

SPORT ONLINE

*HOW SPORT
EXISTS
IN A
WORLD OF
CONNECTIVITY*

SPORT ONLINE 2016

We live in a connected, online world, entirely changing the way we communicate, interact and consume media. Multiple screens, streaming and the sharing, discussion and subsequent amplification of content online have all become the norm, not least for a generation of Millennials who have grown up in and know only of an internet age.

This report has been designed to take stock of how sport, a premium and much-prized live entertainment form of content at a time of unparalleled flux and fragmentation across the media world, thrives in this online age. Through a combination of Repucom insights and perspectives from across the industry, we've painted a picture of how rights holders, brands, athletes and sports broadcasters can make the most of the wealth of new opportunities available to them.

Included is a special section on eSports, charting the rise of professional gaming tournaments but also examining its 'growing pains' as it moves to a mainstream and commercial activity. There's also a section dedicated to the changing sports broadcast market that is seeing the emergence of new players keen to invest in live sport but now bristling with technology and expertise. The long-time leader of this new breed is Major League Baseball Advanced Media, who have pioneered direct pathways to fans for rights holders.

Any report of this nature would be incomplete without a close examination of how social media has impacted the world of sport – and how rights-holders can monetise their social activity most effectively.

The underlying message behind everything in the following pages is that while platforms and distribution methods may have changed, high-quality, well-packaged content still wins out every time. And, in an age of emojis and emoticons, that surely deserves a 😊



Paul Smith
Founder and CEO,
Repucom

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THE ONLINE AGE

The internet has changed the world and it has had a profound impact on all aspects of sport, presenting new challenges and opening up previously unimaginable opportunities. Its role in how sport is packaged, sold, distributed and consumed can scarcely be underestimated.

A connected world, full of technology options and new possibilities, has changed audience habits and is playing a significant part in the fragmentation of the media industry.

Changing habits: Audience attention is being diluted

PEOPLE ARE **INTENSELY** INTERESTED IN FEWER THINGS

decline
in number of categories people are **very interested** in 2008–2014



PEOPLE ARE **GENERALLY** INTERESTED IN MORE THINGS

8% increase
in number of categories people are **slightly interested** in 2008–2014



Source: Repucom SDNA 2008–2014

The global picture of online usage

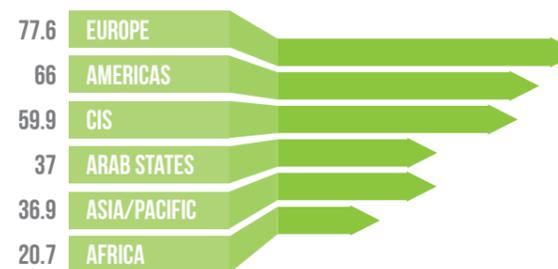
NUMBER OF MOBILE TELEPHONE SUBSCRIPTIONS



NUMBER OF INTERNET USERS

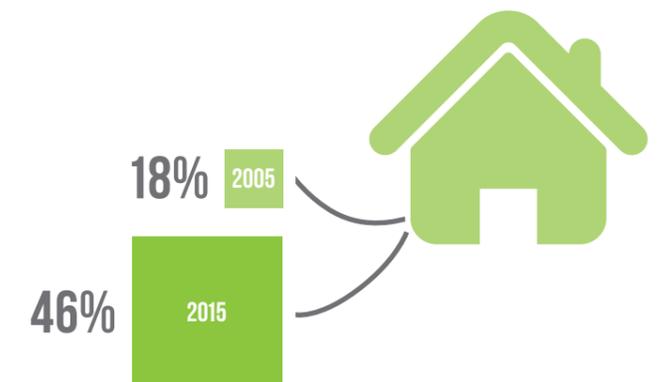


PERCENTAGE OF INDIVIDUALS USING THE INTERNET



Source: ITU – the United Nations specialised agency for information and communication technologies (ICTs).

PROPORTION OF HOUSEHOLDS WITH INTERNET ACCESS

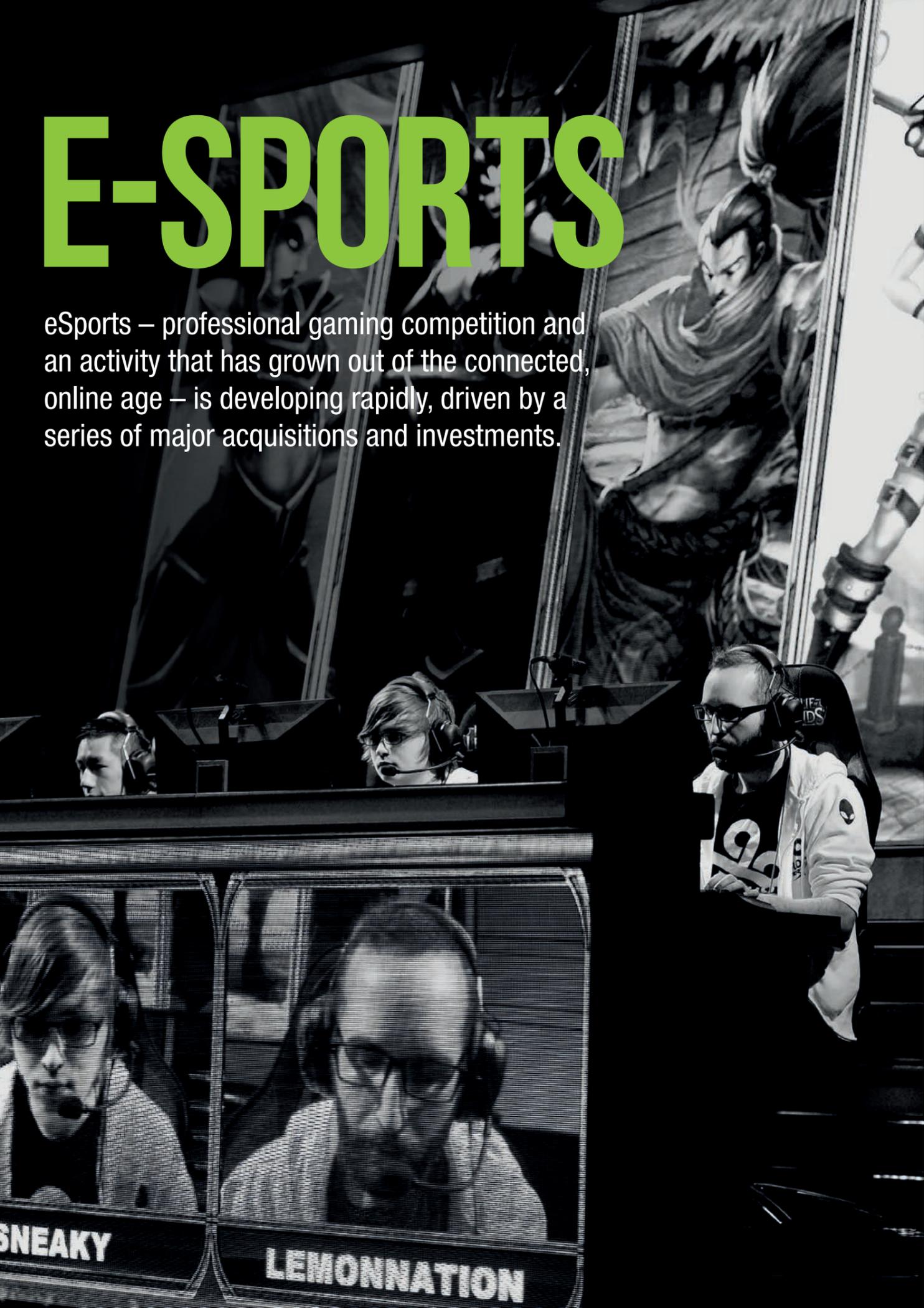


TOP 10 COUNTRIES WITH FASTEST BROADBAND SPEEDS

- | | |
|------------|-------------------|
| 1. KOREA | 6. SWITZERLAND |
| 2. FRANCE | 7. UNITED KINGDOM |
| 3. ICELAND | 8. BELGIUM |
| 4. DENMARK | 9. JAPAN |
| 5. ANDORRA | 10. SWEDEN |

E-SPORTS

eSports – professional gaming competition and an activity that has grown out of the connected, online age – is developing rapidly, driven by a series of major acquisitions and investments.



