Sports industry: rebooting system
This survey was conducted by our Sports Business Advisory team between June and August 2020 through an online questionnaire distributed to sports industry leaders around the world. Because they share our vision of establishing an independent perspective on the state of the industry, a number of high-profile sports executives supported us by sharing the questionnaire with their peers. This helped us ensure broader representation across regions and industry segments. The effort was also driven by PwC Australia, China, France, Germany, Hungary, India, Japan, the Middle East and Russia. In total we received 780 responses to our questionnaire across more than 50 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 is complemented by data provided to us by IRIS Intelligent Research in Sponsorship and HORIZM, as well as the team’s knowledge, research and views about the industry.
Dear friend of the sports industry,

In this particularly turbulent time for our sector marked by COVID-19, we’re pleased to have gathered the views of 780 industry leaders – a record number of respondents for the second year in a row. The continually increasing size and quality of our sample has enabled us to reinforce both the depth and validity of our analyses. To this end, I’d like to express my most sincere thanks to each and every one of you for your valuable contribution.

As expected, the 2020 edition closely reviews the short- and long-term consequences of a crisis unprecedented in the history of modern sport. Against this backdrop, we’ve delved into the rapidly evolving sports media ecosystem, as well as the opportunities and challenges of emancipating esports as a new discipline alongside its physical equivalent.

In general, our results show that the prevailing pessimism is cut by the many opportunities brought about by the crisis. This situation may favour the emergence of changes that have long been considered but never achieved to their full extent, whether it be hybrid sports, new revenue streams, drastic governance reforms or enhanced collaborative models.

Ultimately, as demonstrated by spectators’ unwavering interest amid and after the hiatus, nothing seems to be able to undermine the inspirational capital of the sports product. This means that all the ingredients are in place for industry leaders to fully engage in the building of an equally prosperous but more robust new dawn for sports.

Yours sincerely,

David Dellea

Head of Sports Business Advisory
How to get back on track?

Top 10 sports by potential to grow revenues:
1. Esports
2. Football/soccer
3. Basketball
4. Urban sports
5. Tennis
6. Golf
7. Cycling
8. Motorsport
9. Rugby
10. American football

Most growing sports media content types:
- Highlights/short-form content: 90.5%
- Team/athlete-generated content: 81.6%
- Original content/documentaries: 75.7%

Top three industry-wide opportunities and threats:
1. Impact of health and safety crises
2. Reduced financial resources to invest/innovate
3. Dominance of major tech firms as gateway to content

Top three benefits and challenges for rights owners setting up an esports strategy:
1. Engaging a new fan base
2. Attracting new commercial partners
3. Generating new revenue streams

Most expected collaboration models with the sports industry:
- Joint projects and co-creation with sponsors: 70.2%
- Funding by financial investors/private equity: 75.0%

Top 10 sports grow revenues by potential to prepare to face the COVID-19 crisis:
1. American football
2. Tennis
3. Rugby
4. Motorsport
5. Basketball
6. Cycling
7. Football/soccer
8. Urban sports
9. Golf
10. Esports

Relative to other industries, how well was the sports industry prepared to face the COVID-19 crisis?
- Below average: 31.0%
- Average: 28.4%
- Above average: 13.0%
- Excellent: 1.2%
- Very poor: 25.5%
- Don’t know/abstain: 1.0%
Each year, we survey a select group of industry leaders on their perceptions of the growth, key opportunities and threats faced by the sports market. Through this exercise, we aim to provide you with macro insights on how our industry is likely to develop in the coming three to five years. This section outlines high level takeaways, setting the stage for the following chapters which address in greater detail the impact of COVID-19, the market dynamics reshaping sports media as well as the growing opportunities in esports.
Insight 1: COVID-19 undermining growth expectations

- Fully impacted by the COVID-19 outbreak, the sports market is predicted to slow to an annual growth rate of 3.3% in the next 3-5 years (down from 8% compared to the past 3-5 years). 30% of respondents expect growth rate to be zero or below.
- The Middle East and Asia – fuelled by robust governmental support, upcoming mega events and overall growing commercial maturity – report the most optimistic forecasts. Africa also anticipates steady growth thanks to an increasing influx of investments and partnerships.
- In Europe, the Americas and Australasia, the crisis has significantly lowered confidence. We nevertheless dare to see the cup half full: long-term growth prospects of above 3% per annum suggest that the industry holds robust fundamentals.

European Club Association predicts a EUR 3.6bn revenue shortfall for elite football

NFL’s revenue could fall by USD 4bn over the coming season

Source: PwC Analysis, N=771

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
Insight 2: Betting and fantasy presenting greatest growth prospects

- Betting and fantasy are predicted to become key industry drivers in the next 3-5 years, with an anticipated yearly growth of 7.2%. These favourable forecasts are mainly due to the rapid acceleration of the betting market in the United States since the lifting of the federal ban in 2018.
- For rights holders, these prospects imply the growing potential of both core (e.g. betting partnerships, licensing of game data rights) and adjacent (e.g. integration of betting and fantasy into live broadcast) betting-related revenues.
- Concerning sports’ historical revenue streams, licensing, merchandising, media rights and sponsorship are still expected to grow slightly over the next few years (3% on average), while ticketing and hospitality are projected to remain flat.

Insight 3: Esports accelerating its rise as fastest-growing category

- Benefiting from unprecedented exposure in the mainstream media, esports unsurprisingly emerged as the big winner of this lockdown period. The simulated sports genre, which temporarily turned into a substitute for real, physical sports, is even ranked first by respondents.
- The growth potential of the ultimate global games – football and basketball – remains robust, as confirmed by the large broadcast audiences recorded by the major competitions at the time of their respective restarts.
- Interestingly, motorsport moved up to 9th place – up 5 ranks from the last edition. This may be tied to the recent experiments by flagship properties such as Formula 1 and NASCAR during the hiatus, reaping great success with innovative fan engagement campaigns.

Headlines

- FIBA announces its first esports competition for national teams
- LaLiga’s global viewership grows by 48% at restart

<table>
<thead>
<tr>
<th>Sponsorship and advertising</th>
<th>Media rights</th>
<th>Betting and fantasy</th>
<th>Ticketing and hospitality</th>
<th>Licensing and merchandising</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.4%</td>
<td>10.1%</td>
<td>13.7%</td>
<td>3.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2.2%</td>
<td>3.2%</td>
<td>7.2%</td>
<td>3.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>0.0%</td>
<td>0.0%</td>
<td>7.0%</td>
<td>3.2%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N=771

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

<table>
<thead>
<tr>
<th>Esports</th>
<th>Esports action/fantasy/shooter</th>
<th>Football/ soccer</th>
<th>Urban sports</th>
<th>Tennis</th>
<th>Golf</th>
<th>Cycling</th>
<th>Motorsport</th>
<th>Rugby</th>
<th>American football</th>
</tr>
</thead>
<tbody>
<tr>
<td>86.3%</td>
<td>85.8%</td>
<td>73.8%</td>
<td>66.4%</td>
<td>50.6%</td>
<td>40.7%</td>
<td>38.2%</td>
<td>33.3%</td>
<td>32.0%</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N = 702

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

Figure 4: Ranking of top 10 sports by potential to grow revenues Percentage of respondents, Top 2 box (“above average” and “very high”)
Insight 4: Digital strengthening its position as major opportunity driver

• Survey results show that sports leaders fully recognise the digital fan experience as a top priority, although few organisations have yet managed to deliver it in a way that allows it to acquire and retain fans sustainably.

