

COMMERCIAL

TRENDS

IN SPORTS

2016



REPU**COM**

COMMERCIAL TRENDS IN SPORT

— 2016 —

Professional sport and the various industries around it, notably technology and media, are evolving every day; new partnerships, fresh thinking, innovations, breakthroughs and more refined models are changing the dynamics for brands, rights holders, broadcasters, agencies and indeed anyone involved in the organisation and commercialisation of professional sport.

Plotting a course through this ever-changing commercial landscape can be tricky, which is why Repucom has collated expertise, insights and data from across our 22 offices around the world and defined ten global trends in sports for 2016 and beyond.

From return on investment to fast-growth sports events, digital revenues to fan engagement, these are the **ten commercial issues** we believe will continue to be of fundamental importance across sport – and for each trend we've included our take on what may lie ahead, forecasts underpinned by our team of global experts and Repucom's vast global insights and data sets.

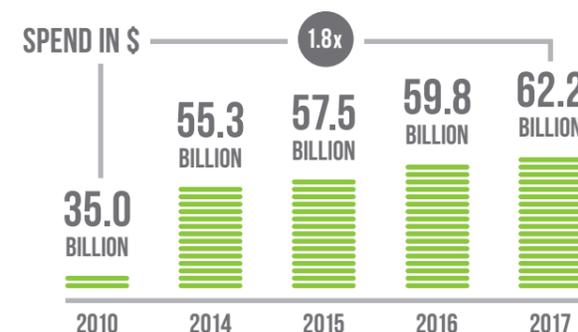
In this document, you'll find an overview of these ten trends; over the next few months, we intend to delve deeper into the detail of many of these trends, backed up by case studies from around the globe, through a series of whitepapers which will be available to download for free at www.repucom.net.

GLENN LOVETT President of Global Consulting, Repucom

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THE WORLD OF SPORT IS GROWING – AND EXPANDING

Global sponsorship spend is forecast to reach over \$62 billion by 2017 – a 1.8 times increase from 2010. There is potential for this growth to increase more than currently projected based on the impact of new inventory from digital media platforms – and more platforms equals more sponsorship opportunities. Other factors for future growth include continued economic development in Asia, Latin America and Africa, increased pay TV and broadband penetration in key developing markets, technological advances, changing consumption habits and aggressive new players entering the marketplace. The graph below shows the growth and projected growth in global sponsorship spend.



Source: Warc AdSpend Database; PwC Media Outlook; Emarketers; European Sponsorship Association Fact Sheet 2014; Repucom Analysis

2

'PARTNERSHIPS' ARE BECOMING MORE IMMERSIVE AND REWARDING

There is now a general market understanding that partnerships are about much more than just a well-placed logo and go well beyond mere financial transaction. Brands are becoming more demanding of their rights holder partners, both in terms of deliverables and good conduct. The best partnerships are developed collaboratively based on an understanding of the respective business and marketing objectives. Rights holders are increasingly seeking value-in-kind and marketing-in-kind elements from commercial relationships, whilst brands tend to be seeking effective ways of improving brand perception and opportunities to demonstrate a positive impact.



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POTENTIAL FUTURE OUTLOOK

- » Sponsorship and media rights will continue to grow at a steady pace.
- » Digital and betting and gaming rights will grow at a greater pace and fuel step-change growth in the next few years – despite the issues in the US with fantasy sports.
- » Asia and Middle East stakeholders will continue to invest but growth may be impacted by economic (e.g. oil prices) and political issues.
- » The technology sector will continue to be amongst the fastest growing sponsorship categories.

POTENTIAL FUTURE OUTLOOK

- » Integrated partnerships will become the norm and ensure greater value is generated from the sports industry as a whole.
- » Brands will continue to demand more from rights holders and push the industry to create greater value.
- » As a result, rights holders will continue to invest in approaching partnerships in a more sophisticated way – driving innovation and enhanced value.

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THE COMPETITION TO CAPTURE NEW AUDIENCES IS INTENSE

Audience attention is being diluted – people are generally interested in more things but intensely interested in fewer – leading to pressure on viewership and attendance for many sports. There is an intense focus on two major groups, women and Millennials. Both have tremendous purchasing power. Millennials present new opportunities, but also challenges for brands, while women represent the biggest source of potential new fans. Women are a valuable part of the sports economy, but much greater investment in women's sport, at a participation and professional level, is required. The graph below shows the purchasing power of the two groups this year.



