



# The Global Sport Summit

**Innovation vs tradition: The quest for growth**

Friday, October 24th 2008

London

**Review**

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## Summary

OVER the past few decades, the sports industry has experienced a period of substantial growth. Globalisation and the rapid economic expansion in emerging markets have created huge new audiences for live and televised events around the world. Major sports, such as soccer and basketball, have attracted a global fanbase, and this has encouraged sponsors, broadcasters and technology firms to capitalise on the opportunities afforded by such a huge and diverse audience. Meanwhile other sports, which may currently have more regional penetration, have sought to broaden their appeal by building an international profile.

But while the story in recent years has been one of strong success, recent events in financial markets and a deteriorating economic situation are threatening to have an impact on the health of the industry. In the current environment, participants from across the sector can expect future growth expectations to be challenged. With many developed countries already in recession

and with growth slowing in emerging markets, there is almost certain to be an impact on revenues. Yet at the same time, innovation can often be said to come out of adversity, and as an industry that thrives on new ideas while still respecting the traditions of the past, the sporting world should be well-placed to weather the current economic storm and emerge as a stronger proposition.

The Global Sport Summit was held on October 23rd and 24th 2008, in the same week that the NFL made its second visit to London for the game between the New Orleans Saints and the San Diego Chargers. Against a backdrop of the most severe financial crisis for more than 70 years, distinguished panellists and invited guests gathered to discuss the theme of innovation and growth in the industry. With participants from across the full range of the sporting industry, a diverse range of perspectives was represented, and provided important insight into the future prospects and challenges for global sports.



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# The globalisation of sport

**I**N recent years, the sporting industry has made concerted efforts to tap into new overseas markets and pursue a strategy to broaden and expand its audience and fanbase. In 2007, the NFL travelled to London for the first time for a regular season game between the New York Giants and Miami Dolphins, and the experiment was repeated in 2008, two days after the Global Sport Summit, when a second game was played in London between the New Orleans Saints and San Diego Chargers.

For all sports, the challenge and the opportunity is to expand their audience, share the game more broadly and stimulate other activity through the sale of television rights and other platforms. Like the NFL, the UK's Premier League has also put in place plans to expand overseas. It revealed in February 2008 that it intended to introduce ten overseas games to the existing season, with cities around the world bidding for the right

to host them.

More generally, cumulative audiences across a wide range of sports are increasing substantially, and new channels such as the internet and mobile offer more ways of reaching a wide range of demographic segments. Some Premiership football teams now have more than 200m fans worldwide. This huge reach is encouraging buyers from the US, Middle East and elsewhere to invest in clubs and capitalise on the huge visibility and interest in sporting brands.

Nevertheless, there still remain huge countries that have not yet been tapped in terms of their audience potential. India is one example – as one participant noted, few large soccer clubs have yet explored the opportunities that exist in this highly populous country.



# Sport in a recession

**A**S the problems experienced by the financial services industry spill over into the real economy, it seems certain that there will be some impact on the revenues and audience of sporting events. One participant noted that the most popular sports are likely to be less affected than those that attract a more niche audience. For example, in the UK the Premier League is in the fortunate position of having blue-chip companies that support it. Many of its contracts are long-term, under the auspices of EU regulation, and the League continues to be in a strong financial position. Individual clubs, however, are likely to have their own view of the prospects for the future, and their confidence levels will vary.

Some clubs will be in a better position than others to weather the downturn. The larger clubs and bigger sports are likely to be more insulated in terms of marketing allocation, and those that have long-term contracts will be better placed to ride out the

storm. Sports in which financial services sponsorship is important, such as tennis and golf, are likely to experience greater problems. But even the biggest clubs may face difficult times ahead, especially because they have the additional issue of a high wage bill.

At the present time, it is uncertain how the recession will impact consumers, although confidence has already been knocked. A longer-lasting recession may prompt consumers to rein in discretionary expenditure on leisure activities, such as sporting events. Buying decisions are likely to be affected and that will have an impact on the industry. That said, in a difficult economic environment, there is usually a flight to quality, and leading sporting bodies, such as the NFL and Premier League, are lucky to have high-quality products. Viewership remains strong and continues to compete well with other forms of entertainment.

