

# Back on track?

The outlook for the global sports market to 2013



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# Introduction

Welcome to PricewaterhouseCoopers' global publication dedicated purely to the sports industry. In publishing it, we are reflecting the increasingly globalised nature of the sports market, whilst also acknowledging the deep local roots of many major sports.

## Fresh approach

Against the fast-changing background of the global sports market, we at PricewaterhouseCoopers<sup>1</sup> (PwC) have adopted a new approach to communicating our insights and research on the industry.

In previous years we have prepared a Sports chapter in our annual *PwC Global Entertainment & Media Outlook* ("E&M Outlook") which forecasts future spending trends across 13 segments of the E&M industry. This year, we decided to build on the statistical rigor of the *E&M Outlook* and combine it with our global thought leadership in the sports market to prepare this point of view study. This fresh approach enables us to achieve two objectives.

The first is to present our perspectives on the opportunities, challenges and trends facing participants in the sports market worldwide, and analyse how these factors will play out over the coming years. The second is to underpin this industry analysis with revenue forecasts for each segment and region of the global sports market through to 2013, providing the reader with hard statistical data against which to plan responses to the trends highlighted in the document.

While our financial forecasts in this publication - like those in the *E&M Outlook* - focus on revenues, we also acknowledge the cost implications of various developments. For example, rising media rights in football may initially appear positive for clubs, but this can encourage players' agents to increase their salary demands, thereby adding significantly to costs. Similarly, sports that expand to new geographies worldwide may reap additional revenues, but these may not be big enough to justify the costs of entry. In other words, extra revenues come at a cost, and may not boost the bottom line.

At the same time, sport has wider social and economic implications that may offset the related financial costs. The profile, goodwill and tourism revenues generated by hosting top-level sporting events can bring major benefits to cities and entire countries, which is why governments are so keen to encourage and attract them. However, hosting events

inevitably involves costs in areas such as infrastructure development and security. Also, as sport globalises and the related revenues expand, it can become an increasingly attractive target for organised crime - a risk highlighted by the inter-governmental body, the Financial Action Task Force's recent analysis of the global football market.

## Teaming up with IFM and clients

To make this publication as useful and insightful as possible, we have produced it in collaboration with IFM, a global leader in market insight and strategic consultancy in the sports, sponsorship, leisure and tourism industry. Working together enables us to combine our complementary strengths, blending PwC's global presence and sports sector experience with IFM's knowledge of the world sponsorship marketplace.



This unique relationship reflects the increasingly collaborative approach that we at PwC are taking to all aspects of the global sports market. In all our sports related work - ranging from supporting major global events to our engagements for sports associations and major sponsors, broadcasters and advertisers - we are focusing increasingly on sharing knowledge and experience across our global

network, and bringing our clients the benefit of approaches and innovations that have already proved their value elsewhere.

This ongoing global cross-fertilisation is being mirrored by our clients, who are planning and managing their businesses on an increasingly co-ordinated international basis, applying successful approaches from one market or event to others worldwide.

## Play globally, win locally

However, as we have already mentioned, there is a degree to which sports will always be local. This report also underlines the profound local variations in different sports' impact and consumer allegiances around the world. From ice hockey in Canada to cricket in India, and from baseball in the US to Australian Rules Football, great sports have deep and enduring local roots - which in turn help to shape their global commercial potential and reach.

To win out in sport it is vital to think globally and act locally. We hope this publication will help our readers strike the right balance.



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# Executive summary

## The world is getting smaller

Growing signs of globalisation in the sports market emerge every day. The NFL and NBA now host regular games in London. The Brazilian national football team plays many of its matches in Europe. Asia and the Middle East account for seven of the 19 races on the Formula 1 calendar, compared to two in Asia and none in the Middle East a decade ago. The IPL cricket tournament migrated wholesale from India to South Africa for one season before returning home. Meanwhile, sponsors are parcelling up the world by signing deals focused on specific overseas markets such as Telekom Malaysia's recently announced licensing agreement with the English FA.

At the same time, ongoing innovation in areas including sponsorship models and broadcasting rights are blurring the once clear divisions between different revenue streams, as sponsors and broadcasters seek more value in a multi-platform world, and as subscription television challenges traditional advertising-funded models. New technologies are accelerating these shifts. Amid this sweeping change, sports brands are facing new challenges in growing and monetising their supporter bases.



## Definition of the 'Sports Market'

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

- Sponsorships, which include payments to have a product associated with a team, league or event as well as naming rights.
- 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.
- 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.

### Definitions of key terms

- Association Football (soccer) is referred to in this report as 'football', while American Football - as played in the NFL - is referred to by its full name.
- 'Ongoing events' refers to regular sports events and leagues that occur annually or more often. These are distinct from 'major events', which are large international events occurring every few years, such as the Winter and Summer Olympics, and FIFA World Cup.
- A glossary is included in the Appendix at the back of this publication to explain acronyms and abbreviations used.

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## Staging a second-half comeback

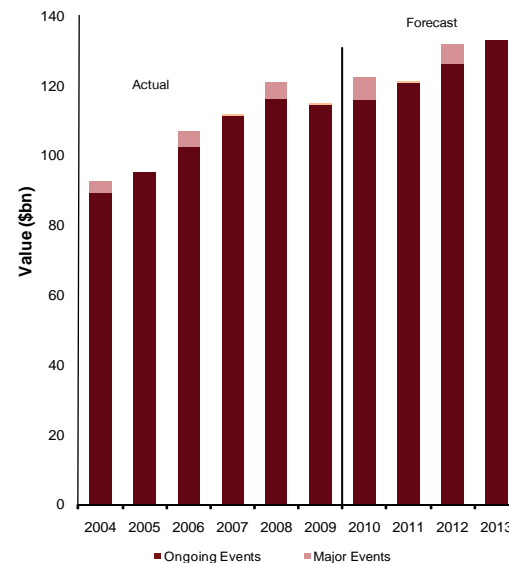
The global sports market is achieving a gradual but robust recovery from the impact of the economic slowdown of 2008-2009. Over our four year forecast period from 2010 to 2013, we estimate that total worldwide revenues will record modest overall growth as the industry rebounds from the decline suffered in 2009. Boosted by surges in spending in the FIFA World Cup and Olympic years of 2010 and 2012 respectively, total global sports spending will rise from US\$114 billion in 2009 to US\$133 billion in 2013, representing compound annual growth of 3.8 percent over the four years.

Stripping out the effects of major one-off events, an underlying trend of steadily rising spending emerges. Having fallen in 2009, global spending related to ongoing events is projected to rise steadily year by year, with annual growth topping 5 percent in 2013.

## The economy holds sway

As these figures suggest, economic conditions will remain the main driver for spending on ongoing events, cutting into gate revenues, sponsorships and merchandising in the near term while fuelling a rebound from 2010 onwards as economic conditions improve. Long term contracts will to some degree insulate media rights from the recession, and as a result media is the only category where spending for ongoing events increased in 2009. However, weak conditions in the advertising market have been limiting renewal increases since then.

Chart 1: Value of the global sports industry 2004-2013



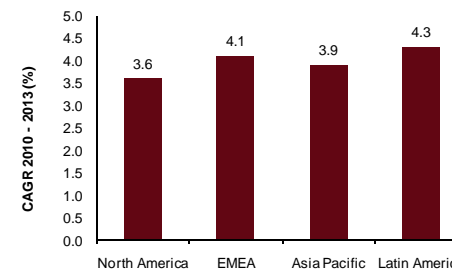
Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

Major international events, including the Vancouver Olympics in 2010, the London Olympics in 2012 and the FIFA World Cup in South Africa in 2010 will boost media rights fees, and to a lesser degree sponsorship revenues, in all regions in the years when they are held, as well as helping to support gate revenues and merchandising.

## The recovery begins

Within this overall global growth, the relative performance of the various regions is illustrated on page 7. The overall picture is one of continued modest growth in both the larger and more mature markets of North America (US and Canada) and EMEA, as well as the smaller markets of Asia Pacific and Latin America.

Chart 2: Regional performance: Compound Annual Growth Rates (CAGRs) 2010-2013



Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

North American revenues will expand at 3.6 percent compounded annually to remain the largest market by a wide margin in 2013, ahead of EMEA, growing at a CAGR of 4.1 percent. Latin America and Asia Pacific will see compound annual growth of 4.3 percent and 3.9 percent respectively over the four years.

## Future challenges

The ongoing globalisation of the sports market, combined with changes in distribution platforms and evolving commercial and economic factors, means each component of the market faces a number of challenges during the period up to 2013.

### *Sponsorship: smaller brands facing an uphill battle*

Globally, sponsorship is the second biggest component of the sports market after gate revenues, and will be the fastest growing component through to 2013. Since 2008, the economic downturn has focused a rising proportion of attention and spending on the biggest sports brands with global reach and pulling-power. While these have continued to attract massive sponsorship deals and strong revenues, the mid-level brands have found it harder to attract major sponsors, while sponsorship of the smaller local sports brands has been hit by potential backers reducing discretionary spend in the economic downturn. Alongside this shift, sponsors are also demanding more clarity and specific measurement of the value they get in return for their investment, and the bigger sports brands are generally more able to provide this.

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A further impact of the recession has been to accelerate the existing move towards focusing more on social responsibility and community involvement in sponsorship deals, including support for sports at the grass roots level. This trend also involves reducing the emphasis on corporate hospitality in a tough economic environment. A further current issue is that major events such as the Olympics and FIFA World Cup need to be careful that the restrictions they place on sponsors' use of their brand and logo do not undermine the business case for sponsoring them.

#### *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 throughout the forecast period, although its growth will be the slowest. The gate revenue market varies widely from country to country, reflecting local economic factors including disposable income, economic confidence, and the strength and competitiveness of the sports and leagues on offer. In some countries, such as the US and UK, attending live sport is an integral part of the culture; in others, especially emerging markets where tickets are less affordable, far fewer people go to events. Failing to understand local economic and cultural factors can result in sports bodies setting prices too high for the local economy when entering new geographical markets.

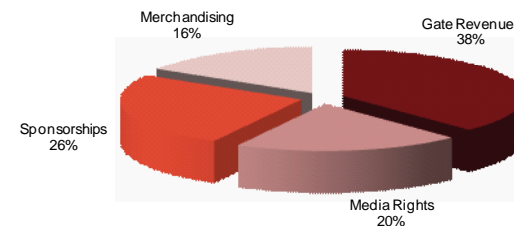
A further challenge facing the gate revenue market globally is how to strike the right trade-off between charging premium prices for seats (including those for corporate hospitality) and attracting higher attendance at games. The corporate hospitality market is a vital source of gate revenues for sports such as Formula 1 and tennis in developed markets, and is sometimes used to subsidise affordable seats in football. But corporate hospitality is underdeveloped in many - especially emerging - countries, raising the question of whether this valuable source of revenue can be developed in more geographies. More generally, attempts to boost gate revenues by raising ticket prices risks reducing attendance and creating a lack of atmosphere for TV viewers, undermining the value of broadcast media rights.

#### *Broadcast media rights: facing up to a multi-platform world*

Broadcast media rights are the third biggest component of the global sports market behind gate revenues and sponsorship. Growth in underlying spending on media rights (ongoing events only) will be healthy during the forecast period, partly reflecting the fact that they are less susceptible to near-term economic developments, because many rights are locked in to long-term contracts. The wide array of issues impacting media rights - including economic factors, competition regulation and changes in delivery technologies and platforms - makes it an especially complex marketplace. It is also an

area where there can be significant unforeseen impacts. For example, international rights that show European football in an emerging market can actually stunt the development of the sport locally, since consumers are so used to the higher-grade product.