• The COVID-19 pandemic has significantly weakened physical entertainment, reinforcing the value of both immersive and interactive technologies to compensate for sports’ diminished visual and social experiences.

• Highly rated by survey respondents, sports properties’ digital assets can unlock a broad space for growth (Deep Dive 8), in particular by making use of the rising interest in short-form and on-demand content.

Insight 5: Rights market pointing out opportunities through diversification

• In contrast to the historical model, the sports rights market has put negotiation power in the hands of content buyers over rights owners; a symbolic paradigm shift that is likely to impact the dynamics of rights tendering.

• Given that media companies are also being severely hit by the crisis, the future suggests a more diversified, risk-sharing revenue pattern, which might imply more transactions of lower values on average.

• We believe that the greatest potential for positive disruption lies in media rights, where we expect a softening of current exclusivity terms and growth of collaborative distribution models.

Insight 6: Health crisis squeezing resources and investments

• Looking at threats, the COVID-19 crisis is unsurprisingly top of the agenda for sports leaders, with primary concerns around reduced financial resources to invest and innovate.

• On the bright side, most sports leaders agree that sports’ capacity to engage audiences remains intact, as interest in live sports content is not expected to drop.

• Facing today’s dramatic challenges and tomorrow’s uncertainties, the sports industry urgently needs to ask itself what concrete initiatives should be prioritised to accelerate change despite significantly reduced resources.

Headlines

- J. League and DAZN agree on a collaborative, profit-share rights deal
- Chelsea signs its first non-exclusive, short-term partnership with Duracell
- The state of the sports industry | PwC's Sports Survey 2020

Figure 5: Top opportunities to increase revenues in the sports industry
Percentage of respondents, Top 2 box (“above average” and “very high”)

| Enhance digital media fan experience (e.g. UX, interactivity) | 89.3% |
| Creation and monetisation of digital assets | 82.9% |
| Innovation in media rights packaging and distribution | 72.2% |
| Innovation in sponsorship rights packaging (e.g. flexibility, targeting) | 70.4% |
| Monetisation of gaming and esports | 69.5% |
| Improved on-site fan experience | 62.6% |
| Monetisation of betting and fantasy | 54.5% |

Source: PwC Analysis, N=780

Figure 6: Top threats to revenues in the sports industry
Percentage of respondents, Top 2 box (“above average” and “very high”)

| Impact of health and public crises | 69.3% |
| Reduced financial resources to invest/innovate | 58.1% |
| Dominance of major tech firms as gateway to content | 45.4% |
| Growing complexity to reach/service fans | 44.4% |
| Sports content saturation/scheduling conflict | 41.0% |
| Piracy/illegal streaming | 40.8% |
| Declining interest in live sports content | 30.5% |

Source: PwC Analysis, N=780

It’s time to accelerate direct relationships with fans.

Timo Lumme, CEO/Managing Director at IOC Television & Marketing Services

“COVID-19 has been a digital accelerator and an enabler for change. Vision and strategy suddenly became must-haves to secure sports’ future legacy. At FIVB, the threat has been turned into an indisputable opportunity.”

Guido Betti, TV & Marketing Director at FIVB
The growing opportunity of monetising digital assets

Digital assets are touted as a significant opportunity by sports leaders, ranked second as a top prospect to increase revenues. In the context of transition from linear to digital consumption and growing interest in non-live content, digital assets can indeed provide an opportunity to de-risk dependency on live events and diversify revenue streams.

To harness this potential, it’s essential that rights owners advance their ability to clearly package, value and commercialise digital assets, moving away from merely considering them as a tool for indirect sponsorship monetisation.

Alongside Spanish start-up HORIZM, we’ve developed a simple maturity framework to help rights owners navigate their development agenda. As highlighted in figure 7, making digital assets an integral part of the commercial strategy requires alignment and concerted progress across multiple dimensions within the organisation, including strategy, structure, leadership, performance and technology.

To illustrate the impact, we’ve singled out three main key performance indicators (reach, engage, monetise) to track progress towards greater maturity in commercialising digital inventory (figure 8). Each element works incrementally and ensures a compounding effect to uplift revenues.

Demonstrating the potential of digital assets in the context of social media, HORIZM provided us with anonymised data collected from a sample of clients (figure 9). Any sports organisation (irrespective of size) has the potential to gain a significant uplift in revenues by going from stage 1/2 to stage 3/4. Interestingly, only increasing the number of fans (or followers) has alone the smallest impact, whereas boosting engagement and extending the commercial inventory truly drive up the commercial value. The size of the prize may be an uplift in revenues up to 12 times.

<table>
<thead>
<tr>
<th>Commercialisation of digital assets</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect commercialisation through activation</td>
<td>Individual assets are commercialised opportunistically</td>
<td>Packages of digital assets are commercialised</td>
<td>Digital assets are integral part of overall commercial strategy</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td>No strategy</td>
<td>Plan with outlined digital activities</td>
<td>Clear vision and strategy for digital transformation</td>
<td>Business-aligned strategy and roadmap</td>
</tr>
<tr>
<td>Structure</td>
<td>No specific digital skills in-house</td>
<td>Selected core-skills centralised and agency</td>
<td>Centralised hub and dedicated resources (more insourcing)</td>
<td>Decentralised and re-skilling</td>
</tr>
<tr>
<td>Leadership</td>
<td>Limited buy-in</td>
<td>Verbal support but inadequate resourcing</td>
<td>Sponsorship and increased investment in digital assets</td>
<td>Appropriate investment and resource allocation</td>
</tr>
<tr>
<td>Performance</td>
<td>Volume-based KPIs</td>
<td>Quality-based KPIs</td>
<td>Value-based KPIs</td>
<td>Lifetime value KPIs</td>
</tr>
<tr>
<td>Technology</td>
<td>Default channel-based analytics</td>
<td>Customised channel-based analytics</td>
<td>Make use of market analytics platforms and reports</td>
<td>Tailor-made dashboard based on own data warehouse</td>
</tr>
</tbody>
</table>
As you perfect your ability to generate attractive content – tailored to the specificities of the digital platforms and their audiences – you’ll grow the number of fans. Driven by an efficient content strategy, you’ll be able to boost the portion of meaningful engagement (comments and shares) on social channels, as well as optimise usage on first-party, owned platforms. Last but not least, you’ll get better at using technology to integrate relevant brands into digital content, increasing the commercial impact of digital assets.