# The responsibility of sport and athletes

THERE was widespread agreement that competitors and sport in general had an important responsibility to society beyond the events that take place on the playing field. It was recognised that athletes could be hugely influential role models and that, in recent years, there had been a marked improvement in the way in which athletes look after themselves, train, and carry themselves in the media and other public forums. Sporting bodies and teams need to reinforce the message about the great things that players do both on and off the field. One participant noted that in some sports, there are conduct policies supported by athletes to guide behaviour both on and off the field.

It was recognised, however, that not all athletes are geared for duties other than being great athletes. It was also noted that some aspects of the sport industry had gained a somewhat negative reputation in the media, with headlines grabbed by a few isolated unsavoury incidents. One participant added that it was both unfortunate and unfair that this degree of attention went to the occasional bad apples. Far better to focus on the positive outcomes of sport, such as the role of football in eradicating racism, or the expectation that the World Cup in South Africa could play a vital role in unifying different cultures.

## The fan experience

INDUSTRY participants need to be sensitive to the diverse needs and expectations of different categories of sports fans. Clubs must offer choice and a variety of experiences, and must be mindful of scheduling issues to ensure that the largest possible number of fans can enjoy the spectacle in the format that suits them. While changes to schedules to fit around media may frustrate some fans, it is important to remember that the revenues from media are extremely important and are channelled into improving other aspects of the fan experience, such as the stadium facilities.

Sporting organisations must also be mindful of the range of expectations and preferences among their fan base. Some will be “purists” who are interested only in the play on the field and who dislike the razzmatazz that can accompany sporting occasions. Others will see the sporting event itself as part of a broader spectacle that incorporates a range of additional entertainment before, during and after a match. Some will be corporate fans, who are prepared to spend large sums of money for the best seats and hospitality; others will be on a much tighter budget but still have expectations in terms of facilities. The key for sports clubs is to address the needs of the full range of its fans.

A good experience for fans is essential to build loyalty as without their presence in the stadium, a crucial ingredient of professional sports is missing. As one participant pointed out, if television viewers tune in to see a half-empty stadium, they cannot be blamed for thinking that the event is not important or relevant. One tactic that clubs can consider to overcome this issue is to work with television companies to ensure that camera angles capture parts of the stadium that are full – often, this may involve avoiding the corporate hospitality boxes where attendance may be lower.

Some participants reported that they were making efforts to “deepen the experience” for fans. This might involve seeing the match itself as just one component of the sports experi-

ence. For example, there might be competitions held for fans at the ground, instant replays on big screens and other ways of enhancing the enjoyment of the event. As one speaker pointed out, if the experience at the stadium cannot exceed that of watching the game at home, why should clubs expect fans to attend?

Technology has a very important role to play in this process. Mobile phones have the potential to deliver really rich content to fans from the moment they leave home to the moment they return after a match. For example, tickets could be delivered and stored on mobile phones, travel information could be delivered to spectators, along with coupons, ways to connect with other fans, and the ability to send messages to other attendees and to the big screen at the ground. In the US, the music industry has already trialled many of these approaches and the sporting industry would do well to emulate the more effective techniques.

Is sport too conservative for radical innovation? Some participants thought that it was, and that a conservative outlook was important to maintain good relations with fans – like the football purists – who do not like radical change. Others disagreed with this notion, pointing out that sport had seen incredible change in recent years, from 20/20 cricket to the Rugby World Cup. One speaker believed that the key was to improve continuously, even if this meant frustrating fans in the short term. For example, when the rugby Five Nations became the Six Nations, some fans complained, but now people have become accustomed to the change and relish the opportunity to travel to Rome for a match.

Sport clubs should be mindful of ways in which they can ensure that fans gain some access to players in a carefully controlled environment. As one athlete who spoke at the conference noted, players often forget what it is like to watch a match, and they should become more aware of their responsibilities to foster the relationship between players and fans.

