



NIELSEN SPORTS

TOP 5 GLOBAL SPORTS INDUSTRY TRENDS

2018



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INTRODUCTION

When we first sat down to discuss the trends affecting the sports business in 2018, it was clear that the most significant of these had been with us for some years. And yet, the pace of change feels faster than ever, and the scale of change greater than ever.

To identify this year's trends, we interviewed industry executives from brands, media and rights holders around the world, and cross-referenced this with input from our own experts. What we found is that the big, tectonic movements – such as the rise of digital media, esports and diversity issues – are setting off many smaller ripples of activity – such as the rise of short-form video, content-led esports sponsorship and new women's sports formats. That feeling of rapid, great change is very real.

**“THAT FEELING OF RAPID,
GREAT CHANGE IS VERY REAL.”**

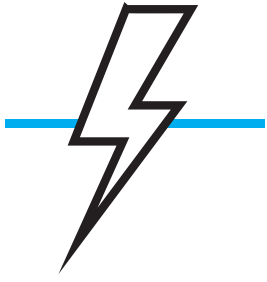
What does this mean for sports? First, we believe, it means opportunity. Barriers to entry have never been lower. More markets around the world than ever before are receptive to the power of sports. It's never been easier to reach millions, even billions, of fans.

This vast opening up of opportunity brings an increase in competition: for sponsors, for media revenue, for fan attention. Sports must work harder than ever to obtain, retain and grow their fan bases and revenue streams.

That work starts with understanding what is happening in the industry and figuring out what it means for your organization. And that's where this white paper comes in. This is a first step towards that understanding – an outline of the most important broad trends shaping the sports business landscape in 2018. We hope it helps guide your path through the year ahead.

CONTENTS

	TREND 1 04 DISTRIBUTOR DISRUPTION
	TREND 2 06 ESPORTS EVOLUTION
	TREND 3 08 CONTENT RULES
	TREND 4 10 SPONSORSHIP TO PARTNERSHIP
	TREND 5 12 SPORTS IN OUR CHANGING SOCIETY



TREND I

DISTRIBUTOR DISRUPTION

**THE DESTINATION IS UNCLEAR, BUT SPORTS MUST
ADAPT TO A RAPIDLY CHANGING MEDIA LANDSCAPE**

THE MEDIA DISRUPTION EQUATION



Perhaps the single biggest question for the sports business today is whether media rights revenues will hold up as the traditional TV business is disrupted.

In developed markets, pay-television has been the engine of media revenue growth for two decades or more. Now, it's a business under pressure from many angles, including stagnating wages, market saturation, "cord-cutters," "cord-nevers," skinny bundles and low-priced OTT services. These are impinging on the finances of pay-television operators, in turn putting pressure on content budgets.

This story has a long way to go, however, and indeed some of the agents of disruption – the internet tech giants – could yet be sports' saviors. Facebook and Amazon made big strides into sports content in 2017. Were they to really open their checkbooks and build serious sports video services – perhaps even joined by the likes of YouTube, Apple and China's Tencent – it would herald a rich new age for sports media revenues.

But it's clear that we are a way off that scenario. Facebook and Amazon are still experimenting and searching for a business model, and have not yet committed serious cash to sports. And so far there is no model in sight that is as lucrative for sports as pay-TV has been.



In the short term, interest from the likes of Facebook and Amazon, and the life-or-death value of live sports to pay-TV, should maintain rights fee growth for premium properties.

Other significant effects of disruption include consolidation among traditional media companies. Several large media companies are seeking greater scale in revenue, geographical and programming terms, partly in order to compete with the tech giants.

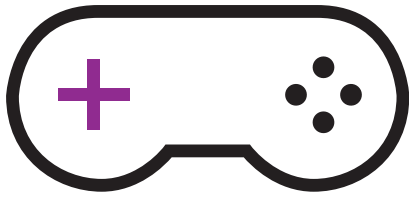
Direct-to-Consumer (D2C) products are being rolled out, whether from sports rights holders or broadcasters, like ESPN, that previously did not have a direct relationship with customers. As well as creating new revenue streams and gathering consumer data that can be further leveraged, D2C products can be a credible threat for rights holders during media rights auctions.

Leading rights holders are experimenting with D2C and different combinations of rights packages to explore all the options available to them in the shifting media landscape.

