

# SHOW ME THE MONEY!

**THE COMMERCIAL  
TRANSFORMATION  
OF GLOBAL SPORTS  
IN THE DIGITAL AGE**

SHOW ME THE MONEY!

Tata Communications is a leading global digital infrastructure provider that enables organisations across the sports ecosystem to make the most of the opportunities that the latest technology innovations bring.

Playing a central role in Formula 1, MotoGP and the European Tour, the company harnesses its networking, cloud, mobility and security expertise to lower the barriers for rights holders and broadcasters to expand to new markets, and to enable fans to engage with their heroes in new ways.

It has tested in action technologies such as live 360-degree and Ultra High Definition video, and explored how the Internet of Things and augmented and virtual reality could pave the way for more powerful, immersive viewing experiences. Tata Communications' aim is to unleash the full potential of digital transformation in global sports.

With contributions from

**Marcus Parnwell** | Director of Product, New Markets & Strategic Initiatives | DAZN

**Manel Arroyo** | Managing Director | Dorna Sports

**Frank Arthofer** | Global Head of Digital and New Business | Formula 1

**Tricia Weener** | Global Head of Partnerships | HSBC

**Tom Sammes** | Senior Strategy Manager | European Tour

**Mehul Kapadia** | MD of F1 Business and Global Head of Marketing | Tata Communications

**Brian Morris** | VP & GM | Global Media & Entertainment Services | Tata Communications

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EXECUTIVE SUMMARY

In the words of the most decorated Olympian of all time, Michael Phelps, winner of 23 gold medals and owner of several records across multiple swimming disciplines:

**“You can’t put a limit on anything. The more you dream, the farther you get.”**

If we look at the incredible growth of sports from a commercial perspective over the past few decades, the conclusion that the opportunities are infinite and endless is unquestionable. Accelerated globalisation, the impact of the Internet and the heavily disrupted media landscape mean anything is possible right across the sports ecosystem – from rights holders and broadcasters to partners, technology platforms and providers.

According to PWC’s ‘At the gate and beyond’ report, the North American sports market, the world’s biggest domestically, will be worth over \$78.5bn by 2021.<sup>1</sup> To contextualise this, according to the same report, this market was worth under \$53.5bn in 2012, showing a percentage increase of almost 47% in under 10 years. That is just one market in a world where the appeal of global sport has never been stronger, not only in North America and Europe, but also in emerging markets in Africa, Asia, Oceania and South America.

Given the huge figures the global sports industry now commands, it is astounding to think that we are at the tipping point of the next big growth opportunity: the impact of digital technology innovations. New applications and platforms are tearing down the barriers which once existed for sports looking to grow their fan base and take their fan experience to the next level.

Crucially, it’s the sports that will successfully monetise their events, content and products in this digital age that will succeed.

“Show me the Money!” is an industry report based on qualitative interviews with leaders from the sports ecosystem. As different technology innovations permeate all aspects of how businesses operate and how people live, the report aims to answer three fundamental questions about the commercial future of sports:

- › How do sports tap into audiences in new geographies?
- › How do sports broaden their appeal and attract new audience demographics?
- › How do sports create a fan experience which turns casual viewers into active fans?

“Show me the Money!” will uncover the commercial strategies being adopted by sports organisations, broadcasters and digital providers as well as commercial partners and sponsors, providing examples of how sports are transforming their fortunes through more commercially viable content and distribution strategies. It will also provide practical advice and analysis of how sports can further take advantage of the digital opportunity in order to increase their audience size as well as improve their engagement levels.

<sup>1</sup>At the gate and beyond, PWC (December 2017)

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# THE GENERATION GAME



## ATTRACTING NEW AUDIENCES

There isn't a sport on earth that doesn't want to grow its fan base. The very nature of sport is competitive so it's no surprise that, like its protagonists, every sport strives to be bigger and better. The idea that if you are not growing you are dying is an adage of business that certainly applies to the commercial side of global sports.

In simple terms, that means broadening the appeal of a sport to attract the attention and fandom of people outside its traditional audience demographic to increase revenues. It also means catering for an increasingly split audience across different – sometimes competing, sometimes complementary – platforms, including traditional TV and video streaming services, as well as social media and mobile apps.

Tricia Weener, Global Head of Partnerships at HSBC, talks in terms of partnerships rather than sponsorships when highlighting these challenges and ways around them. **“Any business that wants to grow has to attract new audiences rather than continue to go back to its existing audiences.”**

**“We want to align with our customers' passion points and recognise that we are going to have fewer direct touchpoints and face-to-face interactions with them. One of the important things with partnerships is you can engage with that audience around their passion points. When that all comes together it's perfect. And, if you can engage new audiences as part of that, clearly that enables you to achieve a growth objective as a business.”**

Every sport wants to grow its fan base and every business is looking for new ways to reach young people, so millennials are a key audience that sports need to engage. For DAZN, a dedicated live sports streaming service, this is crucial. Marcus Parnwell, Director of Product, New Markets and Strategic Initiatives at DAZN, has first-hand experience of developing a business model.

**“Millennials is our primary audience, which sets us apart from traditional broadcasters who adopt a more broad-brush approach. Our highly competitive price-point and flexibility of no contracts means we are well designed for this market.”**



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DAZN is a company which has understood that contrary to popular belief, millennials have not stopped watching sports. However, the way they consume it is fundamentally different to other generations.<sup>2</sup> This is a challenge which sports have to overcome.

Tom Sammes, Senior Strategy Manager at the European Tour, is responsible for growing the tour's audience by broadening its appeal. Sammes recognises that the millennial audience is a vital part of the sport's growth strategy.

“We’re at an inflection point, and must weigh up the value of reach versus quality of engagement. Just trying to maximise reach is not a viable long-term strategy. Attracting younger audiences can be a challenge due to the constraints of traditional golfing formats in terms of the time and duration of events. Innovative new formats such as GolfSixes are helping the European Tour appeal to a broader demographic beyond our traditional fan base. Digital is the biggest opportunity we have to reach a new audience.”

Launched in February 2017, GolfSixes is a short-form professional golf tournament run by the European Tour which features two-man teams from rival nations competing over a six-hole course. Far from the reverence of the back nine at The Open, players are timed for some shots and play against a backdrop of music, making this a more family-orientated and digitally interactive experience for casual golf fans.

An advocate of this strategy is Brian Morris, VP and GM of Global Media & Entertainment Services at Tata Communications and a keen golfer who understands the importance competitions like the European Tour place on increasing their appeal to younger audiences.