# New media in sport

**N**EW media, such as internet and mobile, are becoming vital channels through which to distribute content and build brands. Many rights owners have carried out extensive work to assess how digital media fit into their overall strategy. For most, the goal is to use them in a way that provides complementary services rather than undermining existing channels.

New media enable a wide range of features that cannot be achieved using conventional channels. For example, internet and mobile allow fans to interact with players and other fans, receive alerts when new content is added or use social networking techniques to build communities. New media provide the capability to develop a richer, more valuable experience for viewers that supplements rather than competes with the traditional broadcast channels.

The owners of sports clubs also see new media as having major potential. One owner at the conference noted that new media was likely to be one of the major sources of growth for his investments. Indeed, he noted that the value of internet rights would soon surpass the value of “over the air” and satellite rights.

In considering how much content to distribute for free via new media channels, rights holders must strike a careful balance between serving fans, growing the brand and building a sustainable business model. The extent to which rights holders distribute content for free varies widely from market to market. Content that works best in a free-to-air format in one market is often considered as valuable pay-per-view content in another. Rights holders therefore need to come up with a set of solutions that fits the full range of markets in which they operate.

One participant suggested that it makes little sense to have the same content on traditional and new media channels: instead, rights owners should see new media as a way of providing additional content – perhaps views of the event from a different angle or more in-depth coverage. In essence, new media should be a channel through which fans can gain access to content that is not available on traditional broadcast channels. There can also be a feedback loop, whereby increased viewership of new media can lead to bigger audiences for traditional media.

In order to deepen the relationship between the fan and the game, rights owners should recognise the different media requirements of fans. Some will want basic services, some will expect the full range of new media add-ons in addition to tra-

ditional broadcast channels, while others may see new media as their first port of call and only later become interested in the core broadcast product. For example, some viewers might be attracted to the game through channels like online fantasy sports. Likewise, for some young fans, their first contact with the sport will be through computer games which will then lead to deeper interaction via the broadcast media at a later stage.

One constraint that needs to be factored in when rolling out a new media strategy is the availability of broadband in different markets. But if a rights owner starts to see uplift on the new media side in a specific market, they know that they can invest further with some degree of confidence.

Sport differs from other types of broadcast entertainment in that it is usually consumed live. As one participant pointed out, although digital video recorder (DVR) penetration is high in countries such as the US and UK, viewers tend not to use it for sports, preferring to enjoy the occasion live.

In some cases, rights owners see new media as a threat, particularly if content is distributed without permission. Among the participants, there was widespread condemnation of this practice, with most feeling strongly that the distribution of content in this way undermined business models. While there was doubt that the tide of illegal distribution of content could be entirely stemmed, there was widespread agreement that this was a practice that rights owners should continue to combat. One approach suggested was to ensure that the official destination for new media content was as compelling as possible, in the hope that this might deter audiences from visiting unofficial sites. It was also pointed out that, in many cases, consumers did not know the difference between legal and illegal content.

There was confidence that digital advertising would show strong performance in future, although a recognition that short-term trends may show a decline in line with overall advertising expenditure. It was felt that digital advertising as a medium was maturing, and that fans were more willing to engage with it as more relevant and platform-specific content is created. One participant noted that his organisation had a digital advertising lab, where they spent a lot of time assessing the best way to make the advertising environment engaging and helping their partners to deliver content in ways that is attractive and compelling.



# The Olympic Games

THERE was widespread agreement that the 2008 Beijing Games had been an outstanding success. Despite political tensions – the protests in Tibet and elsewhere leading up to the games and, during the games themselves, the invasion of Georgia – it was felt by the vast majority of participants that the games had been hugely popular and engaging. This was demonstrated by the size and breadth of the global television audience, the positive reaction of the athletes, the splendour of the opening ceremony and the responses from sponsors.