Chart 3: Sector share of total global revenues 2009



Currently, the overarching challenge for all parties 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, echoing the problems encountered by music and, to a lesser extent, movies. The negative impact of the economic downturn on advertising spending, and the resulting shift towards subscription models, has seen pay TV companies become the main driver of rights deals. However, while exclusive rights deals may be more lucrative for sports bodies, they risk driving up the costs of players' salaries, and can attract attention from competition and media regulators. In March 2010, several sports governing bodies

in the UK were reported to be considering legal action against the media regulator Ofcom over its attempts to force British Sky Broadcasting Limited ("Sky TV") to cut the prices at which it sells its sports channels to rivals. The sporting bodies argued that this move could reduce the investment at grass roots level that Sky TV is funding.

#### *Merchandising: exposed to shifts in consumer confidence*

The global merchandising market is heavily dominated by North America, which will continue to account for around three quarters of total global spending throughout the forecast period. This underlines the impact of local cultural and behavioural factors, such as the tendency for North American consumers to buy apparel at games. Merchandising will continue to be the smallest of the four components of the sports market.

Merchandising is more exposed than the other categories to economic conditions, owing to its heavy reliance on consumers' disposable income. Major events also play a significant role, limiting growth in odd numbered years (non Olympic and non FIFA World Cup). The challenges faced by the industry include the risk of losing revenues through counterfeiting - a threat that is especially apparent in emerging markets such as Asia.

# Global overview: A World of Sport

## Global

- Overall CAGR: 3.8 percent, from US\$114 billion in 2009 to US\$133 billion in 2013.
- Underlying CAGR (ongoing events only) was 3.8 percent, which reflects the fact that 2009 is the base year and 2013 the final year end, neither of these years had significant major events.
- Trend: Economic conditions have cut into gate revenues, sponsorships and merchandising in 2009. However, the economic upturn will fuel a general rebound in spending during 2011–13.
- Categories: Sponsorships will be the fastest-growing category at 4.6 percent compounded annually. The slowest growing component will be gate revenues, which will expand at a CAGR of 3.2 percent over the period. The most volatile component will be media rights, which will grow rapidly in major event years but suffer significant declines in 2011 and 2013.

### North America

- Overall CAGR: 3.6 percent, from US\$55.0 billion in 2009 to US\$63.3 billion in 2013.
- Trend: The North American market declined by 4.7 percent in 2009, followed by a rebound beginning in 2010, with positive growth every year through to 2013.
- Categories: Sponsorships will be the fastest growing category at 4.2 percent compounded annually. Underlying growth (ongoing events only) in media rights and gate revenues will be 2.7 percent and 3.3 percent compounded annually.

### EMEA

- Overall CAGR: 4.1 percent, from US\$39.4 billion in 2009 to US\$46.3 billion in 2013.
- Trend: The market declined by an estimated 6.9 percent in 2009, but only by 1.9 percent on an underlying basis. Overall declines in 2011 and 2013 will be more than offset by rises in 2010 and 2012, reflecting the FIFA World Cup in 2010 and then the London Olympics and Euro 2012, all hosted in EMEA.
- Categories: Sponsorships will be the fastest-growing category, with a projected 5.3 percent compound annual increase.

### Latin America

- Overall CAGR: 4.3 percent, from US\$2.6 billion in 2009 to US\$3.1 billion in 2013
- Trend: Latin America's sports market declined by 1.7 percent in 2009, followed by a 11.1 percent jump in 2010 related to the FIFA World Cup. The market will post stronger gains during 2012–13 as economic conditions improve.
- Categories: Media rights is the largest category in Latin America, the only region where that is the case. It will also be the fastest growing category during the next four years, with a projected 6.4 percent CAGR.

### Asia Pacific

- Overall CAGR: 3.9 percent, from US\$17.3 billion in 2009 to US\$20.2 billion in 2013
- Trend: The sports market in Asia Pacific jumped by 14.7 percent in 2008, boosted by the Beijing Olympics. The Olympic effect meant it then fell by an estimated 4.6 percent in 2009, although there was underlying growth of 2.6 percent. Both overall and underlying annual growth will remain positive from 2010 through 2013.
- Categories: Sponsorships will be the fastest-growing component of the sports market, rising at a 4.4 percent compound annual rate.



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# Sponsorship

Spending on sports sponsorship deals will be the fastest growing component of the sports market during the next four years, although it will remain the second biggest component after gate revenues. Total global spending on sports sponsorship will increase from \$29.4 billion in 2009 to \$35.2 billion in 2013, a 4.6 percent compound annual increase over the four years.

## Around the regions

North America will remain the world's biggest sponsorship market throughout the forecast period, rising at 4.2 percent compounded annually to US\$13.3 billion in 2013. This is equivalent to 21 percent of the total North American sports market, the lowest proportion in any region. The recession saw sponsorship spending decline in North America in 2008-2009, with several high-profile cancellations. However the market revived in late 2009, with Visa extending its partnership with the IOC through to 2020 and its deal with the NFL for an additional five years through to 2014.

The second-biggest regional sponsorship market, EMEA, will grow at 5.3 percent compounded annually - slightly faster than the US - to US\$12.6 billion in 2013, accounting for 27 percent of the overall EMEA sports market. The relatively high spending on sponsorship reflects the dominance of football and Formula 1. Financial services businesses are major spenders, and having cut back during the financial turmoil in 2008, they returned with record deals in mid-to-late 2009, including Manchester United FC's four-year, estimated US\$147 million deal with Aon from 2010-11, and a similar-sized deal between Standard Chartered and Liverpool FC, also starting in 2010-11.

Asia Pacific is the only region where sponsorship is the largest component of the sports market, accounting for 41 percent in 2010 and rising to 42 percent in 2013. Spending will grow at 4.4 percent compounded annually to US\$8.5 billion in 2013, making sponsorship the region's equal fastest-growing component alongside media rights. During the past five years, spending has been boosted by the launch of the cricket IPL and the Australian Rules AFL, and an emerging market in China, where the 2008 Olympics increased the appeal of sponsorships and sports-based marketing in general.

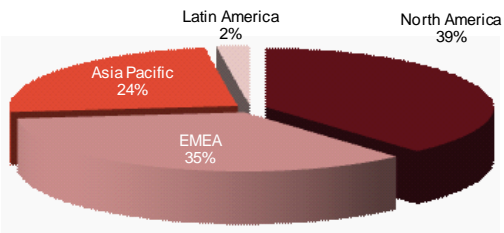
The sponsorship market in Latin America is small but relatively fast-growing, and accounts for around a quarter of overall sports spending. It was hit by the economic downturn in 2008 and 2009, but growth will return strongly during 2012-13 as economic conditions improve. It is dominated by football, and sponsorships associated with the FIFA World Cup will generate a significant boost in 2010.

Table 1: Sponsorship (US\$m) (Total revenues by region)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010-2013 CAGR
North America	7,994	8,380	9,022	10,013	11,613	11,308	11,606	12,013	12,617	13,322	
% change	9.6	4.8	7.7	11.0	16.0	(2.6)	2.6	3.5	5.0	5.6	4.2
EMEA	6,951	7,551	9,146	10,288	10,580	10,244	11,268	10,976	12,175	12,585	
% change	12.4	8.6	21.1	12.5	2.8	(3.2)	10.0	(2.6)	10.9	3.4	5.3
Asia Pacific	4,831	5,314	6,065	6,377	7,584	7,150	7,669	7,633	8,019	8,502	
% change	8.7	10.0	14.1	5.1	18.9	(5.7)	7.3	(0.5)	5.1	6.0	4.4
Latin America	575	602	705	678	682	682	786	737	772	817	
% change	5.9	4.7	17.1	(3.8)	0.6	0	15.2	(6.2)	4.7	5.8	4.6
<b>Total</b>	<b>20,351</b>	<b>21,847</b>	<b>24,938</b>	<b>27,356</b>	<b>30,459</b>	<b>29,384</b>	<b>31,329</b>	<b>31,359</b>	<b>33,583</b>	<b>35,226</b>	
% change	10.2	7.4	14.1	9.7	11.3	(3.5)	6.6	0.1	7.1	4.9	4.6

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

Chart 4: Regional share of total sponsorship market in 2009



Battling against the downturn

As our regional analysis shows, the economic downturn and financial crisis of 2008-2009 had an impact on sponsorship spending, although the most significant effect was more on the types of company entering sponsorship deals than on the size of the overall market. As *The World Sponsorship Monitor* (“*TWSM*”) *Annual Review* for 2009 reports, the volume of new sponsorships entered into in 2009 was not reduced by the economic crisis, with

TWSM’s research monitoring 15 percent more deals in 2009 than 2008 - a total of 1,689 - of which 71 percent were new deals. The proportion of withdrawals was only 8 percent, in line with the previous year. That said, the pattern of spending did change, with fewer bigger deals in 2009, accompanied by a shift away from multi-year sponsorships towards one-year deals, indicating increased caution among sponsors.

There was a continued strong showing during the downturn from companies based in the Middle East and BRIC regions (Brazil, Russia, India and China), reflecting the lesser impact of the global downturn in those markets. Russia (five) and China (three) together contributed eight of the world’s top 50 deals by value during 2009, underlining their growing importance. Meanwhile, a steady flow of major deals originated from the Middle East, including Etihad Airways sponsoring FC Barcelona, Manchester City FC and the UAE Football Association, and 12 reported deals



involving Emirates, including renewing its deal with Hamburg SV for another three years at around US\$18 million.

New industries move up the sponsorship league tables

In terms of the industries that were actively investing in sponsorship deals during the downturn, the global financial turmoil saw the banking industry slip down the list in 2008 and

2009, driven by financial constraints and a desire to shift its spending priorities. Following its rescue by the UK government, the Royal Bank of Scotland (“RBS”) announced a 25 percent reduction in its sponsorship outlays in 2009 with a further 25 percent decline in 2010. It also cut its hospitality spending by 90 percent.

As Table 2 shows, sports clothing companies became the most active sponsors by volume of deals in 2009, while the problems of the motor industry, especially in the US, saw that industry scale back. For example, General Motors dropped its sponsorship of the Buick Open (subsequently picked up by The Greenbrier) as well as its ties to Tiger Woods - although the dramatic changes in Woods’ sponsorship arrangements in late 2009 and early 2010 clearly reflected specific individual factors rather than industry trends. Airlines rose into the top five, primarily reflecting the activity of airlines based in the Middle East.

Table 2: Number of reported sponsorship deals by Sector 2005-2009

2005		2006		2007		2008		2009	
Cars/Automotive	186	Cars/Automotive	115	Banking	129	Cars/Automotive	156	Clothing - Sports	186
Telecommunications	141	Banking	102	Cars/Automotive	125	Banking	123	Cars/Automotive	145
Clothing - Sports	139	Telecommunications	72	Drinks - Beer	76	Clothing - Sports	100	Telecommunications	99
Banking	138	Clothing - Sports	65	Clothing - Sports	68	Drinks - Beer	83	Banking	98
Drinks - Beer	89	Drinks - Beer	59	Consumer-Electronics	55	Telecoms	80	Airlines	73

Source: The World Sponsorship Monitor from IFM Sports Marketing Surveys



## Financial services set to stage a comeback

Going forward, improving financial conditions are likely to see companies from the financial services sector return strongly to the marketplace. In North America, several high-profile cancellations in 2008-2009 - including a number by financial services business - were followed by a revival in the market in late 2009. Visa extended its partnership with the IOC through to 2020 and also extended its deal with the NFL for an additional five years through to 2014.