“ATTRACTING YOUNGER AUDIENCES CAN BE A CHALLENGE DUE TO THE CONSTRAINTS OF TRADITIONAL GOLFING FORMATS. DIGITAL IS THE BIGGEST OPPORTUNITY WE HAVE TO REACH A NEW AUDIENCE.”

TOM SAMMES, EUROPEAN TOUR

<sup>2</sup> We are wrong about millennial sports fans, Dan Singer, McKinsey (October 2017)

<sup>3</sup> GolfSixes attracts new, younger fans as short-format golf returns to European Tour, PGA European Tour (January 2018)

“Sports can use digital to broaden their appeal, particularly when it comes to increasing interaction with younger audiences. It’s about acquiring and maintaining eyeballs. The objective of using digital is to make the sport look cool and to create a fan base. This involves format changes and improving the spectacle itself as well as its content and distribution strategy.”

The initial success of GolfSixes in terms of the volume and quality of the engagement seen both at venues and on digital platforms has been significant. The European Tour’s own data shows that the inaugural GolfSixes competition delivered a 42% increase in golf fans at the event and that compared to standard European Tour tournaments the audience was on average 14% younger.<sup>3</sup> Sammes shares the key learnings from the European Tour’s first experience

“Our hope for GolfSixes is that it becomes to golf and the European Tour what Twenty20 is now to cricket. Fans can pick a team, anything can happen, and it’s done in an hour. The early signs are that this strategy is working and that it is attracting a younger demographic, with more families buying tickets and high levels of interaction on social media.”

While attracting younger audiences is understandably a priority for many sports, Mehul Kapadia, Global Head of Marketing at Tata Communications and the Managing Director of the company’s F1 Business, says it’s not all about age. In fact, Kapadia believes that sports brands can place too much emphasis on attracting younger fans, and not enough on catering for the needs of their entire fan base. Customisation is crucial.

The example of GolfSixes is aligned with this view in that attracting younger fans has been identified as a key success metric; by creating a format which younger fans enjoyed,

the competition almost doubled the number of fans in attendance. While the perception is that sports need to attract millennial viewers, the more pertinent issue is creating an experience that attracts modern consumers of entertainment, regardless of age, gender or culture.

This view is echoed by Manel Arroyo, Managing Director of Dorna Sports, the rights holder of the MotoGP World Championship and Superbike World Championship.

“Digital channels allow greater audience diversification. Thanks to digital channels we can reach both more people and different kinds of people. Digital channels allow us to interact with users and also get to know them better in order to offer them exactly what they want.”



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HOME AND AWAY, ANY TIME, ANY PLACE

In the age of on-demand and personalised media, the modern media consumer expects to be in control of their viewing schedule and for content to be available in a multiplicity of forms, at any time and on any device.<sup>4</sup> Sports which have been used to fans tuning in to traditional forms of broadcast at pre-set times now need to broaden their horizons in terms of content distribution to increase both fan bases and engagement.

Commenting on how broadcasters and media companies are adapting to this modern media landscape, Tata Communications' Kapadia says:

“Broadcasting rights are becoming more fragmented than ever before. Companies offering subscription-based services such Sky, BT+ and Amazon Prime Video now all share rights to broadcast content from the English Premier League. Twitter, meanwhile, is putting together deals with the aim of repurposing space and time, driving revenue through sponsorship and advertising only.”

As a disruptor in an already disrupted market, DAZN has first-hand experience of the flexibility which viewers today demand from content distributors. According to Parnwell:

“All viewers, but especially younger viewers, expect to watch content any time, on any screen, and be able to pause, rewind or watch highlights. Our platform is popular among younger viewers who do not want to pay subscription fees or be tied to a device. They want the freedom to watch and pay as they go.”

Given the growing number of frontiers across which the fight for eyeballs is taking place, sports have to think about their digital strategy. Frank Arthofer, Global Head of Digital and New Business at Formula 1, outlines where digital platforms fit into this jigsaw puzzle.

“Digital is seen by many decision makers in the sports industry as a marketing platform rather than a channel for delivering great content and experiences.

“The direction of travel – which we believe is correct – is to evolve digital platforms like official websites and social media channels to become content hubs for fans and a place for brand partners to integrate authentically into the storytelling.”

One of the key roles of digital for sports is augmenting and adding value to the fan experience beyond spectating. A fast-growing motorsport, Formula E, has shown how digital has the potential to increase fan interaction with the live action through its unique, and much-debated, FanBoost feature.<sup>5</sup>

Fans are given the opportunity to vote for the driver they wish to receive a FanBoost before the race. The three drivers with the most votes receive a power boost of 30kw, which lasts for five seconds at a time and provides extra speed which can be used to perform a crucial overtake.

As well as enhancing the relationship between the fan and the live action, sports are using digital channels to provide more information to help make the sport more accessible, especially to fans who are new to the sport.

Whether it's providing deeper levels of real-time analysis to ardent fans or helpful soundbites for casual viewers, live streaming experts DAZN are seeing the appetite for data increase: “Fans want access to data to create better viewing experiences.



“DIGITAL IS SEEN BY MANY DECISION MAKERS IN THE SPORTS INDUSTRY AS A MARKETING PLATFORM RATHER THAN A CHANNEL FOR DELIVERING GREAT CONTENT AND EXPERIENCES.”

FRANK ARTHOFER, FORMULA 1

This is clear when you consider the huge followings and interaction levels boasted by Opta's army of Twitter personas.

“Data also helps sports, broadcasters and sponsors understand audiences better in terms of demographics and engagement levels rather than focusing on viewing figures. This enables us to improve how we promote events and content.”

We see examples of sports bringing more and better quality data into the broadcast experience. Through its relationship with Hawk-Eye, cricket has taken things like ball-trajectory technology and Hot Spot from the technology studio and into an average conversation between fans.

Furthermore, F1 has increased the amount of data being pumped into its Halo television graphics, which provide viewers with information such as live speed, gear and engine revolutions, throttle and brake usage. If data can improve the fan experience, it could be the secret commercial weapon which sports need to master the digital sphere.

<sup>4</sup>Digital media trends survey, 12th edition, Deloitte Insights (March 2018)

<sup>5</sup>FanBoost, Formula E (August 2018)



THE STATS DON'T LIE

According to HSBC's Weener, **"data is fundamental"**. However, she says it is imperative to ensure that it is collated and analysed with a sense of purpose. **"You have to bring all your big data together, connecting it and looking at it through the lens of brand, commercial and audience."**

Sports can use the data they have at their disposal to improve the commercial viability of a sport. Broadcasters collect tons of data, which sports are starting to get to grips with. However, we've barely scratched the surface of what is possible from the big data collected in real-time during live sports events. Tata Communications' Kapadia walks through some of the possibilities.