### Case study A

**Mid-tier football club (Big 5 league), primarily local audience**

<table>
<thead>
<tr>
<th>Stage</th>
<th>% of inventory commercialisation</th>
<th>% of meaningful engagement</th>
<th>Fan reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>10% commercialised</td>
<td>1.0% of total engagement</td>
<td>2 million fans, of which 5% international</td>
</tr>
<tr>
<td>3-4</td>
<td>60% commercialised</td>
<td>2.5% of total engagement</td>
<td>5 million fans, of which 30% international</td>
</tr>
</tbody>
</table>

*Potential to increase digital assets revenues by x12*  

### Case study B

**Top-tier football club (Big 5 league), primarily global audience**

<table>
<thead>
<tr>
<th>Stage</th>
<th>% of inventory commercialisation</th>
<th>% of meaningful engagement</th>
<th>Fan reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>10% commercialised</td>
<td>2.5% of total engagement</td>
<td>32 million fans, of which 65% international</td>
</tr>
<tr>
<td>3-4</td>
<td>60% commercialised</td>
<td>4.5% of total engagement</td>
<td>48 million fans, of which 65% international</td>
</tr>
</tbody>
</table>

*Potential to increase digital assets revenues by x6*  

Source: PwC’s Strategy&, Capabilities-Driven Strategy + Growth  

Source: HORIZM Data, PwC Analysis, Figures in USD millions
We surveyed sports industry leaders on both the short-term impact and long-term implications of the COVID-19 crisis. Results indicate that the sports sector was less prepared relative to other industries, with a full recovery expected no sooner than 2022-2023. Investigating the potential changes arising from the crisis, digital transformation, revenue diversification and investments from external stakeholders are the market prospects most likely to be accelerated. We also looked at how strategic collaborations are expected to impact the sports landscape going forward.

**Insight 7: COVID-19 catching sports off guard**

- Like all industries predicated on events and mass gatherings, the unprecedented health crisis brought about by COVID-19 has impacted the sports market at its very core.
- The sports sector is just not used to external crises, as its major blowbacks often come from within the industry itself (e.g. corruption and doping). This has shaken the sense of security and untouchability in which the sector has wrapped itself in recent years.
- In many instances, risk management and contingency plans were not in place. Short-sighted funding, cash flow and cost management practices were drastically exposed.

![Figure 10: Relative to other industries, how well was the sports industry prepared to face the COVID-19 crisis?](image)

Source: PwC Analysis, N = 698

就像所有依赖事件和大规模集会的行业一样，COVID-19的突然到来对体育市场产生了深刻影响。结果表明，体育部门相对于其他行业来说，准备不足，需要在2022-2023年才能完全恢复。调查发现，潜在的变化可能包括数字转型、收入多元化和来自外部利益相关者的投资。我们还研究了战略合作将如何影响体育行业的未来。
Amateur participation sports such as running, triathlons and cycling are suffering heavily from the crisis. These disciplines are highly dependent on mass, physical participation. Their format (rather long and slow) does not allow the shortfall to be recouped through significant media-related revenues.

Amid this uncertainty, the overlap between real and virtual sports is increasingly converging. This blurring of boundaries takes on a new dimension with the emergence of the hybrid sports model, which merges sports-like physical efforts with esports’ virtual rendering.

We believe that hybrid has the potential to carve out a promising value proposition for participation sports by attracting a balanced mix of both (virtual) spectators and (connected) participants. Relying on the same training and performance model, triathletes, runners and bikers can smoothly try their hand at this new category; the investment in equipment more or less compensates for the logistical costs of getting to event sites.

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Insight 9: Health challenges accelerating transformation

- The crisis essentially accelerated all underlying trends shaping the industry, bringing a wide range of emerging products and solutions to life.
- Sports organisations have multiplied experiments, giving rise to the first virtual stands.
- The crisis essentially accelerated all underlying trends shaping the industry, bringing a
  financial challenges independently

<table>
<thead>
<tr>
<th>Sports organisations will increase funding and efforts to accelerate digital transformation</th>
<th>To save costs, sports organisations will decrease funding of digital transformation initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>76.4%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Albeit suffering, the pyramidal system of sports is robust and will adjust to the new reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sports organisations will increasingly focus on diversifying revenues streams</th>
<th>Sports organisations will prioritise rebuilding and growing core revenues streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>70.6%</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

Insight 10: Greater risks pushing a new, diversified revenue model

- Sports organisations are highly dependent on a few, high-value revenue drivers. The crisis has redefined the relationship between rights sellers and buyers, empowering the latter and thus putting tangible pressure on the traditional model.
- Rights owners facing particular danger are those with less diversified revenue streams, a narrower portfolio of commercial partners, and not benefitting from financial contributions from wealthy stakeholders.
- We share the view that sports will be forced to diversify and open up to new revenue streams, which will shape a more liquid, transactional market based on a broader portfolio of partnerships.

Insight 11: Has the era of game-changing reforms arrived?

- Overall, the COVID-19 crisis is widening the gap between bigger and smaller sports properties. As the attractiveness of their product is fundamentally driven by maintaining a competitive balance, leagues and federations are facing a “moment of truth” testing solidarity mechanisms.
- The jury is out on whether governing bodies will take advantage of the crisis to address systemic issues, notably by establishing new, more drastic regulations and testing solidarity mechanisms.
- Doubling up pressure for reforms, sports has been coming out of its microcosm by emancipating itself towards a more assertive societal role, with leagues and athletes becoming leading figures combating racism and inequality.

PwC’s Sports Survey 2020

Headlines
- Bonnusia Dortmund organises “Virtual BVB Tour of Asia”
- Reallife Tech raises USD 7.2m for event safety product

Impact of COVID-19

- We are re-examining our business model. Traditional events have been and will be affected for an indefinite time; we thus need to explore other revenue streams.

Robert Fasulo, Executive Director, International Surfing Association

Headlines
- Private equity funds aim to relaunch Serie A
- CVC acquires 28% share of PRO14 Rugby

World Rugby is looking at governance and decision-making for a post-COVID world, recognising that new and younger audiences want to see an inclusive, diverse, and socially-responsible sport.

Alan Gilpin, COO, World Rugby

Insight 12: Sports on the back-foot, calling upon investors

- The sports’ financial model, characterised by short-termism and fragile cash flows, has been severely tested by the health crisis by forcing it to draw on its (often meagre) reserves.
- This underlying vulnerability, combined with a decline in financial valuations, has further boosted the existing interest of private equity funds, which have become increasingly active and seeking opportunities for investment (Deep Dive IV).
- If transactions were to materialise, we would then witness a form of convergence towards the top-down, North American model, where sports would increasingly develop under the wing of private companies driven by return on investment.
Sports leaders are clear that the COVID-19 crisis is not a short-term affair; nearly 44% of respondents expect the recovery to be by 2023 or later. Under such a premise, it’s of paramount importance to make sure that organisations develop a clear roadmap towards recovery, using short-term funding and governmental schemes to set the foundation for a more sustainable future.

Concretely, the methodology below (figure 13) from PwC’s Strategy& uses a six-step approach to help sports organisations reach long-term prosperity:

1) Rapidly iterate and define strategy
   - Understand fans, identify most viable opportunities, accelerate digital programmes, target growth areas.

2) Radically transform cost structure
   - Identify, classify, and prioritise cost areas, boost shared services (revenue and cost-side), optimise cash flow management.

3) Reimagine the operating model
   - Identify core capabilities and assets, consider benefits of partnership and outsourcing, adjust governance model to boost performance and scale.

4) Build differentiating capabilities
   - Increase investment in impactful areas, strengthen attractiveness of core products and ability to grow current and new revenue streams.