It's clear that the business of distributing sports video is on the cusp of profound change. For fans, it is an exciting time – they can expect more options to watch their favorite sports, and innovation from new players in how sports are presented. Sports rights holders must navigate this period of change by clearly planning and evaluating their distribution options. For traditional media broadcasters, they must remain diligent to the threat posed by the tech giants and drive scale, innovation and the most relevant content to acquire and retain customers. In regard to the new entrants, the industry eagerly awaits to see how they develop their sports content budgets and offerings.

WHAT'S NEXT

- ▶ Tech giants will increasingly challenge traditional sports media.
- ▶ Increased competition will force higher fees for some premium content.
- ▶ Traditional media will consolidate as companies seek scale to take on the tech giants.
- ▶ Rights holders should remain open to testing different models, including non-exclusive rights deals and D2C products.



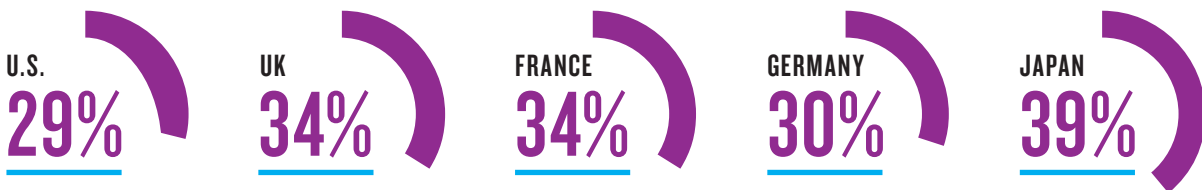
TREND 2

ESPORTS EVOLUTION

TAPPING THE POWER OF ESPORTS IS A TOP PRIORITY FOR PUBLISHERS, BRANDS, MEDIA AND TRADITIONAL SPORTS

THE ESPORTS FANBASE IS GROWING QUICKLY

PERCENTAGE OF FANS THAT STARTED FOLLOWING ESPORTS WITHIN THE LAST YEAR



Source: Nielsen, The Esports Playbook (2017), and The Esports Playbook: Asia (2017); survey samples = 1,000 esports fans aged 13-40 per market

Efforts to commercialize esports and harness its audience engagement power are intensifying, and the sector is primed for further strong growth.

Games publishers are playing a more active role in building businesses around the esports scenes related to their titles. Activision Blizzard's Overwatch League is perhaps the most prominent example of the changing approach. Blizzard has adopted familiar elements from traditional sports to create the global league: franchise teams, multiple league-wide partner brands, an exclusive media rights deal. It's a bellwether project: many eyes are on it to see if Blizzard can build the large, global audience it is aiming for.

There has been much PR in recent years around activity such as sports teams signing up esports players, but in reality the relationship between traditional sports and esports is only just beginning. Many sports are still working out how to connect with the sector. Even the most natural fits, such as those with existing successful game series, are only now putting serious structures in place to leverage competitive gaming.

Motorsports properties were among the most active in 2017. Formula 1 team McLaren hired a new simulator driver via its innovative World's Fastest Gamer initiative last year. Formula 1 had over 60,000 gamers enter its inaugural Esports Series in 2017. Formula E and NASCAR are also developing their esports competitions.

Looking to sponsorship, “non-endemic” sponsors are investing increasing amounts in esports. A Nielsen study of 15 major events in 2017 showed non-endemics accounting for 39 percent of the sponsors, although only 30 percent of the total Q1 Media Value (Nielsen’s measure of the quality of media exposure for brands). Another evolution seen in esports sponsorship is the increasing use of entertaining and innovative content in brand activations, in which athletes and teams are enthusiastically participating.

In esports media, competition is heating up for market-leading platform Twitch. The Amazon-owned giant faces a challenge from, among others, YouTube, Facebook and Twitter. Exclusive deals are being hammered out with leading competition organizers as the platforms vie to become the “home” for lucrative sections of the streaming space. Twitch grabbed exclusive Overwatch League rights for 2018 and 2019 in the biggest deal last year, and more recently got exclusive rights for the inaugural 2018 season of the NBA 2K League. Facebook’s move into esports streaming is part of a broader strategic move into video.

Esports looks set to remain one of the most dynamic sectors of the global media and entertainment industry in the near future. It’s still a fairly nascent market, its audience is growing quickly and there is a strong expectation of growth in revenue and other metrics.