**"Sports and broadcasters can monetise big data by helping viewers understand what they're watching as well as creating more targeted content, which can be distributed to audiences from different geographies, cultures and age-groups. Cricket packages data up and uses it to help people follow and understand the game. This has improved the viewing experience. And, technologies such as Hawk-Eye have fundamentally enhanced the viewing experience, leading to increasing ticket sales and value of TV subscriptions."**

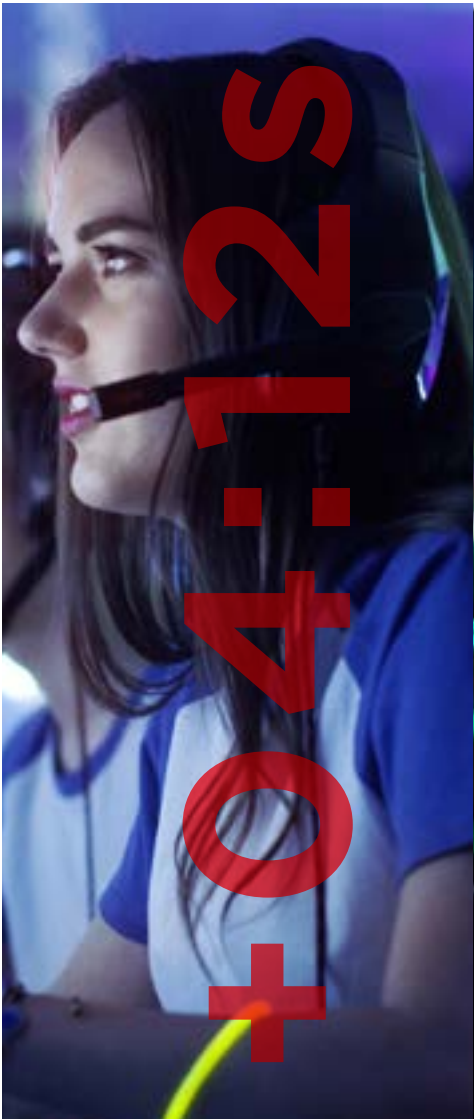
The use of technology to add to the viewing experience of sports inevitably leads us to the topic of eSports – statistically speaking the world's fastest-growing sport. The European Tour's Sammes paints a picture of how in-game technologies and real-time data could change the face of golf in the future. **"Technology integrations such as putting sensors on golf balls to collect shot data, or mapping golf courses so that people can take a virtual tour of an iconic course, can increase fans' knowledge of the sport and help them follow the action more closely."**



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**“YOU HAVE TO BRING ALL YOUR BIG DATA TOGETHER, CONNECTING IT AND LOOKING AT IT THROUGH THE LENS OF BRAND, COMMERCIAL AND AUDIENCE.”**

TRICIA WEENER, HSBC



**"eSports can bring fans closer to the sport and its star performers, allowing them to aspire to become the next Tiger Woods through a virtual medium."**

Motorsport is an obvious breeding ground for eSports given the popularity of racing games such as Gran Turismo – the franchise surpassed 80 million copies sold in 2018 since its introduction in 1997.<sup>6</sup> **"Racing F1 cars is conducive to building a successful eSports brand,"** states Formula 1's Arthofer.



**"There's lots of value for reinforcing the fan base through virtual gaming; Madden has always been a great tool to convert new NFL fans, and we believe a better game and aspirational eSports series will do the same for F1."**

So, sports are looking to increase their fan base in terms of volume and variety. The audiences sports are looking to tap into are consumers of entertainment who expect content to be highly available, highly flexible and highly personalised.



This means a sport's digital media strategy directly affects the number of eyeballs it can attract and maintain, and, therefore, directly impacts the bottom line. While digital is clearly a key channel, sports must also have a content strategy, as well as an understanding of why fans buy in to the sport, as this is crucial to its commercial viability.

<sup>6</sup>Gran Turismo franchise sales surpass 80 million, Gran Turismo (May 2018)



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# STAR POWER

## PEOPLE ON THE STREET

Sportsmen and women are major celebrities in their own right, commanding huge social media followings on the likes of Instagram and Twitter, and attracting lucrative sponsorship deals which make them global icons. The actions of the biggest global sports stars are followed with interest, whether they are performing on the elite stage or spotted simply out having lunch.

“The modern fan experience is all about interaction with heroes. This is where engagement levels are at their highest,” according to Tata Communications’ Kapadia, who asks whether people are engaging with sports or personalities?

On that topic, the European Tour’s Sammes believes that star performers can help shape a sport’s strategy in terms of increasing its influence geographically. Sports become more relevant to a nation’s people if one of their own is performing at an elite level.

“Professional sports don’t exist without the stars. Personalities like Rory McIlroy are critical for golf. When McIlroy is playing there are huge spikes in viewing figures and audience engagement.

“Digital gives the European Tour the ability to create truly global stars, as we have a global footprint through our events. The best way to engage new markets is to make heroes out of younger local players. For example,

Chinese players such as Haotong Li breaking into the global top 50 drives interest in China and helps change the traditional perceptions of the game in newer markets.”

From an F1 perspective, Arthofer thinks that the stardom of sportsmen and women away from the sport is important for increasing interest from fans. Fans need to see star quality to maintain interest, and are more likely to engage with a sport emotionally if they can identify with individuals because of their personalities as well as their performances.

“Great racing will increase fan engagement, and digital is a means of enhancing the conversation so more people tune in on race weekends.

“Focusing on the journeys of star drivers is one of our most powerful means of storytelling. Underdog stories, rivalries; these are universal. Shining a light on these stories makes fans engage more deeply, as they can better identify with key individuals within the sport.

“Our always-on digital content strategy gives us an opportunity to build emotional interactions with people that are invaluable.”

Not only can stronger identification with star individuals give fans a greater sense of purpose as they begin to follow and support a driver, player or team, it can drive participation at grassroots level where future stars are being made.

Highlighting the path from street footballer to World Cup star or go-kart track to the Monaco Grand Prix can drive commercial value for sports in different ways.