Indications of a revival in financial services sponsorships were also provided in the UK in 2009 by Aon (with Manchester United FC) and Standard Chartered (with Liverpool FC), as well as Barclays' renewal of its sponsorship of the English Premier League. The same bank's long running involvement in the Spaces for Sports community programme reflects a further trend, which is an accelerating move towards including social responsibility and community involvement in sponsorship deals. While this has always been an aspect of the sponsorship market, the recession and the reputational problems suffered by many organisations have given it further momentum.

Other sectors likely to be increasingly active in sports sponsorship include the US healthcare sector, which is facing regulatory reform and has already started to escalate its sponsorship efforts to increase its profile. Examples of the industry's involvement in sports include Kaiser Permanente becoming the official health insurance partner of the Los Angeles Dodgers, and Cigna's sponsorship of the Walt Disney World Marathon, the Falmouth Road Race, and other endurance events. Another industry investing increasing amounts in sponsorships - particularly in EMEA, but not in the US for legislative reasons - is online sports betting. Football shirt sponsorships are a particular focus for these businesses, enabling them to directly reach their target audience.

A further notable trend over the past two years is telecoms companies from emerging economies rising up the sponsorship rankings. In 2009, the number two and three sponsors worldwide in terms of total new reported commitment were Russia's Megafon and Rostelcom, although this clearly reflects the one-off impact of their sponsorship of the Sochi 2014 Winter Olympic Games. The presence of Adidas in first place and Mercedes in fourth underlines the continued strong involvement of established players and industries.

## Positive signs for future spending

Looking more broadly, the onset of more stable economic conditions in 2010 has reinforced our view that the outlook is brightening for the latter part of the forecast period. The IFM Sports Marketing Surveys 2010 Global Industry Survey, published in March 2010 and based on interviews with 426 sports marketing professionals worldwide, reveals a number of positive findings for sponsorship spending (see information panel). Furthermore, the research underlines the increasingly integral role played by grass root programmes and corporate social responsibility in corporations' sponsorship portfolios - with 49 percent of respondents feeling "strongly" that sponsorship at an elite level must also engage with grass roots initiatives.

A further significant finding is a new wave of interest in combining fans' passion and engagement across sport and entertainment. Half of the sports marketing professionals interviewed feel that the future involves linking consumers' entertainment profiles with their sporting passions, and that sports brands are currently missing opportunities to incorporate entertainment to reach the mass market. This trend is reflected by companies' moves to sponsor TV and/or online transmissions of sports content.

## Positive signs of recovery

Sponsorship is back on the marketing agenda according to the IFM Sports Marketing Surveys 2010 Global Industry Survey. Of the sports marketing professionals surveyed:

- 36% in 2009 strongly felt that brands had to think twice about sponsorships due to adverse public opinion with this decreasing to 29% in 2010.
- Nearly two-thirds of those involved in sponsorship believe it offers a much wider reach and impact for a brand than advertising.
- Over 60% also believe that sponsorship is great for highly targeted campaigns.

Sponsorship revenues are beginning to return to previous levels:

- In 2009 19% felt that global sponsorship revenues would rise. This has more than doubled to 40% in 2010.
- In 2009 49% of sponsors felt that they would decrease their own spend. Only 30% are predicting this for 2010.

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## Major events retain their pulling power

Looking forward, a range of factors will continue to drive developments in the sponsorship arena. As we have pointed out, the huge sponsorship potential of major global events such as the Winter and Summer Olympics and FIFA World Cup tends to increase the level of volatility in the market, owing to the massive deals struck for these events. The TWSM list of the top 20 sponsorship deals of 2009 (see Table 3) underlines the attractiveness of such events for sponsors, with the top four deals all focusing on the Sochi 2014 Winter Olympics in Russia.

In the context of major global events, a point currently being made in the sports marketing industry is that the tight restrictions that events now routinely place on sponsors' use of their brand and logo may become a barrier to sponsorship. In imposing these restrictions, events need to be careful that they do not undermine the business case for sponsoring them, or become seen to be responding to minor transgressions with undue force. However, across both major events and ongoing sports, giving too much leeway and prominence to sponsors may risk alienating fans and spectators who feel their sport is being hijacked for commercial ends. This is a fine balance to strike.

Table 3: Top 20 sponsorship deals of 2009 as reported by The World Sponsorship Monitor Annual Review 2009

Rank	Sponsor	Industry	Country	Event or Activity Title	Event Code	Sponsor Type	Value Currency US\$	Years	Deal Type
1	MegaFon	Telecommunications	Russia	Sochi 2014 Winter Olympic Games	Olympics	Event Sponsor	260,000,000	5	New deal
2	Rostelecom	Telecommunications	Russia	Sochi 2014 Winter Olympic Games	Olympics	Event Sponsor	260,000,000	5	New deal
3	Aeroflot	Airlines	Russia	Sochi 2014 Winter Olympic Games	Olympics	Event Sponsor	180,000,000	5	New deal
4	Rosneft	Oil/Petrol	Russia	Sochi 2014 Winter Olympic Games	Olympics	Event Sponsor	180,000,000	-	New deal
5	Mercedes	Cars/Automobile	China	Mercedes-Benz Arena	Venues	Organisation Sponsor	150,000,000	10	New deal
6	Barclays	Financial Services - Banking	UK	Barclays Premiership	Soccer	Event Sponsor	134,500,000	3	Renewal
7	Standard Chartered Bank	Financial Services - Banking	UK	Liverpool FC	Soccer	Team Sponsor	133,358,000	4	New deal
8	Aon	Financial Service - Insurance	International	Manchester United FC	Soccer	Team Sponsor	132,000,000	4	New deal
9	Visa	Financial Services - Banking	International	Olympic Sponsor to 2020	Olympics	Event Sponsor	130,000,000	8	Renewal
10	UniCredit	Financial Services - Banking	International	Champions League	Soccer	Event Sponsor	119,000,000	3	New deal
11	Deutsche Telekom	Telecommunications	Germany	FC Bayern München	Soccer	Team Sponsor	112,000,000	3	New deal
12	adidas	Clothing - Sports	International	UEFA EURO 2012 & 2016	Soccer	Event Sponsor	105,000,000	7	Renewal
13	Panasonic	Consumer Electronics	International	Toyota	MotorSport - Formula 1	Team Sponsor	105,000,000	3	Renewal
14	Volkswagen	Cars/Automotive	Russia	Sochi 2014 Winter Olympic Games	Olympics	Event Sponsor	100,000,000	5	New deal
15	Staples	Office Equipment	USA	Staples Center	Venues	Organisation Sponsor	100,000,000	-	Renewal
16	Omega	Watches/Timing	International	IOC 2010-2020	Olympics	Event Sponsor	80,000,000	8	Renewal
17	Groupama	Financial Services - Insurance	France	Volvo Ocean Race	Sailing/Yachting	Team Sponsor	74,500,000	6	New deal
18	Gillette	Personal Care	USA	MLB corporate sponsorship	Baseball	Organisation Sponsor	72,000,000	3	Renewal
19	adidas	Clothing - Sports	France	Olympique Lyonnais	Soccer	Team Sponsor	70,000,000	10	New deal
20	Anta	Clothing - Sports	China	Chinese Olympic Committee	Olympics	Team Sponsor	70,000,000	4	New deal

Source: The World Sponsorship Monitor from IFM Sports Marketing Surveys

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## The rising market power of bigger brands

A further ongoing driver highlighted by the TWSM 2009 ranking is the tendency for sponsors to focus a growing proportion of attention and spending on the biggest brands - a shift that has been magnified by the global economic downturn. With the Sochi Winter Olympics taking the top four places in the 2009 deal list, the next few positions are dominated by major European football leagues and clubs with global brands.

This focus on bigger brands has seen mid-ranking and smaller sports brands struggle to sustain their sponsorship revenues. The mid-ranking brands have been left in 'no man's land', being too big to attract local sponsors but too small to have a global profile and resonance across other regions. Meanwhile, smaller local brands have been hit by the recession as potential local sponsors draw in their horns. Sponsors are also demanding more clarity and specific measurement of the value they get in return for their investment. One of the advantages of the bigger and more sophisticated global sports brands is that they are generally better positioned and equipped to provide this measurability.

A related trend, again favouring the biggest global brands, is increasing use of regional sponsorships, with companies paying for the right to maintain a high-profile relationship with the chosen brand in specific countries or regions of the world. For example, the Korean tyre manufacturer Kumho launched its four-year "Platinum Partner" sponsorship of Manchester United FC in 2007 by sponsoring the club's pre-season tour to Korea.





## Sponsorship blurs with advertising

An additional industry driver - and one that is highlighted by the IFM survey cited earlier in this chapter - is that sponsors increasingly regard sponsorships as an alternative to advertising, and are embedding themselves within the product to gain a higher profile and avoid ad-skipping. Sports programmes are now routinely sponsored, with brands gaining exposure at the start and end of commercial breaks. Naming rights to leagues and organisations are also popular, with examples in 2009 including Visa and Procter & Gamble's agreement with the NFL, and Pepsi and Gillette's with MLB. These rights generally involve exposure at events, further blurring the division between sponsorship and advertising.

In parallel, the battle to maintain exposure in a multi-platform world is causing sponsorship, advertising and media rights to overlap and converge, causing old distinctions to blur - and sometimes causing issues under existing regulatory structures. For example, in the UK the optician chain Specsavers sponsored the 'Hawk-Eye' technology used in Sky TV's coverage of the 2009 Ashes cricket series between England and Australia. The broadcasting regulator Ofcom later said that the technology was intrinsically part of the program itself, and therefore could not feature any branding. On these grounds, it ruled that Sky TV had given undue prominence to Specsavers' sponsorship.

## Reputation risks emerge

The past year has seen a number of instances where intense media coverage of the personal lives of sportspeople has highlighted the unforeseen reputational risks that can arise with sports sponsorships, both of individuals and teams. When details of Tiger Woods' private life surfaced in late 2009, it caused a number of major sponsors including Gatorade, AT&T and Accenture to drop their deals with him. At the time, these decisions reportedly cost Woods around US\$50 million of the US\$100 million a year he was believed to be earning from personal endorsements and sponsorship deals.

Meanwhile, in Australia there have been a number of cases where inappropriate conduct by players in teams has damaged the brand of the team, the club and the sport. This has also placed pressure on sponsors to withdraw from deals or to consider not renewing contracts. The National Rugby League and Australian Rugby Union became so concerned about such incidents that they threatened to de-register players and fine clubs that failed to respond swiftly with appropriate penalties to discourage such behaviour. Equally, sponsors are seeking more significant concessions and applying more onerous provisions in sponsorship agreements to manage such risks.

Some large corporates have also taken strategic decisions to sponsor the competition, the referees, or even the ball, partly to avoid the risks of being associated with a team and the potential for poor behaviour by players off the field.



## Sponsorship: four key questions through to 2013

- Will the recession driven shifts - such as sponsors preferring the biggest brands and incorporating aspects of Corporate Social Responsibility - continue in the recovery?
- How will sports brands give sponsors the accountability, measurability and transparency of return that they are looking for?
- Will major events' restrictions on usage of their brands cause some sponsors to look elsewhere?
- Will mid-ranking and smaller sports brands be able to regain their lost revenues once economic conditions improve?