WHAT'S NEXT

- ▶ Taking a cue from traditional sports, esports will adopt similar revenue-generating models.
- ▶ Smart traditional sports will adopt esports innovations, particularly in fan engagement, live streaming and the event experience.
- ▶ Creative content will be key for successful esports sponsorships.
- ▶ The value of esports streaming rights will increase as Twitch and its rivals seek exclusive content.





TREND 3

CONTENT RULES

CONTENT IS KEY TO SPORTS FAN ENGAGEMENT, AND IT IS EVOLVING AT A DIZZYING PACE

TRENDS RESHAPING SPORTS CONTENT



ATTENTION SPANS ARE SHORTENING



MORE THINGS ARE COMPETING FOR CONSUMER ATTENTION



MOBILE MEDIA CONSUMPTION IS GROWING

Live sport delivered via television screens remains the core sports media product. But much of the battle for audience attention, hearts and minds is today taking place elsewhere.

The micro-trends – listed above – that underpin the macro-trend of the growing importance of this other content are well known, and have been for years. NBA commissioner Adam Silver said in 2015: “The games are the meals and the highlights are the snacks.” Arguably, the world has moved on. Games are now a special, infrequent meal, and the myriad content available on social and digital media makes up the rest of fans’ large diets.

To stay relevant and explore new ways of reaching fans, cutting-edge sports are experimenting with new technologies, including AI chatbots, augmented and virtual reality applications and voice-controlled devices. In the same vein, they are testing links with digital services such as Spotify, Apple, Uber and Amazon Prime. For example, in the run-up to Christmas 2017, the Seattle Seahawks partnered with Uber Eats to allow fans to purchase merchandise via the food delivery network.

Athletes and influencers have become hugely important for reaching audiences on social and digital media platforms. Athlete power and commercial value is increasing off the back of this trend. Even less popular athletes, with thousands rather than millions of followers, are being used by brands in marketing, as micro-influencers.

The low barrier to entry for publishing on social media has created a new generation of digitally native sports media, often driven by young people producing content in a tone of voice familiar to their peers – the likes of Dude Perfect in the U.S. and JOE Media in the U.K. Sports, brands and traditional media are increasingly partnering with these new players to create compelling new content formats.

Producing all this content is an expensive business. While a proportion of this investment is entry cost in today's industry – you need a certain amount of free content to stay front-of-mind with fans – exploring monetization opportunities is a top priority. Brands' interest in content-led sponsorships is one revenue avenue. And leading sports are packaging up their content in smart ways to deliver compelling D2C products, such as UFC's Fight Pass.

Sports media content is a maelstrom of change today. As we are seeing with the disruption in media distribution, navigation and planning amidst the change is difficult. But at the same time it is presenting enormous new opportunities for reaching fans and driving business.

WHAT'S NEXT

- ▶ As the quality, volume and variety of content increase, it will be harder and harder to cut through.
- ▶ To stay relevant, sports, brands and media must experiment with new technologies such as voice activation, VR, AR and chatbots.
- ▶ Digital media will continually give birth to new influencers and publishers, appealing to different generations and segments of the audience.
- ▶ Rights holders will explore ways of monetizing the new types of content, through sponsorship and subscription products.





TREND 4

SPONSORSHIP TO PARTNERSHIP

IN THE NEW SPONSORSHIP PARADIGM, AUDIENCE DATA, COMPELLING CONTENT AND CONNECTION TO BUSINESS OBJECTIVES ARE THE WINNING TRAITS

SPONSORSHIPS ARE BECOMING MORE RICH AND MULTI-LAYERED

WHAT A BRAND SEEKS ...

RIGHTS & BENEFITS:

- Media
- Intellectual Property
- Access to Fan Base
- Hospitality
- Activation Rights
- Direct Revenues

OBJECTIVES:

- Brand Marketing
- Product Marketing
- B2B
- CSR
- Employee Engagement

WHAT A RIGHTS HOLDER SEEKS...

- \$\$\$
- Value-in-Kind
- Publicity/PR
- Fan Engagement

Sponsorships are continuing to evolve into richer, two-way relationships. The market had already been trending in this direction, but today the most successful sponsorships truly are proper partnerships.