HSBC’s Weener builds on the importance of emotive storytelling in increasing the societal impact of sports partnerships too:

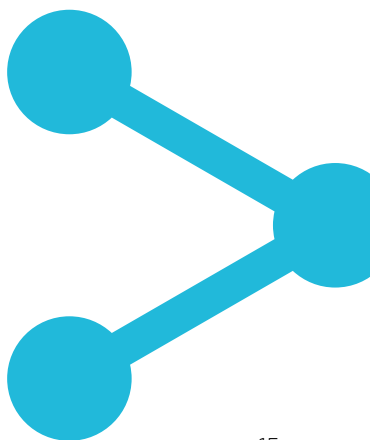
“We can engage with more people in a more compelling way by telling great stories of success in sports. For example, HSBC’s partnership with British Cycling enables us to change a nation by instilling a desire to get on bikes and be healthier.

“This can make a difference to kids’ lives around the world when they start in our grassroots programmes and even help them achieve their ambitions of becoming professional sportspeople. If we’re able to continue to do that in a more effective way, then that would be great.”

The star power of sporting heroes is fundamental to the appeal of sports events. Having the best competitors doing what they do best increases the quality and entertainment value of the spectacle, but building an attachment between fans and sports personalities forges deeper connections. From a commercial perspective, this can be the difference between whether someone is a casual observer or a dedicated, merchandise-buying fan.

“SPONSORS WANT FANS. FANS WANT TO SEE THE STAR PLAYERS. SO, WITHOUT THE STARS YOU GET NEITHER.”

TOM SAMMES, EUROPEAN TOUR







STAR-STUDED EVENTS

You could say that putting on a sensational festival of sports is not dissimilar to creating a great film or theatrical show. The story has to be great, and spectacular sets and special effects can keep the audience engaged – but a star-studded cast with household names is what sells the show.

MotoGP recognises the importance of its riders. They are the people who attract fans to the sport and keep them entertained when they are trackside or following the race on the device of their choice. Tata Communications' Morris explains how MotoGP riders are at the heart of the sport's fan experience and strategy.

<sup>7</sup>Rugby World Cup Sevens 2018 set to showcase fan-engagement innovation, World Rugby (July 2018)

“MotoGP makes sure that kids who have shown an interest in competing from an early age are given motorcycles as early as 13 years old. In doing so, the sport can nurture its next generation of star riders, teaching them how to entertain crowds in a safe and professional manner.”

Furthermore, technologies such as 360-degree video and virtual reality really work with motorsports – and Dorna's Arroyo explains how with MotoGP, you can genuinely feel as if you're on the back of the bike.

“With digital channels, you can take the circuit home with you – or that's the goal. The objective is to make this feel more and more like a reality. For example, we have a 360-degree

camera that makes fans feel like they're riding pillion on the bike.”

Whether it's through innovating new formats or access to the sport's best stars, a great spectacle can add tremendous value for sponsors and, in turn, increase the revenue streams being created by an event. HSBC has supported World Rugby since 2010 and Rugby Sevens has been dubbed the 'future of rugby' given the audiences it has pulled in markets where the sport has traditionally struggled, such as the US and amongst female audiences.

A fan base of 33 million in the US, including a significant proportion of women aged 18-24, reflects this trend. The Rugby World Cup Sevens 2018 in San Francisco provided an

opportunity to take full advantage of modern technologies to bring this rapidly growing fan base closer to the star teams and players. Some of these innovations included the Rugby World Cup Sevens app, augmented and virtual reality broadcast features, online data hubs and bots.<sup>7</sup>

Weener explains the true impact HSBC's partnership with World Rugby and Rugby Sevens has had for the sport as well as for the global banking leader.

“Rugby Sevens is a great example of how you can bring a sport to a completely new audience. It's exciting to watch whether you're a fan or not. In terms of engagement, that's exactly what you want because it enables you to go beyond the traditional fan base. It's very inclusive

and everyone can feel a part of it. More than 50,000 youngsters have been through our Sevens programme in the last year. It's a very strong proof point which supports why we do this.”

Boiled down to its simplest formula, the relationship between fans, sports and sponsors is simple – and it's all about access to the stars – according to Sammes from the European Tour.

“Sponsors want fans. Fans want to see the star players. So, without the stars you get neither. We spend significant time creating the right mix of factors to attract the world's best players to the European Tour, including the Rolex Series, which brings together our eight premium events, featuring our strongest fields at leading global destinations.”

On the other hand, a sports star with a global social media following can also boost the profile of a less known competition or tournament. When F1 champion Fernando Alonso announced his participation in the World Endurance Championship, and then helped his Toyota team win the iconic Le Mans 24 Hours race, the excitement around his successful debut gave Le Mans and the Championship a glittering of F1-like stardust and indirect advertising through his many Instagram posts.

Yet, while the digital arena undoubtedly gives sports new opportunities to create global stars and tell their stories across multiple platforms and devices, the stars are created on the field and on the track.



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# ALL TOGETHER NOW



**“VENUES ARE CRUCIALLY IMPORTANT TO LIVE SPORTS EVENTS AND ICONIC STADIA ADD GLAMOUR TO A SPORT. THIS IS FUNDAMENTAL TO THE COMMERCIAL SUCCESS OF A SPORT, AS BROADCASTERS AND SPONSORS WANT VENUES TO BE FULL AND ADD TO THE ATMOSPHERE.”**

MEHUL KAPADIA, TATA COMMUNICATIONS

## **“WHERE ARE YOU WATCHING IT?”**

The truest form of the sporting entertainment is the live experience. Digital channels simply provide a new means of delivering this experience and value-added content to more viewers. While it appears contrary to discuss physical location at the same time as digital content distribution, the fact remains that a sports event must take place somewhere. The physical location is incredibly important, with stadiums adding prestige and historical importance to a game, match or event.

DAZN's Parnwell discusses the work that Matchroom Sport has done with boxing to extend its popularity beyond the relatively small number of true boxing fanatics to get more casual fans buying and watching pay-per-view (PPV) events.

**“Sport is and always will be a communal experience. We can improve how we deliver it but human nature means it will always be at its best as a shared medium. Matchroom has turned boxing into a stadium concert-style event and a collective fan experience which can be shared and augmented through OTT broadcasting, live-streaming and social media.”**

As recently as 10 years ago, world title fights tended to happen at venues such as the MGM Grand in Las Vegas – with a capacity of less than 20,000 and revenues driven overwhelmingly through PPV sales. Between 2016 and 2018, unified world champion Anthony Joshua sold out three huge stadium fights including his defeat of legendary veteran Wladimir Klitschko at Wembley Stadium in London (90,000) and Joseph Parker at the Principality Stadium in Cardiff (78,000).

As well as matching the previously held UK record for stadium attendance, Joshua's fight with Klitschko broke the British Boxing PPV record for both live-streaming<sup>8</sup> and replay views<sup>9</sup> according to Nielsen Media Research figures.