# Gate revenues

Gate revenues from entrance fees and selling tickets to attend sporting events remains the single largest component of the global sports market. Total gate revenues will expand from US\$43.2 billion in 2009 to US\$49.0 billion in 2013, a 3.2 percent compound annual increase.

## Around the regions

North America will remain the world's biggest market for gate revenues throughout the forecast period. Overall gate revenues will rise at 3.3 percent compounded annually to US\$23.8 billion in 2013, accounting for 38 percent of the total North American sports market. Following a decline in 2009, revenues will rebound as economic conditions improve. Revenue growth will be boosted by the Vancouver Winter Olympics in 2010, and will top 4 percent annually in 2012–13.

The second-biggest regional gate revenues market, EMEA, will grow at 3.1 percent compounded annually to reach US\$19 billion in 2013 – 41 percent of EMEA's overall sports market, the highest proportion in any region. While gate revenues have been affected by the recession, they have suffered less than TV rights, sponsorships, or merchandising, all of which recorded bigger declines in 2009. As economic conditions improve, the underlying gate revenue market will expand steadily. There will be spikes in even years, reflecting events including the FIFA World Cup in South Africa in 2010, the Olympics in London in 2012, and Euro 2012 in Poland and Ukraine.

Despite the region's massive population and their intense interest in sports, gate revenues are relatively small in Asia Pacific, reflecting the fact that many of the sports events that people like to watch take place thousands of miles away in EMEA and the Americas. Asia Pacific's gate revenues market will grow at 3.4 percent compounded annually to US\$5.4 billion in 2013. Going forward, this modest recovery will be supported by international events including the 2010 Commonwealth Games in Delhi, India; the 2011 Rugby World Cup in New Zealand; and the 2011 ICC Cricket World Cup in Bangladesh, India and Sri Lanka.

The relatively small and volatile gate revenue market in Latin America is largely driven by the popularity of football. Gate revenues will total an estimated US\$826 million in 2013, a 1.7 percent compound annual increase, which means they will account for 26 percent of the region's overall sports market.

Table 4: Gate revenues (US\$m) (Total revenues by region)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010-2013 CAGR
North America	16,003	16,524	18,304	20,075	21,026	20,882	21,278	21,751	22,716	23,781	
% change	6.5	3.3	10.8	9.7	4.7	(0.7)	1.9	2.2	4.4	4.7	3.3
EMEA	14,678	15,095	16,588	16,683	17,239	16,829	17,444	17,561	19,134	19,024	
% change	9.9	2.8	9.9	0.6	3.3	(2.4)	3.7	0.7	9.0	(0.6)	3.1
Asia Pacific	4,058	4,164	4,222	4,435	4,939	4,725	4,879	5,227	5,217	5,411	
% change	2.3	2.6	1.4	5.0	11.4	(4.3)	3.3	7.1	(0.2)	3.7	3.4
Latin America	765	748	769	826	790	772	777	833	808	826	
% change	13.0	(2.2)	2.8	7.4	(4.4)	(2.3)	0.6	7.2	(3.0)	2.2	1.7
<b>Total</b>	<b>35,504</b>	<b>36,531</b>	<b>39,883</b>	<b>42,019</b>	<b>43,994</b>	<b>43,208</b>	<b>44,378</b>	<b>45,372</b>	<b>47,875</b>	<b>49,042</b>	
% change	7.5	2.9	9.2	5.4	4.7	(1.8)	2.7	2.2	5.5	2.4	3.2

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

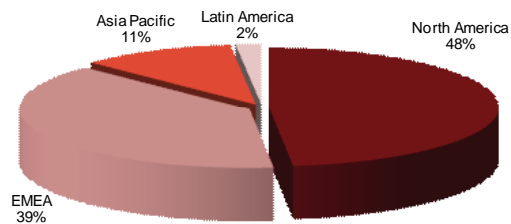
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Chart 5: Regional share of total gate revenue market in 2009



Despite being outpaced by the growth in sponsorship spending during the forecast period, gate revenues will remain the biggest component of the overall global sports market, accounting for 37 percent of the market in 2013, ahead of sponsorship at 26 percent.

This relatively positive outlook is underlined by the IFM Sports Marketing Surveys 2010 Global Industry Survey, which finds that industry professionals worldwide expect event attendances to start growing again after the downturn. In 2009, 20 percent of the industry respondents in the survey strongly believed that event attendances would fall, but this proportion has fallen to 10 percent in 2010.

### Counting the cost of the downturn

Gate revenues are driven by two variables - attendance and price - and the market varies widely from country to country. Since these revenues essentially consist of disposable spending by consumers, they reflect local

economic factors as well as the attractiveness of, and levels of public interest in, the sports and leagues on offer locally. In some countries, such as the US and UK, attending live sport is an integral part of the culture; in others, especially emerging markets where tickets are less affordable, far fewer people go to games, and the economy can have a more pronounced effect.

However, even in markets where watching sport is a national obsession, the recession has had an impact on attendances and pricing. In the US in 2009, attendance at MLB games is estimated to have fallen by 6.7 percent and the NFL by 1.1 percent. While season ticket commitments for NBA and NHL games in the 2008/2009 season were made prior to the start of the recession, NBA and NHL attendances for the 2009/2010 season were down by 2 percent and 2.2 percent respectively, and overall gate receipts for NBA games in the 2009/2010 season were down by 7 percent from 2008/2009. Overall, it is estimated that the recession saw gate attendances for major US sports fall by about 4 percent in 2009, more than cancelling out the revenue gains from ticket price increases of about 2 percent.

Meanwhile, the German Bundesliga football league has continued to demonstrate how attendances can be sustained even during an economic downturn through comparatively low pricing and a strong commitment to local social ownership of clubs and stadia. Fans

### Ticket pricing: recessionary conditions drive innovation

The downward pressure on attendances caused by difficult economic conditions has seen sports clubs adopt innovative approaches to pricing to sustain and even grow attendances. In the UK, a number of football clubs have offered fans a free season ticket for the following season if they renew before a set date and the club is subsequently promoted. Some have also offered special deals and discounts, including a refund if the fan is made redundant. Other approaches to help sustain attendances and ticket prices include making world-class music acts a part of the sporting experience, as at the Singapore Formula 1 Grand Prix.

attending major club football matches in Germany benefit from large modern stadiums and the lowest prices among the major European Leagues. For example, BV Borussia Dortmund's 'Yellow Wall' stand holds 26,000 people, each paying an average of €15 for a ticket. By way of comparison, a standard ticket for many English Premier League matches is likely to cost around three times as much. Largely as a result, German club football is the best-attended in Europe, with average attendances at matches in the current 2009/2010 season standing at around 42,000 in the First Bundesliga, compared to about 34,000 in the English Premier League, 28,000

in the Spanish Primera Division and 24,000 in the Italian Serie A.

Combined with the Bundesliga's commitment to an equitable sharing of revenues from media rights among its clubs, this approach has two consequences. On the one hand, top German clubs such as FC Bayern München are not as rich as other top clubs - the likes of Real Madrid CF, FC Barcelona and Manchester United FC - based in other countries with more decentralised marketing structures. This means German clubs have less financial muscle for acquiring world-class players. However, on the other hand, the German Football League is highly competitive because the difference in resources between the top and bottom clubs is smaller than in other national leagues - making matches less predictable and more appealing for German fans, thereby boosting attendances.





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## New marketplaces present pitfalls

The dynamics of sports attendance are very different in markets where watching sport live is less integral to everyday lifestyles. Holding major events in such countries can raise longer term issues around the legacy usage of stadia (see information panel). Furthermore, ticket prices often emerge as a stumbling block to attendances when sports try to enter new marketplaces to expand their global reach. A common pitfall in these circumstances is that global sports owners base their ticket pricing on their experience in more developed and mature markets for their sport, and therefore pitch the ticket prices too high for local consumers.

Ticketing for the 2007 ICC Cricket World Cup held in the Caribbean attracted widespread criticism on the grounds that relatively few local people attended games because of high ticket prices and strict ground regulations. Similarly, when the Formula 1 Grand Prix was launched in Turkey in 2005, it had difficulty attracting a large local attendance. For the 2011 Rugby World Cup in New Zealand, about one third of the games have been earmarked as 'premium', meaning these tickets are set at 'international' prices similar to those charged for the 2007 event in France. This relatively high pricing is reported to have contributed to disappointing initial sales of expensive tickets

for some of the less appealing games. This issue reflects the wider problem of balancing higher revenue from premium tickets against the need to attract a large and enthusiastic crowd (see information panel).



## Balancing premium seats with high attendance

Higher-priced 'premium seats' - usually corporate hospitality offered by businesses to their clients - are a significant source of sports revenue in the major developed marketplaces, and especially in sports such as motor racing, tennis, rugby and football. However, there is always a balance to be struck between maximising the revenues from sales of seats and attracting the level of attendance needed to ensure a vibrant atmosphere and experience.

This challenge is magnified when established sports enter emerging markets, as the difficulty of pricing seats appropriately for the local market is compounded by the immaturity of the local corporate hospitality market. In some markets, premium seats and corporate hospitality can subsidise affordable seats for ordinary fans. It remains to be seen whether this source of revenue can be harnessed in newer sporting locations around the world.

In some markets, new approaches are emerging to strike the right balance between premium and standard seating. In the US, the MLB San Francisco Giants and NHL Dallas Stars are among a number of teams using dynamic ticket pricing, similar to the yield management models used by airlines and hotels. Pricing changes depending on the available seat inventory and the remaining time period to the event. Stadia in the US also have 'loge' boxes, which have a smaller capacity than private boxes (usually about 4 to 8 people), offer more limited food and beverage services, and are only semi-private, without complete floor-to-ceiling partitions. Loge boxes are a hybrid premium seating model that can accommodate both corporate users and individual fans who want greater exclusivity and amenities.

## Taking major events to new locations: the challenge of legacy

Despite the economic downturn and the resulting general slowdown in the construction of new stadia, new sports venues are continuing to emerge, partly driven by major events and partly by governments seeking to use sports to raise the profile of their countries. However, challenges remain around creating a sustainable social and financial legacy from developments connected to major events, despite the strong focus of bodies such as FIFA and the IOC on considering the legacy story when awarding events. In the UK's successful bid for the 2012 Olympics, the legacy use of the games venues and park was a key component.

In mature markets with a strong culture of attending sports events, there is evidence that building brand new venues and planning carefully for legacy can enable the country to tap into latent demand for social and sporting provisions. However, there is less evidence that this is the case in emerging locations. Simply creating a new venue will not automatically create a useful afterlife for it, and there is always the risk that a shiny new stadium built for the Olympics or FIFA World Cup will end up underutilised.

## 'Investing' in attendance and atmosphere

These developments suggest that sports content owners might be well-advised to 'invest' in new markets by lowering ticket prices to a level where they become attractive to local consumers. The organisers of the FIFA World Cup 2010 announced in February 2010 the number of 'cheaper' seats offered to South Africans was being increased from 11 percent to 29 percent of the total for the tournament, to give less affluent South Africans more chance of seeing games. With some group tickets on sale for US\$20 for South African residents, they were still not cheap by local standards. However, in April 2010 the organisers said that almost 1 million of the 2.7 million available tickets had been sold to South Africans. They also announced that the remaining tickets for all 64 World Cup matches would go on sale locally at ticketing centres in nine host cities and 18 supermarkets throughout the country, as well as over the internet and through call centres. To overcome low levels of internet access and credit card ownership, South Africans were able for the first time to hand over cash and receive a ticket in return. The tickets on sale locally included 300 for the final.