5) Activate culture-led behaviour change
   - Make the most of heightened openness for change, engage leaders to identify new ways of working, avoid cutting corners, put in place practice to reinforce change.

6) Build trusted value
   - Seize the moment to build trusted value with teams, fans, customers and broader stakeholders to ensure the ecosystem as a whole emerges stronger.

**Deep Dive III**

**How to get fit for recovery?**

**Headlines**

- NBA utilises Microsoft partnership to bring in virtual fans
- Formula 1 collaborates with sponsors AWS and DHL around driver performance and esport

**Insight 13: Increasing complexity fostering collaboration**

- Respondents widely assume that the downturn will lead to an increase in collaboration between stakeholders in the sports ecosystem. Collaborations have the potential to trigger higher revenues, greater funding for strategic initiatives, as well as synergies that allow cost reductions (Deep Dive V).

- Exponential growth of complexity within the business sphere in general is also reaching the sport industry. This reinforces the relevance of expertise pooling and collaborative models, implying the sharing of both risks and assets.

- While cooperative models are already deeply integrated in the sports ecosystem (especially through the syndication of rights), we share the view that current challenges will drastically accelerate collaboration and value co-creation, both to increase revenues and reduce costs.

**Figure 15: Most prevalent collaboration models expected within the sports industry**

<table>
<thead>
<tr>
<th>Percentage of respondents, Top 2 Box (“likely” and “very likely”)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding by financial investors/private equity</td>
<td>75.0%</td>
</tr>
<tr>
<td>Joint projects and co-creation with sponsors</td>
<td>70.2%</td>
</tr>
<tr>
<td>Joint ventures with sports marketing agencies</td>
<td>57.6%</td>
</tr>
<tr>
<td>Teams/federations sharing resources and assets</td>
<td>51.8%</td>
</tr>
<tr>
<td>Corporate ownership of teams</td>
<td>44.5%</td>
</tr>
<tr>
<td>Creation of cross-sport event formats</td>
<td>44.5%</td>
</tr>
<tr>
<td>Public sector and corporates creating new events</td>
<td>33.5%</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N = 436
The past few years have seen an unprecedented rise of private investments in sports. While this has been common in North America, the COVID-19 crisis has accelerated the trend in Europe as well. According to Pitchbook, 10 deals amounting to almost one billion dollars were concluded in 2019 in Europe alone. One of the few most recent examples is the broad line-up of private equity firms and agencies (including Infront) competing for the chance to invest in the Italian Serie A.

What should rights owners watch out for in such a context? Based on our experience, the single most important aspect is making sure interests are aligned towards a shared long-term vision for the sport. This is even more important, especially considering that investors may have a shorter window to valorise (and exit) their investment compared to traditional rights owners. Funding should enable long-lasting advantages, like launching new sports formats, D2C channels, or technological advancements that collectively and sustainably increase fan reach and engagement.

To that end, an essential aspect is establishing a clear governance structure that will keep interest aligned while ensuring a new level of entrepreneurial agility and professionalisation to boost commercial activities. Indeed, the entry of a private investor will make a true difference only if it enables a ‘new way of working’, access to fresh talent and strategic thinking that would have been impossible to incubate in the context of a traditional rights owner and its structures.

As head of business development at Infront, Christian has been working with leading rights owners for over 20 years, implementing innovation and growth strategies to commercialise their IP.

**Appeal and caveats of private investments for rights owners**

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COVID-19 has had a ravaging impact on sports organisations, with revenue shortfalls estimated between 30 to 40%.

The effect of such huge financial pressure, which may persist for a while, has catalysed questions around how to reform sports organisations’ operating model to the top of the agenda.

The first impact has been shaping a sensible approach towards cost reductions. While some organisations may have opted for a solidarity-based method (“every department contributes…”), we are of the view that sports organisations should be strategic about reducing costs. Making use of “Zero-based activity assessment” methodology by PwC’s Strategy& (figure 16) offers an indicative framework addressing cost savings in a strategic manner.

The second impact relates to understanding who is best suited to do which activity within the organisation. This is where collaborations take on a central role, making sure that each activity is delivered by the organisation (or partner) that is judged to be the most impactful and cost effective.

How do we expect this to materialise in the sports industry?

• Firstly, we assume a greater push for shared services, particularly for sports leagues. Areas of focus are likely to be around further syndication of rights for revenue generation, procurement of centralised technology platforms and centralisation of (non-strategic, non-differentiating) back-office functions.

• Secondly, we predict that many governing bodies will be increasingly willing to separate sports governance and development (inherently political) from commercial exploitation. Strategic investors, either contractually or through equity investment, will concretise this approach by bringing in critical capabilities and assets, starting with entrepreneurial agility.

In a nutshell

The sports industry was far from being prepared to absorb a shock of this magnitude, shattering the false sense of security on which it had been relying for years. The entire sector has been affected, from grassroots to elite, with fundamentally harmful effects on properties that are highly dependent on physical manifestations.

Beyond the structural risks inherent in the industry’s natural ties with crowds and events, the crisis also brought systemic weaknesses to the surface, suggesting prospects for profound change. Indeed, the then-weak signals related to shifting consumption behaviours, mutation of revenue models, as well as the arrival of external investors have now become tangible trends. It’s vital that sports organisations fully address these issues with the perspective of turning them into opportunities.

All in all, the underlying challenges only shed light on the importance of innovation, proactivism and cooperation to protect and support the growth of the industry over the medium- and long-term. With regard to collaboration, we foresee the end of the historical, in-house vs. outsourcing binary model in favour of more symmetrical schemes, driven by value co-creation and shared accountability of results.
We surveyed sports industry leaders about the market forces that are incessantly reshaping how sports content is consumed. As the landscape is shaking up, we also asked trade-off questions to test diametrically-opposed scenarios. The findings demonstrate that sports media distribution is predicted to continue fragmenting drastically, driven by a wider variety of content formats, media players, enabling technologies and consumption behaviours. In this increasingly complex market, our analysis also shows that the growing relevance of platform integration may herald a push for reconsolidation and broader content accessibility in the ecosystem.

**Insight 14: Highlights arising as the “new free-to-air”?**

- As a proven engine to drive audiences, a broad range of media companies wish to acquire premium sports content, although only a few are actually able to afford live rights.
- Building on its affordability, on-demand nature and increasing popularity among millennials (Deep Dive VI), we see the highlights format gaining tangible attractiveness for media companies, affirming its commercial value.
- For rights owners, the pressure for brand and partner exposure (as most live content is locked behind paywalls) is becoming untenable. In this context, we expect further acceleration for highlights, which may become established as the “new free-to-air”.

- Streaming giants’ deep market penetration is reshaping watching habits among media consumers, fostering on-demand as the dominant format.
- While live content has been severely weakened by the COVID-19 crisis, sports has an inexhaustible narrative potential to convey inspirational, scripted stories (whether short- or long-form). On-demand also gives an ongoing relevance to content libraries, allowing media partners to enhance usage and combat churn while maximising rights owners’ IP exposure (Deep Dive VII).
- Driven by a clear convergence between supply (sports’ deep storytelling potential) and demand (rise in OTT offerings), we expect growth of the on-demand sports content market to accelerate, particularly benefiting rights owners with premium IP.

