The Commercial Competitive Landscape of Professional Sports in 2018

Alan Rownan
Senior Consultant, Sports Research
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INTRODUCTION

The business of professional sports is evolving, rapidly driven by unprecedented technological advances and a consumer desire for “experiential” over “material”. The fabric of what makes sports, leagues and teams commercially competitive is shifting. With this shift comes an abundance of untapped potential upon which many, but not all, stakeholders and actors within the sports sphere are capitalising. The current climate of professional sports, if harnessed correctly, exhibits more commercial promise than at any time in history. However critical to realising this growth potential, it is essential to consider how this growth will ultimately be derived and from where. By analysing key trends within professional sports, Euromonitor International sheds light on the winning approaches in a technologically catalysed zeitgeist of shifting goalposts.

The aim of this white paper is to provide case study analyses into the commercial drivers of professional sports. We’ll look at how stakeholders are unlocking value, growing match-day revenues and social media footprint and contextualise the climate of commercial partnership activation globally. There is not one singular approach that can be exalted as definitive to commercial success within professional sports. There are, however, fundamental principles common to all stakeholders looking to create and / or absorb value, and this is what this paper will focus on.

First and foremost comes the fundamental building blocks of the business of professional sports, the match-day experience and spend. Is a sports event appealing enough for fans to part with sometimes significant chunks of disposable income, and if so, why? Empty seats means missed opportunities to deliver on the full value of experience and thus create a more enticing product offer. This is true at both the league and team level. Therefore, by identifying and contextualising leagues and teams within a match-day statistics framework, Euromonitor International identifies the winners, losers and the strategies that result in commercial promotion, as well as those failing to grow the number and / or value of commercial partners / sponsors.

As crucial as match-day spend is, now more than ever it is crucial to look beyond the turnstiles and floodlights. The growth of social media has created an environment where fans engage digitally with the sports, leagues and teams that they support. The
impact of a strong global social media footprint is becoming an increasingly important driver of overall team valuation, as it shows commercial potential beyond the physical confines of a stadium. The new perspective of sports leagues and teams as content companies has well and truly cemented itself within the sporting economy.

The final ingredient in providing this 360-degree view of professional sports teams is inexorably linked to both match-day experience and social media footprint, i.e. commercial partnership profiling. How do companies and brands decide what leagues, teams and athletes to partner with? There are endless options, but not all will result in driving growth.

Identifying winners in professional sports

For the purpose of identifying the winners in professional sports, this paper will draw heavily from direct sports data collated and published in house by Euromonitor International’s sports research team. Beyond direct sports data, this paper draws from sources including economic and consumer data, fast-moving consumer goods (FMCG) and digital industry data.

The fundamental question: Why do professional sports matter from a commercial perspective?

The consumer’s wallet is not apolitical. What they spend money on relates to their individual set of values, and when it comes to sports, there are few environments so value-orientated for a substantial segment of global consumers. These consumers look to not only drive the on-field success of their respective teams, but also to fuel the commercial side of their team. Performance on pitch and commercial success off the pitch are not mutually exclusive. The challenge is putting a price on loyalty, attention and commercial engagement and summing these in a way that translates into overall appetite for sports and leagues.
NEW VALUE CREATION IN PROFESSIONAL SPORTS

The following case studies assess new value creation opportunities across a range of different sports and leagues—from the NHL’s contribution toward developing an ice hockey culture in China to the opportunity for established European football teams to grow globally through summer football friendlies to the challenges of creating a new sports league from scratch—and the ingredients necessary for success.

Developing an appetite for ice hockey in China

The hype and anticipation surrounding the Pyeongchang 2018 Olympic and Paralympic Winter Games would suggest the event to be a major commercial success. For all the positives, however, there is a notable absence of top flight ice hockey players. For example, the National Hockey League (NHL) opted out due to lack of dialogue and consensus among key stakeholders, including the International Olympic Committee (IOC), the International Ice Hockey Federation (IIHF) and the NHL Players’ Association. A majority of NHL clubs expressed reluctance to disrupt the current NHL season.

To many league partners, this represents an opportunity missed at a time when attention on hockey in Asia, in particular China, could be a key ingredient to the NHL’s growth strategy. Looking forward, the question about NHL’s participation in Beijing Olympics 2022 remains unanswered; if the NHL is really committed to realising its potential in Asia, it needs to address the previous fragmentation that led to a notable absence in Pyeongchang. With China’s government willing to provide support for building an ice hockey culture ahead of the 2022 Beijing Winter Olympics, the NHL may look to increase its presence in the country.

