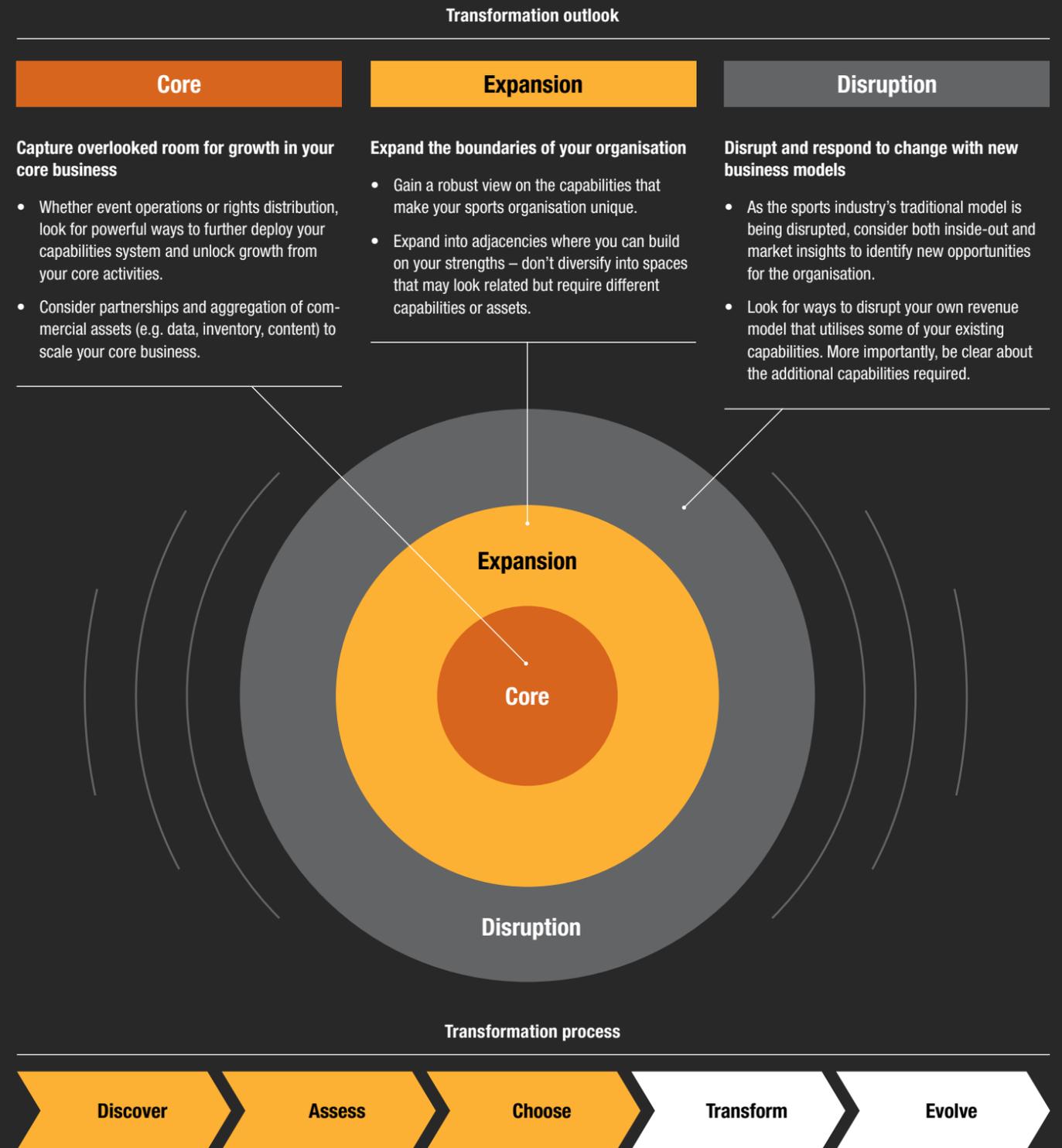
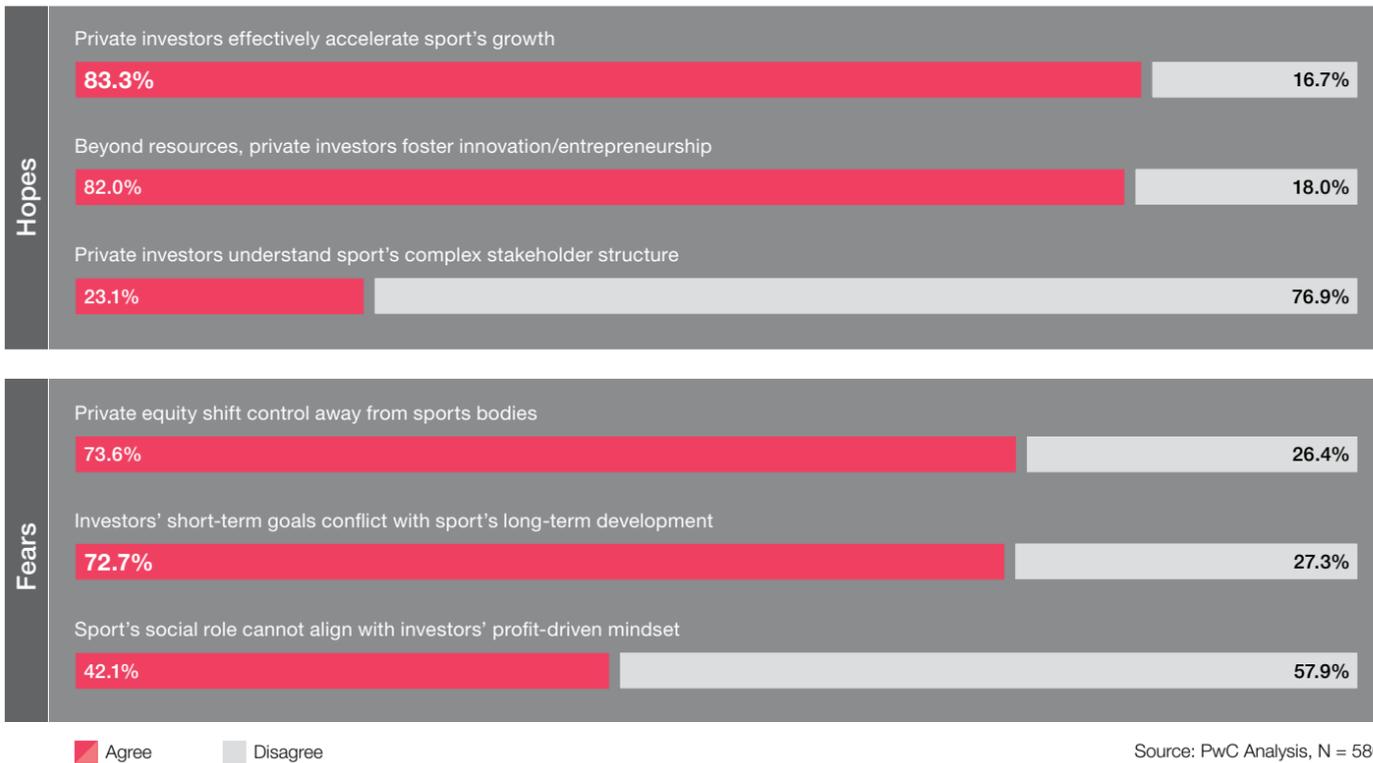


Figure 17: With respect to private investors in sport, to what extent do you agree or disagree with the following statements?
Percentage of respondents, agree vs disagree



Source: PwC Analysis, N = 586



Insight 15: Private investments still in full swing, leaving doubts on long-term effects

- While leaders agree that private investors are having a real impact on sports' commercial growth, many fear that they are also diverting sport from its historical values, favouring short-term profit over long-term development.
- Yet the variety of deals recently struck (e.g. carve-out of generic or event-specific commercial arms, creation of new competitions with shared ownership, equity stake being offered through rights agreements) shows that sport is becoming increasingly assertive in leveraging private investors.
- In this growing area of opportunity, with varying patterns and successes, we believe that one of the priorities for sports organisations should be to achieve a solid level of strategic and operational readiness before entering negotiations (**Deep Dive VII**).



Headlines

NBA Africa to be backed by private investors

Ares Management commits more than USD 1 billion to sports, media and entertainment

Deep Dive VII

Protecting value through deal readiness

In recent years, the attractiveness of sports properties as an investment class has gained momentum. On the buy side, the uniqueness of the asset, increased globalisation as well as growing impact of technology to unlock new opportunities are all factors driving private investors' enthusiasm.

access to expertise and, overall, dedicated resources for commercial and entrepreneurial development. But with these benefits come the inherent challenges of introducing a new, financial return-driven stakeholder into the ecosystem.