Rights holders must have a broader skill set than ever to succeed in today's marketplace. Among other capabilities, they must:

- Understand brands' marketing strategies, and be able to align their sponsorship offer with them
- Have deep, data-driven knowledge of their fanbase
- Be flexible to brands' requirements for sponsorship assets
- Help partners produce standout content

Leading rights holders begin their sponsorship conversations by seeking to understand brands' individual goals and challenges. They then think creatively about how the assets they control can be leveraged to create a campaign that delivers against those goals and challenges – we are long past the days of selling a fixed menu of assets. If rights holders are to extract maximum value from sponsorships, they must be flexible and allow tailoring when it comes to assets, and be open to changing things mid-contract to take advantage of opportunities as they arise.



Of course, rights holders' sponsorship teams are only so big, and they must consider the value they are getting back from such a flexible approach. A fine example of a win-win from 2017 was the Formula 1 and Heineken project to create a revolving podium at the Mexico Grand Prix, on which DJ Hardwell played to the post-race crowd. Staging the event required significant investment, but it paid off in that Formula 1 was able to give race-goers a unique experience, and both sides benefited from sensational imagery and content that amplified their marketing messages.

Technology partner agreements contain further good examples of successful two-way relationships. Rights holders are getting IT support and more from brands such as SAP, IBM and Microsoft in return for powerful storytelling opportunities. These brands are able to tell stories of how they solve real business challenges for the rights holders, such as building CRM systems or delivering statistics to fans and partners.

In order to secure these valuable partnerships, top rights holders are putting together detailed, data-driven pictures of their fan bases to convince brands that they are worth the investment. Data is gathered from touchpoints including live events and digital content interactions. Some sponsorships themselves include joint data collection and sharing. Rights holders are working with specialist firms to process the data and explore the different segments within their audiences. This work is giving sports a better understanding of their fans than ever before, and is the mark of a savvy, modern rights holder.

What has been described here is the cutting-edge of sponsorship work. Many partnerships are still on a more traditional basis, where cash is exchanged for basic branding assets. But sponsorship revenue can be expected to increasingly flow towards deals with the cutting-edge characteristics. Sponsorship in 2018 is harder work than ever, for both sides. Done correctly, it can also be more rewarding than ever.

WHAT'S NEXT

- ▶ Sponsorships will become more flexible and tailored, and will include more value-in-kind.
- ▶ Brands will seek rights holders that understand their business strategies and can align sponsorships with them.
- ▶ Rights holders will invest more in digital content and activation capabilities, in order to engage fans, collect data and service sponsors.
- ▶ Rights holders that can prove their value using data will take larger shares of the sponsorship revenue pie.

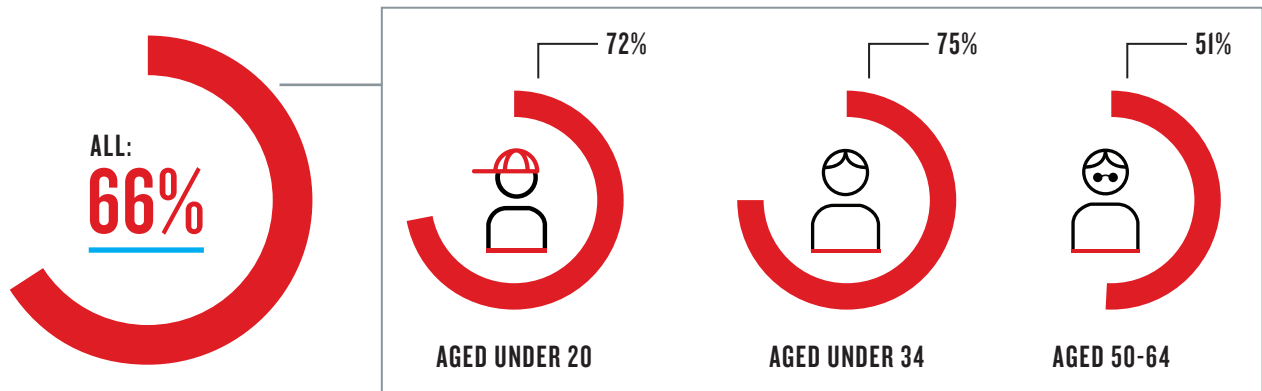


TREND 5

SPORTS IN OUR CHANGING SOCIETY

WHAT'S GOOD FOR SOCIETY IS GOOD FOR THE SPORTS BUSINESS

PERCENTAGE OF CONSUMERS WILLING TO PAY MORE FOR BRANDS COMMITTED TO POSITIVE SOCIAL AND ENVIRONMENTAL IMPACT



Source: Nielsen Global Survey of Corporate Social Responsibility and Sustainability, conducted Feb. 23–March 13, 2015.