Tata Communications' Kapadia explains why the physical location of an event can drive interest from fans wanting to follow the event through traditional and non-traditional channels.

**“Venues are crucially important to live sports events and iconic stadia add glamour to a sport. This is fundamental to the commercial success of a sport, as broadcasters and sponsors want venues to be full and add to the atmosphere.”**

Live sports events have an uncanny ability to bring people from all walks of life together, and this unifying quality means that the shared experience will never diminish in importance. The popularity of fan zones and public screening of live events, where hundreds, even thousands, of people gather to follow the event on television reflects this notion. It's clear that the impact of the physical location of an event on the overall viewing figures goes beyond the number of people packed into the stadium. A part of the digital opportunity for sports is in blurring the lines between the in-stadium and remote viewing experience.

<sup>8</sup>Joshua-Klitschko live broadcast drew 659k viewers for Showtime, Boxing Scene (May 2017)

<sup>9</sup>HBO's replay of Joshua-Klitschko peaked at 890k viewers, Boxing Scene (May 2017)



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<sup>10</sup>J.League signs 10-year broadcast contract with DAZN, J.League (July 2016)

<sup>11</sup>DAZN to connect Japan's growing football community by broadcasting matches from the J2 and J3 leagues live on Facebook, DAZN (May 2018)

**“SOCIAL MEDIA IS HELPING GROW SPORT AND BUILD COMMUNAL AUDIENCES. PEOPLE WANT TO WATCH SPORT TOGETHER AND FEEL A PART OF LIVE EVENTS, WHICH DIGITAL CAN HELP FACILITATE.”**

MARCUS PARNWELL, DAZN

### “I WAS THERE!”

Sports viewing is a shared experience and that is always likely to be the essence of why people watch it. The live experience at the stadium is crucial, as it is part of the broadcast which is pumped around digital and TV channels the world over. Far from devaluing the live experience, sports are bringing new technologies and creature-comforts into the venues to keep them full. However, for the huge numbers of potential viewers available to sports outside the stadium, sports also need to use digital media to establish a strong connection with the fans and atmosphere at the event.

Building on this, Tata Communications' Kapadia insists that the role of digital is complementary to the 'in-the-flesh experience'. “As the digital fan experience gets better, the pressure is increased on venues to improve the live experience too.” Improving the live experience can involve adding elements to it which are complementary to the sporting action. F1, for example, has augmented the fan experience with its Fan Festivals.

The first event of its kind was staged in July 2017 when F1 took over London's Trafalgar Square to host an event specifically designed to attract younger and more mainstream audiences as well as motor-racing enthusiasts.

F1 Fan Festivals are now a regular feature of the calendar with similar events taking place in Shanghai, Marseille and Milan during the 2018 season. The concept was designed for amplification on social media with processions of the F1 cars through the streets of the Grand Prix host cities as well as photo opportunities with top F1 drivers.

DAZN's Parnwell gives his own view on the vital importance of extending the live action beyond the stadium through the innovations you can make inside it.

“Social media is helping grow sport and build communal audiences. People want to watch sport together and feel a part of live events, which digital can help facilitate. As part of our work with J.League we have supported on revamping in-stadium Wi-Fi to make it easier for fans to access and share information about the game.”

DAZN signed a 10-year deal with Japan's Professional Football League in 2016, and has since enabled Wi-Fi access in the stadiums, providing high-quality streaming services and an enhanced experience for fans both in and around the stadium.<sup>10</sup> This helps bring fans in the stadium closer to the action, while also extending the live experience through user-generated content on social media.

DAZN's deal with the J.League now extends to broadcasting live games from the Meiji Yasuda Seimi J2 and J3 leagues on Facebook. DAZN will broadcast games through the official club Facebook pages and feature every team in J2 and J3. This gives the J.League teams access to the largest community of sports fans in the world, with approximately 650 million sports fans engaging with their favourite players, teams and competitions through Facebook.<sup>11</sup> The project is designed to drive engagement and further widen the J.League audience.

Primarily, sports have to create an in-venue experience which people want to be a part of. The next step is to give potential viewers and fans as many possible platforms to feel a part of the live event. The fundamental difference between remote viewers and crowds inside the venues is that the former are spectators whereas the latter are participants: creating a great viewing experience will drive participation.

It is as simple as that when it comes to creating a fan experience that people keep coming back for. However, sports are not only competing against other sports for eyeballs, but are part of an entertainment market which is in a constant state of flux. So, how do you make the leap from sport to entertainment brand? And, why is doing so important?



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# LET ME ENTERTAIN YOU

<sup>12</sup>Premier League matches to be available on Prime Video in the UK, at no extra cost to a Prime membership, Amazon (June 2018)

<sup>13</sup>LaLiga lands on Facebook in Indian Subcontinent, LaLiga (August 2018)

**“IF YOU CAN FIND THE RIGHT BALANCE BETWEEN RIGHTS FEES, ACTIVATION AT THE EVENT AND AMPLIFICATION AROUND THE EVENT, YOU’RE ABLE TO MAKE INVESTMENTS THAT ALLOW YOU TO REACH A LARGER RANGE OF PEOPLE.”**

TRICIA WEENER, HSBC

## IN TODAY’S WORLD

The broadcast game is changing beyond recognition, and sports, one of the largest broadcast industries on the planet, have a whole host of new challenges and opportunities to contend with to maintain eyeballs.

Tata Communications’ Morris explains that the biggest disruptor in the broadcast industry is distribution.

“Previously, TV distribution rights were geo-controlled. This means that as I live in the UK but want to watch college football in the US, it was tough because no broadcaster in the UK was interested in getting broadcast rights to US college football. Now this has all changed. Content owners are able to use OTT platforms to expand the reach of even smaller sports outside of these traditional geo-controls – they’re no longer at the mercy of traditional TV. I can watch any sport from anywhere if I subscribe to the right platforms.”

Yet, for sports looking to attract better brand partnerships, and expand their sphere of influence and geographical audience, broadcast and amplification rights are, understandably, hugely significant as HSBC’s Weener explains:

“If you can find the right balance between rights fees, activation at the event and amplification around the event, you’re able to make investments that allow you to reach a larger range of people.”