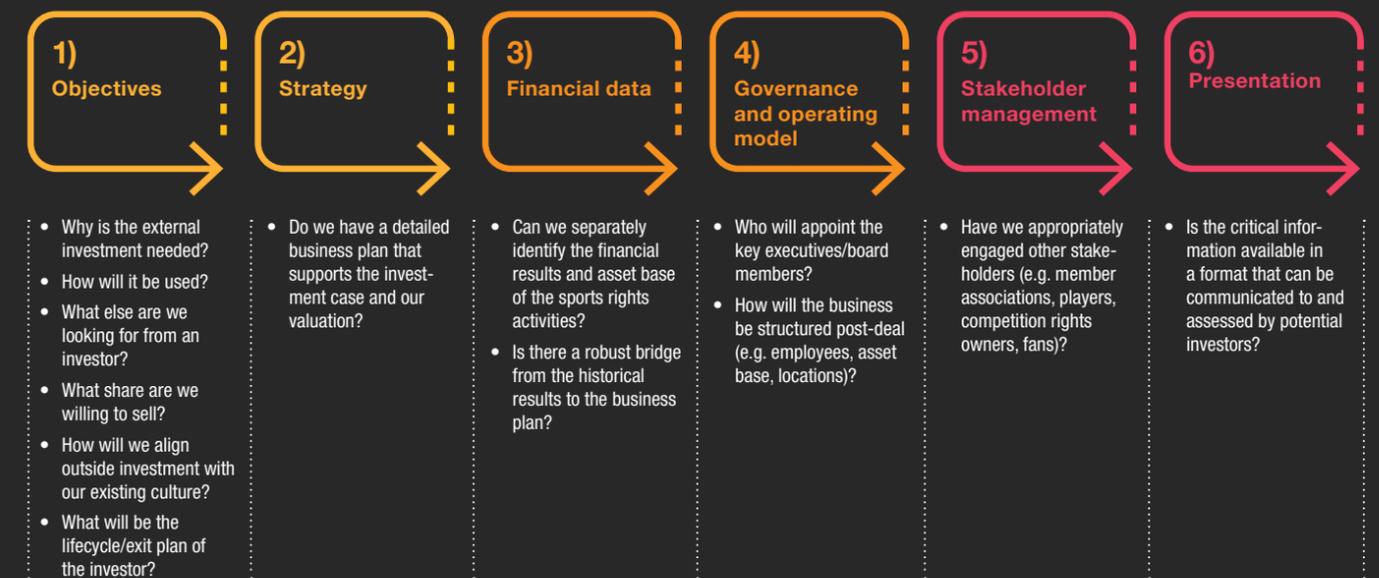
in as uncertainty, losing significant deal value in the lawyers' office as the lack of detail is priced as uncertainty.

In a transaction, preparation is ultimately about value protection. A thorough preparation phase not only limits value leakage, but also ensures that rights owners remain in full control of their overall vision and strategy, avoiding unwanted deviations. Summarising the above challenges, we view the ability to provide robust answers to the following questions (Figure 18) as key success factors for rights owners to manage deal readiness.

For rights owners, the decision to open the door to private investment can be a difficult one. Beyond immediate capital (which alone has been a major driver of deals during the pandemic), private investors can offer other key advantages, such as

As PwC has supported a number of rights owners in the course of securing outside investment, our experience is that they often initiate negotiations without the required level of preparation. Ultimately, rights owners who enter the process too early most often but then lose significant deal value when a lack of detail is priced

Figure 18: Key success factors for rights owners' deal readiness



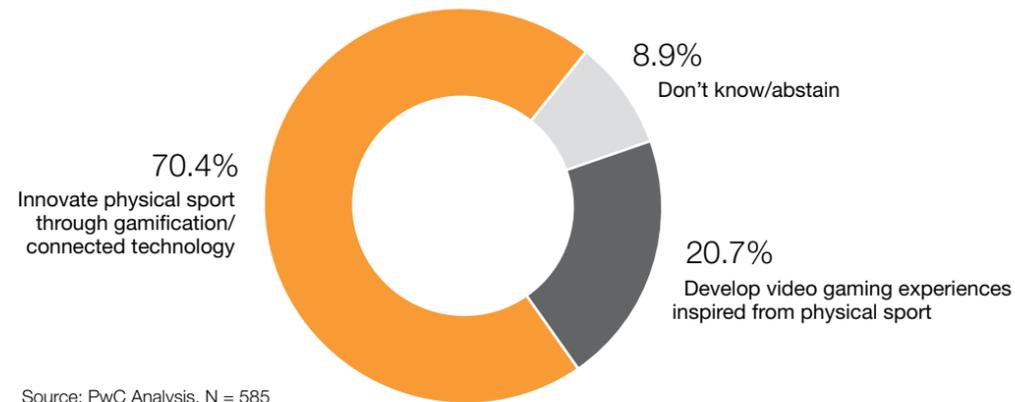
Source: PwC and Strategy & Analysis



We're seeing a seismic shift in audiences demographics across traditional sports and esports. The industry has a huge opportunity to capitalise on the interest in both arenas, ensuring a wider pool of interest on field and on stream.

Soraya Sobh, Head of Creator Management at Fnatic

Figure 19: Greatest opportunity for physical/traditional sports in the gaming space
Percentage of respondents



Source: PwC Analysis, N = 585



Insight 16: Bringing gaming to sport and not the reverse: the real virtual opportunity?

- Esports and video gaming — particularly mobile — must remain a key area of sports companies' engagement strategy, albeit accepting the complexities of managing gaming IP and the uncertainties of a hit or miss sector.
- As the industry has long seen gaming as a means to create new products and disciplines inspired by traditional sports, a burgeoning sports tech sector (**Deep Dive VIII**) is increasingly bringing gamified solutions to physical participation, not distorting but augmenting historical practice.
- Beyond the fleeting benefits of video games, respondents seem to suggest that the greatest long-term opportunity lies in adding gamified layers to physical sport through transformative partnerships – which is also our viewpoint.



Headlines

CrossFit launches Virtual Games event series

Connected rowing machine Hydrow considers going public at over USD 1 billion valuation





An executive point of view

with Amir Raveh, Founder and President, HYPE Sports Innovation

Towards a decade of profound innovation

Amir – a serial entrepreneur and investor – founded HYPE Sports Innovation in 2016, as a global ecosystem for sports innovation, with 40k+ members including startups, sports leaders, clubs, brands, investors, and mentors, focused on converting sports tech into business success.

Just as the last ten years have laid the foundations for profound innovation in the sector, the next ten will be truly transformative. Continuing to mature and deliver new use cases every day, emerging technologies are already on the verge of creating a new global and integrated ecosystem for the sports industry, where the degree of connectedness, automation and convergence is being propelled to unprecedented levels.

Several solutions under development foreshadow a radically immersive home viewing experience – where it is possible to watch a penalty kick from the viewpoint of the goalkeeper or the player. The vision of a genuine smart stadium will be fully

realised, with, for instance, the creation of autonomous shuttles optimising crowd management in real-time. Other prospects include the rise of the Metaverse: a virtual shared world at the crossroads of video games and social media. These new spaces of expression are bound to offer multiple opportunities for fans to develop their digital identity in relation to their peers, taking part in watch parties, sports betting, and trading blockchain-based virtual goods, among other experiences.

This is just a glimpse of how the next decade could drastically reshape sports, with a wide range of positive shake-ups – impacting on participation, consumption and

administration – set to occur. Supported by a growing sports tech market to which HYPE Sports Innovation is proud to offer decisive support, our industry has the right to dream big and bold, to renew itself and, in the digital age, to continue to inspire the world as it has always done.



Insight 17: More than fan experience, the urgent need of gamifying participation

- While tech and gamified solutions are booming in the fan experience sector, the enhancement of sports participation through fluid boundaries between the virtual and the physical has long been overlooked, at least for team sports.
- Yet sports participation clearly plays a key role in creating interest and fandom, a conversion that typically occurs in adolescence and, from there, tends to stabilise.
- The use of gamification technologies that modernise the practice and allow younger generations to express themselves through an interactive and multi-layered experience – meet, chat, play, compare, learn etc – will prove key for sports organisations to renew as well as expand their fan base.



Headlines

Basketball training app HomeCourt introduces Space Jam games and digital rewards

Sparrow's golf app to raise funds for AI-based improvement tool



Insight 18: Beyond the surface, sports' needing to rethink themselves

- Video games get more realistic, movies more impressive, music keeps bringing in new genres – so why is sport always the same? A provocative view which may not do justice to athletes' ever-greater performances, but since its inception, the sport's product has remained largely unchanged.
- Over the years, reforms have mainly scratched the surface (adding events, repackaging competitions, increasing the media experience), falling short to, in a profound way, innovate its overall concept, rules and formats.
- As new entertainment products battling for the same attention and financial capital continue to emerge, it may not be time yet for sports' governing bodies to make a real overhaul, but it's high time to start thinking about it (**Deep Dive IX**).