E-SPORTS: REACHING THE NEXT LEVEL

The last 12 months has seen eSports – the professional organisation of gaming tournaments – increasingly seep into the mainstream. The sports industry and wider world has sat up and taken notice.

NEW LEAGUES

A joint venture between **IMG**, which also acquired several eSports companies including a talent agency in 2015, and Turner will see the creation of a new league, **ELEAGUE**, broadcast in primetime on TBS this year. 15 teams will compete for a prize pot of \$1.2 million.

MAINSTREAM BROADCASTS

In the UK, the **BBC** agreed a deal to show eSports competitions live for the first time. The BBC broadcast coverage from the 2015 **League of Legends World Championship** during the autumn, part of a trend which sees eSports moving beyond its online platform-based roots.

NEW INVESTMENT IN EXISTING E-SPORTS PROPERTIES

Media giant Modern Times Group acquired **74%** of Turtle Entertainment, an eSports company which runs the ESL Gaming Network, for **€74 million** midway through 2015.

DEDICATED ARENAS

eSports promoter Gfinity reconstituted a Vue cinema in west London to create the **UK's first eSports arena**, which opened in February 2015, following Major League Gaming's similar tactics in the US and China. At the same time, existing indoor arenas around the world, from modern multi-purpose venues to the likes of London's Royal Opera House, are now regularly hosting eSports tournaments.

Newzoo's forecast of global eSports revenue growth

Media Rights, Merchandise & Tickets, Online Advertising, Brand Partnerships, Additional Game Publisher Investment



Source: Newzoo Global Growth of eSports Report 2016

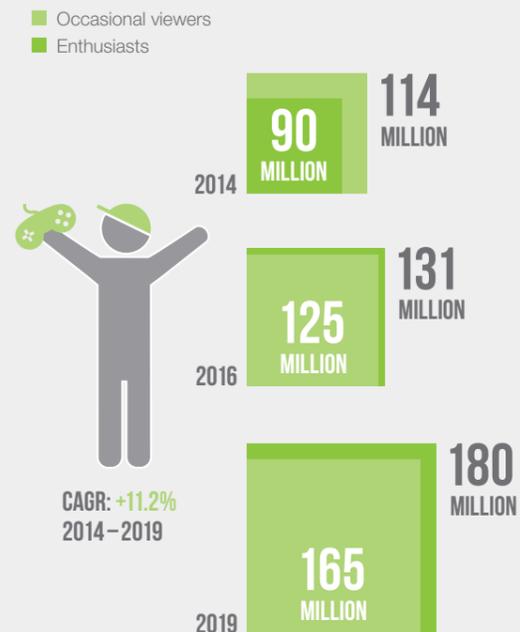
MAINSTREAM MEDIA COVERAGE

In January, **ESPN** launched its new eSports vertical, pledging to cover eSports with the same "rigour" it does the US major leagues.

EXISTING SPORTS LEAGUES FINDING WAYS TO ALIGN

The **NFL**, which has a longstanding licensing deal with EA Sports for the Madden video game, created a weekly eSports show in conjunction with **EA Sports** and **Twitch**, which will feature game tips, experiences and analysis. In the UK, meanwhile, the Football Association announced a gaming tournament to be held in parallel with the Emirates FA Cup.

Newzoo's forecast of global eSports audience growth



Source: Newzoo Global Growth of eSports Report 2016

GAME PUBLISHERS INVESTING

In December 2015, EA Sports, publisher of the FIFA and Madden franchises, announced the creation of a competitive gaming division, while in January Activision Blizzard, publisher of Call of Duty, confirmed the acquisition of Major League Gaming for a reported **\$46 million**.

SPONSORSHIP

DraftKings, **HTC** and **Betfair** were among the brands signing up to sponsor leagues, events or individual eSports teams for the first time in 2015, while brands like Red Bull (a dedicated eSports website) and Coca-Cola (launching an online eSports show and a sponsor of League of Legends since 2013) have also expanded their involvement.

The eSports ecosystem



GAME DEVELOPERS/PUBLISHERS

From Activision Blizzard's Call of Duty to Riot Games' League of Legends; the games played during tournaments or events. Critically, the developers and publishers hold the IP around which the eSports industry has grown.



COMPETITIVE GAMING VIEWERS/
PARTICIPANTS

As well as watching, either live or online professional eSports contests, a platform like Twitch offers players opportunity to either live stream or upload their own games, effectively turning them into broadcasters.



PLATFORMS

How eSports competitions are distributed; the sector is dominated by Amazon-owned Twitch but also includes mainstream video platforms like YouTube.



TEAMS

Professional teams competing in tournaments, generally either created by publishers and either supported by a variety of brands or a single overarching brand like Samsung; Newbee, Evil Geniuses and Fnatic are established team brands.



BRANDS

Sponsorship, content partnerships and platforms are being created by brands like Coca-Cola, Red Bull, Nissan, Samsung etc.



LINEAR BROADCASTERS

Increasingly interested in broadcasting major eSports competitions live.



LEAGUES

eSports organisers and promoters of off and online competitions, increasingly generating revenue through subscriptions, merchandise, ticket sales and sponsorship; High-profile examples include Major League Gaming, Turtle Entertainment's ESL, Gfinity.



CASE STUDY

FNATIC'S WOUTER SLEIJFFERS

Interview ▶ Fnatic is a leading eSports organisation, currently fielding five professional gaming teams. "eSports enthusiasts know Fnatic through our successful teams but also through content we put out and our merchandise and apparel," says **Wouter Sleijffers**, Fnatic's CEO, who explains that the company is now branching out, launching products in the Fnatic name.

Is a natural next move for eSports one of formalisation and regulation, with a view to the creation of a global governing body and a hierarchy of major events?

Wouter Sleijffers ▶ To some extent it will move that way. First of all, people need to understand that eSports is an aggregation of a whole bunch of different competitive game titles that claim to be fit for professional eSports. There are a few key ingredients in what makes a true eSports title. There are, however, a variety of titles that make up eSports today. So when it comes down to further regulation, today it comes down to self-improvement and self-regulation with the help of expert bodies because when the number of tournaments is growing and new initiatives are coming up there's obviously certain ones that are well-organised – and others that are not. If you look at worldwide governance, though, that is something different. When comparing with traditional sports models there is one key difference: in this case, the game developer or the publisher actually owns the playing field. There have been initiatives towards global officiation but let's, for example, say there was an International Olympic Committee-type organisation as a regulator and there's, for example League of Legends, which is developed by Riot. Riot also owns and organises the League of Legends Championship Series (LCS) including all rules and regulations. Who is the, say, IOC who would come in and say 'look guys, here's how we're going to do it?' What is then the added value of that body? In that way it's more similar to MMA and the UFC. Would a body such as the WBO or IOC be able to regulate UFC?



"GAME DEVELOPERS AND PUBLISHERS, ONCE THEY HAVE BUILT A CRITICAL MASS, ARE IN A VERY GOOD POSITION... BECAUSE THEY BASICALLY OWN THE IP."