**Insight 15: Original content shaping a flourishing market**

- Streaming giants’ deep market penetration is reshaping watching habits among media consumers, fostering on-demand as the dominant format.
- While live content has been severely weakened by the COVID-19 crisis, sports has an inexhaustible narrative potential to convey inspirational, scripted stories (whether short- or long-form). On-demand also gives an ongoing relevance to content libraries, allowing media partners to enhance usage and combat churn while maximising rights owners’ IP exposure (Deep Dive VII).
- Driven by a clear convergence between supply (sports’ deep storytelling potential) and demand (rise in OTT offerings), we expect growth of the on-demand sports content market to accelerate, particularly benefiting rights owners with premium IP.
Highlight consumption grows among all age groups

To support our analyses on sports-related content types, we asked IRS (Intelligent Research & Strategy) to share some of their consumer research on sports media.

As detailed in figure 18, millennials’ consumption of highlights experienced a tremendous growth of 138% from 2015 to 2020, which only represents a tremendous growth of 138% from 2015 to 2020, which only represents a tremendous growth of 138%. As sports media consumption is firmly migrating towards streaming, IRIS data demonstrates that the underlying trend is all the more striking within OTT (205% growth from 2015 to 2020), which only reinforces highlights’ strategic significance.

While gaining wide adaption, the remaining question is around highlights’ commercial potential. What is a fair value for a format that is consumed at par with live content and, on top of that, with a greater level of attention?

The future pattern aims to show a more flattened curve with a reduced dependency on live events, which will be nothing more than vital links across an “always on” and omnichannel, IP-driven narrative.

To successfully pivot from an event focus to an IP focus, sports properties need to learn how to master both omnichannel publishing and multiplatform storytelling, bridging the gap between enabling technologies and content creation (see figure 19).

From event to IP to flatten the attention curve
The collapse of the pay-TV model is the biggest threat, whereas D2C represents a unique opportunity for sports to regain the lion’s share of the value chain.

Geoffroy Bourbon, Vice President, Sales & Sponsorships at ATP Tour

Insight 16: Traditional broadcasters aren’t dead, yet they urgently need to pivot their business

- Traditional broadcasters are struggling to escape the stigma of diminishing relevance. However, we’re convinced that they remain well-positioned to best serve sports consumers.
- Their long-term expertise in storytelling and audience management, their potential to aggregate content, as well as their ability to roll out an omnichannel value proposition (cable, digital, OTT) represent robust competitive advantages.
- While the perceived association between traditional broadcasters and historical TV models remains strong, media companies which are bold enough to pivot away from paywalled bundles with flexible offerings, all while managing their base of fixed costs, are definitely here to stay.

Figure 20: Expected growth of sports media consumption by channel types

Percentage of respondents, Top 2 Box (“grow” and “grow significantly”)

<table>
<thead>
<tr>
<th>Channel Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media platforms</td>
<td>66.1%</td>
</tr>
<tr>
<td>Super-aggregators (e.g. Apple TV, YouTube TV)</td>
<td>66.0%</td>
</tr>
<tr>
<td>Pure streaming and OTT offerings</td>
<td>84.9%</td>
</tr>
<tr>
<td>Rights owners’ OTT offerings</td>
<td>77.8%</td>
</tr>
<tr>
<td>Unofficial streams/privacy</td>
<td>47.6%</td>
</tr>
<tr>
<td>Pay-TV broadcasters (cable and online)</td>
<td>32.0%</td>
</tr>
<tr>
<td>Free-to-air broadcasters (cable and online)</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N = 647

Figure 21: Expected growth of sports media business models

Percentage of respondents, Top 2 Box (“grow” and “grow significantly”)

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freemium (paid access to certain content or features)</td>
<td>69.1%</td>
</tr>
<tr>
<td>Pay-per-view and microtransactions</td>
<td>66.9%</td>
</tr>
<tr>
<td>Integrated in-play/live betting</td>
<td>65.7%</td>
</tr>
<tr>
<td>Native advertising (e.g. branded content, virtual advertising)</td>
<td>64.9%</td>
</tr>
<tr>
<td>Unbundled subscriptions (sports content only)</td>
<td>58.1%</td>
</tr>
<tr>
<td>Bundled subscriptions (sports, entertainment, telecom)</td>
<td>56.1%</td>
</tr>
<tr>
<td>Classic advertising (e.g. pre-roll/mid-roll)</td>
<td>54.7%</td>
</tr>
<tr>
<td>Public service broadcasting</td>
<td>42.1%</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N = 647

Headlines

- NBS Sports migrates premium sports content to OTT platform Peacock
- Disney offers Hulu, Disney+ and sports-related ESPN+ for free to Verizon clients
Insight 17: D2C morphing into B2B2C

- After a period of euphoria, survey results show that enthusiasm for pure rights owners’ OTT offerings as substitutes to media partners is waning.
- Nevertheless, well-operated D2C strategies bring tangible benefits to rights owners: a better understanding of their fan base through data, additional revenues, a supplementary touchpoint to either recycle or experiment new content formats, as well as robust leverage within rights-selling negotiations.
- Also, we expect OTT solutions to act as a trojan horse for the emergence of hybrid, B2B2C models, where rights owners service media partners with turnkey solutions.
- Everyone will focus on what they do best: rights owners delivering experience and storytelling, with media partners managing viewers and churn.

Headlines

- European Professional Club Rugby launches OTT platform to cover markets without TV deals
- Bundesliga’s OTT offerings complement B2B deals with broadcast partners

Insight 18: Media market moving from illiquid and exclusivity-based to liquid and collaboration-based

- Rights owners have mainly generated revenues from a few large-scale, exclusive rights deals in a cyclical pattern; this model has created a robust yet illiquid market, exposing the industry to significant risks.
- Even though the survey results speak for the resilience of the historical model, we dare to claim that both rights owners and broadcasters need to learn how to rely less on exclusivity going forward.
- We expect tendering processes to open up to a broader range of potential buyers, including smaller media companies, evolving the content distribution model towards collaboration and greater accessibility.

Headlines

- Swiss competitors Swisscom and UPC agree on sharing their respective sports assets
- Content Area’s sports rights trading platform fluidifies the market

Insight 19: Cutting through the noise with a richer, data-driven fan experience

- Deprived of on-site audiences and flagship content, the COVID-19 pandemic has pushed rights owners to new heights of creativity in order to reshape and augment the digital fan experience.
- Content holders have drastically accelerated their digital plans, giving birth to numerous and fundamentally variable – in terms of both quality and utility – augmented features (Deep Dive VIII).
- Within an uncertain and austere environment, it’s all the more critical for rights owners to control their technological investments, going beyond buzz words and peer pressure to precisely aligning with fan expectations.

Headlines

- Fox Sports’ new app offers set of augmented features to be refined based on usage
- Bundesliga partners with Amazon Web Services to deliver a personalised fan experience

Figure 22: How will the sports media landscape evolve in the next 3-5 years?