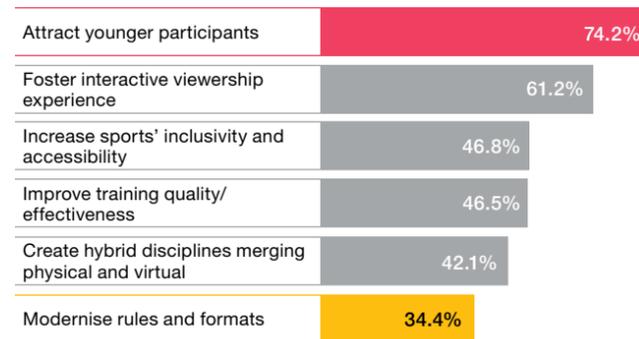


Headlines

Fan Controlled Football's opening weekend gathered 700k live views on Twitch

FIFA launches Innovation Programme to bridge gap between prototypes and products

Figure 20: How do you think gamification will impact traditional/ physical sports? Percentage of respondents, Top 2 Box ('strong impact' and 'very strong impact')



Source: PwC Analysis, N = 585



Sports organisations must think of their sport as a product that should meet the needs of a market segment, which means regularly redesigning sports based on target customers and channels.

Jean-Sebastien Merieux, CEO at Dartfish

Deep Dive VIII

From fans to athletes, balancing out innovation

Sports tech — though difficult and vague to define — is gradually forming a rich market (estimated at over USD 40 billion in 2026), driven by the industry's increased demand for innovation. Whether on the side of fans, participants or executives, technology solutions are set to play a major role in overcoming the sector's tendency to capitalise too much on its historical assets.

In this context, PwC asked the global sports tech platform HYPE Sports Innovation to provide an overview on over 100 selected start-ups from its pool. These data provide a non-exhaustive but nevertheless insightful snapshot of the underlying landscape.

Looking at the overall breakdown by solution type (Figure 21), fan and content-driven propositions dominate, accounting for almost half of the start-ups in the sample. Content engagement in the broadest sense remains a priority for the sector, as fan habits continue to evolve

at great speed. HYPE Sports Innovation's select list of particularly innovative start-ups (Figure 22) confirms this, with several solutions around content creation (Sizzle) or monetisation (e.g. Catapult X, MyFavorito, Stargraph).

At a sport level, most football and basketball value propositions are fan and content centric, reflecting their status as mass consumer sports. In contrast, the innovation engine of sports such as running and other athletics may be more focused on physical activity, with a long track record in performance analytics.

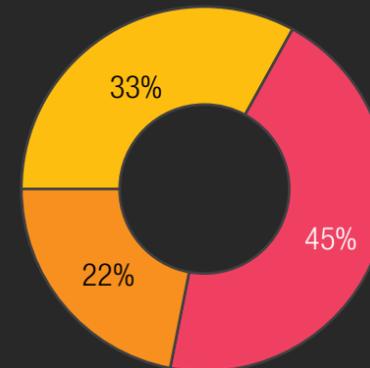
In general, while the adoption of one technology type tends to breed similar ones, all sports should strive to shape a balanced innovation ecosystem. In fact, promoting the development of both fans and content versus activity and performance-based solutions – two poles that are rapidly converging – could prove increasingly important in elevating a sport as a whole.

Data provided by HYPE Sports Innovation

Figure 21: HYPE Sports Innovation's accelerated start-ups – category overview

HYPE Sports Innovation's accelerated start-ups, by solution focus

- Fans and content
- Management and organisation
- Activity and performance



Source: HYPE Sports Innovation, PwC Analysis | 07/2021

HYPE Sports Innovation's accelerated start-ups, by sport focus (top ten sports, breakdown by solution focus)

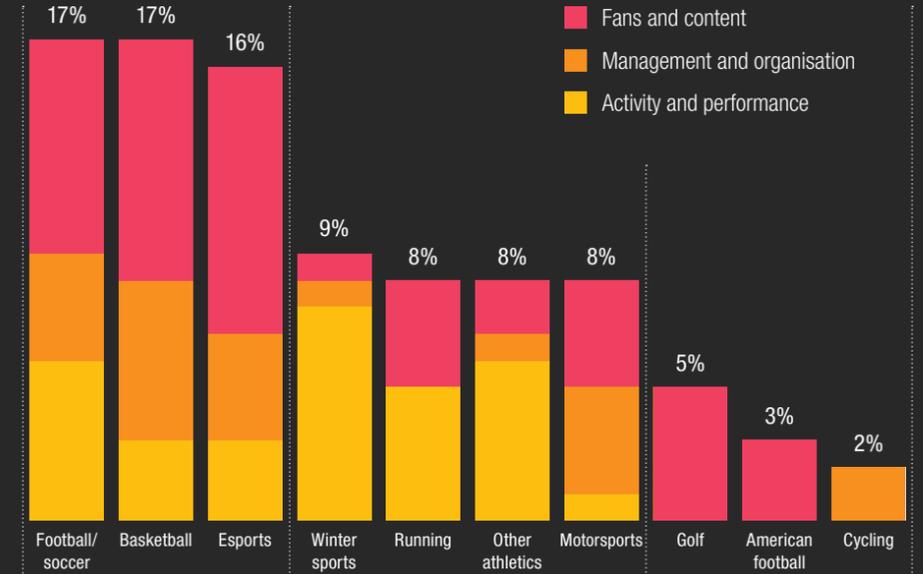


Figure 22: HYPE Sports Innovation's accelerated start-ups – selected properties

Name	Description	Founded	Country	Adoption, by type of organisation
Catapult X	AI-powered video advertising platform increasing ad engagement and monetisation through personalisation	2018	USA	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
Sizzle	AI-based solution that automatically converts long videos into personalised highlights	2018	USA	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
Stargraph	NFT trading platform including gamification scheme to gain rewards for collecting digital assets	2017	Italy	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
MyFavorito	Fan-powered sponsorship platform connecting sponsors, clubs and fans	2017	USA	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
Sportcash ONE	Blockchain and crypto solutions for sports and esports companies, including brand tokenisation and NFT marketplace	2018	Brazil	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
FlightOps	Air mobility operating system that enables fully automated integration of different drone solutions	2020	Israel	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>
Xena Vision	Smart technology capturing real-time happenings and human behaviour in the physical space	2019	Turkey	<div style="display: flex; width: 100%;"><div style="width: 33%; background-color: #cccccc;"></div><div style="width: 33%; background-color: #999999;"></div><div style="width: 33%; background-color: #666666;"></div></div>

Source: HYPE Sports Innovation, PwC Analysis | 07/2021

■ Brands ■ Media ■ Rights owners

Deep Dive IX

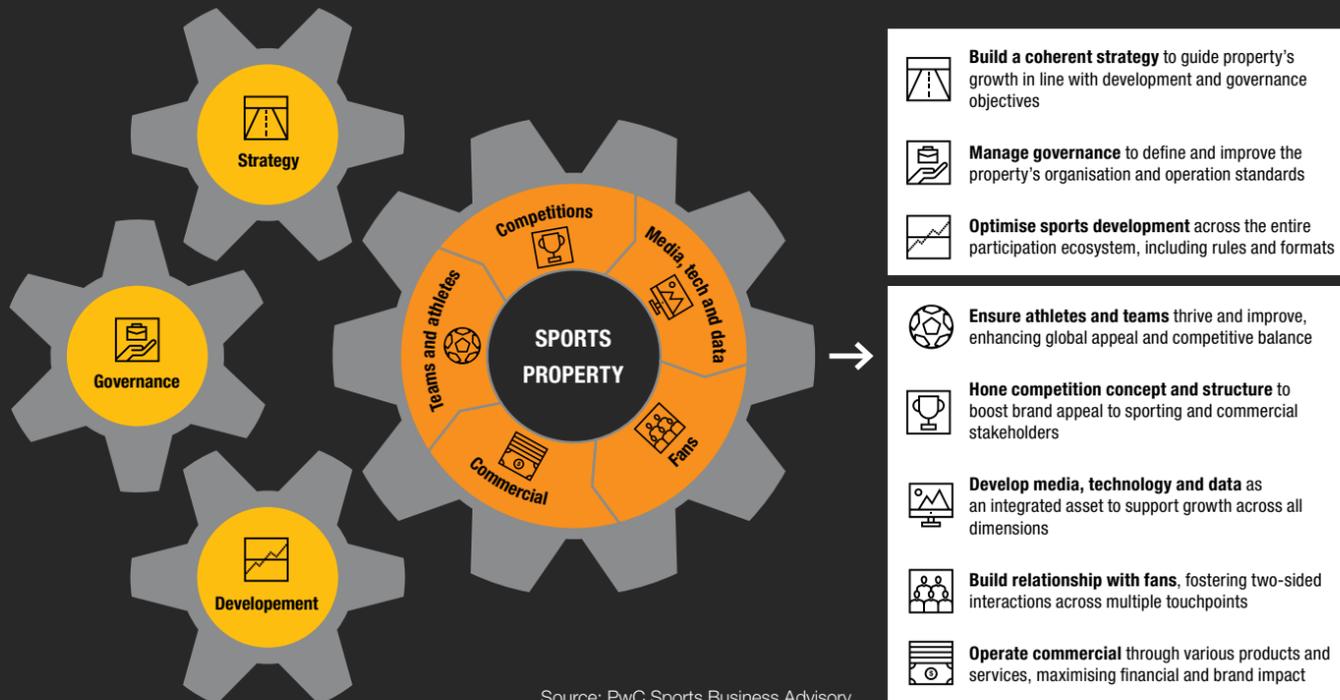
A holistic approach to developing a sports property