We are seeing this step-change away from accepting access to limited geographical audiences with some of the deals being penned regarding domestic football broadcast rights in Europe. Amazon Prime Video secured rights to broadcast live and exclusive English Premier League matches from 2019/20. The three-year deal means that Amazon Prime subscribers can watch 20 matches per season at no extra cost.<sup>12</sup>

Furthermore, LaLiga has signed a deal with Facebook which will see all 380 matches from Spain’s top football league broadcast live on Facebook in Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Sri Lanka and Pakistan.<sup>13</sup>

As one of the potential disruptors of this market, DAZN sees this kind of broadcast evolution as inevitable. While the hunger to serve up content to more fans across a wider range of geographies is apparent, Parnwell puts this transformation down innovation in OTT technologies and changing media consumption habits.

“We will see major changes between 2020 and 2022, when I expect a heavily digital landscape with OTT dominating the way sport is delivered to fans. DAZN is one of the companies changing the way the world watches sport, bringing sport into an OTT streaming model, and making it free and easy for people to watch their sports they love.”

In the modern broadcasting landscape, attempting to boss every channel and platform may not be the right strategy for every sport. For a sport with a well-established audience and fan base such as F1, the digital and OTT strategy must be aligned with the new audience demographics which the sport is targeting, as Formula 1’s Arthofer explains:

“Take a channel like Snapchat which support user-generated content. Using Snapchat for brands has had certain challenges and barriers, but that’s where the under 25 audience is. So, if that’s your desired target, that’s where you need to be.”

The lines between traditional and digital media platforms have blurred causing a seismic shift in the entertainment landscape.



SHOW ME THE MONEY!



<sup>14</sup>What is ShotLink Intelligence?, PGA Tour (August 2018)

## INCREASING THE X FACTOR

Sports are using a variety of content strategies and technologies to create more entertaining viewing experiences. Unsurprisingly, this topic area leads us back to the US, as Formula 1's Arthofer feels that NBA and NFL are examples of sports which have set the blueprint for increasing the x factor.

"I have attended NBA Allstar events throughout my life, and I still love basketball today. NBA is terrific at delivering a range of video content and formats: not just highlights, but also, cutting edge, shareable, engaging content that integrates data to tell insightful stories about the sport.

"Big US leagues like NBA and NFL that are bringing brands in and driving explicit, incremental revenue through these platforms, are miles ahead of the game."

From a golfing perspective, the European Tour's Sammes takes his inspiration from the way cricket has changed its fortunes in terms of popularity through Twenty20 and the growing use of technology by the PGA Tour. The global golf competition has been using ShotLink intelligence to share shot data with viewers since 2005.<sup>14</sup>

"Cricket has been able to secure broadcast deals which generate revenue, but also have free-to-air opportunities with bigger audiences.

This is largely down to Twenty20 and the increased entertainment factor that it produces. The European Tour is using new ways of improving the fan experience by increasing the use of data, as currently used by the PGA Tour, using shot data and following golfers around the green to give viewers more exciting content."

One sport which Tata Communications' Kapadia feels is still experimenting with in-game technologies to increase the entertainment factor of the live action is football.

"Football needs to evolve how it uses technology to enhance the viewing experience if it is going to be used to enforce the rules. Using technologies to improve the level of officiating is important to the integrity of the sport, but people do just want to be entertained."

On the other hand, DAZN's Parnwell looks at how innovation is enhancing the viewing experience for football fans from a broadcaster's perspective.

"We've started seeing elements of the kinds of innovation which will be commonplace in football over the next four years. It was both interesting and brave of the BBC to broadcast 2018 World Cup games in Ultra High Definition and trial VR through its iPlayer app. That will be the norm by Qatar 2022."

Football's most valuable competition is the UEFA Champions League – with around €2bn distributed to clubs competing in the competition in 2017/18.<sup>15</sup> While UK viewers pay a subscription fee to enjoy coverage of the competition throughout the season, BT Sport made the final between Liverpool and Real Madrid available to viewers on YouTube.

Tata Communications' Morris highlights the business acumen of making the final free-to-air.

"Making the Champions League Final available for free on YouTube makes business sense as that's the flagship spectacle. It gets them more eyeballs and effectively sells next year's subscriptions."

The growing influence of live-streaming and global OTT platforms is a sign of things to come for the sports. From a commercial perspective, increasing the geographical footprint means more eyeballs, and more eyeballs means more revenue opportunities – whether it's through subscriptions, sponsorship, advertising or merchandising.

Tying together all the elements which make a great viewing experience, sports are deploying a variety of content and publishing strategies to create fever pitch on the plethora of digital channels available.

**"FOOTBALL NEEDS TO EVOLVE HOW IT USES TECHNOLOGY TO ENHANCE THE VIEWING EXPERIENCE. USING TECHNOLOGIES TO IMPROVE THE LEVEL OF OFFICIATING IS IMPORTANT TO THE INTEGRITY OF THE SPORT, BUT PEOPLE DO JUST WANT TO BE ENTERTAINED."**

MEHUL KAPADIA, TATA COMMUNICATIONS



## “FOR F1, DIGITAL IS A TOOL TO DRIVE OUR MARKETING OBJECTIVES FOR FAN ENGAGEMENT, AS WELL AS A PLATFORM FOR BUSINESS EVOLUTION.”

FRANK ARTHOFER, FORMULA 1

### DIGITAL FEVER

The intangibles of the viewing experience are key in a world where players and teams are only as good as their last match, and the sport is only as good as the last show it put on. When it comes to monetisation, however, harder metrics around audience figures, demographics and profitability come into play. So, how does digital change the game from a monetisation perspective as well as in terms of fan experience?

“As a channel, digital is the lifeline for today and the future,” is the view asserted by HSBC’s Weener. “It’s important to recognise that our customers and potential customers want to engage with us in many different ways. Clearly, mobile is the highest growing means by which they want to interact with us, so from a partnerships perspective, we need to get the balance right.”

If this is the view of leading decision makers in charge of high-profile brand partnerships, how does it align with the view of sports leaders? Formula 1’s Arthofer agrees that the commercial potential of digital is through the enhanced fan engagement opportunities it enables.

“Sponsors are attracted by digital interaction, and most brand partnerships will include incremental digital activations. For F1, digital is a tool to drive our marketing objectives for fan engagement, as well as a platform for business evolution. In five years’ time, we want the digital fan experience to be frictionless. The digital and media ecosystem should make it easy to be an F1 fan.”

For the European Tour’s Sammes, the digital opportunity is multi-layered and fundamental to the sport’s objectives around expanding and diversifying its audience, engaging with fans in new ways and driving interest and participation.

“Digital augments the sport. It’s a test bed for new technologies such as 360-degree live broadcasting as well as augmented and virtual reality. It provides a platform for engagement through apps and games. We will use digital to drive interest and participation in the sport by making golf appeal to a wider audience, through new participation within golf – such as eSports - or new ways to engage with European Tour content, such as VR.”