<table>
<thead>
<tr>
<th>Percentage of respondents, forced trade-off among two options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports content consumption will be a fragmented experience, involving numerous content distributors</td>
</tr>
<tr>
<td>A few super-aggregators will dominate the market, with highly-consolidated content libraries</td>
</tr>
<tr>
<td>Rights owners’ OTT offering will establish and thrive as a standalone revenue source, bypassing media companies</td>
</tr>
<tr>
<td>Rights owners’ OTT offerings will serve secondary content markets and grow licensing to media companies (B2B2C)</td>
</tr>
<tr>
<td>Premium live sports content will continue to generate value as a highly preserved and exclusive asset</td>
</tr>
<tr>
<td>Rights owners will transition to non-exclusive, risk-sharing business models and away from paywalls</td>
</tr>
<tr>
<td>The live sports media viewing experience will remain similar to traditional broadcasting</td>
</tr>
<tr>
<td>The live sports media viewing experience will become significantly richer, immersive and interactive</td>
</tr>
<tr>
<td>Tech giants will acquire premium live sports media rights, competing with broadcasters</td>
</tr>
<tr>
<td>Tech giants will utilise sports as a bait for brands and audiences, seeking content partnerships with broadcasters and rights owners</td>
</tr>
</tbody>
</table>

Source: PwC Analysis, N=660
Amplifying OTT broadcast

OTT providers were widely celebrated as the saviours of sports broadcasting. Purely Internet-based players, combined with younger brands, were the hope of many rights holders to effectively reach and engage younger audiences.

While digital platforms are enabled to enhance user experiences, OTT has not yet delivered in that regard. However, our respondents agree that enhanced user experience is the future of sports consumption, as confirmed by market studies around the preferences of OTT viewers (figure 23).

While Twitch is firmly democratising interactive, social broadcasting, leading to the market entry of bespoke solutions like LiveLike and Maestro, the COVID-19 crisis’ acceleration of digital trends has given rise to promising use cases within the sports industry, like the NBA League Pass offering games in VR and integrating betting through digital overlays.

Besides best practices, it should be recalled that fan experience is a multi-faceted and fast-evolving field, closely related to fluctuating fan behaviours. The framework in figure 24 helps manage complexity by identifying five main experience layers, each of which addresses different needs (e.g. consuming, playing and interacting).

While experience augmentation requires a clear roadmap and, above all, partnering with technology providers, directly addressing fan behaviours also brings as-yet-untapped monetisation opportunities.

Sports is the last genre to reinvent content around modern fans’ lifestyles. COVID-19 is accelerating this process, though the structure of the media rights market remains a barrier.

Paul Kandel, Head of Strategy, Intel Sports
Insight 20: Super-aggregators heralding the "Great Reconsolidation"

Across the sports and entertainment industries, the so-called “streaming war” is provoking to be a scourge for both platforms and users, incurring significant marketing costs for distributors and high subscription fees for consumers.

While content holders are increasingly recognising the value of aggregation over exclusivity by multiplying carriage deals, enhanced connectedness in the digital space is, for its part, driving ecosystem integration.

Despite a fragmented rights market, we foresee the “Great Reconsolidation” of media consumption, notably fostered by a handful of dominant content and tech players acting as super-aggregators (Deep Dive IX).

The biggest challenges remain fragmentation, the collapse of the bundle and what will re-emerge in its place. The current levels of fragmentation across all genres are unlikely to be sustainable.

Tom Broom, Senior Vice President, Business Development Entertainment and Digital at IMG

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<tr>
<td>53.0%</td>
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Figure 25: Sports media landscape over time

Formerly dominated by TV giants imposing rigid bundles but offering wide-ranging content libraries, sports media has evolved towards a highly fragmented market. Directly impacted by this channel chaos, dissatisfied fans are now forced to overspend, renounce or stream illegally.

Even if the sports rights ownership model is far too structured to enable the invariable rise of a Spotify-type value proposition, we still interpret market dynamics as moving towards consolidation, notably through carriage deals, platform integration and super-aggregators.

Indeed, platform integrators will be both commercially and technologically equipped to offer fluid, consumption-efficient offerings, creating revenue models that acknowledge and absorb churn, rather than desperately struggling against it.

Conversely, it can be expected that rights owners will achieve growth by further fragmenting their rights packages, fundamentally decoupling the distribution (fragmented) from the consumption (consolidated) market.

How will the sports media landscape evolve in the next 3-5 years?
Percentage of respondents, forced trade-off among two options

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Headlines

Apple TV+ adds showtime and ad-free CBS All Access as part of its offering

Reelgood streaming aggregation app launches integration with Android TV, Amazon Fire TV and LG smart TVs

Deep Dive IX

The sports media landscape over time

The age of editors, broadcasters struggle for leadership, a handful of dominant TV bundles strive to acquire a compelling range of exclusive rights to lock in subscribers

The age of disruptors, broadcasters compete against tech and digital players, shifting consumption habits, driving cord-cutting, new forms of entertainment fragment both rights market and content experience, risk of piracy

The age of aggregators, media market is split across a wide variety of content types and channels, media consumers rely on platform integration and super-aggregators to finally reach consumption efficiency

Yesterday

Consolidated media landscape

The age of editors, broadcasters struggle for leadership, a handful of dominant TV bundles strive to acquire a compelling range of exclusive rights to lock in subscribers

The age of disruptors, broadcasters compete against tech and digital players, shifting consumption habits, driving cord-cutting, new forms of entertainment fragment both rights market and content experience, risk of piracy

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Today

Fragmented media landscape

Platform-neutral packages maintaining exclusivity despite fragmentation

Streaming and tech players disrupting bidding processes

TV giants’ loss of dominance correcting media rights value

Starting tomorrow

Reconsolidated media landscape

Wide variety of partners shaping a transactional and fluid market

Increasing number of packages and buyers boosting rights value

Comprehensive and personalised library through platform integration

Yesterday

Dominant TV networks as the one and only buyer profile

Willingness to pay tied up to pricing practices of TV giants

Moderately satisfied viewers dependent on rigid bundles

Willingness to pay tied up to pricing practices of TV giants

Decreasing willingness to pay fostered by the rise of disruptive offerings

Satisfied viewers empowered to compose their own bundle

Today

Platform-neutral packages maintaining exclusivity despite fragmentation

Streaming and tech players disrupting bidding processes

TV giants’ loss of dominance correcting media rights value

Starting tomorrow

Comprehensive and personalised library through platform integration

Comprehensive and personalised library through platform integration

Satisfied viewers empowered to compose their own bundle

Figure 25: Sports media landscape over time

Source: PwC Analysis
Historically, the industry has drawn its commercial value from live sports. The COVID-19 shock has weakened this, fostering the adoption of alternative content formats. This new pattern pushes sports properties towards shaping their content strategies beyond events, paving the way for omnichannel and multiplatform storytelling.

The acceleration in cord-cutting, piracy and audience fragmentation are putting tangible pressure on the value of sizable, exclusive media rights deals. This underlying threat raises important questions on how rights owners should approach exclusivity. We predict the near-term adoption of more diversified content distribution models, shaping a liquid market.

Augmenting the fan experience might be on everyone’s lips, but sports-related digital platforms haven’t cracked it yet. As immersive solutions go mainstream in line with technological progress, consumption preferences need to be understood with higher granularity to enable the design and implementation of features that meet their needs.