Should 'traditional' sports properties view eSports as a competitor or as a possible partner?

Sleijffers ▶ People's interests are changing, so naturally you could say it's competitive to existing, more traditional sports. To some extent this is also apparent in brands growing tired of ineffective sponsorship models and a competition for viewers. But it can also very much be complementary. If, for example, the NFL or more particularly the team brands within those leagues, see their product – in this case football – as what they will do for the eternity of life, I guess no business has survived for the eternity of life if they were not looking to reinvent themselves. If however those team brands embrace it to evolve with the audience's interests, that will definitely make sense. We do see a growing interest from football clubs for eSports – some more than others – to understand what it means for them.

Looking at the whole eSports' ecosystem and the current rate of change, which group do you believe will ultimately end up with the power and bulk of the revenues?

Sleijffers ▶ I do think it's with the game developers and publishers. So far they have been very open with the model and if you look at the IP that they have, which are their games, they have been very open for people to produce content, such as broadcasting on live streams and VoDs on channels like YouTube. Things like broadcast rights are not yet really existent in eSports and that's partially for a reason: the developers are very well-sourced by the massive amount of content, whether streams or videos or on YouTube where people can learn about the game, see the pros and they monetise that in the game basically. From a future perspective, the game developers and publishers, once they have built a critical mass, are in a very good position if they want to further solidify or franchise tournaments or leagues

because they basically own the IP. One day, it's not unthinkable that the value of the viewership outgrows the value of the in-game monetisation – then they may typically have an interest in franchise models such as the NFL. Having said that, this is not like football where there is only one type of game - there are other game developers and so there will be competition between them. It's not like anyone can build a monopoly because there will be other developers with successful titles that will compete and that other people might appreciate more.

What's the biggest challenge facing industry over next 12 months?

Sleijffers ▶ The biggest challenge will be to set expectations correctly for eSports. Like in any fast-growing industry you don't become rich overnight in eSports. That's a challenge – and not everybody acts with the same quality or is as forward-looking, so expectations can't always be fulfilled. Secondly, a challenge will be the further solidifying and regulation. Eventually, if done well, that will help the industry to scale up and move further in attracting new sponsors, broadcasters and investors. I think these are the two main challenges that are there today. Like any growing industry it's not about making a quick buck, it's about a solid business. ◀

CASE STUDY

TWITCH: A PLATFORM FOR GROWTH

Interview ▶ Twitch is the leading platform for gamers, catering for upwards of 100 million visitors per month. It was acquired by Amazon.com for US\$970 million in August 2014. **Stuart Saw** is Twitch's Regional Director, EMEA.

How has Twitch and eSports grown over the past few years?

Stuart Saw ▶ I used to do radio-only commentary for video gaming tournaments. You had to have various bits of software to be able to access the audio stream; it was very difficult to watch anything. That was about 15 years ago and as those barriers were broken down and as the content became more and more accessible you started seeing more people first watching their chosen games – the correlation between ‘the game I play’ versus ‘the game I watch’ was strong.

But now the centralisation of Twitch has seen people become generic eSports fans – they are not just part of one title, they are part of the movement and story that is eSports. We have significant data to say that people are watching games they do not own or do not play. That's very compelling. There are so many sports fans that have never played sports, particularly in America with sports like the NFL – the percentage of people who watch American football but don't play it must be very high. eSports is moving in that direction, owing largely to the centralisation and ease of access to the content.

Ease of access is one of those big things that helps differentiate eSports from the rest of the world. There are no geo-rights distribution issues: the stream you're watching on Twitch in the UK is the same as the one you're watching in the US or India. It's not carved up in the way it is elsewhere and all the content is free and accessible. It's a very different distribution and content rights model that exists, that makes it accessible, that gives it this engagement. Engagement is the big thing because the average Twitch user is coming on the platform for over 100 minutes a day and multiple times a week – in some cases every day – to watch content. eSports just has such a wealth of content across a variety of titles – you can watch everything from players training all the way up to their official matches. It's only going to continue to grow, especially as the generational gap changes. My kids will be brought up with eSports whereas I had to convince my parents I wasn't running off to join a cult.

As linear, traditional broadcasters are increasingly attracted to eSports, do you foresee a time when the sector develops a broadcast rights fee model at the elite level?

Saw ▶ It's possible. The struggle you've got there is that TV and the traditional route of distributing sport can't feed the content that these people want. The eSports audience is so content-hungry that it doesn't work on linear television. There have been examples of that in the past: DirecTV and Sky put together a championship gaming series; didn't work. A number of groups have come in and have been unable to broadcast eSports in

the way it should be. The only area where there seems to have been some traction is Korea, where they have dedicated channels for this and it's more ingrained in the culture. There's nowhere outside of that where there's any evidence to suggest that TV will be able to change the distribution model in such a way that it happens. Money talks, people might try it but I don't necessarily think the audience will go with it.

What's the Twitch position on the interest being shown in eSports by broadcasters – is it competition or good profile-building for eSports?

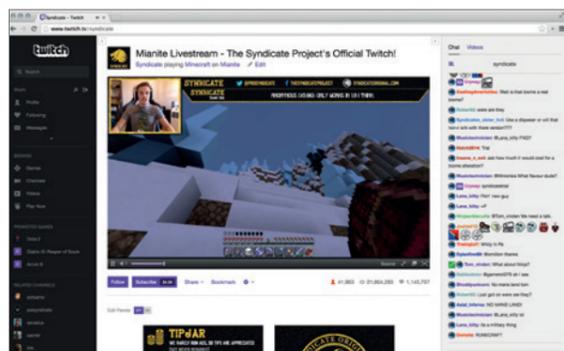
Saw ▶ I think it's a very important part of building the profile of eSports. All of that content you referenced has been simulcast to Twitch, so it's accessible in the way existing fans might want it and accessible in the way new fans might want it. Thus far that model has been complementary to both sides, the incoming broadcasters and the Twitch audience. Both are happy. It will be curious to see how that plays out in the long-term. It might be naive to say that dynamic is going to exist for ever, but I think the audience will be the key part of this, driving where it ends up.

How do you integrate brands and advertisers onto the Twitch platform?

Saw ▶ We have video pre-roll and mid-roll that we use as a web platform and then we do number of integrated custom solutions with brands, many of which have won awards, where we look for ways of authentic integration with content. We've now spun that out into an eSports sponsorship sales team as well, where we're looking at a very specific level at how brands can get involved in eSports. We've had immense success with some big brands that are globally renowned – T-Mobile, Old Spice, to name but two – who have come into eSports and stuck around.

How do you see the growth of the eSports sponsorship market from here?

Saw ▶ In terms of sponsor and brand integration, if you haven't already you'll see the model build out in the way it has done in traditional sports. The broadcaster will integrate brands, the league will integrate brands, the teams will and the players will. You'll see all four of those levels come out. You might get some



“EASE OF ACCESS IS ONE OF THOSE BIG THINGS THAT HELPS DIFFERENTIATE E-SPORTS FROM THE REST OF THE WORLD.”

nuances particular to the sport in terms of how those integrations happen, but I would say it will most likely replicate sport.

“WHAT WE WOULD URGE PEOPLE TO DO IS ACTIVATE OVER MULTIPLE YEARS... THINK OF ESPORTS AS A MULTI-YEAR STRATEGY RATHER THAN A ONE-OFF”

Among gamers, eSports fans, the people who regularly use Twitch, is there any anti-corporate sentiment as more big brands enter the space?