The NHL took its first steps to increase interest and presence in Asia by holding the first China games in September 2017. The Vancouver Canucks and Los Angeles Kings faced off in Beijing and Shanghai as part of a long-term vision to bring six sets of NHL games to Chinese fans and prepare for the 2022 Winter Olympics.
Looking beyond ice hockey, other top flight sporting leagues have realised to grow a respective fan base globally requires showcasing the best of what the league has to offer. The Canucks and Kings are no exception to this strategy, having reached their full potential in filling the ice rinks in their home towns and represent strong league franchises that can aid in catalysing the culture creation of hockey in China.

**Average Attendance vs Venue Capacity (Vancouver Canucks and the Los Angeles Kings)**

Playing in front of a full house is par for the course for the Canucks and Kings. However, there is work to be done for both teams. Commercial opportunities and ability to attract Chinese investors depends on strong social media footprint among local Chinese fans. The number of Facebook likes from China for Canucks, Kings and the NHL league have been marginal and only saw an uptick following initial promotional work on the China Games at the end of March 2017. The interest started to grow in parallel with ticket sales for the Games in August 2017, with Facebook likes also peaking in August. However, this proved unsustainable. Before the first game on 21st of September 2017, the number of Facebook likes for both clubs and the NHL began to decline, illustrating the challenge of not only winning, but retaining a loyal fan base in a new market with no bedrock of hockey culture.

Despite the challenges awaiting, NHL is poised to succeed in the market that every major sports league is trying to access. China’s sheer market size and expanding middle class have been strong contributors to attracting major sports leagues to the country. The number of Chinese middle class households is projected to increase by 20%, reaching 128 million by 2030, thus supporting demand for sports-related consumption ranging from sports merchandising to experience-based products and services.
Driving global growth through summer football friendlies

As Major League Soccer (MLS) continues to grow, there are expansion team opportunities. The big story of early 2018 was David Beckham’s aspirations to bring an MLS team to Miami, Florida, despite the failure of the Miami Fusion, a previous soccer team that was unable to fuel interest for the sport or the league and folded after only a few seasons. When questioned about the location, Beckham responded “Miami is a vibrant city with a lot of passion. I know this city is ready for football, soccer, this time around”.

While the plan was in the pipeline for a considerable amount of time, 2017 marked a pivotal year for football in the city. Miami was chosen to host a four-day series of events, including the ever-inspiring El Clasico match-up between Barcelona and Real Madrid. This was only the second time the teams met outside of Spain, and considering the large Hispanic diaspora in the city, the event was a hit. The metropolitan Miami area ranks third in the US in terms of the number and percentage share of Spanish speakers, mainly of Cuban and Caribbean origin. The event had been earmarked for commercial success, with tickets ranging from USD$240 to USD$4,500.
El Clásicos 2016–2017

<table>
<thead>
<tr>
<th>Location</th>
<th>Camp Nou, Barcelona</th>
<th>Santiago Bernabeu, Madrid</th>
<th>Hard Rock Stadium, Miami, FL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance</td>
<td>98,485</td>
<td>81,044</td>
<td>66,014</td>
</tr>
<tr>
<td>Ticket price</td>
<td>USD150–5,300</td>
<td>n/a</td>
<td>USD240–4,500</td>
</tr>
<tr>
<td>Status</td>
<td>La Liga</td>
<td>La Liga</td>
<td>Friendly</td>
</tr>
</tbody>
</table>

Source: Euromonitor International

Social Media Presence of El Clásico Stars

<table>
<thead>
<tr>
<th>Player</th>
<th>Facebook Likes</th>
<th>Instagram Followers</th>
<th>Twitter Followers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cristiano Ronaldo</td>
<td>122.4 mn</td>
<td>109.7 mn</td>
<td>57.4 mn</td>
</tr>
<tr>
<td>Lionel Messi</td>
<td>89.3 mn</td>
<td>78.8 mn</td>
<td>-</td>
</tr>
<tr>
<td>Neymar</td>
<td>60.8 mn</td>
<td>80.7 mn</td>
<td>31.7 mn</td>
</tr>
<tr>
<td>Gareth Bale</td>
<td>29.0 mn</td>
<td>30.9 mn</td>
<td>13.8 mn</td>
</tr>
<tr>
<td>Luis Suarez</td>
<td>18.9 mn</td>
<td>24.1 mn</td>
<td>10.7 mn</td>
</tr>
<tr>
<td>Total</td>
<td>320.4 mn</td>
<td>324.2 mn</td>
<td>113.6 mn</td>
</tr>
</tbody>
</table>

Source: Euromonitor International

Note: Social media statistics as of 29 August 2017

When it comes to summer friendlies, making the most of social media and technology remains key to optimal audience engagement and a crucial determinant of global reach potential. Intelligent branding and using familiar buzzwords (El Clásico, Manchester Derby, derby clash, etc.) can help replicate the emotions inherent to these events. There are ancillary benefits also, such as utilising summer friendlies as a way not only to drive interest in European clubs, but, as is the case with Beckham, to illustrate the general interest in the sport, helping to inform the business case for / against an expansion team.