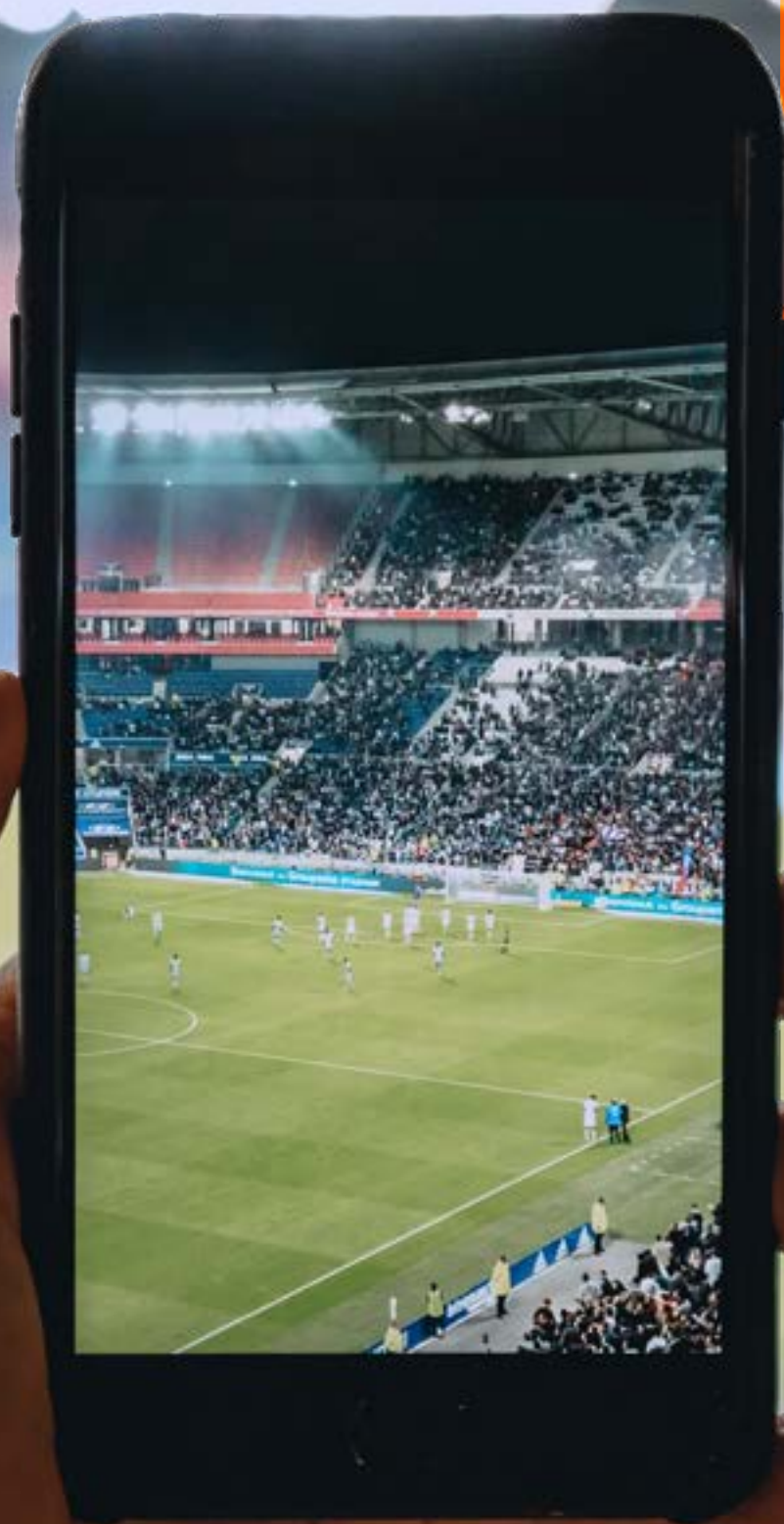
So, if sports leaders, brand partners and broadcast disruptors agree that digital is the secret sauce for monetising fan engagement, what are the best bets for sports moving forward?

<sup>15</sup>2018/19 UEFA club competitions revenue distribution system, UEFA (June 2018)



SHOW ME THE MONEY!

# SPORTING BANKERS



**“THE RECIPE FOR SUCCESS IS GLOBAL REACH. YOU WANT TO REACH EVERYBODY, EVERYWHERE, BUT ON THE CHANNELS THAT ARE IMPORTANT TO YOU AND YOUR AUDIENCE.”**

FRANK ARTHOFER, FORMULA 1

## KEEP YOUR BALANCE

When deciding on a winning formula, it's easy to try and do everything and end up actually doing nothing properly. The European Tour's Sammes discusses the importance of prioritisation when it comes to deciding on a digital content strategy.

**“One school of thought is to put everything on everything, but this can lead to wasted investment. Content and publishing strategy is important, and you have to look at the channels which will yield the best return on your investment.”**

For many sports, TV is still king, and the key is to find the perfect mix with digital platforms, as Dorna's Arroyo describes.

**“Digital channels play a critical role, allowing us to have a direct conversation with our users and understand their likes and interests first hand. Previously, television audiences were considered more passive but that's no longer the case as they increasingly use digital channels to interact with what they're**

**watching. At Dorna what we try to find is the perfect mix. Clearly, TV is our most important medium, but we always push to complement and maximise it with our web and social media channels.”**

From a brand partnership perspective, balance is the key word when it comes to deciding on the right strategic investments, and this is an act which sports and broadcasters should look to for guidance, as HSBC's Weener explains.

**“When you're looking at a partnerships portfolio you want to have a good mix of sport, art and culture – and if you manage to get that right it's very powerful in terms of achieving the brand, commercial and audience objectives that you set yourself. It's all about getting that balance right.”**

The strategy of doing fewer things better while increasing eyeballs and interaction on a global level is key for Formula 1's Arthofer.

**“The recipe for success is global reach. You want to reach everybody, everywhere, but on the channels that are important to you and your audience.”**

There is a balance to be struck between getting your sport in front of as many people as possible by making it freely available on social media and adding experiences which go beyond the sport to pull in a more mainstream audience. Whether your strategy is to increase and broaden your audiences or better engage with a specific one, the undeniable trend is that whoever you're trying to reach expects content to be available to them on their terms. Echoing this sentiment, Parnwell brings it back to the consumer, the viewer, the fan, by saying that **“people want access to their world through the device they choose.”** Sports which can deliver on this vision will be well set up for commercial success.