Source: Repucom Analysis

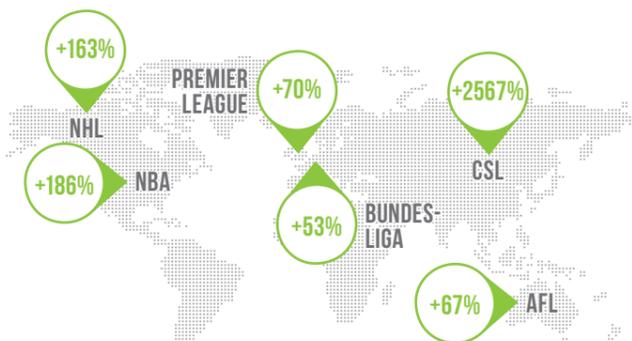
POTENTIAL FUTURE OUTLOOK

- » The quest to attract and engage Millennials will continue for every rights holder and sponsor.
- » An increasing recognition that female fans are powerful and influential purchasers of merchandise and less 'tokenism'.
- » Greater investment and innovation in women's sport, from grassroots to professional levels.

4

BROADCAST MEDIA: MORE VALUABLE THAN EVER BUT UNDER THREAT

Live sport remains premium broadcast content, with broadcasters seeking longer term contracts and looking to gain rights for digital platforms. Competition is intense, driving up the price of premium rights, while there are tensions with broadcasters as sports develop their own media products. The gap between the rights fees achieved for premium sports rights and secondary/niche sports is growing, prompting searches for alternative broadcast models. Live rights are particularly critical for broadcasters as pay TV growth flattens in most mature markets. The map below shows a selection of recent increases in fees paid by broadcasters to acquire premium sports rights.



Source: Repucom Analysis

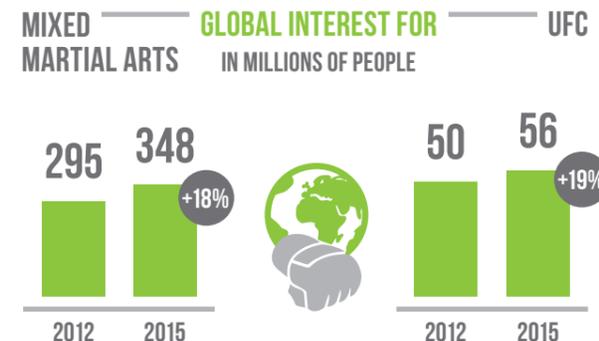
POTENTIAL FUTURE OUTLOOK

- » Fees for premium sports content will continue to rise exponentially as competition intensifies.
- » The best rights holders will develop ever more sophisticated digital rights models in order to balance the need to secure significant broadcast revenues with a greater control of their own media assets and digital broadcast platforms.
- » OTT may become a major player in sports – broadcasters must respond.

5

EXPANSION OF FAST-GROWTH SPORTS & EVENTS

There are four types of fast-growth sports and events: eSports, new formats for existing leagues and events, fitness and participation and combat sports. eSports viewership is comparable to some of the largest sporting events, although it is a fragmented industry. New formats and leagues are re-energising traditional sports and creating new audiences – everything from Twenty20 cricket to the NHL's outdoor games. The fitness movement is growing globally, fuelled by technology which is allowing people to connect – and share and compare data – more than ever before. There has been a move away from the traditional participation sports club to more informal gatherings, organised on digital and social media platforms.



Source: Repucom SDNA, 2012–2015, Forbes

POTENTIAL FUTURE OUTLOOK

- » eSports will continue to grow exponentially but also consolidate, and rival the major global sports as a platform.
- » New formats and events in traditional sports (cricket, tennis, golf) will continue to emerge and may replace old formats and events.
- » Formal and informal fitness and participation events, gatherings and interest will continue to rise, driven by technology and the ability to share information.
- » Combat sports will continue to grow and new formats will take hold – where regulation allows.

6

SPORT IS UNDER INTENSE SCRUTINY AND GOVERNANCE IS KEY

Professional sport is facing intense scrutiny as never before and integrity, of entire sports and the governing organisations that run them, has become a mainstream topic. Major event bidding, bribery and corruption, drug use and doping, athlete behaviour and betting and match-fixing are all in the spotlight, leading to more vocal, demanding sponsors. Rights holders are responding, with many reforming their governance processes and introducing a more executive-style structure. The International Olympic Committee, meanwhile, is aiming to reduce the financial pressures on cities hosting the Olympic Games through its Agenda 2020 reforms which were passed in December 2014.



POTENTIAL FUTURE OUTLOOK

- » More sponsors will demand change in sports governance.
- » More rights holders and federations will reform their governance structures and models to ensure greater transparency and integrity.
- » There will be more socially responsible approaches to betting and gaming.
- » The costs for staging major events will likely come down as rights holders adapt existing models to better suit the needs of bidders and hosts.