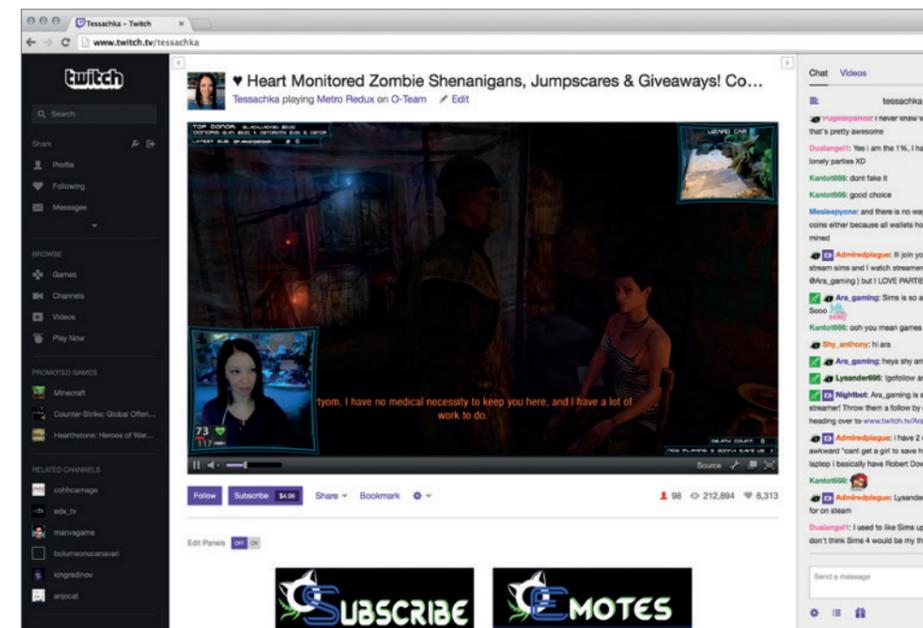
Saw ▶ There hasn't been any of that yet but I think a number of integrations we've done for Twitch have been very authentic. This is definitely an audience highly sensitive to that. They're highly brand-savvy, they're very aware. There's certainly an air of caution where we have advised people to do things in a different way to ensure they don't risk that, but there hasn't been to my recollection any examples where that has happened. Because eSports is growing so rapidly there's a lot of desire to see brands get involved – they are lots of examples of brands getting involved in a great way and they've seen their ROI so high when they've had activations that require some form of engagement. People are keen to see people support their emerging sport.

How does Twitch work with the game publishers?

Saw ▶ We work with them on a variety of things, from their advertising strategy, their Twitch content strategy, acquisitions via Twitch, how to engage with broadcasters, their eSports strategy. We work with them in pretty much every way you can envisage.

Should others sports rights-holders – leagues, teams – view eSports as competition or as a potential opportunity?

Saw ▶ It's an interesting line to draw and actually I don't think there's a yes or no answer to that question. I think the leagues and the sports that already do have games should be looking at eSports as the route to engage with a younger audience – that's definitely an easy thing for them to do, and none of them are doing it right yet so that's something they should definitely be looking at. Thereafter, you can balance that argument by asking whether we are competing for the same eyeballs or looking at eSports as a viable business with an audience that are not your existing fans, so find a way to engage in that space. What we would urge people to do is activate over multiple years rather than just looking at it quarter-by-quarter or season-by-season. Think of eSports as a multi-year strategy rather than a one-off.



What are the likely growing pains for eSports?

Saw ▶ Integrity issues are a 'growing pain' we face today. A number of the matches take place in uncertified locations – qualifying matches, for example, are played online from home so there's not always a controlled environment. Betting is definitely a problem. And then there's a potential growing pain and a potential opportunity as well in that there's a different stakeholder in this: nobody actually owns football; if I really wanted to I could go and try and start a football league tomorrow. In this world, someone does own the game you're playing so you have to consider their needs and what the goals of the developer are when putting together an eSports event. Every developer is taking a different route on it with varying levels of success, so I would just say that's an area we're still to completely navigate. And it will be an ever-evolving circle in terms of how that takes place.

What are the main priorities over the next 12 months for Twitch?

Saw ▶ We continue to grow and our growth is focused internationally. We're increasing our presence in London, for example, and we're increasing our staff footprint all around the world, to help make Twitch as accessible – to local languages, local broadcasters and local viewers. Internationalisation is one of the main goals right now. Our audience historically has come from the West and we're seeing tremendous growth in Asia now. Asia is a massive emerging market in terms

of accessibility to Twitch and that's been helped by significant investment on Twitch's part to improve our network and delivery out into the region. ◀

CASE STUDY

ELECTRONIC ARTS: A GAME DEVELOPER'S VIEW OF COMPETITIVE GAMING

Interview ► Electronic Arts (EA) is one of the world's foremost video game publishers. Founded in 1982, it has established many of the leading game franchises, notably FIFA, Madden and, outside sport, Battlefield. In December, the company announced the creation of a Competitive Gaming Division to bring together its various activities in the sector. **Peter Moore**, Executive Vice President and Chief Competition Officer for Electronic Arts, will lead the division.

What's the rationale behind setting up a dedicated eSports division?

Peter Moore ► We prefer to call it competitive gaming for a number of reasons. eSports seems to be the vernacular that people use, but it's confusing to a lot of people because they see it as sport and they link it to sports titles. The equivalency of what people are seeing is a sports media property when it's very different and, as a result, our strategy around it is very different. We have been doing competitive gaming for probably 10–12 years. Our first Madden Challenge was in 2002, which brought the best Madden players together from around the country for the Madden Bowl, the Thursday night before the Super Bowl. On top of that, in 2004 I was actually running Xbox for Microsoft and we collaborated with EA to create the FIFA Interactive World Cup, in collaboration with FIFA, which culminated in finals in Germany with 32 competitors, each representing their country. We've been doing this for a while. We've trucked along: more recently our Battlefield franchise, particularly in Europe, has had some success.

The challenge is the world of competitive gaming right now is very much a PC, free-to-play world and people get confused with where the money is, what the games are, what the opportunity is and as a result what you're seeing is a lot of excitement at the C-suite level – CEOs saying to their CMOs, 'this eSports thing seems like a big deal, you need to get on it, what's our strategy?' If you look at the space right now in some detail, there's yet to be a major brand that has dipped their toe in the water as regards sponsorships. The events that you see which are typically defined as eSports are loss-lead events to drive where the real money is, which is in game transactions.

I think the problem is people are thinking there are 10,000 people in a stadium and they are watching League of Legend or DOTA 2 and 'we can advertise to a Millennial male who doesn't watch television any more'. But the reality is the bulk of the money is micro-transactions within the games themselves and the bulk of that is League of Legend and DOTA 2 and then to a lesser extent Counter-Strike: Global Offensive; with those three PC, free-to-play games you've got about 75 per cent of the entire competitive gaming landscape. In Asia you have Starcraft, a little bit, and then Halo, which is the only real console game to have made impact.

What are the main areas of focus for the division?

Moore ► What we focus on is deeper engagement in the game, more copies sold, more micro-transactions. When you take all that together, for us to be fully able to take advantage of that and start building games that are better suited to competitive gaming – that's a complex matter. League of Legend and DOTA 2 were almost built from the ground up to be eSports games and not really to be games you play on your own or don't play on a team. Bluntly, the majority of the industry doesn't have those games. We're in the business of selling \$60 games on consoles that are blockbusters and then in our sports games driving micro-transactions on top of that. I think the excitement is palpable. I think it will take many years for some of the bigger brands to dip their toe in the water, to start bringing in major sponsorship dollars. From our perspective, we have four very clear goals for our division. eSports has been littered around the company and there were all sorts of little hobby projects that have been taken up by product managers or marketing managers, or developmental leads.