While historical disciplines and rules remain protected (both qualitatively and financially) by major forces such as the Olympic Movement and public sectors, they still face serious risks as participation and consumption behaviours seem to be evolving much more rapidly than sports. The main challenges facing sports organisations in innovating their products are primarily their deep-rooted legacy, as well as the depth and complexity of their stakeholder structure.

What's more, sports' lagging innovation drive is often due to its historical organisational model, which tends to compartmentalise rather than harmonise the (many) components of successfully delivering a sporting experience. In recent years, truly disruptive concepts such as Fan Controlled Football or Athletes Unlimited have thus been developed outside of traditional ecosystems, allowing for a leaner, blank-canvas approach.

Designed from a league or competition perspective, the sport development framework in figure 23 illustrates the fundamentally integrated mechanics that jointly drive the development of competitive sports. The model implies that a property can only succeed if all critical building blocks are addressed in a balanced way, while appreciating that one feeds into the next. Perhaps most importantly, no sport can thrive in the long term without a sound overarching strategy, investment in development and transparent governance.

Figure 23: Sport property development framework



Source: PwC Sports Business Advisory

In a nutshell

Under intense pressure both internally and externally, our survey demonstrates that sports organisations today have a vital need to transform in order to meet the challenges of the twenty first century. Those are too diverse and complex to rely on historical assets that can no longer be taken for granted, such as committed fans and institutional stakeholders, organic commercial appeal or exclusivity of sport governance at large.

Most industry reactions have yet been relatively aligned, whether in terms of innovation or diversification. Nevertheless, we believe that sports organisations should take a more tailored approach to their transformation roadmap. Endogenous factors such as an entity's distinctive capabilities system are largely underestimated in favour of exogenous factors.

If consumption habits have long been debated in the sector, it's also high time to talk about participation habits. Indeed, apart from mega-events and a few disciplines acting as true entertainment products, sports' ultimate catalyst for interest and audience remains the familiarity with the physical practice which, if not nurtured and renewed, could cause serious damage throughout the ecosystem.

In sum, if all these transformation efforts are to be directed towards a clear target state, the latter is bound to evolve constantly. Tomorrow's sports world is akin to a permanent state of change, making the building of inherently agile institutions and the mastery of transformation even more important than the changes themselves.

Commercial

Embracing market liquidity

As the convergence between media, sponsorship and digital continues to accelerate, we chose to cover sports' commercial challenges in one section. We first looked at the complexities of distributing media content as consolidation among rights buyers and the rise of streaming services rewrite the standard playbook. We also asked industry leaders about the hottest digital topics, including fan data and NFTs. In general, responses reflect a growing mindset shift from passively licensing rights to actively operating commercial assets, making entrepreneurial risks an integral part of the new business reality of sport.



Figure 24: How will media rights distribution evolve in the next 3-5 years?

Percentage of respondents, forced trade-off among two options



Stop focusing exclusively on B2B media, but also consider direct-to-consumer. Not for everything, but certainly in territories with low pay-TV penetration and a large connected market.

Jerry Newman, Director of Sport, EMEA at Facebook



Insight 19: Slowing rights market causing polarisation, forcing entrepreneurial risks

- Declining competitive tension among media companies – driven by M&A and carriage deals – is correcting the rights market, which is expected to be increasingly polarised between premium and non-premium sports properties.
- Changes in retail dynamics are gradually putting an end to bundle refinancing: casual fans want to pay for what they consume only, leading media companies to allocate most resources to subscription-driving content, and consider non-premium events as liabilities rather than assets.
- With upfront funding under threat, non-premium properties are increasingly driven to take entrepreneurial risks, capturing value through community-driven monetisation rather than being diluted in mainstream offerings.



Headlines

Canal+ wants to acquire rights to top Ligue 1 games only

Atalanta Media develops a dedicated media platform for women's football



Insight 20: Fractured media landscape undermining exclusivity

- Ever-diversifying technology and consumption habits are bringing the media landscape from fragmentation (many channels, same distribution systems) to fracture (many channels, different distribution systems) **(Deep Dive X)**.
- With diverse demographics adopting radically different content preferences, reduced access not only fuels piracy and jeopardises fandom renewal, but also limits value capture in an era no longer dominated by a single format (live).
- While platform integration and the rise of super-aggregators – distributing the content without owning it – may partially solve the issue at the consumer level, rights licensors should realise that, in the many-to-many era, exclusivity as chief value driver may have run its course.



Headlines

Serie B clubs agree to non-exclusive rights packages

Mediaset acquires non-exclusive rights for UEFA Champions League 2021-24 cycle

Deep Dive X

Rewriting the content distribution playbook

Rights owners have long followed the same modus operandi when it comes to distributing their content. At a time when the auction-based, licensing model is under pressure (e.g. Premier League's 'rollover' deal, Ligue 1's sharp rights depreciation), content and distribution are now decoupled, heralding the end of the long-held standard playbook.

As in the entertainment industry, where each studio pursues a distinct strategy (e.g. Disney acting as a retailer, Sony as a supplier), there are now several distribution archetypes for sports organisations, with pure DTC probably the riskiest. Both WWE and LaLiga have recently entered distribution agreements for their streaming offering, shifting from DTC to B2B2C to benefit from a built-in audience. Aggregators such as Recast or Facebook Watch also allow exploitation of content without having to build and distribute a proprietary platform.

Overall, pursuing the most relevant approach depends on multiple factors,

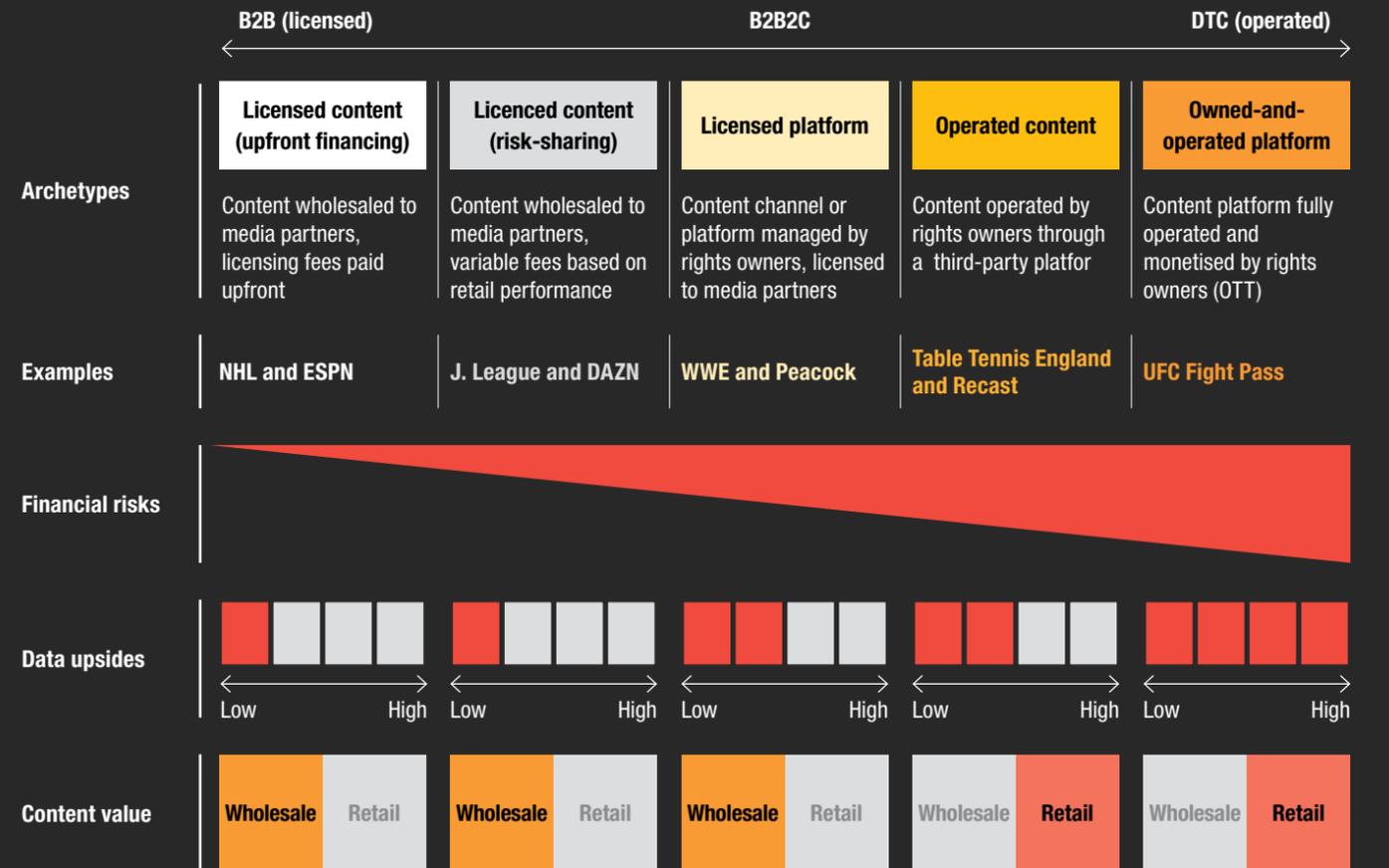
including the competitive tension in the media market inflating or deflating wholesale value, the penetration of streaming services hinting on the relevance of platform-neutrality, IP's premium level or the investments made by rights owners in their own media capabilities.