7

DIGITAL & SOCIAL: THE REVENUE ROADMAP IS STARTING TO UNLOCK

There is now a heavy sports industry focus on monetising digital, as social media platforms mature and digital teams within sports teams and brands grow. All stakeholders – the platform, the rights holder and the brand – are unlocking ways to monetise digital, all in a way that benefits the fan – primarily through an enriched content experience. Three key ways to unlock value through social media assets are **Fan Stories™**, the **creation of new assets** such as emojis or sticker sets, and **video content** – all of which are creating new branding and sponsorship opportunities. The best rights holders are already collaborating with key partner brands to integrate them into digital content.



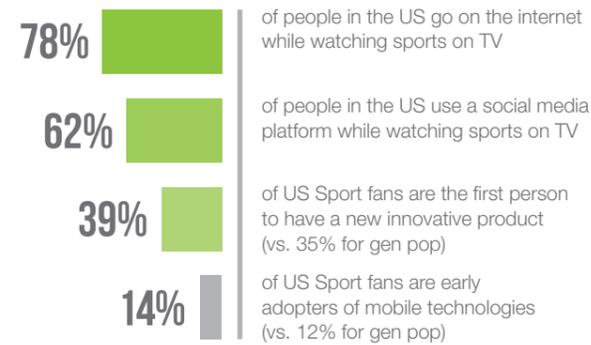
POTENTIAL FUTURE OUTLOOK

- » Monetisation of digital may become the major revenue stream in sport – year TBC.
- » Rights holders and brands will work together to target micro-segments of fans to ensure optimum tailored content and engagement, and maximum effectiveness as a result.
- » Rights holders will invest in in-house digital production (especially video) capabilities and become digital activation agencies to capture more of the value in digital.

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NEW TECHNOLOGIES TRANSFORMING THE FAN EXPERIENCE – AT VENUE AND AT HOME

A plethora of technologies, all at varying stages of development, is revolutionising the sports and fan experience. The potential for all sports stakeholders is enormous, not least as sports fans have a greater propensity to adopt technology than the general population – the explosion in the tracking and wearables category is a perfect example. New technologies are enhancing and in many cases personalising the ‘in-venue’ and ‘at-home’ experience – everything from virtual reality to drones, LED screens to on-court projections. Initiatives like Formula E’s ‘Fan Boost’ are allowing the viewer to directly impact the sporting action, opening up a new debate about how far new technology should encroach on the ‘field of play’.



Source: Repucom SDNA

POTENTIAL FUTURE OUTLOOK

- » Virtual reality will take hold and become a must-do for rights holders to engage with their fan base.
- » Stadiums will continue to invest to create an ‘at-home’ experience inside the venue.
- » The experience for fans will become more immersive and more personal, wherever they are – and real revenue opportunities will emerge as a result.
- » Something new and revolutionary, that we haven’t even thought of, will emerge.

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INCREASED FOCUS ON BUILDING STRONG FAN RELATIONSHIPS IS PAYING BACK

Strong relationships are about quality, not just quantity, of engagement and value creation – identifying and understanding distinct types of fans, with different behavioural triggers, is key to successful engagement and activation. Rights holders are continuing to focus on building fan bases outside traditional geographies through events – the NBA’s Global Games and NFL International Series, for example – and through partnerships with international brands. FIFA’s proposed regional sponsorship strategy is an ideal example of the way in which rights holders are trying to monetise these more global fan bases through sponsorship. CRM is a powerful tool in building closer and more personal relationships with fans.



POTENTIAL FUTURE OUTLOOK

- » Relationships with fans will become more direct, and more customised based on behavioural segmentation.
- » Smart rights holders will compete more and more on the basis of their expert understanding of their global fan base, and how to activate them for partners. This will become their most valuable asset.
- » CRM, and digital CRM, will become central to both partner acquisition and fan development – they will be at the heart of the commercial function for rights holders.

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EVERYTHING IS MEASURABLE & ACCOUNTABILITY IS MORE IMPORTANT THAN EVER

There is an increasing demand for evidence of ROI – while ‘Chairman’s whim’ decision-making still exists, follow-up and support must come through data and tracking. Board members, marketing leaders and financial analysts increasingly demand evidence of ROI. This is driving the industry into a ‘conquering’ Big Data phase, with brands starting to define comprehensive measurement models that enable quantifiable tracking across properties and also creating analytical frameworks to assess relative performance of assets. Rights holders are also starting to predict ROI in pre-sales, which is becoming mandatory for the biggest deals in the industry, such as T-Mobile’s naming rights agreement for the new Las Vegas Arena.

AREAS OF SPORT THAT WILL BE IMPACTED THE MOST BY ANALYTICS OVER THE NEXT FIVE YEARS (IN %)



Source: SBJ Survey 2015

POTENTIAL FUTURE OUTLOOK

- » ROI will become more sophisticated and a ‘must-have’ – in pre and post-evaluation.
- » Brands will continue to increasingly demand data and proof of performance from rights holders.
- » Data to support ROI models will be sourced from more and more places – internal and external; proprietary and non-proprietary.

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