My job, when I leave my current role, is to corral all that and really focus on three franchises – FIFA, Madden and Battlefield – and try and make impact with console, which is not easy to do. Building the games from the ground up so they have everything you need for an eSports game includes anti-cheating, leaderboards, scoreboards, very strong match-making algorithms so you don't get demotivated very quickly. All of that needs to come together, certainly over the next fiscal year. We've got a three-year rolling plan on this.

What's driven the increase in interest in the eSports world across the sports industry and amongst brands?

Moore ► The broadcasters, the leagues, the rights-holders are all chasing the consumer. I don't think

"IF YOU'RE CHASING THAT YOUNG, WELL-EDUCATED, TECHNICAL MALE THAT ULTIMATELY IS GOING TO TURN INTO A MID-20S COLLEGE GRADUATE WITH HIGH DISPOSABLE INCOME, YOU BETTER BE DOING SOMETHING IN ESPORTS."



they're even a 'cord-cutter', they're a 'cord-never' – I don't think this consumer ever sat in the living room and waited until 8pm to watch a sitcom. They sit in their bedrooms and they stream Twitch and they select from millions of YouTube videos they want to watch that interest them. I think what the big brands and the C-suite executives are saying is 'we have to find a way to talk to these guys, otherwise we're going to lose an entire generation of customers'. These are very desirable young males coming through with disposable income. You can't get them through television advertising, you can't even get them effectively or efficiently digitally because they are sitting watching streaming – it's their BBC. That's what they do and they laugh at you when you wait for a show to come on – 'why are you waiting and why's it not on demand?' Everyone is looking at this demographic and trying to find a way to insert themselves – 'this is where the eyeballs are now that we need, to drive our business' – but not really having a deep understanding of what it takes to appeal. If you force sponsorship down the throats of these guys, they will rebel.

So the future is game publishers developing games with competitive gaming in mind from scratch?

Moore ► It has to be job one. If you don't have that, everything else is a moot point. There are 10 or 15 things you have to worry about –match-making, anti-cheating, embedded leaderboards, in-game broadcasting and being able to share, technical things like if your connection goes down; most of our sports games are peer-to-peer, console-to-console, so there's no way of restarting the game other than from scratch. All these things need to be embedded into what we typically do, which is create plug and play blockbuster games, particularly in our EA Sports division. It's a complete mindset change for development teams who are still pressured to develop an innovative and fresh \$60 experience every year on top of this. For a company like ours, that's the biggest challenge: how do we continue to innovate to the great majority of customers who don't get involved in competitive gaming but want to play FIFA and at the same time be able to afford, both in resources and time, teams that will develop competitive gaming modes, mechanics and features? You just can't do it in all year; it's got to be a very thoughtful and frankly well-funded three year strategy.

As you do that will you be looking at ways of placing brands more authentically within games?

Moore ► We have a pretty big group that does in and around game advertising partnership marketing and we've been doing this for many years. It's complex and wrought with challenges – if you're a little too over, the gamer doesn't like it. You've got to be very careful it doesn't break the suspension of reality that gamers love as well and it just can't look too corporate or commercial. We're yet to see any big brand really get behind any major sports event – Intel is the biggest brand I've seen. If you look at the shirts of the teams, the logos are all peripheral manufacturers – keyboards, mice, moni-

tors; everything that is integral to the experience – it's a bit like NASCAR with oil companies, they are embedded in the fabric of the culture. You're yet to see somebody with Coca-Cola and the sports brands – they don't know how that works in their broad brand strategy and whether these guys should be considered athletes.

What's your advice to a brand looking to move into the eSports space?

Moore ► I think they've got to do their due diligence and homework, and be aware of what they're getting into. Brands are not afraid of video games, they're just a little bit worried about some of the things they read about: match-fixing, drugs scandals and that it's a little nerdy. They need do something in it but they don't quite know what to do. I think you have to go in

with eyes wide open and be seen to support the event rather than sponsor the event; there's a nuance there that marketers get. And you've got to find a piece of intellectual property that you are comfortable with. There are m-rated (suitable for mature audiences) shooters and there are brands that have issues with that. We have a longstanding relationship with the Axe brand and they love the Battlefield, young male, testosterone-fuelled brand. Typically, the energy drinks have no issues either. But you've got to understand the IP, understand the following and be careful that you're not seen as overly commercial. If you're chasing that young, well-educated, technical male that ultimately is going to turn into a mid-20s college graduate with high disposable income, you better be doing something in eSports.

What's next for the Competitive Gaming Division?

Moore ► We're up and running. The FIFA Interactive World Cup finals is a longstanding event. We're driving that. FIFA will continue to be the tip of the spear for us, because of its global appeal and reach. But you're going to start to see more franchises get involved over a period of time: we have a new Battlefield coming this year and there's been a lot of investment in the competitive gaming side of that as well. But one thing you won't see is the work being done below the surface: eSports is the very tip of the iceberg, the 50 players who play in an arena but the real action is below the water. All of the work in the first 12 months is making sure we're building something that is sustainable, ultimately profitable, drives engagement in our games and thus drives further monetisation of our games. ◀

"I THINK IT WILL TAKE MANY YEARS FOR SOME OF THE BIGGER BRANDS TO DIP THEIR TOE IN THE WATER, TO START BRINGING IN MAJOR SPONSORSHIP DOLLARS."



BROADCAST

Changing consumer habits and fast-developing technology are presenting new challenges for traditional broadcasters, but a wealth of opportunities for rights-holders.

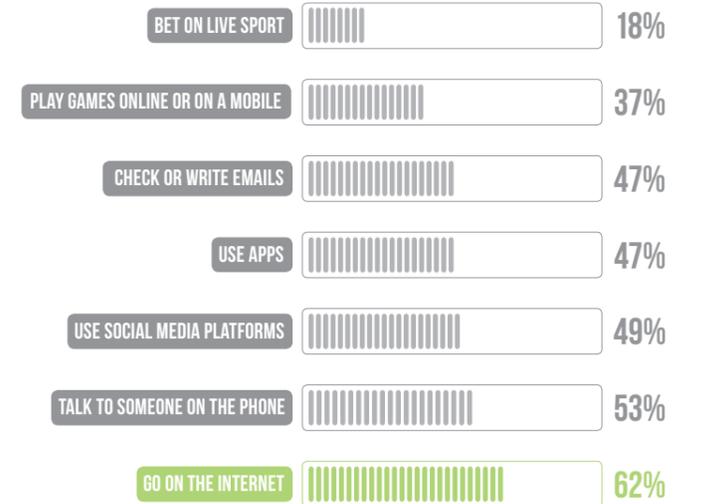


CHANGING HABITS AND MEDIA MODELS

The challenges faced by media organisations, be they cable TV channels or newspapers, are well-documented and go far beyond sport. As new financial models are trialled and a host of new players and platforms enter the already-crowded market, sports rights-holders now have the opportunity to generate and control more of their own content, delivering it directly to the consumer through online streaming. At a time when consumer habits are changing, however, many of these sports remain heavily reliant on television

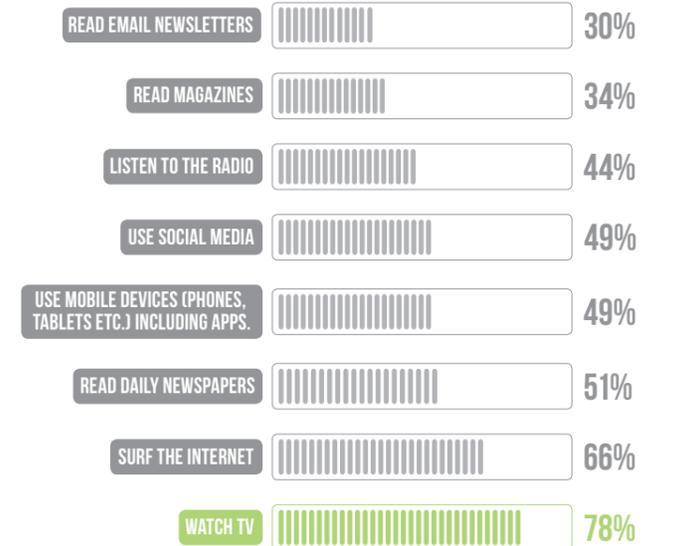
rights income. Repucom research shows that 78% of people continue to use TV as their primary source of sports consumption. But the rise in internet surfing and the use of mobile devices and social media is also clear, both as a primary source of consuming sport and as a 'second screen' activity. The use of multiple devices is now commonplace.