In the broad scheme of things, the dynamics of the sports media market are becoming more complex. As sports are being consumed in a pluralistic way, marking the end of the historical monopoly of the live format, the proliferation of content buyers is contributing towards forming an ecosystem that is increasingly difficult for content distributors to control. This is the dawn of a new, convoluted reality in a market once simplified by the dominance of TV giants.
Esports

The great emancipation

We asked sports leaders whether esports was delivering commercial success and if simulated sports esports will be a mainstream viewership product. We also surveyed the potential of esports to create value for rights owners and the important challenges in entering this industry. Our analysis indicates that the commercial success to date has been mixed, but that esports is clearly worth persevering with. Esports can create value through engaging new fans, attracting new partners and generating new revenue streams, whereas the challenges are creating engaging narrative and developing an effective (monetisation) strategy. We also reflected on the emerging opportunities that mobile gaming might provide for sports organisations.

Insight 21: Sports organisations widely engaging with esports

- Over the last 2-3 years, sports organisations’ level of engagement with esports has accelerated significantly. The discourse around it has evolved from scepticism to embracing and learning.
- While many sports properties utilised virtual competitions to entertain their audiences, COVID-19 has amplified the underlying trend (Deep Dive X). This unprecedented period has given rise to promising use cases at the crossroads between sports and video games.
- The hiatus is over: sports organisations should now develop a long-term plan to capitalise on the esports opportunity, with the vision of achieving sustainable growth.

Engage with it! Learn, study and understand why a whole generation loves gaming and why games are now bigger than movies. Only when understanding the size of gaming will they understand the opportunity in esports.

Michael Broughton, Advisor, Acceleration Equity
COVID-19’s impact on esports growth

To fill in the gaping holes left by physical sports during the COVID-19 lockdown, many turned to gaming, including sports properties investing in esports activities to keep audiences engaged.

We have investigated this unprecedented situation with the help of market analysis carried out by IRIS (Intelligent Research in Sponsoring). Unsurprisingly, the consumption of simulated sports esports literally exploded at the heart of the crisis, tripling the number of hours watched (figure 27). Action, fantasy and shooter genres also experienced significant growth, with an increase of about 50%.

It is worth mentioning that the COVID-19 effect seems to have had a lasting positive impact on the popularity of gaming as a media product. Indeed, when comparing pre- and post-crisis data, this chart hints at a generalised uplift in consumption compared to the pre-crisis period. Of course, only time will tell if the trend will be sustained in the long run.

Interestingly, three aspects stand out when comparing action, fantasy and shooter with simulated sports genres:

• Firstly, the top-100 accounts for action, fantasy and shooter generated 500m hours watched in week 1 of 2020, dwarfing the 5m generated by simulated sports.

• Secondly, action, fantasy and shooter titles generated on average >180 hours watched for every hour streamed, compared to 23 for simulated sports (nearly 8 times fewer hours). This shows that simulated sports esports is not a mature media product yet.

• Thirdly, while the number of hours streamed for simulated sports remained high, the number of hours watched dropped significantly once real, live sports returned. Despite the advantage of being recognised and understood by a wider audience, there’s still a long way to go for simulated sports to sustain high viewership in parallel to physical competitions.

Data provided by Iris

Figure 27: Streaming and media consumption of gaming during COVID-19 crisis

<table>
<thead>
<tr>
<th>Weeks of 2020</th>
<th>Hours streamed</th>
<th>Hours watched</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.12.2019</td>
<td>~500m</td>
<td>~2.3m</td>
</tr>
<tr>
<td></td>
<td>(indexed to 100)</td>
<td></td>
</tr>
</tbody>
</table>

Source: PwC Analysis, IRIS Market Intelligence 03/2020 | Number of hours streamed and number of hours watched on YouTube and Twitch, for top-100 accounts of each title per partner, titles included: LoL, Dota 2, CS:GO, Fortnite, Battlegrounds

Figure 28: Progressive return of the sports

<table>
<thead>
<tr>
<th>Weeks of 2020</th>
<th>Hours streamed</th>
<th>Hours watched</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.12.2019</td>
<td>~5m</td>
<td>~106k</td>
</tr>
<tr>
<td></td>
<td>(indexed to 100)</td>
<td></td>
</tr>
</tbody>
</table>

Source: PwC Analysis, IRIS Market Intelligence 09/2020 | Number of hours streamed and number of hours watched on YouTube and Twitch, for top-100 accounts of each title per partner, titles included: FIFA, NBA2K, Madden NFL, F1, PES

Deep Dive X

COVID-19’s impact on esports growth
Esports driving the advent of multi-layered competition ecosystem

We expect governing bodies to increasingly recognise virtual variations of their sport as new disciplines. So, it’s crucial to accurately classify and define these, establishing appropriate regulations, involving relevant stakeholders and developing standalone go-to-market strategies.

We believe that considering esports as a new discipline will enable it to develop with a clear position within its respective ecosystem. This approach should mirror the development of new game formats like T20 cricket, FIBA 3x3 and Hockey 5s.

Sports investors like Monumental Sports & Entertainment and Harris Blitzer Sports & Entertainment have also added esports as a vertical alongside traditional sports and entertainment venues.

To cut through the landscape complexity and develop tailored development programmes, rights owners should distinguish between simulated esports (e.g. FIFA eWorld Cup) and hybrid esports, which refers to physical efforts with digital rendering (e.g. Digital Swiss 5).

Going forward, we predict that the addition of virtual disciplines will contribute to the creation of a multi-layered ecosystem, where each physical sport will have its simulated and hybrid equivalents. Ultimately, each subdiscipline will carry out different functions and bring specific benefits to the overarching body (figure 29).

Clearly, the shaping of such an ecosystem will take significant time to mature. As opposed to those who seek immediate returns, we expect rights owners that have long-term perspective for building standalone products and verticals to benefit the most from sports’ growing virtualisation.

Insight 22: Esports’ mixed results to improve over time

- It’s unrealistic to expect esports to deliver quick wins given its early development stage, requiring both patience and resilience from sports organisations.
- We believe that a gaming-first approach provides the most robust foundation to build upon, as games pave the way for both casual and competitive gaming to develop.
- To achieve consistent results over time, esports (intended as the virtual variation of the real sport) should be considered as a genuine new discipline within each sports ecosystem (Deep Dive XI).

Headlines

- UCI and Zwift launch cycling esports as a new discipline
- World Sailing creates eSailing World Championships in partnership with Virtual Regatta

Figure 29: Sports multi-layered competition ecosystem

Source: PwC Analysis
Simulated sports esports starting on the path of mainstream viewership

While divided on the question, most survey respondents believe that, in the medium-to-long term, simulated sports esports will manage to turn into a mainstream viewership product (Deep Dive XII).

Indeed, we think that this will happen as gaming grows, products improve, media coverage increases and technology advances. We expect that game modes will increasingly be developed with esports in mind, offering an improved visual experience for non-players.

Most notably, younger athletes who’ve grown up with gaming as a cultural norm provide a natural bridge between virtual and traditional sports. As a result, we perceive simulated sports esports as a great opportunity to attract both gamers and non-gamers, and thus democratise the viewership.

eNASCAR drives TV audience with esports product

Media companies’ Eleven Sports and ESPN invest in esports as a new content vertical

Growth of esports gambling confirms viewers’ interest

To better understand the viewership differences between simulated sports versus action, fantasy and shooter genres, we’ve analysed IRIS data on the weekly ratio between hours streamed and hours watched since January 2020. From this so-called return on streaming (figure 31), some interesting insights emerge:

Firstly, League of Legends (‘LoL’) is clearly setting the standard, with an average of 420 hours watched for every hour streamed. Riot Games is reaping the benefits from its massive investment in developing a strong competitive ecosystem, which today features 12 professional leagues qualifying for the world championship.