## IPL approach to ticketing

Gate revenues accounted for less than a fifth of a typical IPL team's income in 2008; given the lower paying capacity in the Indian market, ticket prices for IPL matches in India were priced as low as US\$6 for the cheapest seats – slightly lower than for an international match. Although minimum ticket prices have increased to about US\$10 in 2010, clubs have been forced to build premium and hospitality seating capacity to shore up gate revenues. The third edition of IPL saw hospitality and corporate boxes and premium seats (some including interaction with the teams and invitations to after-match parties) accounting for over half the gate revenues, with some tickets selling for up to US\$800.

The lower number of home matches for an IPL club (7 per season, versus more than 20 for a typical European football club) as well as the lower contribution of gate revenues means that, unlike an English football club for instance, an IPL franchise cannot, on its own, underwrite an investment in a new sports stadium.

In parallel, other approaches are emerging to enable consumers who are unable to attend major sports events to experience a shared live experience almost as good as being there in person. One of these is to show matches on huge public screens. Having launched public viewing events under the name "Fan Fests" at the 2006 World Cup in Germany, FIFA is organising similar events for the 2010 World Cup at nine South African cities and six international cities over five continents - including Berlin, Mexico City, Paris, Rio de Janeiro, Rome and Sydney. Cinemas worldwide are also increasingly screening live sporting events. While these initiatives do not add directly to gate revenues, they are instrumental in building the interest and excitement that underpin all the various sporting revenue streams.

## Gate revenues: four key questions through to 2013

- Will some sports have to reduce ticket prices and accept lower gate revenues to ensure media rights are underpinned by a 'live' atmosphere?
- Given the need to invest in encouraging attendance by holding ticket prices down, have some sports over-expanded into new markets?
- Are some sports risking alienating traditional paying customers through too much focus on other revenue streams such as sponsorship and media rights?
- How will sports strike the right balance between selling higher margin premium seats and boosting the numbers of people attending?

# Broadcast media rights

Of the four revenue streams that make up the sports market, spending on media rights to broadcast coverage of sporting events ranks third in size behind gate revenues and sponsorship, and ahead of the smallest component, merchandising. Media rights will retain this position throughout the forecast period; revenues will rise at a 3.7 percent compound annual rate from US\$23.1 billion in 2009 to US\$26.7 billion in 2013.

## Around the regions

During the forecast period, sports rights will see volatile but significant growth across both the large, mature markets of North America and EMEA, and the smaller Asia Pacific and Latin American markets. Throughout the period EMEA will remain the largest regional market, with media rights reaching US\$11.85 billion in 2013, when they will account for 26 percent of the overall EMEA sports market. However, rights will be very volatile, recording double-digit overall declines in the non-Olympic and non-FIFA World Cup years of 2009, 2011 and 2013. In contrast, the World Cup in 2010 and - in 2012 - the London Olympics and Euro 2012 will deliver massive boosts, helping spending rise by 24 percent and 26 percent respectively.

North America will remain the world's second-biggest market for broadcast media rights, with overall spending rising at 2.7 percent compounded annually to US\$9.6 billion in 2013, accounting for 15 percent of the total North American sports market. The recession and the loss of 2008's Olympic spending saw media rights slump by 8.1 percent in 2009, but they will recover gradually through 2013, boosted by double digit growth in the Winter and Summer Olympic years of 2010 and 2012 respectively.

The broadcast media rights market in Asia Pacific is significantly smaller than EMEA and the US. Overall spending will rise by 3.3 percent compounded annually to US\$4.0 billion in 2013, accounting for 20 percent of the region's overall sports market. The media rights market in Asia Pacific is generally less competitive than in other regions because many events are restricted to free-to-air television, and pay television has been less of a driver. Nevertheless, media rights are growing steadily on an underlying basis, fuelled by several major new deals.

The relatively small broadcast media rights market in Latin America - dominated by football - will be the fastest-growing region over the four-year forecast period, registering a 6.4 percent compound annual increase to US\$1.3 billion in 2013. As a result, media rights will account for 41 percent of sports revenues in Latin America, the highest proportion of any region.

Table 5: Media rights (US\$m) (Total revenues by region)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010-2013 CAGR
North America	7,714	7,041	8,306	8,303	9,366	8,606	9,741	9,295	10,664	9,578	
% change	12.2	(8.7)	18.0	0.0	12.8	(8.1)	13.2	(4.6)	14.7	(10.2)	2.7
EMEA	8,422	8,341	10,551	10,097	11,839	9,951	12,366	10,683	13,463	11,854	
% change	(4.1)	(1.0)	26.5	(4.3)	17.3	(15.9)	24.3	(13.6)	26.0	(12.0)	4.5
Asia Pacific	2,802	2,850	3,254	3,188	3,575	3,527	3,928	3,729	4,056	4,010	
% change	6.7	1.7	14.2	(2.0)	12.1	(1.3)	11.4	(5.1)	8.8	(1.1)	3.3
Latin America	798	835	956	947	994	988	1,171	1,136	1,212	1,266	
% change	6.0	4.6	14.5	(0.9)	5.0	(0.6)	18.5	(3.0)	6.7	4.5	6.4
<b>Total</b>	<b>19,736</b>	<b>19,067</b>	<b>23,067</b>	<b>22,535</b>	<b>25,774</b>	<b>23,072</b>	<b>27,206</b>	<b>24,843</b>	<b>29,395</b>	<b>26,708</b>	
% change	3.7	(3.4)	21.0	(2.3)	14.4	(10.5)	17.9	(8.7)	18.3	(9.1)	3.7

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates



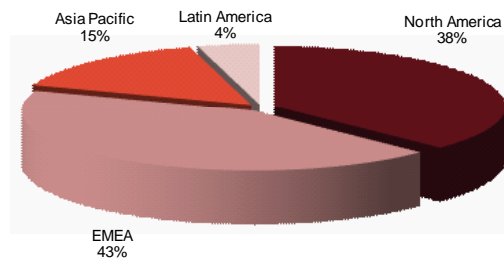
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Chart 6: Regional share of total broadcast revenue market in 2009



Growth in broadcast media rights over the four year forecast period will be steady, at 3.7 percent compounded annually. This relatively positive view of the outlook is supported by the IFM Sports Marketing Surveys 2010 Global Industry Survey, which finds that industry professionals worldwide believe the prospects for rights fees are improving. In 2009, 40 percent of industry respondents felt that TV rights fees would fall significantly - a proportion that has declined to 31 percent in 2010.

### Rising complexity, proliferating channels

Any forecast of media rights prices must be treated with caution, as media rights have traditionally been one of the hardest revenue streams to predict accurately. This challenge has been heightened recently by a combination of the global downturn, increasing scrutiny from competition regulators, rising demand for sports content in

emerging markets, and an explosion in digital media that has multiplied the complexities and potential delivery platforms involved in rights negotiations.

The overarching challenge for sports rights owners and buyers is how to protect and monetise their rights in a multi-platform world of pervasive digital content, which is often freely-available on the internet. The widespread attitude to content piracy - especially among younger consumers - is that anything streamed over the internet should be free, and much live sport content is now available on that basis for those who take the trouble to look. This challenge echoes the problems encountered by the music industry and, to a lesser extent, film studios.

### A sector in flux

At the time of writing the rights market appears to be entering a renewed state of flux, with reports that the English Premier League's sale of its overseas broadcasting rights for 2010-13 will raise around £1.4 billion (US\$2.1 billion), more than double the previous level of £625 million (US\$938 million). This is expected to result in the League raising each club's average annual income from overseas rights alone from £10 million (US\$15 million) to about £23 million (US\$38 million) from mid-2010.

Recessionary pressures saw the Premier League's last sale of domestic media rights realise an increase of only 5 percent. The massive increase in its international rights suggests that the downward pressures are now outweighed by rising demand, at least in the international marketplace for the biggest sports brands. It appears that an inflexion point may have been reached, and that good deals are now available for the right sports content. However, sports associations and clubs should be aware that dramatic rises in rights will be regarded by players and their agents as a signal that they should increase their salary demands, so the higher revenues may well also attract higher costs.

A further factor is that global spending on broadcast media rights is heavily dependent on major international events - especially the Olympic Games and the FIFA World Cup - making rights by far the most volatile revenue stream on an overall basis. Media rights are often partially insulated from near-term economic developments by the fact that many rights are locked in to long-term contracts. However, this can have the effect of locking in declines as well as increases, and means the timing of the renewal negotiations is also critical to the size of a deal.

### An Indian success story?

The IPL has now completed three seasons and has revolutionised sports business in India. Brand IPL has not only been able to attract vast audiences but has also generated advertiser and sponsor interest. Modelled on the successful English Premier League format, IPL has been valued at \$4 billion by Brand Finance, a UK based brand valuation company.

The Board of Cricket Control of India ("BCCI") sold the India broadcasting rights to WSG/MSM for a payment of US\$918 million to BCCI for 10 years. The deal also additionally obligated WSG to spend US\$108 million on the marketing of IPL.

This deal was further renegotiated after the outstanding success of the first edition where MSM/WSG would pay a total of US\$1.64 billion over the next 9 years. The broadcaster has benefited too, as with the increasing popularity of the league, advertising rates have doubled since edition 1 and 2.

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## New delivery models emerge

Alongside strong competition for premium rights, advances in delivery technologies - especially the roll-out of fixed and wireless broadband - have had a dramatic impact on the market in recent years. These new channels have opened the way to innovative formats, including splitting off internet and mobile rights as a distinct revenue stream, or bundling them as a separately valued item. Fixed and mobile online rights are becoming increasingly important: in the US, the NBA is now showing complete live games on mobile phones, and NBA Digital has introduced a subscription service for a full season of live games online. MLB has extended its digital rights deal with ESPN to provide online and mobile broadcasts of the Sunday and Wednesday night games on ESPN TV. MLB also offers an online subscription service for a full season of live games via the MLB and team websites, called MLB.TV.

Internet coverage can provide sports owners with an alternative to distribution via traditional broadcasters, and may increasingly become a useful bargaining chip to use in negotiations with them. Following the collapse of Setanta, the English FA failed to reach agreement with any other broadcaster for live TV rights to the national team's FIFA World Cup qualifying game in Ukraine in October 2009. Instead it sold the rights to the media group Perform, which streamed the match live on a pay-per-

view basis. The English FA has also been streaming some FA Cup games live on its website in the 2009-2010 season.

## Consumers paying to view

Changes within the broadcasting industry are also helping to drive the rights market. Historically, growth in the sports rights market has been heavily influenced by cycles in the advertising market, which ultimately provided the cash with which commercial broadcasters bought sports rights. However, the recession in advertising has accelerated the ongoing shift towards paid-for subscription television models pioneered by broadcasters such as Sky TV in the UK.

In the US, virtually all the major sports leagues have subscription TV offerings - including NFL Sunday Ticket, MLB Extra Innings, NBA League Pass and NHL Center Ice. These subscription TV services are all available through cable, depending on the service provider, apart from NFL Sunday Ticket, which is offered via satellite TV provider DirecTV.