What do people do while watching sport on TV?



Source: SportsDNA May 2015

What media sources do people use to gather information about sport?



Source: SportsDNA May 2015

A COMPLICATED BROADCAST PICTURE

The advent of broadband internet in many markets around the world has resulted in a major increase in online streaming over the past decade. That has opened up the way for a host of new players – telcos, digital-only platforms and publishers – to enter the sports rights market for the first time or revamp their offerings – traditional linear broadcasters and sports rights-holders – to better suit modern consumer habits. The ability to watch anywhere, any time on any device has become essential.

WHO IS IN PLAY?

“WE ARE STILL ENGAGED IN THE MOST SUCCESSFUL BUSINESS MODEL IN THE HISTORY OF MEDIA, AND SEE NO REASON TO ABANDON IT.”

JON SKIPPER, PRESIDENT, ESPN
WALL STREET JOURNAL, JANUARY 2016

“CONSUMERS INCREASINGLY WANT FLEXIBILITY AND TO CHOOSE WHAT THEY WANT TO BUY, AND NOT BE FORCED TO HAVE IT PACKAGED UP WITH OTHER THINGS THAT THEY MAY VALUE LESS.”

DELIA BUSHELL, MANAGING DIRECTOR, BT TV AND SPORT
SPORTSPRO, OCTOBER 2015

Competition in the sector is intense; each market has its own intricacies, rate of development and digital sophistication. The same can be said for every sport. The challenges facing sport in this area, however, are not unique and are broadly the same as in other strands of entertainment and across the media world, where fragmentation is well underway and further major shifts are anticipated.

Traditional linear broadcasters, many facing the challenge of fragmenting audiences, are still the major spenders on sports broadcast rights. Many, like Discovery (owners of Eurosport), are expanding their offerings and making big plays – Eurosport secured the rights to the Olympic Games from 2018 across many parts of Europe.

New broadcasters are launching channels and are seeking premium rights. In the UK, BT Sport was launched in 2013 off the back of the acquisition of a package of live Premier League games; Fox and NBC have both added 24-hour sports networks to their portfolios in recent years;

in Russia, Match TV, owned by oil giant Gazprom, became the country's first 24-hour, universally accessible sports television channel in November.

Broadcasters like Qatari-owned beIN Sports are building both **pay TV** and **direct to consumer offers** across different markets. Many broadcasters have established successful streaming products that can accommodate sports broadcast rights, many of which continue to be bundled and encompass all platforms.

Telcos are increasingly seeking content to support their broadband and telephone services by creating additional television products centred around the acquisition of premium sports content (known as triple play or, with the addition of wireless services, quad play).

Digital-only players, such as Perform and a variety of Chinese platforms such as LeTV and Tencent, are successfully acquiring premium broadcast rights – Perform has acquired Premier League rights in Germany for the next three years and in February agreed a 17-year deal worth around €500 million with FIBA, world basketball's governing body. In China the NBA has signed a wide-ranging

broadcast deal with LeTV. Last October Yahoo! acquired the rights to broadcast an NFL game from Wembley Stadium in London on an exclusive worldwide basis.

Many **rights-holders** are building or evaluating the creation of their own OTT offers, carving out additional content that complements existing rights which have been sold to broadcasters. Prime examples of OTT offerings include MLBAM, NFL Gamepass and PGA Tour Live, while the International Olympic Committee has plans to launch its own Olympic channel later in 2016. Beyond sport, brands such as Red Bull and GoPro have created their own online channels, while entertainment stars such as Kim Kardashian and Kanye West have developed their own web channels in partnership with companies like Whalerock.

User-generated content: Technology has allowed everyone to, in their own way, become a broadcaster, through Vine, Periscope, Meerkat and via mobile video. In sport, rights-holders and brands are still developing policies on how best to utilise the wealth of user-generated content distributed and shared online – there are concerns in some cases about infringements of existing broadcast rights.



CASE STUDY

MAJOR LEAGUE BASEBALL ADVANCED MEDIA: HITTING IT OUT OF THE PARK

Interview ► Created in 2000 to consolidate Major League Baseball's digital rights, Major League Baseball Advanced Media (MLBAM) has grown into a class-leading full service solutions provider, delivering a variety of digital solutions and distributing content through various media – both for itself and now a host of third-party clients including ESPN, World Wrestling Entertainment, HBO and, since last year, the National Hockey League. **Bob Bowman** is MLB's President, Business & Media.

What was the rationale behind the creation of MLBAM in 2000?

Bob Bowman ► Way back when the owners voted unanimously to centralise all the digital media into one company called Major League Baseball Advanced Media. At that time it really built websites. We ran that and then it morphed into multimedia: audio was right away, video came, we streamed our first game in 2002 and did the entire season in 2003. Broadband got really good, which helped our business, and then mobile came in 2007 and 2008. Since we were already doing a lot of mobile work – regular messaging etc. – when the iPhone came out we jumped on that. Now, we distribute content, live games, on over 400 devices.

To what extent would you regard MLBAM as an early-adopter of technology?

Bowman ► We want to be at the leading edge and our feeling was that if there are 20 fans out there that are on a certain platform, we didn't want to disappoint them. You can make an ROI argument but I'd rather be six months in front of our customers than six months behind them.

The number of games in MLB and the length of the games – the sheer volume of content - presumably play to your advantage in terms of additional digital rights?

Bowman ► Because we play so many games, it's unlikely we're going to ask people to watch every one for three hours seven times a week, so they're going to sample: maybe 30 minutes on a Tuesday, Wednesday, 15 minutes on Thursday and maybe an hour on a Saturday. And so the digital nature of our platforms lends itself to that. You can watch baseball wherever you are, whenever you can, even if it's just for 15 minutes.

The next big step for MLBAM was for it to evolve into a white label service, working with other organisations to develop their own digital platforms – how did that happen?

Bowman ► It'd be great if I could tell you about some grand plan or unbelievable epiphany we had, but really it was sheer luck. We started doing it for some of our bigger partners and without really trying, others started

“YOU WANT TO BE AT THE LEADING EDGE AND OUR FEELING WAS THAT IF THERE ARE 20 FANS OUT THERE THAT ARE ON A CERTAIN PLATFORM, WE DIDN'T WANT TO DISAPPOINT THEM.”

calling. Probably about two years ago we decided we had a real business and ought to focus on it, staff it and separate it. We've been acquiring clients for several years but in terms of the separation of the business, we've been looking at that for the past six months or so.

What's your assessment of the current live sports broadcasting model, traditional media versus digital media?