Participants agreed that the Olympic Games in general had the potential to open and sustain political dialogue, and to bring major issues to global attention. In the past, it has succeeded where other, more orthodox methods of diplomacy have failed – consider, for example, the athletes from North and South Korea walking together at the opening ceremony in Sydney. While the profile of the games meant that they could often be a magnet for protest, it was felt that the positive impact in political terms far outweighed the risks. One positive outcome from the Beijing Games, according to one speaker, was that there was now a more liberal media policy in China.

The Olympic Games differ from most other sporting events in terms of its audience demographics. As well as the sheer size of the global television audience, it is extremely diverse, with more women watching than men in some countries. This makes the event extremely attractive to sponsors and provides advertisers with a powerful channel to reach a broad range of consumers.

One unique aspect of the Olympic Games is the degree to which minority sports are able to capture the limelight. With sports like archery, the fan base is usually very small, but during the games, these sports attract a huge global following. It is one of the greatest attributes of the Olympic Games that they generate such excitement in sports that are generally regarded as minority concerns.

The problem for many minority sports is that, once the Olympic Games are over, they fade into the background. Part of the reason for this is the limited media and viewer bandwidth that is available. With major sports such as soccer already taking up a significant proportion of sports programming, it is difficult for minority sports to capture the audience that they deserve outside of the Olympics. New media can help in this respect as they enable fans to access content that they might not be able to see on traditional broadcast media.

In order to be successful both at the Olympic Games and at other times, minority sports need a combination of smart governing

bodies, world-class coaching, ambitious and well-resourced competitors, and strong levels of funding. The challenge is to sustain a focus on these four crucial ingredients and some sports may need to raise their game to reach that level. Minority sports should recognise that the Olympic Games are their shop window; the event enables them to reach a vast global audience and the challenge is then to maintain this interest once the Games are over.

Participants agreed that there were lessons that future Olympic Games, and in particular London 2012, could learn from 2008. What impressed many about Beijing was the obsessive and forensic eye for detail, and the hugely impressive planning that went into the event. The needs of athletes were the first priority for the organisers: venues were designed to get competitors in and out easily and accommodation was very comfortable. It was felt that London should learn from this and ensure that the experience for athletes is equally impressive.

Speakers noted the importance of a strong focus on the spectator experience for the London Olympics. Some felt that this aspect of the Beijing Games had been disappointing. For the London organisers, it was considered of paramount importance to get the ticketing and transport right. Careful attention would need to be paid to pricing to ensure that fans could travel to the Games and enjoy the spectacle at a realistic and affordable cost.

Ticketing in particular was seen as a major issue and one that was likely to be among most scrutinised aspects of the London Games. One participant expressed frustration that, with previous games, it has been very difficult to buy tickets and yet the stadiums are often half-empty. Much of the reason for this is that seats are allocated to corporate clients, who may arrive later or be enjoying other aspects of the hospitality in the stadium. While this may be irritating to some fans, it must be remembered that, often, the corporate spectators are those that sponsor the events and make them possible through their financial support.

In Beijing, the ticketing system crashed soon after tickets became available. This meant that it was almost impossible to buy tickets, especially for the more popular events. Participants noted that, in London, great attention must be paid to the technology that underpins the ticketing system so that fans can be alerted when tickets are available both leading up to and during the Games. Efforts should also be made to promote the full diversity of sports on offer at the Games – after all, not everyone is going to be able to watch the 100m final, but there are hundreds of other exciting events that are certain to be popular among spectators if they are made aware of them.



# Sports sponsorship

**I**N recent years, sports sponsorship has experienced substantial growth. The business of sport is much bigger today than even ten years ago and it is now commonplace to see deals worth tens of millions of dollars for the right to associate a brand with a particular sporting event. The decision for a company to sponsor an event or season is now a boardroom issue, and those who are responsible for marketing and sponsorship need to make the case at a very senior level for the benefits that can be gained from wide exposure of the brand to large numbers of loyal fans.