**“WE WANT TO REFER TO PARTNERSHIPS NOT SPONSORSHIPS. SPONSORSHIP AUTOMATICALLY REFERS TO BADGING RATHER THAN BEING A TRUE PARTNER.”**

TRICIA WEENER, HSBC

#### SHOW ME THE MONEY!

There are four main methods of monetisation for sports:

- › Selling broadcast and media/content rights
- › Ticketing and gate revenues
- › Sponsorship and advertising
- › Merchandising and hospitality

The European Tour’s Sammes explains that broadcast deals are – and are likely to remain for the time being – a core revenue stream for the sport. While media rights hold tremendous value to sports, with the North American market predicted to be worth over \$22.5bn by 2021<sup>16</sup>, Tata Communications’ Kapadia explains that this relates to other forms of monetisation too. “Selling broadcast rights extends into merchandising through partnerships with companies such as Kitbag.”

The income taken at venues through ticketing, refreshments and merchandise still accounts for a significant proportion of all revenue. Kapadia states that larger venues can maximise the value of their merchandising sites and assets by investing in infrastructure.

**“If 80,000 people go to a stadium and the majority buy something, whether its food, a drink or a T-shirt, the stadium needs an e-commerce platform which is on par with that of a high street retailer.”**

Attracting investment through brand partners, whether it’s sponsorship of venues, teams, clubs and events is an increasingly crucial revenue driver for sports. As asserted by HSBC’s Weener, to attract investment from brands, sports need to be looking for partnerships rather than sponsorships per se.

**“We want to refer to partnerships not sponsorships. Sponsorship automatically refers to badging rather than being a true partner.”**

**Whenever you go into a relationship like this you want it to be mutually beneficial. That is very much our approach at HSBC – we want to have strong and deep partnerships.”**

When it comes to digital, sports should not simply view this as a new revenue stream, but a channel which can be used to augment all of their commercial strategies and interests. Formula 1’s Arthofer says that **“Digital should be used for providing fans a unique perspective, celebrating both the highlights and the controversies of a sport, and delivering commercial value on the bottom line.”**

While monetisation strategy has a huge impact on the way a sport chooses to maximise the quantity and quality of its engagements with audiences, the fan experience remains the most crucial aspect. Ultimately, there is no sport without people to watch it, so it’s about creating an entertainment model that people love as much as anything else.

<sup>16</sup>At the gate and beyond, PWC (December 2017)



# POST-MATCH ANALYSIS

**A SUCCESSFUL DIGITAL STRATEGY IS ALL ABOUT THE FAN EXPERIENCE – WHETHER YOU’RE USING NEW TECHNOLOGIES TO AUGMENT THE IN-STADIUM AND TRACKSIDE EXPERIENCE OR CONNECTING AS MANY PEOPLE TO THE LIVE ACTION IN THE MOST IMMERSIVE WAY POSSIBLE.**

“Show me the Money!” set out to answer three fundamental questions about the commercialisation of sports in the digital age:

- › How do sports tap into audiences in new geographical markets?
- › How do sports broaden their appeal and attract new audience demographics?
- › How do sports create a fan experience which turns casual viewers into active fans?

It is clear that the approaches the sports ecosystem is taking to reach new geographies and demographics and to improve fan engagement are highly interrelated. For example, identifying the importance of increasing engagement with US millennials does not prevent a sport from wanting to expand its influence in China and India.

Furthermore, the desire to get more people streaming live content on Facebook and sell more media rights does not negate the necessity for packing stadiums full of fans and creating an electric atmosphere at the venues. Regardless of the role an organisation plays in sports, it should have a unified framework for improving fan engagement across the board.

Digital technologies are a fundamental part of any strategy to drive new revenue streams through media rights, event attendance, sponsorship and merchandising. Not only do they have the potential to grow a sport’s global viewership in terms of volume, making it more attractive to brand partners, they can drive better quality engagement among fans, creating a far more compelling value-proposition for sponsorship and advertising.

A successful digital strategy is all about the fan experience – whether you’re using new technologies to augment the in-stadium and trackside experience or connecting as many people to the live action in the most immersive way possible.

Done well, sports can use digital innovations to help audiences outside the stadium feel better connected to attendees in the venues, experiencing the sport live. By creating an atmosphere and an experience that remote viewers want to be a part of, sports can use digital technologies to drive attendance to the events themselves and grow commercially on two frontiers.

Furthermore, digital platforms give sports the ability to create more emotional connections, which makes them “stickier” from a commercial perspective – more likely to buy TV and streaming subscriptions, more likely to attend events and more likely to buy merchandise. The commercial power of the human element makes the presence of and access to the sport’s leading stars fundamental to its growth. The more fans can identify with the big personalities, the more likely they are to become active fans.

Ultimately, digital media is giving sports access to markets they were previously unable to reach. Digital technologies are helping sports augment the live fan experience inside and outside the venue. And, digital platforms are helping sports create closer, more emotional relationships by connecting viewers and fans to the stars, personalities, performers and teams that make the sport what it is.

By harnessing the power of the latest digital technologies, all players in the global sports ecosystem are able to unleash new opportunities for growth.



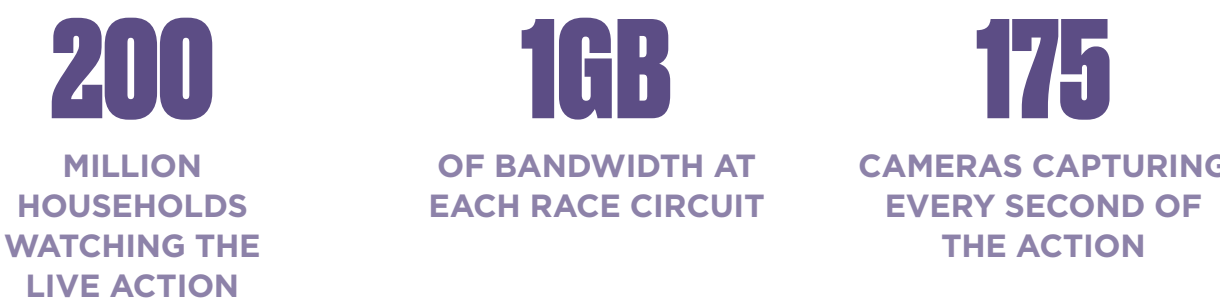


# TATA COMMUNICATIONS IN GLOBAL SPORTS

## FORMULA 1



## MOTOGP



## THE EUROPEAN TOUR



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