Bowman ► I have a slightly more sanguine view of TV than others. I happen to remember that terrestrial radio still exists. No media form really dies. They might get less important but they're not going to die. And so TV, pay, broadcast, will be here long after I am. It might shrink a little bit, but look at it a different way: it'll shrink a little but it isn't all one or the other, there's actually the opportunity to do everything as we do in baseball – pay TV, broadcast TV, digital. If I'm a content owner, pay TV might shrink a little in terms of importance, but only a little. If I go from 100 million pay TV households down to 85 million that doesn't sound good but if had 10 million people I could sell content to some other way and I now have 40 or 50 million people I could sell content to in other ways, I think that

net-net I can be way ahead in terms of my revenue. Some people think they are mutually exclusive: they are not. The wisest content owners are pursuing every platform. I also think that a lot of people just aren't going to buy what I bought or what people my age bought, but that doesn't mean they're not going to buy content. They just want it in a different form, on a different device and maybe at a different price-point.

The wise content owners in five years will be amazed their revenue went up. The analogy I use is Michael Bloomberg, the former New York City mayor, banned smoking in the bars and everyone said the bar business was over, but business actually picked up; guess what, there were a lot more non-smokers than smokers. The unintended consequences of what people see as a negative can be a positive. What I think will happen here is the smart content owners who are going direct-to-consumer are going to find out that their revenue will grow significantly. Even if it might be a little lower in one category than it used to be, it'll be going from zero to a significant amount of money in direct-to-consumer.

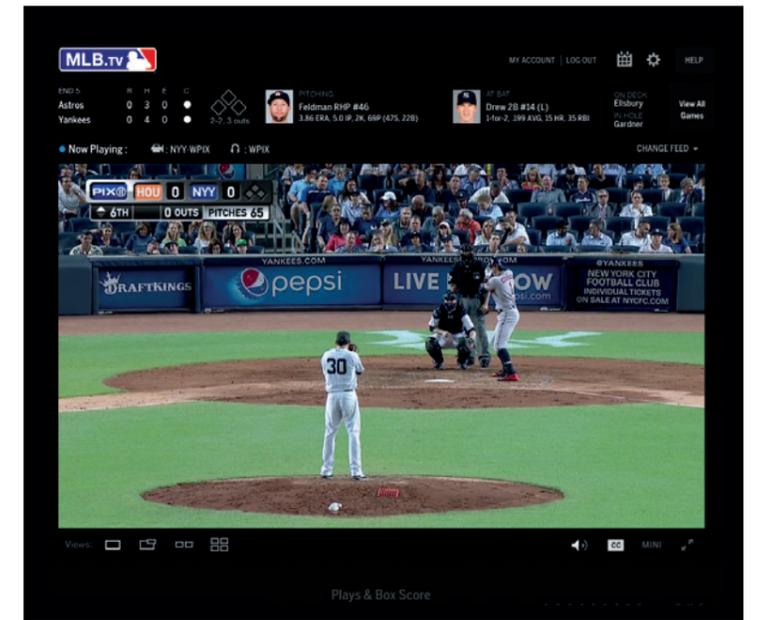
In terms of direct-to-consumer and digital rights, is the next step dependent on the technology providers and the reliability and capabilities of the content delivery systems?

Bowman ► Gone are the days when you didn't worry about distribution. You always had people who negotiated your deals with pay TV and it was a B2B world, so it was important every four or five years. Today, distribution is much more complicated. You've got to figure out platforms, how to manage Apple and Google, how to do it in such a way that you don't irritate the existing broadcasters – should you do it on your own, should it be on an app, should you do both? The days of having a narrow distribution strategy are over. There are a lot more players.

The relationship we have with Apple, for example, is pretty special. They don't do us any favours in the sense that they don't give us special deals compared to others, but on the development side our people work very closely with their people on apps and how our apps work, and on their operating system. It's a symbiotic relationship that's vital. We're a better company because of Apple, no question.

What does the sports broadcast landscape look like in five years'?

Bowman ► It's impossible to predict – but that doesn't mean I won't! For sports, we're kind of lucky. It's true that there will be fewer homes, on a percentage basis, that have what we call traditional TV sets. But sports, if you're in that business, remains one of the most vital, if not the most vital, piece of content you can have. It is the only piece of content that you cannot time-shift and as such, if you're running an amalgamated cable bundle or TV bundle or whatever they will be called in the future and you



“WHAT I THINK WILL HAPPEN HERE IS THE SMART CONTENT OWNERS WHO ARE GOING DIRECT-TO-CONSUMER ARE GOING TO FIND OUT THAT THEIR REVENUE WILL GROW SIGNIFICANTLY.”

want to get a vast number of subscribers, you have to have sport. Even Netflix realised it had to create its own content. Netflix didn't buy live content; they could have bought a lot of content for \$6 billion a year. You have to be prepared to either spend billions on content, creating it yourself and hoping it works or buy live sports content and knowing it works. Netflix has gone down one path; I think others will go down another path. It's hard to imagine a world where live sports do not create the same robust market we've seen.

Is international expansion next for MLBAM?

Bowman ► Absolutely. The pay TV world looks a lot different outside the United States and that makes them great partners in many ways. We were offering MLB.TV for ten years in the United States before we called it Over-The-Top (OTT) and now we know. For us, in rights we own and distribution but also rights we don't own, we are going to pursue projects that have a non-US based footprint. ◀



SOCIAL

High-quality content, matched with a consistent, data-led, platform-by-platform posting strategy and brand integration is the most effective way of monetising social media.

PLATFORMS, POSTING AND BRAND INTEGRATION

The major social platforms, Facebook, Twitter, Snapchat, YouTube and Instagram, have experienced rapid growth, developing communities and creating engagement opportunities for sports rights-holders and brands.

As the platforms launched, sports teams, leagues and athletes were quick to build new online communities. Increasing sophistication followed, with tailored messages incorporating features such as video and multi-language functionality generating higher levels of engagement. The biggest

sports rights-holders made greater investments in digital – both the content itself and how it is distributed.

The next step is monetisation and this is the monetisation era, with the best rights-holders now integrating brand partnerships into quality online content and using social expertly to drive users to membership sites, or ticketing and merchandising offers.

Monetising digital content

ALL INDUSTRY STAKEHOLDERS ARE UNLOCKING WAYS TO MONETISE DIGITAL CONTENT – ALL IN A WAY THAT BENEFITS THE FAN



SOCIAL MEDIA PLATFORM

- » Additional impressions on platform as brand and rights-holder invest more in Facebook content
- » Additional advertising revenue as rights-holder invests in paid inventory

RIGHTS HOLDER

- » Ability to monetise social/digital fan base
- » Measure ROI of investment in digital vs other media channels

BRAND

- » Able to justify their social & digital sponsorship ROI
- » Measure ROI against brand marketing campaigns

CASE STUDY

'BOSE PRESENTS...THE SOUND OF_' – MERCEDES, BOSE AND SOCIAL MEDIA

Formula One world champions Mercedes AMG Petronas collaborated with partner Bose, the audio systems and headphones manufacturer, on a series of videos during 2015. The videos, entitled 'The Sound of Success' were 'presented by Bose' and offered behind-the-scenes insights into the team, featuring expert comment from its senior personnel and drivers on various aspects of Formula One.

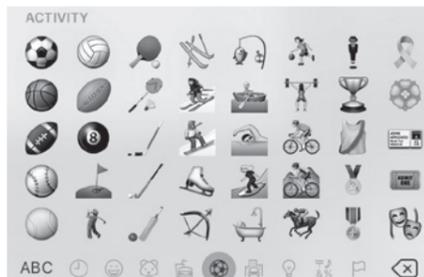
Bose products and branding were seamlessly integrated into the sequences – in one, for example, driver Nico Rosberg, wearing Bose headphones, uses a series of F1 sounds to create a music track, while other

videos featured critical factors in the team's success, such as windtunnels or pit-to-car radio transmissions. The videos were designed primarily to appeal to the 'Game Expert' group of fans, those keen to immerse themselves in the minutiae and detail of the sport. The series of videos were promoted across all the team's social media platforms during a season in which Mercedes retained both world titles, an example of high-quality business-to-consumer activation in a sport perhaps better known for B2B sponsorship activation.