Secondly, there’s a significant gap between titles in regard to the volatility of their return on streaming. Indeed, some titles have clearly managed to break free from flagship one-off events, using their IP for week-in week-out media consumption.

Thirdly, action, fantasy and shooter esports genres are still firmly ahead of the curve compared to simulated sports, which are led by FIFA.

As mentioned earlier, the cup may be half empty or half full. Either this is proof of a structural disadvantage as a media product (which is cannibalised by real sports media), or merely an indication of a potential that, once the adoption curve rises, will be exploited to its full extent.

Deep Dive XII

Action, fantasy and shooter genres largely drive esports viewership

Figure 31: “Return on streaming”, by genre and title

Source: PwC Analysis, IRIS Market Intelligence 08/2020 | Number of hours watched divided by number of hours streamed on YouTube and Twitch, for top-100 accounts of each title per platform. +/- Percentages represents 1 standard deviation divided by the average value.
As simple as it can get, core to esports – and all other sports – has always been the joy of playing. That is where it all started. By introducing rules, gaming has culturalised playing and added a competitive edge to this form of enjoyment. Sport as we know it today is about more than playing games and competing: we’ve built an infrastructure around it consisting of leagues and tournaments, enabling a great experience for fans across the globe. Esports has all of this, too. There’s no difference. It’s about helping people unleash their maximum potential. As a pioneer in this industry, ESL has been at the centre of the esports movement for almost 20 years. While the scene has become more professional, the “why” never changed: to create a world where everybody can be somebody.

While there are already many good examples of (traditional) sports organisations embracing esports and its community, we’re not even close to reaching the end of this path. Gaming and esports are here to stay, and many organisations will find themselves at a disadvantage if they don’t start to appreciate and ultimately engage in this sector. Connecting to today’s young and digital audience has never been more challenging and an involvement in esports can serve as a remedy for those firms trying to reach the unreachables.

Let’s stop simply leaning back and start to lean in together. There’s significant value we can add together for athletes, teams, fans, game developers, brands and media partners.

As simple as it can get, core to esports – and all other sports – has always been the joy of playing. That is where it all started. By introducing rules, gaming has culturalised playing and added a competitive edge to this form of enjoyment. Sport as we know it today is about more than playing games and competing: we’ve built an infrastructure around it consisting of leagues and tournaments, enabling a great experience for fans across the globe. Esports has all of this, too. There’s no difference. It’s about helping people unleash their maximum potential.

Ralf Reichert
Founder and co-CEO, ESL Gaming

By now it should be clear: esports is not a hype but a phenomenon

As simple as it can get, core to esports – and all other sports – has always been the joy of playing. That is where it all started. By introducing rules, gaming has culturalised playing and added a competitive edge to this form of enjoyment. Sport as we know it today is about more than playing games and competing: we’ve built an infrastructure around it consisting of leagues and tournaments, enabling a great experience for fans across the globe. Esports has all of this, too. There’s no difference. It’s about helping people unleash their maximum potential. As a pioneer in this industry, ESL has been at the centre of the esports movement for almost 20 years. While the scene has become more professional, the “why” never changed: to create a world where everybody can be somebody.

While there are already many good examples of (traditional) sports organisations embracing esports and its community, we’re not even close to reaching the end of this path. Gaming and esports are here to stay, and many organisations will find themselves at a disadvantage if they don’t start to appreciate and ultimately engage in this sector. Connecting to today’s young and digital audience has never been more challenging and an involvement in esports can serve as a remedy for those firms trying to reach the unreachables.

Let’s stop simply leaning back and start to lean in together. There’s significant value we can add together for athletes, teams, fans, game developers, brands and media partners.

Ralf is a serial entrepreneur, avid gamer and esports evangelist. Ahead of its time, in 2000, he founded ESL, today the world’s largest independent esports event organiser.
Beyond esports, mobile gaming will form a critical part of future gaming and esports strategies. Although controlling a game’s IP can drive significant value from the gaming and esports ecosystem, it’s extremely hard for sports organisations to bypass publishers ownership-wise, especially considering the large financial and technical resources required for developing blockbuster games.

For its part, mobile gaming has lower entry barriers as it costs considerably less to develop and publish mobile games. Mobile gaming can indeed provide sports organisations with a great opportunity to use existing IP, create new digital assets and grow their digital audience. To date, sports has been slow to enter the mobile gaming sector but, given its size and growth, it’s definitely an area worth exploring.

The continued penetration of smartphones across the world, the major developments in 5G and the imminent advent of cloud gaming platforms all speak in favour of mobile gaming. Concretely, micro-games can offer a broad range of benefits for the IP owner, notably around fan engagement, data capture, in-game advertising and micro-transaction payments.

The market for mobile gaming is rather saturated, and the chances of creating a single hit game are low. Taking a portfolio approach by trying out several formats and concepts could be an effective way to manage risk.

In the medium-term, we expect new business models to emerge through greater collaborations between mobile gaming developers and sports organisations.

Embrace, engage and embody esports into the core of the organisation. It is here to stay, so those who adapt and adopt will benefit the most.

Jason Lohe, President at Gameplan Impact
Generally speaking, it is clear that the COVID-19 crisis has favoured the acceleration of virtual entertainment, improving the odds for simulated sports esports. While our analysis shows that the underlying trend is likely to continue over the long term, it should nevertheless not be taken for granted. Sports organisations need to carry full responsibility for their esports strategy and ride the wave before other games win and lock in consumers.

The central insight from our survey is the importance for rights owners to stop considering esports merely as a fan engagement tool but as a genuine discipline with its own rules, fans, heroes, and culture. Developing such a model is similar to developing a new product or a brand; it can only be part of a long-term process. The advent of hybrid sports – which puts an end to the perennial debate about the physical aspect of esports – has now reinforced both the legitimacy and potential of virtual sports within federations’ discipline portfolios.

Reflecting on the trends impacting the media market for traditional sports, rights owners must be inclined to experiment and diversify, with the vision of building their very own revenue ecosystem. If simulated sports esports does not yet have a dominant financing model, the wide variety and speed of the market imply that this may never be the case. For this very reason, the sports industry must be bold enough to break down boundaries and dogmas in order to truly emancipate itself both creatively and financially. This, to us, is the only path to esports success.
Impact of COVID-19: winds of change

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PwC’s Sports Survey 2020

• 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
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 Europe, the Middle East and Asia. The team helps sports industry players design effective strategies, identify new growth opportunities and optimise their operations to meet their business goals. Working closely with PwC teams and functional experts in various territories throughout our network, we’ve delivered projects for a variety of organisations across the EMEA region. Since 2016, we’ve published PwC’s Sports Survey annually, checking the pulse of the sports industry on growth expectations and a wide range of strategic and organisational topics. We hope you found the fifth edition of this publication insightful.

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Credits

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