As a result of the strong take-up of subscription offers, growth in pay television revenues has become the key driver of rights growth in the mature markets of EMEA and the US. In line with this trend, broadcasters are increasingly looking to derive value from rights by getting consumers to pay for content rather than selling advertising around the coverage. In some markets the use of

this approach with exclusive sports rights has attracted the attentions of regulators seeking to protect consumers' interests. As a result, competition regulators in several countries - and at European Union level - have become increasingly involved in rights deals, on the grounds that consumers should have the benefits of free competition in the marketplace.



For example, in early 2010 the UK media regulator Ofcom ruled that Sky TV should reduce the wholesale prices at which it sold its sports channels to rivals, potentially opening the way for some of them to undercut Sky TV's own subscription service for Premier League games. In fighting the ruling, Sky TV was joined by a number of sports governing bodies, which were reported to be considering legal action against Ofcom on the grounds that it could deprive their sports of vital funding at grass roots levels. The information panel on page 21 describes a comparable regulatory intervention in German football.

In general, opening up more events to pay television increases competition and boosts media rights fees, because subscription broadcasters' stronger cashflows enable them to increase their media rights outlays and gain a competitive advantage over the traditional free to air broadcast networks. In the US in 2009, in an exception to the generally more moderate trend in rights renewals, DirecTV extended its Sunday Ticket package with the NFL for four additional seasons through 2014 for a total of US\$4 billion, a 43 percent increase from the current deal. Also, rights to the US Bowl Championship Series, currently owned by Fox at an annual cost of US\$80 million, will shift to ESPN in January 2011 for an increase to US\$125 million annually.

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## Competition regulators: the consumers' friend?

In 2009 the German Cartel Office stepped in to cancel the €3 billion (US\$4.4 billion) Deutsche Fußball Liga contract in Germany with Sirius SportMedia. Instead, Premiere was awarded live pay TV and Internet rights to Bundesliga games for four seasons, for a significantly lower price.

Overall, the German Bundesliga benefited from the Cartel Office's intervention, despite gaining lower revenues from TV rights than originally expected.

The debate centered on whether Bundesliga coverage should be exclusively reserved for pay-TV customers, effectively locking out most TV viewers. While the Bundesliga as a whole would have gained a short-term financial boost from the higher payment for exclusive live TV rights, it is now believed that this would have had adverse consequences for marketing and sponsorship in the medium and longer term, because a smaller base of viewers would have been exposed to advertising and logos on shirts, in stadiums, and so on. This in turn would have reduced revenues from sponsors.

## Governments try to enforce 'reserve lists'

In several countries, pay TV operators' success in buying the most attractive and valuable sports rights has triggered fierce debates over whether some sports events - especially major events such as the Olympics and FIFA World Cup matches - are national public assets that should be available on free-to-air television. In the UK, a government initiated review of the UK sports market in late 2009 recommended that some sports events, including certain rugby, cricket and football matches, should be reserved for free-to-air television. If that recommendation is implemented, Sky TV, the principal driver of media rights in the UK, will not have exclusive coverage of certain events. This would alter the competitive landscape for rights and would be likely to lead to slower growth or even a decline in some categories.

A similar debate is raging in Australia, which is in the process of revising its "anti-siphoning" rules governing where sports can be broadcast. The anti-siphoning list specifies which events must be shown exclusively on free-to-air television and cannot be "siphoned off" to pay television. At the same time, the trend towards bundling TV deals with internet rights means the industry is looking for guidelines on how these bundled rights should be treated. As a compromise, the government is looking to implement a shorter list that will allow free-to-air networks to run events on its digital channels, and allow pay television to screen events on the list that are not being carried on free-to-air networks. In a few extreme cases, governments have even stepped in to use public money to ensure people can see sport for free - as happened in Argentina in 2009 (see information panel).

## Argentine government keeps football on the nation's screens

The Argentine Football Association (AFA) broke its television contract with the sports rights agency TSC in 2009 after TSC refused to televise additional live games. The AFA was seeking more money from the contract, as a number of teams were in debt and behind with paying players' salaries. These financial problems partly reflected the impact of the global recession, which had reduced the amounts European clubs were paying to acquire players from Latin America, an important source of funds for local clubs. In August 2009 the Argentine government took over the contract, with the state media holding company, SNMP, signing a 10-year deal worth an annual 600 million pesos (US\$160 million). The sum nearly tripled the 212 million pesos previously paid by TSC.



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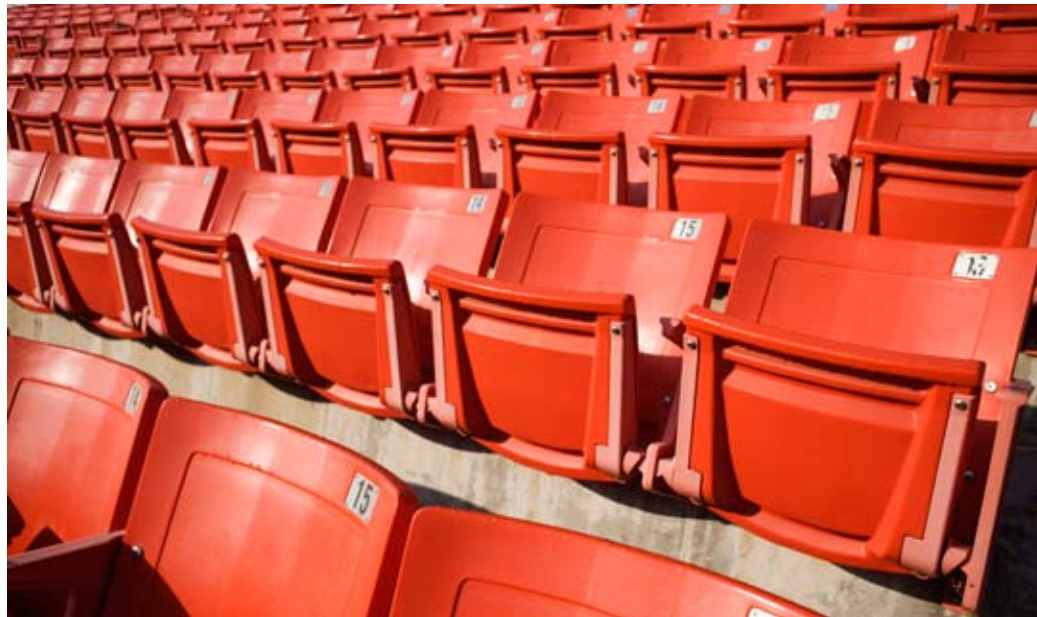
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## Individual or collective rights?

A further ongoing debate with major implications for the future of sports media rights is over whether sports clubs should sell rights to their games individually or collectively. In European club football, for example, major Spanish clubs such as Real Madrid CF and FC Barcelona benefit from the Spanish league, La Liga, allowing clubs to sell their lucrative television rights individually. In contrast, the English Premier League continues to negotiate rights collectively, although the more successful clubs receive a larger share of the money. In Italy, Serie A is also moving to collective rights with effect from the 2010-2011 season. In Germany, all clubs in the Deutsche Fußball Liga - in which the top division is the First Bundesliga - are represented centrally by the DFL, which allocates revenues from the sale of media broadcasting rights between the clubs

according to an established formula. Under this formula, the money from media rights is distributed more evenly among the 18 teams within the First Bundesliga than it is in other European major leagues, where large gaps have opened up between a small group of highly affluent clubs and a larger group of comparatively poorer ones.

However, even where rights are negotiated collectively, the financial balance of power is tilted towards the major clubs. So the national leagues and smaller clubs know they must keep their larger counterparts happy, or face the risk that the top clubs could consider breaking away to exploit their rights individually.



## Media rights: four key questions through to 2013

- How can rights be protected and monetised effectively in a digital multi-platform world?
- Will the trend towards subscriptions and away from ad-funded models continue when the economic upturn gathers pace?
- Why should top clubs stay with collective rights negotiations when they could potentially make more money individually?
- Will sports bodies continue to come into increasing conflict with regulators over attempts to enforce more competition and less exclusivity in media rights?

# Merchandising

Sports merchandising is the smallest of the four revenue streams that make up the sports market, and will retain this ranking throughout the four year forecast period. Global spending on sports merchandising will rise to an estimated US\$22 billion in 2013 from US\$18.7 billion in 2009, a 4.1 percent compound annual increase.

## Around the regions

North America accounts for three quarters of total merchandising sales worldwide, underlining the impact of local cultural and behavioural factors - notably the tendency for US consumers to buy apparel at games. The market will grow at an average compound annual rate of 4.0 percent to US\$16.6 billion in 2013. Following a decline of 9.6 percent in 2009, the market will stabilise in 2010 - helped by the Vancouver Winter Olympics - and begin to show further improvement in 2011. By 2012-13 overall gains will be in excess of 6 percent annually, reflecting merchandising's high correlation to economic cycles.

Spending on merchandising in EMEA - the second-largest regional sports merchandising market - will increase at 5.1 percent compounded annually to US\$2.9 billion in 2013. This will account for just 6 percent of the overall EMEA sports market, the smallest proportion of any region. In 2009 the recession and the loss of revenues related to Euro 2008 saw merchandising in EMEA plunge by 10.7 percent. However the FIFA World Cup in 2010 and - in 2012 - the London Olympics and Euro 2012 will provide major boosts, helping merchandising in EMEA to expand rapidly between 2009 and 2013.

Asia Pacific's relatively small sports merchandising market will recover from a dip in 2009 to expand to US\$2.3 billion in 2013, a 4.3 percent compound annual increase over the forecast period. This means merchandising will account for 11 percent of the region's sports market. Going forward, revitalised economic growth and major events including the 2010 Commonwealth Games in Delhi, India and the 2011 ICC Cricket World Cup in India, Sri Lanka and Bangladesh will drive a recovery in spending. We expect the underlying sports merchandising market to expand at rates of 4 percent or more during 2010-13.

Hit hard by the economic downturn, Latin America will register a slight increase during the forecast period, edging up to US\$215 million in 2013 from US\$198 million in 2009, a 2.1 percent compound annual increase. The decline in 2009 is followed by a modest recovery in the latter years, with the underlying market stabilising in 2010 and growing above 3 percent during 2012 and 2013. The Copa América tournament for Latin American teams held in Argentina in 2011 will provide a boost.

Table 6: Merchandising (US\$m) (Total revenues by region)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010-2013 CAGR
North America	12,731	13,358	14,291	15,250	15,745	14,227	14,446	14,731	15,636	16,641	
% change	7.6	4.9	7.0	6.7	3.2	(9.6)	1.5	2.0	6.1	6.4	4.0
EMEA	2,308	2,415	2,693	2,649	2,622	2,341	2,429	2,451	2,759	2,854	
% change	10.7	4.6	11.5	(1.6)	(1.0)	(10.7)	3.8	0.9	12.6	3.4	5.1
Asia Pacific	1,594	1,662	1,720	1,841	2,077	1,942	2,027	2,179	2,203	2,299	
% change	3.1	4.3	3.5	7.0	12.8	(6.5)	4.4	7.5	1.1	4.4	4.3
Latin America	197	207	215	226	220	198	198	201	207	215	
% change	8.8	5.1	3.9	5.1	(2.7)	(10.0)	0	1.5	3.0	3.9	2.1
<b>Total</b>	<b>16,830</b>	<b>17,642</b>	<b>18,919</b>	<b>19,966</b>	<b>20,664</b>	<b>18,708</b>	<b>19,100</b>	<b>19,562</b>	<b>20,805</b>	<b>22,009</b>	
% change	7.6	4.8	7.2	5.5	3.5	(9.5)	2.1	2.4	6.4	5.8	4.1

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

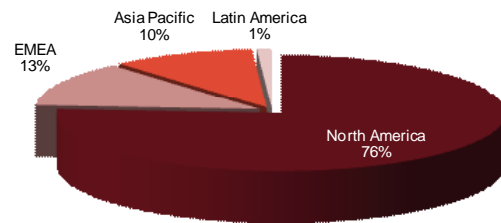
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Chart 7: Regional share of total merchandising revenues in 2009



## US influence on the global market

Merchandising is differentiated from the other segments by the fact that one market - the US - dominates the global industry, accounting for three quarters of total merchandising sales worldwide (see information panel on regional trends). A further differentiating factor is that it is more directly exposed than any other sector to changes in consumer confidence and discretionary spending.