Creating an appetite for football and the case of India

Growing the football audience in India is not easy. The history of domestic football in this country does not help matters. The football infrastructure has for a long time lacked credibility, with a national federation long critiqued for being bureaucratic, incompetent and ineffective. However, it is not all doom and gloom. It was against this challenging backdrop that the Indian Super League (ISL) launched in 2014, bringing together an intriguing blend of industry, media and celebrity glamour. The Indian Super League model arguably offers a glimpse of a potential future format for leagues on a global basis.

As with many markets in India, striking gold is easier said than done. This is as true for sports as it is for other industries. The newly established Indian Super League looks to
re-wire the loyalties of Indian fans, attracting them away from Indian Premier League cricket, the frontrunner of professional sports in India, by some margin. So what does it take for the Indian Super League and football to succeed? Can cricket and football successfully co-exist?

The heritage, legacy and enduring popularity of the Indian Premier League shows no waning, let alone being displaced anytime soon. It appears football will struggle if it is to steal attention and value market share away from the most attended professional club cricket league in the world.

**Indian Super League vs. Indian Premier League Average Per Match Attendance, 2016 Season**

![Bar chart showing comparison between Indian Super League and Indian Premier League average per match attendance.]

Source: Euromonitor International

In financial terms, football ticket sales are tiny. Clubs do not own their stadiums and foreign players and managers remain expensive routes to success and credibility. Initial estimates that investors could reap a return on investment within the competition’s first five years are proving to be overly optimistic. However, with a foundation of investors that includes Reliance Industries—a leading Indian industrial conglomerate—STAR TV—part of News Corporation Empire—and in particular, the global events management company IMG—a company well-versed in the creation of new leagues—the prospect of the Indian Super League continues to appear strong. Although it may come later, rather than sooner.
While there is little doubt that Indian Super League has entered the mass consciousness for Indian sports fans, the league is still a very long way from turning into a profitable venture, and considerable risks remain.

Oakland Raiders move to Las Vegas

Professional sports teams are often tied by culture, history and legacy to the city / region in which they play. These become cultural fixtures that form the character of a particular place, a focal point of shared value among citizens. While this is undeniable sometimes, at least from a commercial perspective, a team can outgrow its home. The uproar in the New York City borough of Brooklyn when the Major League Baseball (MLB) Dodgers announced a relocation to Los Angeles in 1957 was palpable and is still a sensitive topic for many fans—a standing testament to the fact that sports teams choose or are forced to follow the money, to the despair of local fans.

Los Angeles is to the Brooklyn Dodgers what Las Vegas is to the National Football League (NFL) Oakland Raiders. The Raiders, for example, have been a nomadic franchise, relocating from Oakland to Los Angeles, back to Oakland and then announcing a move to Las Vegas—a town famously underserved by professional sports teams. The long-standing theory behind Vegas’ lack of team being that the proximity to gambling emporiums would invite corruption and cheating. It seems now that transparency and regulation have reached a point where Las Vegas is not only ripe for an NFL franchise, but really does represent an opportunity of value creation for the Raiders and the league.

The average ticket spend for the 2016 / 17 NFL season stood at USD54.2 million across all teams, but the Raiders saw just USD32.6 million despite keeping pace with the average league sell-out ratio of 96%.
Constrained ticket revenue is a signifier of logistical limitations rather than lack of popularity. The Raiders franchise contains all the necessary ingredients to compete commercially with the league leaders, yet stadium limitations remain a ceiling to growth that cannot be retracted. With a suitable public financing option not forthcoming from the city of Oakland, the realisation that revenue potential can only be fully realised via physical expansion has underpinned, and simultaneously justified, the Raiders’ relocation to Las Vegas.