Optimising distribution in a fractured landscape not only impacts overall strategic planning, but mostly 'go-to-market'. In its latest media rights tender, Serie A enabled several combinations with various terms to maximise optionality, requiring buyers to build their very own business cases.

The complexity of finding the right product-market fit is compounded by the need for a territory-specific approach. Streaming wars between entertainment giants are unlikely to shape a market for global rights, as the appeal of sports content remains largely local, limiting scale. It's therefore key for content owners to adopt an inherently 'glocal' strategy, mastering market-by-market distribution with an unprecedented agility.



Figure 25: Sports content distribution archetypes



Source: PwC Sports Business Advisory



An executive point of view

with Bo Han, founder & CEO of Buzzer

Bo is the founder and CEO of Buzzer, the new mobile platform that curates and personalises access to exciting live sports moments, so fans don't miss the experiences that matter most to them. Prior to founding Buzzer, Bo led Twitter's Global Live Sports Partnerships team.

To save live sports, put fans first

There's absolutely nothing like the magic of live sports. But over the past decade, the proliferation of subscription services and the unbundling of media have resulted in discovery challenges and an incredibly fragmented sports media ecosystem. This, coupled with young sports fans' evolved consumption habits, has led to an overall decline in live sports viewership. Put simply: we've made it difficult for fans, especially young fans, to find what they want to watch, how to watch it and when to tune in. This

leads to frustration that drives fans away, loses revenue for rightsholders and makes sports less accessible for everyone.

As an industry, we need to reimagine live sports viewing and create an experience that is optimised for the future fans, accounting for their expansive interests and evolving consumption habits. That's our mission at Buzzer: to make live sports more accessible. We want to serve as the discovery and curation tool that brings

fans, and particularly Gen Z fans, back to live sports. And we're doing that by providing simple access to ephemeral sports moments.

The importance of investing in the next generation of sports fans cannot be understated in order to sustain the vitality of live sports. We need to shift our approach to not only optimise for revenue, but consciously procure long-term audiences as well. That is the future.



Figure 26: Key challenges to manage the transition from cable to streaming distribution
Percentage of respondents, Top 2 Box ('important' and 'very important')

Define business model and pricing	83.7%
Manage technology issues (e.g. latency)	76.4%
Personalise/augment viewing experience	75.7%
Increase supply of on-demand content	75.2%
Retain subscribers despite seasonality	72.1%
Prevent piracy/illegal streams	66.7%

Source: PwC Analysis, N = 577



Insight 21: Distributors taking on the challenge of a new economy

- The sports industry faces a daunting challenge: replicating the success of its media economy in the streaming era, while its backers (mainly rights-holding broadcasters) are being forced to radically transform their business model.
- If the valuation of media companies is primarily driven by the growth of their digital subscribers, their legacy offering continues to generate the cash flow needed to afford sports rights, forcing them to operate several distribution lines until (and beyond) the inflection point.
- Beyond the financial risks of transition, streaming heralds a new economy where customer lifetime value is redefined by rising churn and acquisition.



Headlines

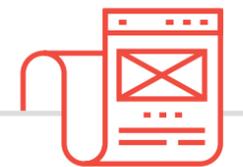
Disney, Warner and NBCU struggle between cable and streaming economics

Sinclair raises USD 250 million for a new sports streaming service



Insight 22: Sports content getting fit for the streaming era

- With technology issues (e.g. latency), limited library value or seasonality, there's no shortage of challenges for sport to become a valuable asset for streaming platforms.
- Yet sports content has inherent qualities: gathering massive audience spikes hinting at the potential of virtual advertising, or stimulating a whole ecosystem of adjacent revenues, whether betting or e-commerce.
- For sports to become a weapon of choice for streaming services and re-establish a lucrative licensing market, it's critical that content owners take concrete initiatives, such as pooling their rights to offer scale, creating on-demand content franchises (**Deep Dive XI**) or enriching their video feeds.



Headlines

Bruin Capital invests in virtual advertising technology

Nine European football leagues aggregate their international media rights

Deep Dive XI

The promise of original programming

With live and near-live long dominating the sports media mix, original programming has mostly been treated as 'shoulder content'; a contractual minimum given to rights-holding broadcasters with low commercial focus and value.

Times have changed. The Last Dance broke all audience records and Formula 1's Netflix docuseries Drive to Survive has played a key role in driving live audiences. Overall, sports original programming is being boosted by two macro trends: the boom in SVOD platforms' content spending (USD 17 million in 2020 for Netflix alone) and the de-linearisation of media consumption habits, both feeding each other.

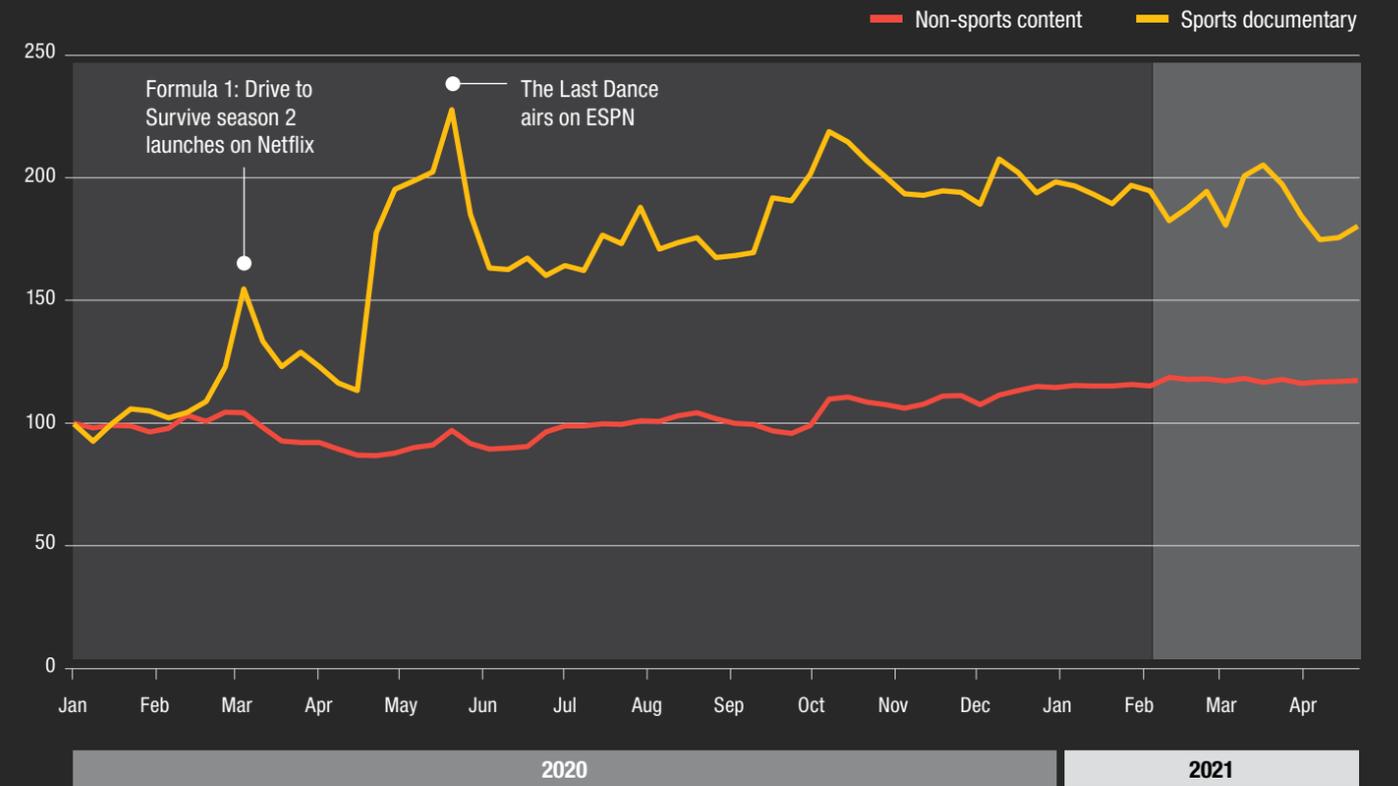
With flexible territorial availability, sports documentary is becoming a much sought-after asset for media platforms operating globally, which keep showing appetite for sports' unique brand appeal (e.g. Arsenal and Amazon Prime Video, Lakers and Hulu). For rights owners, these opportunities are complemented by valuable side effects, such as reaching casual fans, providing exposure for brand partners and increasing their content's overall shelf value.