In last year's trends, we said "Social responsibility is becoming more prevalent and impactful." This year, the relationship between sport and society is changing faster than ever, and staying on top of that change has become even more important.

Equality, diversity, gender, race, sexuality and the environment, among other issues, are dominating the media and having an impact on every part of the sports business.

In sponsorship, brands are demanding impeccable ethics from the sports they partner with. Sports can't have total control over their athletes and ambassadors, but anyone doing less than their utmost to run an ethical organization or competition is taking a big risk.

On the flip side, the need for brands to communicate their purpose and social usefulness to consumers is a great opportunity for sports. For all the problems that sports continue to have, sponsorships can still provide the perfect platform for brands to communicate these messages.

Leading rights holders such as the NBA are ahead of the curve with their own well-established programs focused on social issues and giving back to the communities that support them. NBA Cares' stated mission is grand, but strikes the right chord for the times: it's a "Global social responsibility program that builds on the NBA's mission of addressing important social issues."

Sports' power to do good and change society is exemplified by recent programs in the Middle East such as insurer Daman's ActiveLife and the Dubai government's 30x30 Fitness Challenge. These are initiatives to promote healthier lifestyles among U.A.E. citizens and have generated impressive participation numbers.

Women's sports continues to grow in focus for rights holders, brands and media. The sector is booming as the growth opportunity represented by underengaged females is recognized, as brands demand a focus on women's sports and as gender equality takes ever-greater prominence.

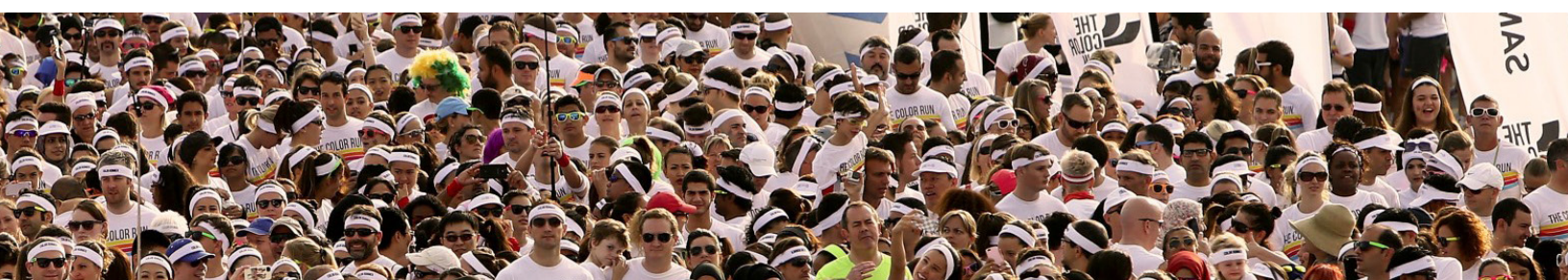
The last year saw exciting launches of new women's properties, such as the U.K.'s Tyrrells Premier 15s rugby union competition and Australia's AFLW. And the 2018 Winter Olympics offered great opportunities for storytelling around female athletes. Stakeholders like U.S. broadcaster NBC obliged, putting the likes of Lindsey Vonn and Mikaela Shiffrin center stage in their promotional coverage.

It isn't just in developed markets that women's sports is gaining traction – the last year saw the remarkable opening of sports stadia to women in Saudi Arabia, the inaugural CAF Women's Football Symposium, and Harmanpreet Kaur becoming India's first female cricketer to secure a bat sponsorship, among other milestones.

There will be no letup in the relentless focus on sports' role in society in the next year. Activity across the business will be examined from the point of view of whether or not it is contributing positively to society. Properties and projects that can answer this challenge positively will thrive. Others may find themselves with tough questions to answer from brands, media and fans.

WHAT'S NEXT

- ▶ Spending will increase on sponsorship campaigns that exhibit brands' credentials on diversity, sustainability and other social issues.
- ▶ Sports that cannot demonstrate their social usefulness will lose business to those that can.
- ▶ Women's sports will continue to grow, but properties will have to work harder as the marketplace becomes more crowded.
- ▶ More women, ethnic minority communities and emerging markets populations will engage with sport, changing the complexion of sports media and marketing.



THE ROAD AHEAD

2018 is another year of high-speed change in the sports industry. Nielsen Sports is tracking and covering the biggest developments with analysis articles, thought-leadership pieces and more.

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