THE THREE KEYS TO UNLOCKING VALUE THROUGH SOCIAL MEDIA

In 2016, Repucom has identified three key ways to unlock value through social media assets – all three open up the opportunity for brand integration. The established platforms are developing revenue models to share revenue with rights-holders, and working more closely with sports, teams and events.

Whereas previously only the platform received monetary benefit as a result of fan social activity, now the sharing model and closer collaborations between platforms and rights-holders means everyone benefits.



Fan Stories™

Repucom's method of categorising online content – anything from live game commentary to behind-the-scenes clips, player of the month awards or fan competitions. Coupled with great content and a clear posting strategy, team or league sponsors are now regularly being assigned a specific Fan Story™ and integrated into social posts.

Creation of new assets

Rights-holders are developing closer collaborations with social platforms, which are leading to the creation of new assets such as stickers or emoji/emblem sets. Facebook's club-specific sticker sets for its Facebook Messenger service and Twitter's event-specific emojis are prime examples, each offering opportunities for brand integration.

Video

To deliver maximum impact in 2016, digestible video content must be part of a rights-holder's digital storytelling strategy. Short-form content is ideal for attracting a younger demographic. Rights-holders are increasingly using Gifs to provide easily-shareable content of key moments.

New revenue models

The established platforms are likely to new develop revenue models to share revenue with rights holders

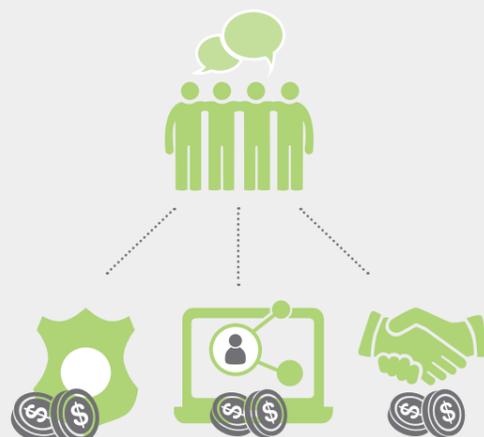
PREVIOUSLY...

Only **platforms** received monetary benefit as a result of fan social activity.



NOW...

Shared revenue models and closer collaboration mean **rights-holders, brands** and **platforms** can all benefit.



THE MAJOR SOCIAL PLATFORMS: CONSTANT EVOLUTION, REAL INNOVATION

The way sports rights holders and the brands that partner them use and work with the major social platforms is impacted in no small part by the updates, enhancements and modifications the platforms are now regularly making to their services. Some are visible, some less so but all are deemed vital to

improving the user experience and ultimately increasing sign-ups and activity. For professional athletes, teams and events, social media has become a vital tool for connecting with and engaging increasingly global fan bases.



Facebook

Facebook made its most visible move into the live sports arena earlier this year, announcing Facebook Stadium to coincide with the end of the National Football League (NFL) season. A global expansion to cover other sports such as football (soccer) and basketball is promised soon. In February, Facebook rolled out its new 'Reactions' – a range of emotions available when a user presses 'like'. For the first time, this offers the opportunity to measure sentiment. There is also a major ongoing investment in virtual reality, through the Oculus Rift headset, with the creation of a dedicated Facebook 'Social VR' team, as well as continuing focus on 360 degree video.



Instagram

The Facebook-owned photo-sharing platform has recently introduced video view counts, which should significantly benefit rights holders and brands in terms of tracking and informing posting decisions. In March, Instagram announced plans to shift away from its chronological news feed approach to deliver more personalised content to users.



Twitter

Despite a swirl of media scrutiny, Twitter has continued to innovate at the start of 2016. Its new 'Moments' feature offers a selection of tweets on a particular topic, while services due to be rolled out include the opportunity to personalise lists of a user's favourite tweeters. It has incorporated content from its live video app Periscope into its feeds and continues to add hashflags and emojis for a host of major sports, entertainment, political and cultural events – most notably, in January it launched an emoji not only for the NBA All-Star game but one for each individual player. In February, following Facebook Messenger's lead, it added a Gif search facility.



Beyond the big five...

There are a multitude of other social platforms, some for specific markets, some for specific sports, some aimed at specific demographics – LinkedIn, for example, possesses a highly-engaged B2B community, while the likes of Weibo, WeChat, Tencent and Youku are battling for supremacy in China. Facebook-owned messaging service WhatsApp may also have a prominent year: ahead of the Olympic Games in Rio de Janeiro the app is used by up to 90% of Brazil's online population. New social apps are appearing all the time: Slinger, for example, is a new vertical video app similar to Snapchat but with content which does not delete itself after 10 seconds. Anchor, meanwhile, has echoes of Twitter but allows users to record and post two minute audio clips, which can be replied to via audio.



YouTube

As well as successfully integrating live coverage into its platform the video-sharing giant is working closely not only with rights holders and federations but also 'Influencers' – those with a large following and the ability to generate a large number of views. For Super Bowl 50 in February, YouTube's AdBlitz channel offered users the chance to vote on their favourite ads; it found that advertisers were able to generate 2.2x more views by launching a teaser of their advert before the release of the full spot.



Snapchat

In a significant move, publish-then-it's-deleted app Snapchat is reportedly following the lead of other major social platforms in actively developing an API (application programming interface) to support advertising. Seen as a key step in commercialisation, the move will allow rights holders and brands the ability to target content. Snapchat's 'Filters' are already providing inventory for brands, while the introduction of custom-made 'Geofilters' opens up yet more opportunity: the National Basketball Association (NBA) is leading the way in merging live game updates with the live experience, with Snapchat users posting content from inside NBA venues able to include a Geofilter which includes the game's current score.

WHAT'S NEXT?

With connectivity now demanded by viewers watching at home or inside a stadium, the onus is on sports rights-holders, partnering brands and broadcasters like never before to deliver the right content and service in the right ways – and ensure the technology delivering that content or service is up to scratch.

The next step appears to be a more immersive viewing experience, utilising developing technology to put viewers or spectators at the heart of the action and offering the chance to personalise coverage, experience new camera angles and the kind of behind-the-scenes access that traditional linear broadcasts are not always able to supply.

Technology is also creating a wealth of new retail opportunities in-venue and in the case of the FIA Formula E Championship 'Fan Boost' the chance for viewers at home to directly influence the sports event they are watching by voting online for their favourite driver – the latter example opens up the debate around the extent to which technology and a connected world should impact and influence the sporting action itself.

The integration of data into live sports broadcasts, complementary apps and personal accessories – the likes of FitBit, for example – is set to continue, while the next step in a truly immersive sports viewing experience appears to be the advent of mass-market virtual reality; early-adopters such as the Jacksonville Jaguars and NBA are already experimenting with VR broadcasts and experiences.

Some of this new technology, developed in and for a connected world, will revolutionise how we watch, consume and interact with sport – and some will not. What can be safely predicted is that something new and revolutionary, something that cannot yet be conceived, will emerge at some point and change the game once again.

“IF YOU TURN OFF THE INTERNET OR SHUT OFF INSTAGRAM, THAT'S PUNISHMENT. THE DEMAND FOR CONNECTIVITY IS INCREDIBLE.”

GENERAL MANAGER, SPORTS AND ENTERTAINMENT FOR A GLOBAL IT FIRM



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