

## News Release

### **FIFA World Cup and Olympics to boost Global Sports Spending to US\$133 bn by 2013 forecasts PwC**

**Ebène, 14 June 2010** -- The digital revolution is here and impacting the global sports market. New technologies are accelerating the shifts in business models causing a blurring of historically separate revenue streams. This is creating new challenges for sponsors and broadcasters as they seek to maximise value in a multi-platform world. And these sweeping changes are forcing sports brands to face new challenges in growing and monetising their global supporter bases, according to a new report from PricewaterhouseCoopers "Back on Track? The Outlook for the global sports market to 2013".

The global sports market is achieving a gradual but robust recovery from the impact of the 2008-2009 economic slowdown. Over the four-year forecast period from 2009-2013 we estimate that total worldwide revenues will record modest overall growth as the industry rebounds from the decline. Boosted by increases due to the FIFA World Cup and Olympics global sports spending will rise from US\$114 billion in 2009 to US\$133 billion in 2013, representing a compound annual growth rate of 3.8 per cent over the four years. Growth is predicted across all territories from the larger and more mature markets of North America - 3.6 per cent (including Canada), and Europe, Middle East and Africa (EMEA) - 4.1 per cent, to the smaller markets of Asia Pacific - 3.9 per cent, and Latin America - 4.3 per cent over the four years. North America will continue to remain the largest market by a wide margin in 2013.

Julie Clark, Head of UK Sports practice, PricewaterhouseCoopers and author of the report said:

"Sport companies, businesses and the way the marketplace operates confirm that it is now a truly global industry where technology has contributed to the globalisation of both the industry and specific sports. However, great sports have deep and enduring local roots which in turn help to shape their global commercial potential and reach. To win in the 21st century sports environment it's vital to think globally and act locally."

The Sports industry by market segment

- **Gate Revenues:** price and attendance – striking the right balance. Gate revenues will remain the biggest component of the global sports market by a significant margin over the period. Total gate revenues will expand from US\$43.2 billion in 2009 to US\$49 billion in 2013, a 3.2 per cent compound annual increase, making this the slowest growing component. However income from gate revenues varies greatly from country to country often reflecting factors such as local economy and peoples' disposable income. Attending live sports is an integral part of certain cultures and in some cases a national obsession, but in the emerging markets where tickets are less affordable, this is an opportunity few can experience. Recessionary conditions have driven some innovations: in the US for example, a number of sports teams are using dynamic ticket pricing, similar to the yield management models used by airlines and hotels. Prices change depending on the available seat inventory and the remaining time period to the event.

- **Sponsorship:** smaller brands face an uphill battle. Sponsorship will be the fastest-growing component at 4.6 per cent compounded annually from \$29.4 billion in 2009 to \$35.2 billion in 2013, although it will remain the second largest component after gate revenues. Despite the economic downturn the largest sports brands with global reach and pulling-power have continued to attract the massive sponsorship deals. The mid-level brands or brands associated with a particular city or country have been hit badly. Unsurprisingly there were changes in the industries who were actively investing in sponsorship deals during 2009 with some, like banks, shifting their spending priorities away from sponsorship. Looking forward, improving financial conditions will likely see the return to sponsorship by the financial services sector. The US healthcare industry, which is currently facing regulatory reform, has already started to escalate its sponsorship efforts in order to raise its profile in the marketplace. Another industry investing increasing amounts in sponsorship – particularly in EMEA - is online sports betting where football shirt sponsorships is a key focus for these businesses.
- Having attracted the major sponsors, sports organisers need to ensure that restrictions they impose on the use of the brand do not undermine the business case for sponsorship. This is especially important as sponsors are also demanding more transparency on the return on investment (ROI), something the larger sports brands are able to deliver more easily. The issue of social responsibility and community involvement in sponsorship has also become more prominent in corporations' sponsorship portfolios, while reducing the emphasis on corporate hospitality.
- **Broadcast Media Rights:** facing up to a multi-platform world. Growth in underlying spending during the period will be healthy during the forecast period seeing revenues rising from US\$23.1 billion in 2009 to US\$ 26.7 billion in 2013, at 3.7 per cent compound annual rate. As many contracts are long-term they have been less susceptible to the near-term economic developments. The one overarching challenge for all players in the media rights market is how to protect and monetise rights in a multi-platform world of pervasive (and often freely-available) digital content, an issue both the music and film industries have grappled with. The impact of the recession on advertising spending and the resulting shift towards subscription models has seen pay TV companies dominate the rights deals. Media rights have traditionally been one of the hardest revenue streams to predict accurately and this challenge has been heightened recently due to increasing scrutiny from competition regulators, rising demand for sports content in emerging markets and the explosion in digital media platforms.
- **Merchandising:** exposed shifts in consumer confidence. The smallest of the four components of the sports market, it will also have annual compound growth of 4.1 percent. North America continues to dominate the global merchandising market accounting for around three quarters of total global spending throughout the forecast period. Though benefiting from years when there are major sporting events such as the Olympics and FIFA World Cup, the market is also reliant on consumers' disposable income and has felt the impact of the recent slowdown in the economy. The industry also faces huge challenges, and subsequent loss of revenues, from the threat of counterfeiting which is particularly proliferate in the developing markets.

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## Notes to Editor:

### 1. Market Definition

For the purpose of this report, the sports market consists of:

- Gate revenues for live sporting events
- Media rights fees paid to show sports on broadcast and cable television networks, television stations, terrestrial radio, satellite radio, the internet and on mobile devices.
- Sponsorships, which include payments to have a product associated with a team, league or event sponsorships, as well as naming rights.
- Merchandising, which includes the selling of licensed products with team or league logos, player likenesses, or other intellectual property. Food concession revenues are not included.

### 2. For clarity Association Football (soccer) is referred to in this report as football, whilst American Football is played in the NFL is referred to by its full name.

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## About PricewaterhouseCoopers

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The name PricewaterhouseCoopers is one word, with upper case P, upper case C, and all other letters in lower case.