Even committed fans who scrape together the money to go and see their team during a recession may well decide to forgo a new baseball cap or team jersey while they are at the stadium. In 2009, the global downturn saw underlying global spending on merchandising (ongoing events only) slump by 8.3 percent, more than ten times the rate of decline in the other three sectors.

## Revenues and profile for the top-ranked brands

Despite being so dominated by spending in one region, merchandising is one of the most globalised aspects of the sports market. On the sell-side, it provides a valuable source of revenues for the top rank of global brands from across the full spectrum of sports - the likes of Manchester United FC, Real Madrid CF, Ferrari, Tiger Woods, the New York Yankees, the New Zealand All Blacks rugby team and so on. On the buy-side, it enables consumers who live in a different continent and cannot get to live matches to associate themselves with these global brands and show their allegiance.

This global reach means the combination of television rights and high-profile merchandising is one of the most effective approaches for monetising global fan bases in regions such as Asia. For this reason, the division between media rights, sponsorship and merchandising is becoming blurred, as the various revenue streams become increasingly interdependent.

## A flight to value?

Experience in the aftermath of previous recessions shows that spending on food and clothing has tended to bounce back quickly, while the leisure sector and big ticket items have taken longer to recover. However, structural shifts in recent years mean that spending patterns this time may differ from those in previous downturns. For example, research by PwC in the UK indicates that while consumers have traded down due to the recession, they are not necessarily going to revert to pre-recession habits. This is partly because, rather than merely trading down to cheaper products or stores, their strategies for dealing with the recession have focused on obtaining value. This includes spending more time getting the best price, for example by checking prices on the internet or hunting around for promotions.

Our research indicates that consumers feel this approach has yielded the same or better value for a lower price. As a result, they say they will continue to shop at value stores and compare prices online, irrespective of economic conditions. The key questions for sport is whether spending on sports merchandise follow general consumer trends, or whether it is perceived as a 'special' purchase. Many sports entities report a recent strong increase in internet sales, and this growth is expected to continue. But factors unique to sport, such as the acquisition of new players, sporting success and a new strip perhaps due to a new sponsor, still significantly affects trends in merchandise sales.



## Counting the cost of counterfeiters

Given these global dynamics, it is somewhat ironic that merchandising is more exposed than the other categories to local economic conditions, owing to its heavy reliance on consumer confidence and disposable income. The challenges faced by merchandising also include the risk of losing revenues through counterfeiting - a threat that is especially apparent in emerging markets such as Asia.

Overall, merchandising will remain a useful but ancillary element of the global sports market in most regions. The exception is the US, where it will continue to account for more than a quarter of overall sports related spending.



## Merchandising: four key questions through to 2013

- How can merchandising exploit emerging Asian markets such as China given the risks of counterfeiting?
- Can merchandising limit its exposure to economic conditions, or should it resign itself to following trends in disposable income?
- How can consumers outside the US be encouraged to emulate the US appetite for merchandising?
- Will merchandising deals become increasingly integrated with media rights and sponsorship, perhaps on a bundled basis?

# Appendix

## How we derive the data

### Historical information

Historical information is obtained principally from confidential and proprietary sources. In instances where third-party sources are consulted and their information is used directly - from such sources as government agencies, trade associations, and related entities that seek to have their data disseminated in the public domain - the sources of such information are explicitly cited. In instances where the information is used indirectly, as part of the calculus for the historical data, the sources are proprietary.

### Forecast information

Recent trends in industry performance are analysed, and the factors underlying those trends are identified. The factors considered are certain economic, demographic, technological, institutional, behavioral, competitive, and other drivers that may affect the sports market.

Models are then developed to quantify the impact of each factor on industry spending. A forecast scenario for each causative factor is then created, and the contribution of each factor on a prospective basis is identified.

These proprietary mathematical models and analytic algorithms are used in the process to provide an initial array of prospective values. Our professional expertise and institutional knowledge are then applied to review and adjust those values if required. The entire process is then examined for internal consistency and transparency vis-à-vis prevailing industry wisdom.

Forecasts for 2010–2013 are also based on an analysis of the dynamics of each segment in each region and on the factors that affect those dynamics. We provide compound annual growth rates (CAGRs) that cover the 2010–2013 forecast period. In the calculation of CAGRs, 2009 is the beginning year, with four growth years during the forecast period: 2010, 2011, 2012, and 2013. The end year is 2013. The formula is:

$$\text{CAGR} = 100 * ((\text{Value in 2013} \div \text{Value in 2009})^{1 \div 4} - 1)$$

### Inflation

Across all chapters, figures are reported in nominal terms reflecting actual spending transactions and therefore include the effects of inflation.

### Exchange rates

All figures are presented in US dollars by using the average 2008 exchange rate held constant for each historical year and forecast year. This means the figures reflect industry trends and are not distorted by fluctuations in international exchange rates.

### Nominal GDP growth

Because all figures are shown as actual spending, with the effects of inflation included, nominal GDP growth has an important influence on entertainment and media spending.

## Definition of the ‘Sports Market’

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

- Sponsorships, which include payments to have a product associated with a team, league or event sponsorships, as well as naming rights.
- 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.
- 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.

## Definition of key terms

- Association Football (soccer) is referred to in this report as ‘football’, while American Football - as played in the NFL - is referred to by its full name.
- ‘Ongoing events’ refers to regular sports events and leagues that occur annually or more often. These are distinct from ‘major events’, which are large international events occurring every few years, such as the Winter and Summer Olympics, and FIFA World Cup.

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## Global

### Global Sports Market by Region† (US\$ Millions)

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>North America</b>	44,442	45,303	49,923	53,641	57,750	55,023	57,071	57,790	61,633	63,322	
% Change	8.4	1.9	10.2	7.4	7.7	(4.7)	3.7	1.3	6.6	2.7	3.6
<b>EMEA</b>	32,359	33,402	38,978	39,717	42,280	39,365	43,507	41,671	47,531	46,317	
% Change	6.4	3.2	16.7	1.9	6.5	(6.9)	10.5	(4.2)	14.1	(2.6)	4.1
<b>Asia Pacific</b>	13,285	13,990	15,261	15,841	18,175	17,344	18,503	18,768	19,495	20,222	
% Change	5.6	5.3	9.1	3.8	14.7	(4.6)	6.7	1.4	3.9	3.7	3.9
<b>Latin America</b>	2,335	2,392	2,645	2,677	2,686	2,640	2,932	2,907	2,999	3,124	
% Change	8.4	2.4	10.6	1.2	0.3	(1.7)	11.1	(0.9)	3.2	4.2	4.3
<b>Total</b>	92,421	95,087	106,807	111,876	120,891	114,372	122,013	121,136	131,658	132,985	
% Change	7.3	2.9	12.3	4.7	8.1	(5.4)	6.7	(0.7)	8.7	1.0	3.8

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates

### Global Sports Market by Component† (US\$ Millions)

Component	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	35,504	36,531	39,883	42,019	43,994	43,208	44,378	45,372	47,875	49,042	
% Change	7.5	2.9	9.2	5.4	4.7	(1.8)	2.7	2.2	5.5	2.4	3.2
<b>Media Rights</b>	19,736	19,067	23,067	22,535	25,774	23,072	27,206	24,843	29,395	26,708	
% Change	3.7	(3.4)	21	(2.3)	14.4	(10.5)	17.9	(8.7)	18.3	(9.1)	3.7
<b>Sponsorships</b>	20,351	21,847	24,938	27,356	30,459	29,384	31,329	31,359	33,583	35,226	
% Change	10.2	7.4	14.1	9.7	11.3	(3.5)	6.6	0.1	7.1	4.9	4.6
<b>Merchandising</b>	16,830	17,642	18,919	19,966	20,664	18,708	19,100	19,562	20,805	22,009	
% Change	7.6	4.8	7.2	5.5	3.5	(9.5)	2.1	2.4	6.4	5.8	4.1
<b>Total</b>	92,421	95,087	106,807	111,876	120,891	114,372	122,013	121,136	131,658	132,985	
% Change	7.3	2.9	12.3	4.7	8.1	(5.4)	6.7	(0.7)	8.7	1	3.8

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates

### Global Sports Market by Region - Ongoing Events Only† (US\$ Millions)

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>North America</b>	43,545	45,303	49,044	53,641	56,732	55,023	55,547	57,790	60,295	63,322	
% Change	6.2	4.0	8.3	9.4	5.8	(3.0)	1.0	4.0	4.3	5.0	3.6
<b>EMEA</b>	30,234	33,402	36,350	39,717	40,112	39,365	39,965	41,671	43,756	46,317	
% Change	7.5	10.5	8.8	9.3	1	(1.9)	1.5	4.3	5	5.9	4.1
<b>Asia Pacific</b>	13,130	13,990	14,782	15,603	16,860	17,295	17,764	18,434	19,255	20,222	
% Change	4.4	6.5	5.7	5.6	8.1	2.6	2.7	3.8	4.5	5	4.0
<b>Latin America</b>	2,274	2,392	2,492	2,627	2,671	2,640	2,747	2,853	2,981	3,124	
% Change	5.8	5.2	4.2	5.4	1.7	(1.2)	4.1	3.9	4.5	4.8	4.3
<b>Total</b>	89,183	95,087	102,668	111,588	116,375	114,323	116,023	120,748	126,287	132,985	
% Change	6.3	6.6	8	8.7	4.3	(1.8)	1.5	4.1	4.6	5.3	3.9

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates

### Global Sports Market by Component - Ongoing Events Only† (US\$ Millions)

Component	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	34,961	36,531	39,392	41,844	43,479	43,169	43,768	45,126	47,034	49,042	
% Change	8	4.5	7.8	6.2	3.9	(0.7)	1.4	3.1	4.2	4.3	3.2
<b>Media Rights</b>	17,422	19,067	20,489	22,483	22,916	23,072	23,541	24,780	25,588	26,708	
% Change	0.2	9.4	7.5	9.7	1.9	0.7	2	5.3	3.3	4.4	3.7
<b>Sponsorships</b>	20,127	21,847	24,042	27,351	29,588	29,384	29,942	31,354	33,115	35,226	
% Change	9.1	8.5	10	13.8	8.2	(0.7)	1.9	4.7	5.6	6.4	4.6
<b>Merchandising</b>	16,673	17,642	18,745	19,910	20,392	18,698	18,772	19,488	20,550	22,009	
% Change	6.6	5.8	6.3	6.2	2.4	(8.3)	0.4	3.8	5.4	7.1	4.2
<b>Total</b>	89,183	95,087	102,668	111,588	116,375	114,323	116,023	120,748	126,287	132,985	
% Change	6.3	6.6	8	8.7	4.3	(1.8)	1.5	4.1	4.6	5.3	3.9