Measuring content demand by weighting multiple data sources, Parrot Analytics' proprietary index shows that over the past 12 months, the demand for sports documentaries was 88% higher than it was at the beginning of 2020. This far outpaces the growth in demand for non-sports content, up a mere 6% during the same time. With many live events cancelled, 2020 was a breakout year for the genre, which accounted for a 79% greater share of audience attention in 2020 than it did in 2019.

Parrot Analytics' data also shows that athlete-focused documentary is the sub-genre with the greatest potential, capturing 40% of total demand while significantly outpacing share of supply. The opportunity is tangible for sports and media companies to co-create with athletes, pooling image rights and production capabilities to jointly embrace a still largely untapped market.

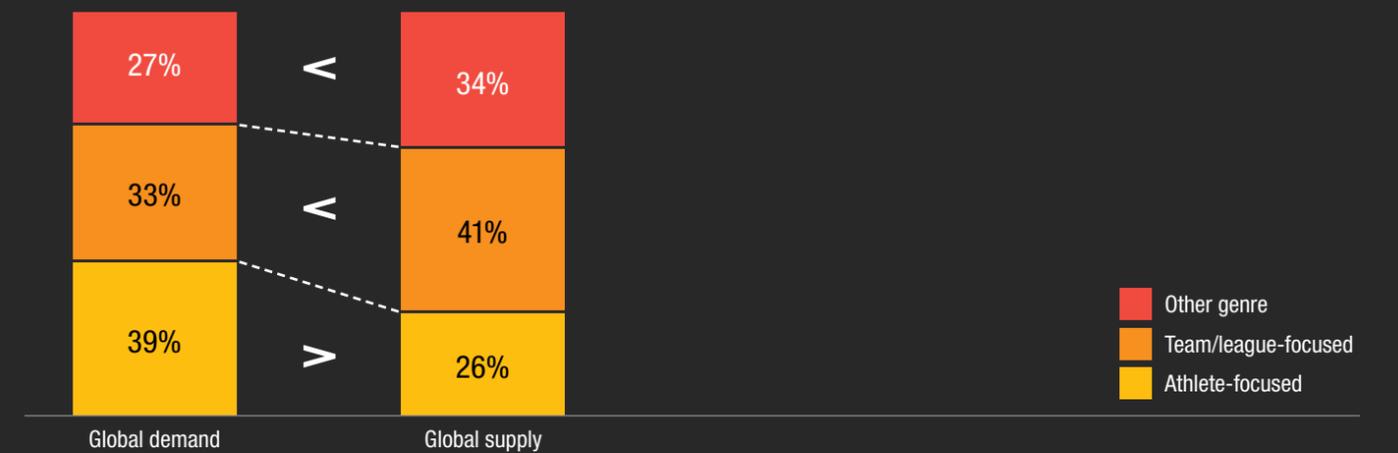
Data provided by Parrot Analytics

Figure 27: Global demand growth for sports documentaries vs. non-sports content



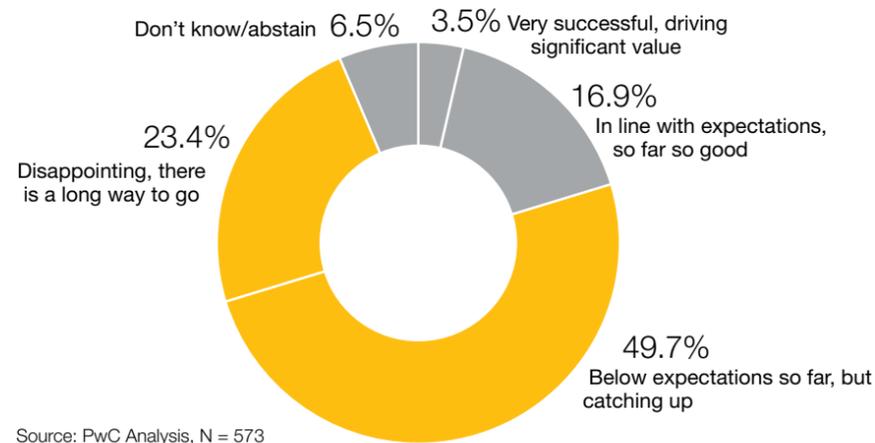
Source: Parrot Analytics, PwC Analysis | 01/2020 – 04/2021 | Indexed to first week of January 2020

Figure 28: Global supply vs. demand of sports documentaries, by genre



Source: Parrot Analytics, PwC Analysis | 04/2020 – 04/2021

Figure 29: Perception of commercial success of rights owners' use of fan data
Percentage of respondents



Source: PwC Analysis, N = 573

Figure 30: Impact of fan data on sports organisations' commercial activities in the next 3-5 years

Percentage of respondents, Top 2 Box ('strong impact' and 'very strong impact')

Enhance value for long-term partners	80.3%
Deepen fan engagement and loyalty	78.7%
Create new direct-to-consumer products	75.6%
Optimise media rights distribution	66.5%
Boost ticketing and merchandising	66.3%
Open inventory to short-term partners/advertisers	60.0%

Source: PwC Analysis, N = 573



Insight 23: Rights owners accelerating on first-party data

- Sport revolves around a captivating paradox: although operating fundamentally in a consumer business, its model has mainly been B2B, evoking a glass ceiling between its product and its total addressable market.
- Although respondents admit that commercial success has been elusive, sports organisations are building scalable audiences on social media and are increasingly focused on the collection of large first-party databases to chase the upsides of owning registered users.
- As digital monetisation moves from volume to depth of engagement, the true value-added for rights owners may be increasing the value per fan as opposed to scale only, enriching demographic profiles with behavioural attributes collected along the fan journey – while creating value for fans in return.



Headlines

AC Milan focuses on content creation to facilitate first-party data capture

LaLiga launches a subscription-based offering in specific territories



Insight 24: Data redefining brand partnership, powering direct-to-fan

- With the value of fan data driven by its use cases, it's key for sport to understand how to best utilise this asset and generate concrete returns on investing in a well-rounded data technology stack.
- Albeit not yet prioritised by all respondents, fan data not only has the potential to enhance long-term partnerships by enabling targeted campaigns, but also to open up inventory to short-term partners and advertisers, capturing marketing budget as opposed to sponsorship budget only (**Deep Dive XII**).
- Fan data is, above all, the gateway to direct-to-consumer commercialisation: actionable fan insights can inform on productisation opportunities, with data continually improving products, and products further enriching the database (**Deep Dive XIII**).



Headlines

Federation Equestre International creates a brand advertising vertical

UEFA offers regional sponsorship packages supported by targeted reach



Sports need to create a value exchange with their global communities; a two-way relationship of trust and transparency. That is the only way to create a global media business in the 2020s – which should be the objective of every forward-looking rightsholder.