The move to Las Vegas offers many new options to generate growth. A new stadium build means increased capacity and options to attract wealthy tourists eager to get a taste of NFL football. The well-developed travel infrastructure means new opportunities for partnerships across a range of areas, from budget airlines to Vegas mega-hotels. Weaving the Las Vegas Raiders offer into the fabric of Las Vegas life will inflate ticketing returns and, more importantly for the league, help establish a leading NFL outpost for world travellers that organically drives interest and overall reach of the franchise.

The future of broadcasting and expanding digital reach through over-the-top (OTT) media services

How fans connect with sports is changing rapidly. Developments in video streaming infrastructure and the growth of mobile connectivity is opening new broadcasting doors to a range of sports stakeholders, much of which pivots on sustained mass engagement across popular social media platforms with a digital reach.
Top sports leagues globally are realising that this presents an unprecedented opportunity to not only drive existing fan engagement, but also to pitch to new fans previously underserved in a particular territory.

Reach and attention are the currencies of professional sports. There are many routes to new fans online, and at the centre is the time global consumers spend on social media platforms. Investing ad-spend into these platforms is essential, and paid reach is valuable in putting sports content on the radar. Viral reach is just as crucial in showcasing what a sport and league has to offer. Through bite-sized highlights, content goes viral, and exposure can be drastically increased. This brings global fans closer to leagues and matches and helps attract new commercial partnerships.

In 2017, Twitter announced a number of innovative partnerships with sports leagues to drive user growth across the platform. This includes a deal with the NFL to roll out game highlights along with live streaming, a deal with the PGA tour and a commitment to live-stream 15 eSports tournaments along with 1500 hours of online gaming from a number of partners. The focus being how the platform can drive user growth, attention and sustained engagement. Attracting sports fans to premium, accessible content on these platforms is the bedrock of this growth strategy. The infrastructure for live streaming video across a range of devices has grown to the point where consumers are increasingly accessing and live streaming video content through mobile devices as opposed to traditional over-the-air methods.
The following case studies assess how professional sports teams and leagues are working toward absorbing existing value. From the approach of top flight European football teams that, in light of the introduction of financial fair play regulations, need to maximise existing revenue streams to the digital strategy of the Super Bowl, translating online attention into value growth.

Addressing the link between sport performance and economic revenue in European football

European football is becoming more and more expensive, with players’ contracts, as well as transfer fees, rising sharply year by year. New financial fair play regulations have been introduced by the Union of European Football Associations (UEFA) to prevent clubs from spending more than what they earn in the struggle for national and continental success. The need to increase spend by UEFA financial regulations ultimately forces clubs to re-think revenue generation in an environment where securing higher revenue correlates with stronger team performance. At the continental level, all teams operate on a level playing field. However, this isn’t the case for domestic competitions, which garner varying levels of talent, competitiveness and appeal, all of which are often a crucial components and indicative of commercial potential.
As the sport moves from local to global, with capital flowing from new sponsorships and owners into clubs’ coffers, football is becoming not only increasingly expensive, but also competitive. For this reason, clubs need to spend more to ensure the right player joins the club ranks. Though the amount required for a one-man transfer is skyrocketing, these moves can still prove beneficial both for the sport and commercially.

Super Bowl LII—Still the only game in town?

Social justice issues were the main talking point of the 2017/2018 NFL season, with many players peacefully protesting police brutality by taking a knee for the duration of the US national anthem. As the season progressed more players and teams participated, drawing even more attention to what was already a pivotal year for the NFL. Judging by historical performance, it would appear that the Super Bowl is an immovable component of sports culture in the US. Over 2015–2017, ticket prices steadily increased, breaching the USD$4000 average ticket price in the 2017 Super Bowl.
Beyond ticketing revenues, digital engagement puts the event in good standing to continue garnering attention that few other mega-events can. For instance, in January 2017, YouTube partnered with creative advertising agencies at the Sundance film festival to showcase what is achievable via “snackable” content—a buzz term to describe premium short-form advertising content, usually 6–10 seconds. In June of the same year, Fox announced it would adopt six-second non-skippable adverts as part of its strategy. Facebook followed suit, announcing it would be focusing on developing six-second adverts.

The Super Bowl is renowned for expensive advertising space, and by expanding content distribution channels, new revenue growth opportunities are created. With
the arrival of snackable advertising comes snackable content. In 2017, Facebook and Twitter signed content distribution deals with highlights and short form content as a core component. YouTube’s “ADBLITZ” is one such dedicated space where Super Bowl adverts and NFL / Super Bowl highlights are seamlessly curated and combined, driving brand awareness and event engagement globally.