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates



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## North America

### Sports Market† (US\$ Millions)

North America	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	16,003	16,524	18,304	20,075	21,026	20,882	21,278	21,751	22,716	23,781	
% Change	6.5	3.3	10.8	9.7	4.7	-0.7	1.9	2.2	4.4	4.7	3.3
<b>Media Rights</b>	7,714	7,041	8,306	8,303	9,366	8,606	9,741	9,295	10,664	9,578	
% Change	12.2	(8.7)	18.0	0.0	12.8	(8.1)	13.2	(4.6)	14.7	(10.2)	2.7
<b>Sponsorships</b>	7,994	8,380	9,022	10,013	11,613	11,308	11,606	12,013	12,617	13,322	
% Change	9.6	4.8	7.7	11.0	16.0	(2.6)	2.6	3.5	5.0	5.6	4.2
<b>Merchandising</b>	12,731	13,358	14,291	15,250	15,745	14,227	14,446	14,731	15,636	16,641	
% Change	7.6	4.9	7.0	6.7	3.2	(9.6)	1.5	2.0	6.1	6.4	4.0
<b>Total</b>	44,442	45,303	49,923	53,641	57,750	55,023	57,071	57,790	61,633	63,322	
% Change	8.4	1.9	10.2	7.4	7.7	(4.7)	3.7	1.3	6.6	2.7	3.6

† At 2008 average exchange rates

### Sports Market - Ongoing Events Only† (US\$ Millions)

North America	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	16,003	16,524	18,304	20,075	21,026	20,882	21,185	21,751	22,716	23,781	
% Change	6.5	3.3	10.8	9.7	4.7	(0.7)	1.5	2.7	4.4	4.7	3.3
<b>Media Rights</b>	6,897	7,041	7,546	8,303	8,458	8,606	8,646	9,295	9,456	9,578	
% Change	0.3	2.1	7.2	10.0	1.9	1.7	0.5	7.5	1.7	1.3	2.7
<b>Sponsorships</b>	7,994	8,380	9,003	10,013	11,613	11,308	11,508	12,013	12,617	13,322	
% Change	9.6	4.8	7.4	11.2	16.0	(2.6)	1.8	4.4	5.0	5.6	4.2
<b>Merchandising</b>	12,651	13,358	14,191	15,250	15,635	14,227	14,208	14,731	15,506	16,641	
% Change	6.9	5.6	6.2	7.5	2.5	(9.0)	(0.1)	3.7	5.3	7.3	4.0
<b>Total</b>	43,545	45,303	49,044	53,641	56,732	55,023	55,547	57,790	60,295	63,322	
% Change	6.2	4.0	8.3	9.4	5.8	(3.0)	1.0	4.0	4.3	5.0	3.6

† At 2008 average exchange rates

## EMEA

### Sports Market† (US\$ Millions)

EMEA	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	14,678	15,095	16,588	16,683	17,239	16,829	17,444	17,561	19,134	19,024	
% Change	9.9	2.8	9.9	0.6	3.3	(2.4)	3.7	0.7	9	(0.6)	3.1
<b>Media Rights</b>	8,422	8,341	10,551	10,097	11,839	9,951	12,366	10,683	13,463	11,854	
% Change	(4.1)	(1.0)	26.5	(4.3)	17.3	(15.9)	24.3	(13.6)	26	(12.0)	4.5
<b>Sponsorships</b>	6,951	7,551	9,146	10,288	10,580	10,244	11,268	10,976	12,175	12,585	
% Change	12.4	8.6	21.1	12.5	2.8	(3.2)	10	(2.6)	10.9	3.4	5.3
<b>Merchandising</b>	2,308	2,415	2,693	2,649	2,622	2,341	2,429	2,451	2,759	2,854	
% Change	10.7	4.6	11.5	(1.6)	(1.0)	(10.7)	3.8	0.9	12.6	3.4	5.1
<b>Total</b>	32,359	33,402	38,978	39,717	42,280	39,365	43,507	41,671	47,531	46,317	
% Change	6.4	3.2	16.7	1.9	6.5	(6.9)	10.5	(4.2)	14.1	(2.6)	4.1

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates

### Sports Market - Ongoing Events Only† (US\$ Millions)

EMEA	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	14,173	15,095	16,097	16,683	17,122	16,829	16,975	17,561	18,293	19,024	
% Change	11.4	6.5	6.6	3.6	2.6	(1.7)	0.9	3.5	4.2	4	3.1
<b>Media Rights</b>	7,097	8,341	9,073	10,097	10,097	9,951	10,244	10,683	11,122	11,854	
% Change	(0.5)	17.5	8.8	11.3	0	(1.4)	2.9	4.3	4.1	6.6	4.5
<b>Sponsorships</b>	6,732	7,551	8,561	10,288	10,288	10,244	10,390	10,976	11,707	12,585	
% Change	8.9	12.2	13.4	20.2	0	(0.4)	1.4	5.6	6.7	7.5	5.3
<b>Merchandising</b>	2,232	2,415	2,619	2,649	2,605	2,341	2,356	2,451	2,634	2,854	
% Change	7.1	8.2	8.4	1.1	(1.7)	(10.1)	0.6	4	7.5	8.4	5.1
<b>Total</b>	30,234	33,402	36,350	39,717	40,112	39,365	39,965	41,671	43,756	46,317	
% Change	7.5	10.5	8.8	9.3	1	(1.9)	1.5	4.3	5	5.9	4.1

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates

† At 2008 average exchange rates

## Asia Pacific

### Sports Market† (US\$ Millions)

Asia Pacific	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	4,058	4,164	4,222	4,435	4,939	4,725	4,879	5,227	5,217	5,411	
% Change	2.3	2.6	1.4	5	11.4	(4.3)	3.3	7.1	(0.2)	3.7	3.4
<b>Media Rights</b>	2,802	2,850	3,254	3,188	3,575	3,527	3,928	3,729	4,056	4,010	
% Change	6.7	1.7	14.2	(2.0)	12.1	(1.3)	11.4	(5.1)	8.8	(1.1)	3.3
<b>Sponsorships</b>	4,831	5,314	6,065	6,377	7,584	7,150	7,669	7,633	8,019	8,502	
% Change	8.7	10	14.1	5.1	18.9	(5.7)	7.3	(0.5)	5.1	6	4.4
<b>Merchandising</b>	1,594	1,662	1,720	1,841	2,077	1,942	2,027	2,179	2,203	2,299	
% Change	3.1	4.3	3.5	7	12.8	(6.5)	4.4	7.5	1.1	4.4	4.3
<b>Total</b>	13,285	13,990	15,261	15,841	18,175	17,344	18,503	18,768	19,495	20,222	
% Change	5.6	5.3	9.1	3.8	14.7	(4.6)	6.7	1.4	3.9	3.7	3.9

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates  
† At 2008 average exchange rates

## Latin America

### Sports Market† (US\$ Millions)

Latin America	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	765	748	769	826	790	772	777	833	808	826	
% Change	13.0	(2.2)	2.8	7.4	(4.4)	(2.3)	0.6	7.2	(3.0)	2.2	1.7
<b>Media Rights</b>	798	835	956	947	994	988	1,171	1,136	1,212	1,266	
% Change	6.0	4.6	14.5	(0.9)	5.0	(0.6)	18.5	(3.0)	6.7	4.5	6.4
<b>Sponsorships</b>	575	602	705	678	682	682	786	737	772	817	
% Change	5.9	4.7	17.1	(3.8)	0.6	0.0	15.2	(6.2)	4.7	5.8	4.6
<b>Merchandising</b>	197	207	215	226	220	198	198	201	207	215	
% Change	8.8	5.1	3.9	5.1	(2.7)	(10.0)	0.0	1.5	3.0	3.9	2.1
<b>Total</b>	2,335	2,392	2,645	2,677	2,686	2,640	2,932	2,907	2,999	3,124	
% Change	8.4	2.4	10.6	1.2	0.3	(1.7)	11.1	(0.9)	3.2	4.2	4.3

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates  
† At 2008 average exchange rates

### Sports Market - Ongoing Events Only† (US\$ Millions)

Asia Pacific	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	4,058	4,164	4,222	4,299	4,541	4,686	4,831	5,024	5,217	5,411	
% Change	2.3	2.6	1.4	1.8	5.6	3.2	3.1	4	3.8	3.7	3.7
<b>Media Rights</b>	2,647	2,850	2,995	3,140	3,382	3,527	3,575	3,671	3,816	4,010	
% Change	0.8	7.7	5.1	4.8	7.7	4.3	1.4	2.7	3.9	5.1	3.3
<b>Sponsorships</b>	4,831	5,314	5,845	6,377	7,005	7,150	7,348	7,633	8,019	8,502	
% Change	8.7	10	10	9.1	9.8	2.1	2.8	3.9	5.1	6	4.4
<b>Merchandising</b>	1,594	1,662	1,720	1,787	1,932	1,932	2,010	2,106	2,203	2,299	
% Change	3.1	4.3	3.5	3.9	8.1	0	4	4.8	4.6	4.4	4.4
<b>Total</b>	13,130	13,990	14,782	15,603	16,860	17,295	17,764	18,434	19,255	20,222	
% Change	4.4	6.5	5.7	5.6	8.1	2.6	2.7	3.8	4.5	5	4.0

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates  
† At 2008 average exchange rates

### Sports Market - Ongoing Events Only† (US\$ Millions)

Latin America	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2010–13 CAGR
<b>Gate Revenues</b>	727	748	769	787	790	772	777	790	808	826	
% Change	7.4	2.9	2.8	2.3	0.4	(2.3)	0.6	1.7	2.3	2.2	1.7
<b>Media Rights</b>	781	835	875	943	979	988	1,076	1,131	1,194	1,266	
% Change	3.7	6.9	4.8	7.8	3.8	0.9	8.9	5.1	5.6	6	6.4
<b>Sponsorships</b>	570	602	633	673	682	682	696	732	772	817	
% Change	5.8	5.6	5.1	6.3	1.3	0	2.1	5.2	5.5	5.8	4.6
<b>Merchandising</b>	196	207	215	224	220	198	198	200	207	215	
% Change	8.9	5.6	3.9	4.2	(1.8)	(10.0)	0	1	3.5	3.9	2.1
<b>Total</b>	2,274	2,392	2,492	2,627	2,671	2,640	2,747	2,853	2,981	3,124	
% Change	5.8	5.2	4.2	5.4	1.7	(1.2)	4.1	3.9	4.5	4.8	4.3

Source: PricewaterhouseCoopers LLP (UK), Wilkofsky Gruen Associates  
† At 2008 average exchange rates

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# Glossary

CAGR	Compound Annual Growth Rate - the percentage rate of growth year-on-year, averaged out over the forecast period
EMEA	Europe, the Middle East and Africa
FA	Football Association
FC	Football Club (Soccer), other European equivalents are BV, SV and CF
FIFA	Fédération Internationale de Football Association (International Federation of Association Football), the world governing body for association football (Soccer)
ICC	International Cricket Council
IPL	Indian Premier League cricket tournament
MLB	US Major League Baseball
MLS	US Major League Soccer
NBA	US National Basketball Association
NCAA	US National Collegiate Athletic Association
NFL	US National Football League (American football)
NHL	US National Hockey League (Ice hockey)
TWSM	The World Sponsorship Monitor



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