Lewis Wiltshire, CEO at Seven League

Deep Dive XII

Digital assets maturity, a path to redesigning sports' value proposition

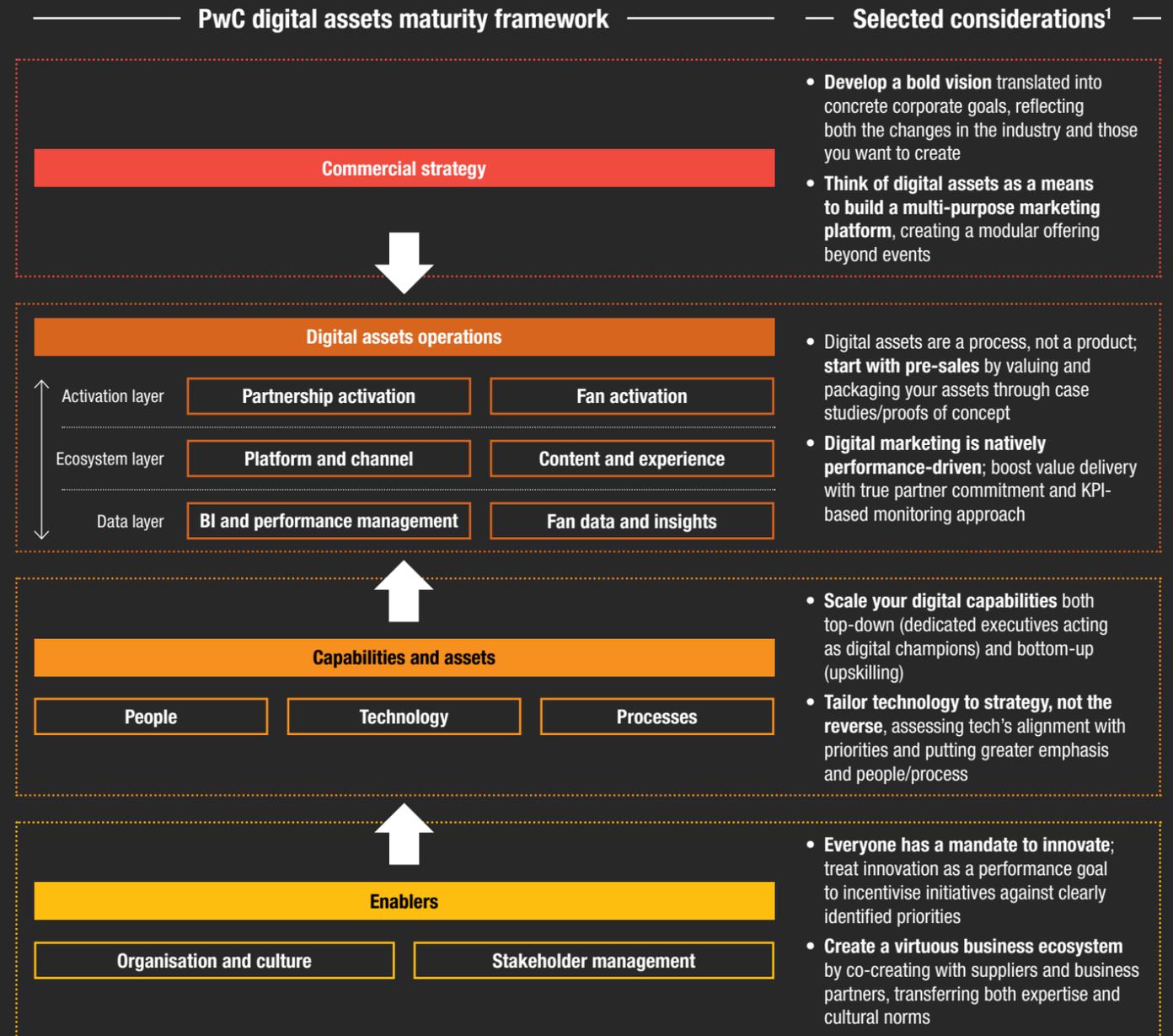
Sports organisations today find themselves in a paradoxical situation, where most of their revenues still come from traditional channels, although the future seems to be unquestionably digital. More than a transition, rights owners are facing a revolution: reimagining the business model of sport as a diversified, 'always-on' commercial platform.

To date, most efforts have been focused on protecting licensing revenues, offering new, digital services to partners. Those are much-needed initiatives, as sponsors now look for full-funnel and highly flexible marketing propositions. But more importantly, the creation of modular offerings allows value to be captured way beyond events, enabling exponential growth. However, this potential can't be achieved without a genuine transformative vision, changing mindset from 'how to best serve our partners?' to 'how to best valorise our assets?'.

Inventory valuation carried out by rights owners often far exceeds the willingness to pay of long-term partners, as incremental services and exposure have a diminishing return. Thus, if exclusivity becomes too costly for both sellers and buyers, the path to growth appears to be the development of a whole new value proposition, opening up data, content and inventory assets to a wider range of buyers and partnership types.

As digital transformation is too often associated with technological innovation – which should follow, not precede, strategy – PwC Sports Business Advisory in partnership with HORIZM has developed a maturity framework focused on the commercialisation of digital assets. Our concept does not propose one-size-fits-all initiatives, but rather suggests a guided and tailored approach to value creation in the digital age, covering key dimensions leading to successful business model redesign: strategy, operations, assets and capabilities, and enablers.

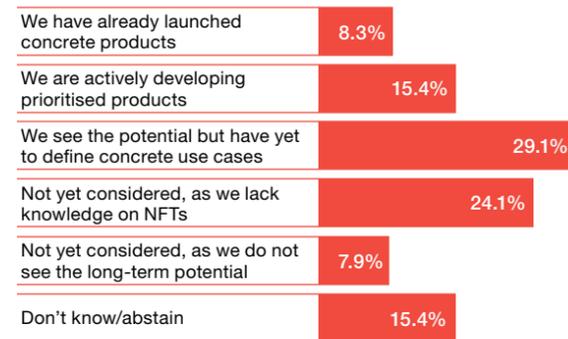
Figure 31: PwC digital assets maturity framework



Source: PwC Sports Business Advisory and HORIZM

¹ Note: Non-exhaustive, illustrative only

Figure 32: How does your organisation consider non-fungible tokens (NFTs) as part of its commercial strategy?
Percentage of respondents



Source: PwC Analysis, N = 241 (only rights owners)



Insight 25: Rise of NFTs shaping a new, pay-to-own digital economy

- Spurred by the success of NBA Top Shots, non-fungible tokens (NFTs) have been propelled to stardom on the commercial agenda of sports organisations, although the majority of rights owners still lack general knowledge as well as insight into concrete use cases.
- The pay-to-own trend (**Deep Dive XIII**) could even accelerate with the rise of virtual social spaces known as the Metaverse, where digital goods may become the ultimate currency, suggesting a promising space for sports' content and IP.
- While digital collectibles are flourishing, NFTs are not a product but a technology that can have multiple use cases (e.g. ticketing, membership scheme); it's therefore key for rights owners to first understand how NFTs can best fit into their long-term strategy before rushing investments.



Headlines

DraftKings to launch an NFT collectible marketplace

IOC collaborates with nWay to create Olympic NFT Pins



Deep Dive XIII

Beyond OTT, sports content driving multiple direct-to-fan opportunities

Data capabilities continue to grow across the industry, accelerating opportunities to monetise fans directly. To tap into this potential, sports organisations are naturally turning to their greatest asset: content. But despite its unfailing attractiveness, live content doesn't perform as well as it used to, even more so with younger generations (who are likely to age with this habit).

Instead of focusing narrowly on pushing fans towards paywalls, sports organisations should look at organic behaviours developed around sports content, such as gaming, shopping or interacting with peers. In line with the cross-subsidy

model long used by telco, sports content remains, after all, a great marketing asset.