While the sustained protest will continue to deliver questions to league stakeholders, broadcasters and teams in how they address and handle the delicate situation, it appears that for now, revenues will continue to grow. Commercially, partnership activation will still form an essential part of advertising strategy for many brands with a global reach.

The commercial positives of the 2017 / 18 season should not be seen as a reason to avoid tackling the social justice issues head on. Skirting the issue is not a long term solution, and league stakeholders will be eager to avoid letting social issues negatively influence revenues across the regular season. Of course, league stakeholders will look to avoid having a critique of how protests have been handled seep into a Super Bowl showcase.
CONCLUSION

The goal of all professional sports leagues is to improve their product offer. Achieve this and other strategic goals will follow, including growing fan base, increasing revenues and opportunities for new commercial partnerships. The commercial questions vary, but are strikingly commensurate with the fundamental questions of their on-field counterparts: What does it take to win?

There are many strands of a cohesive strategy. However all are predicated upon the overarching duty of sports stakeholders to bring fans closer to the action, to immerse them within the culture of the team or league and create and sustain a sense of loyalty that will catalyse growth across many critical revenue streams.

The NHL and other North American leagues are looking east to China. Some, such as the NFL and NBA, also continue to focus on driving interest in Europe, bringing several games to London each year. This is no longer experimental but part of the core strategy.

There are levels to this game, however. The Manchester United fan watching on mobile in Beijing is not getting the same experience as the fan that is pushing his or her way through the turnstiles at Old Trafford on game day. However, whether fans are accessing content physically or digitally, the experience must be as enriched as possible so that their loyalty can be developed, curated and ultimately translated into commercial value.
Euromonitor International is the world’s leading provider for global business intelligence and strategic market analysis. We have more than 40 years of experience publishing international market reports, business reference books and online databases on consumer markets.

Euromonitor International’s Passport Sports database provides a global syndicated view of professional sports and sports entities globally, from match-day ticketing revenue to digital footprint on social media platforms. By aligning with data across a range of other industries within the Passport offer, Euromonitor International develops an informed perspective on commercial partners, providing the tools necessary to contextualise or benchmark and helping to uncover the commercial performance and future potential of sports, leagues and teams.

These pressing questions are what led to the development of Passport Sports. By leveraging the power of sport-specific data, combined in parallel with industry-leading database(s), it becomes possible to answer these questions and glean meaningful insights that develop understanding of the global demand for sports.

To learn more about Euromonitor International’s Passport Sports database, request a demonstration.
ABOUT THE AUTHORS

ALAN ROWNAN
Senior Consultant, Sports Research
Euromonitor International
Connect via Linkedin

Alan Rownan, Senior Consultant at Euromonitor International, is tasked with spearheading Euromonitor International’s Sports database. Within this, Alan provides data-driven, compelling insight and analysis on professional top-flight team sports across domestic leagues globally, covering everything from match-day metrics and social media performance to cross-industry commercial partnership opportunities.

Alan holds a Master’s degree in Ethics from Dublin City University, where he focused his thesis on contending moral philosophies of fairness in professional cycling. In his spare time, Alan has contributed regularly to national newspapers, analysing mixed martial arts events specifically.
JUSTAS GEDVILAS
Team Lead, Sports and Entertainment
Euromonitor International
Connect via Linkedin

Justas Gedvilas is the team lead in Sports & Entertainment at Euromonitor International. He has a master’s degree in Economics and Management of the Public Sector from the Free University of Bozen-Bolzano (Italy), and has worked with energy and utilities industries at Euromonitor International before joining Sports. Justas names football (soccer) as his main interest, with American football and basketball following close behind.

DAVIDE CALZONI
Industry Analyst, Sports and Entertainment
Euromonitor International
Connect via Linkedin

Davide Calzoni is a Sport & Entertainment industry analyst. He holds a bachelor’s and a master’s degree in Foreign Languages for International Relations from the Catholic University of the Sacred Heart of Milan, Italy, and a master’s degree from Vytautas Magnus University of Kaunas, Lithuania. After co-founding a web-based geopolitical think-tank, his focus shifted towards the field of sport economics and contributed to the publication of a digital football atlas. Shortly after he joined Euromonitor International’s Sport & Entertainment team, where he expanded his work towards a more diversified sport portfolio.
Egle Tekutyte is an Industry Analyst for Sports & Entertainment at Euromonitor International. Her research includes building sports data sets coupled with editorial publications on sports economics. Egle holds a bachelor's degree in Economics from Vilnius University and before joining Sports & Entertainment team has previously worked as an Industry Analyst, responsible for Business Services industries, at Euromonitor International.