As one participant involved in major sponsorship deals noted, the sponsorship of major sports events is no longer a luxury. Instead, it is seen as an important part of the marketing mix and perceived as being among the most effective ways of communicating with consumers. As another participant pointed out, nothing creates a loyal affinity with consumers like sport and there is substantial data to suggest that sponsorship of a major event can increase a sponsor's market share.

In any discussion of sports sponsorship at the end of 2008, the elephant in the room is the global economy. Some commentators have claimed that sport is recession-resistant, but nothing is recession-proof. It is certain that sponsorship will be affected by the current downturn, and the industry will need to consider carefully how to manage its income and ensure that it does not enter more troubled waters.

Most teams and sports clubs that receive sponsorship divide their income carefully between three main sources: marketing, sponsorship and advertising; broadcast rights; and ticketing. Sponsorship is now a vital source of income and has become a more important piece of the pie compared with ticketing. It is clear, however, that sponsorship will be affected over the next couple of years, as sponsors revise their budgets in response to the current downturn. Ticketing may also be affected: one par-

ticipant noted that at some matches, attendance was down by 12% compared with last year.

Ten years ago, there were no sponsor names on football shirts and the team received nothing from the company that manufactures its equipment. It was very difficult for a sponsor to gain exposure for their brand – they could build a relationship with the core fans at the ground, but it was less easy to reach the broader audience on television and other media channels. Today, sponsors still value the relationship with the core audience at the sports ground, but they also recognise the opportunities to communicate with a much broader audience, including non-fans who may watch matches but do not support a particular team.

Sponsorship can be highly effective as long as the right brand is linked with the right club or sport. One participant cited the example of AIG and Manchester United. Until this deal came about, few sports fans had heard of AIG in the UK. It was very clear that the sponsorship objective was to build the profile of the brand and it did this very successfully. Another participant who represented a company that has made large sponsorship investments in major sporting events cited the benefits of the brand being linked with the passion of sport. This, he believes, helps to give the brand a very strong emotional identity.

The risk of over-commercialisation from sponsorship was also discussed. In some sports, such as motor racing, it was felt that excessive use of company logos could detract from or dilute the strength of the message. It was pointed out that some other sports have strict regulations over how many logos can be used and where they can appear. This can help the sponsor to tailor its message more effectively and reach its audience without excessive advertising "clutter".





## Conclusions

**THE globalisation of sport continues apace.** Recent years have seen major sports, such as soccer and basketball, attract huge new audiences around the world. Major sporting clubs and organisations recognise that there is a significant opportunity to expand internationally and turn these audiences into lifelong fans, either by the use of broadcast and new media, or by the more direct route of taking games to an overseas audience.

**Fans will differ widely in their expectations of the sport experience.** As sport grows in popularity, the industry faces a greater challenge to meet the needs of an increasingly diverse fan base. Organisations must recognise that specific groups of fans will have quite different expectations from the sporting experience. Some may be purists who want to attend a game and nothing more, while others will expect a multimedia experience of which the match itself is just a small part. When thinking about the overall fan experience, sporting organisations should seek to innovate, but to do so carefully in a way that does not alienate the core audience.

**New media offer huge potential for growth and communica-**

**tion.** Sporting clubs and teams must seek to use new media in a way that complements existing broadcast channels, adding a new dimension to the experience without undermining their core business model. The internet, mobile and other digital channels offer the opportunity to build a closer dialogue with fans, building loyalty and deepening the experience. They are also a potentially huge source of revenue that could, over time, eclipse income from traditional broadcast. There are threats, however, not least the risk that valuable content can be copied and distributed illegally.

**The global economic downturn will affect the industry.** Teams and sporting organisations typically depend on three sources of revenue: sponsorship and advertising; broadcast rights and ticket sales. It was felt that the economic downturn would have an impact on the first, as sponsors rein in their marketing budgets, but that the larger teams with long-term contracts would be more insulated from this trend. There was also general agreement that ticket sales would be affected, although the extent to which fans would reduce their discretionary expenditure was still unclear.

## Review



Further details and gallery available at <http://www.globalsportsummit.com>



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