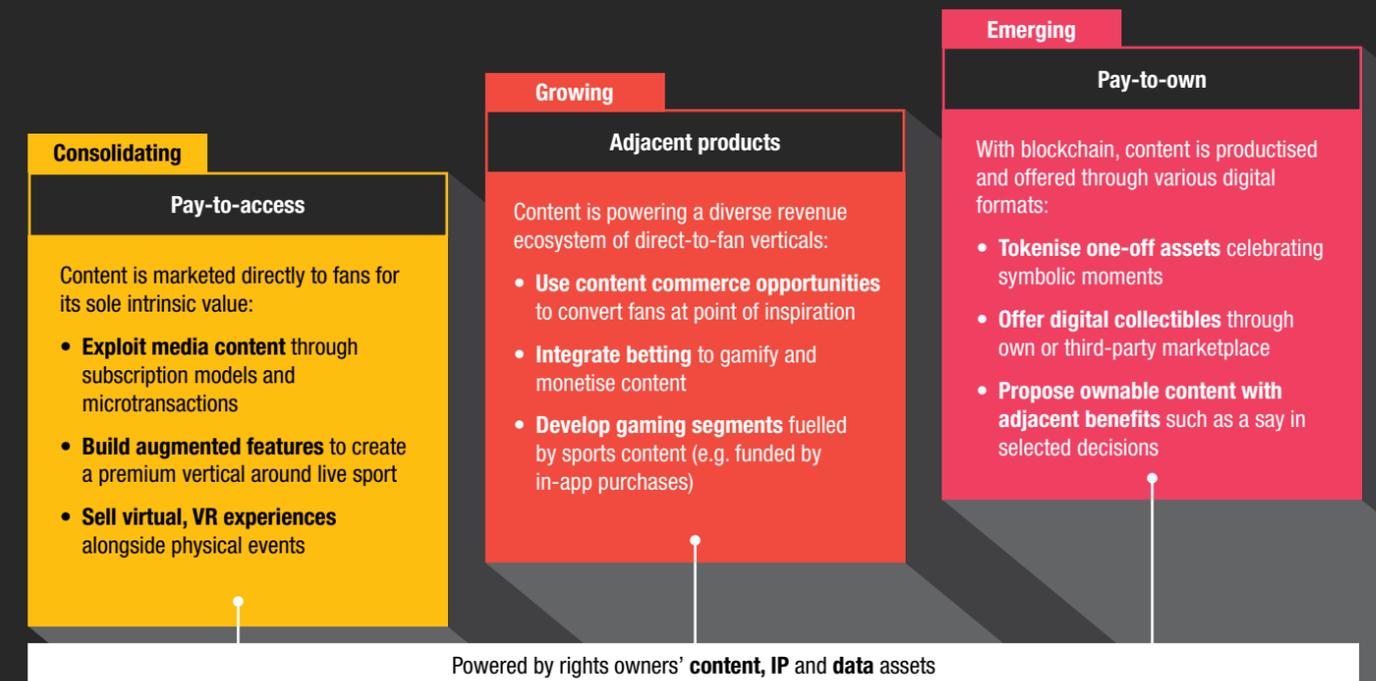
In the age of shoppable content and social commerce, sports content can be utilised as a catalyst for online retail, as shown by Amazon's use of Premier League rights in the UK or the content site Fandom's recent purchase of shopping platform Fanatical. In a different vein, Netflix's diversification into gaming also speaks volumes about the commercial limits of content as a standalone product.

Betting companies are also heavily investing in sports content and IP to drive their

marketing efforts beyond paid media, with Bally even acquiring the Association of Volleyball Professionals just months after announcing a partnership with Sinclair.

While rights owners seem to be primarily looking at the direct-to-fan space through OTT and, more recently, NFTs, they should fully appreciate the exponential value of sports content as a unique engine to power fan-facing products, certainly representing a key pillar of sports' future monetisation.

Figure 33: Direct-to-fan content monetisation framework



Source: PwC Sports Business Advisory

¹ Note: Non-exhaustive, illustrative only

Case study

FC Rapid's creative use of social for DTC monetisation

FC Rapid is a Bucharest-based football club that plays in the country's top division, Liga I. The club's outlook wasn't as bright six years ago, after it filed for bankruptcy and found itself in the fifth division. To regain momentum on and off the pitch, it needed to build a whole new marketing engine to attract fans, engage current ones and drive incremental revenue.

To achieve this, the club relied heavily – and creatively – on social media. Most notably, FC Rapid has used Facebook's Fan Subscriptions product since September 2020, earning recurring payments directly from fans. The monthly subscription of USD 4.99 unlocks a range of content, including weekly player podcasts, live look-ins at training sessions and live broadcasts of friendly matches.

Beyond content, subscribers receive exclusive opportunities to interact with the club. For instance, FC Rapid produces a show 'for subscribers, by subscribers', where fans can appear on the programme and ask questions to club officials and players. FC Rapid also creates off-line experiences for subscribers, such as sending exclusive, customised jerseys to selected fans. To date, the club has sold more than 750 subscriptions and expects this number to grow.



In a nutshell

While major disruptive forces threatening the industry have so far had only a moderate impact on sports' commercial operations, the effects of shifting fan behaviour, transforming media landscape and rising brand expectations are now materialising, forcing a long overdue shift from evolution to revolution.

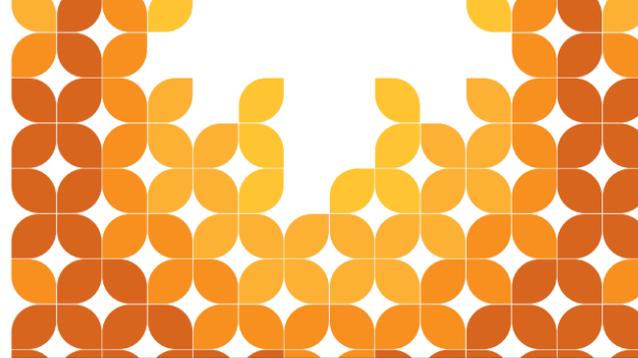
Despite encouraging upsides, notably the streaming boom stimulating the sports rights market in specific territories, a general decline in linear viewership is likely to bring sports content closer to its retail value. Hence the importance of maximising the latter by thinking beyond pay-to-access to the whole spectrum of content-led, direct-to-fan monetisation.

With media companies carefully controlling sports content acquisition, brands pursuing granular marketing objectives and consumers demanding flexible, cost-effective access à la Spotify, all market dynamics are heading towards an unprecedented level of liquidity, implying lower value and higher volume of aggregated transactions.

Looking ahead, we believe it is key that sports organisations combat threats of long-term deflation by considering a gradual unbundling of commercial assets, breaking up rigid and exclusive packages to fully embrace the digital economy – where the same inventory can be sold an infinite number of times. Adopting this shift from primarily licensed to mostly operated revenues will require major strategic work from sports organisations, which have never been faced with so many challenges and opportunities at once.



State of the industry



Sustainability



Transformation



Commercial

PwC Sports Survey data

Market growth outlook

Expected annual growth rate by revenue stream

Key market forces in the sports industry

Respondents' feelings about and readiness to key market forces

Motivations for sports organisations to actively engage in sustainability

Does your organisation address sustainability as part of its corporate strategy?

How the sports industry should address financial sustainability in the next 3-5 years?

Most relevant initiatives to facilitate relationships with fan communities

Governance reforms of highest priority to rights owners

Regarding private investors in sport, to what extent do you agree or disagree with the following statements?

Greatest opportunity for physical/traditional sports in the gaming space

How do you think gamification will impact traditional/physical sports?

How will media rights distribution evolve in the next 3-5 years?

Key challenges to manage the transition from cable to streaming distribution

Impact of fan data on sports organisations' commercial activities in the next 3-5 years

How does your organisation consider non-fungible tokens (NFTs) as part of its commercial strategy?

Steadying the ship

Betting and fantasy continuing to grow at a fast pace

Shifting media landscape leading change

Sport recognising its influence beyond the pitch

Executives feeling cautiously optimistic

Stakeholders driving sport's societal change

The rise of purpose-driven sponsorship

Female athletes bringing social activism at the forefront

Sustainability raising as a major strategic driver

Fans growing influence, stressing relationship management

Rising expectations forcing rights owners to recharge their commercial skills

Governing bodies seeking operational excellence

Private investments still in full swing, leaving doubts on long-term effects

Bringing gaming to sport and not the reverse: the real virtual opportunity?

More than fan experience, the urgent need of gamifying participation

Slowing rights market causing polarisation, forcing entrepreneurial risks

Fractured media landscape undermining exclusivity

Sports content getting fit for the streaming era

Rights owners accelerating on first-party data

Rise of NFTs shaping a new, pay-to-own digital economy

Insights

Deep Dives

Athlete-centred sports gaining popularity

How to become a sustainability leader

Football in search of a sustainable financial model

A fact book on fan behaviours

Who's owning the sports conversation?

Torn between multiple identities, how should sport define its future self?

Protecting value through deal readiness

From fans to athletes, balancing out innovation

A holistic approach to developing a sports property

Rewriting the content distribution playbook

The promise of original programming

Digital assets maturity, a path to redesigning sports' value proposition

Beyond OTT, sports content driving multiple direct-to-fan opportunities



Our service offerings

- Corporate strategy
- Business planning
- Organisational design
- Governance and compliance
- Independent business review and due diligence
- Market analysis and benchmarking
- Mega-event feasibility and impact assessments



Our clients

- Brands
- Event organisers
- Host cities
- Sports federations
- Leagues and teams
- Media companies
- Sports marketing agencies
- Sports ministries
- Sports tech firms

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Credits

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Our Sports Business Advisory team

The Sports Business Advisory team was established by PwC Switzerland in 2012 and has evolved into PwC's sport business hub for EMEA, working closely with local teams and functional experts throughout the PwC network. Since 2016, we've been publishing PwC's annual Sports Survey, checking the pulse of the sports industry. We hope you found the sixth edition of this publication insightful.

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