PwC 2021 Sports Outlook

2020 changed the game for sports. What’s next?

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www.pwc.com/us/sportsoutlook
Welcome to the 2021 edition of our Sports Outlook for North America, which updates PwC’s perspective on the business of sports, including recent results and potential opportunities for (and challenges to) future industry growth.

Just as 2020 looked different for the industry, this eighth edition of Sports Outlook looks a bit different from our previous reports.

In last year’s Outlook, we projected the sports market in North America would grow at a compound annual growth rate (CAGR) of 3.2% across the four segments analyzed (media rights, gate revenues, sponsorships and licensed merchandise) — from $71.1 billion in 2018 to $83.1 billion in 2023. Media rights became the industry’s largest segment in 2017 and was forecast to continue to drive industry growth at a CAGR of 4.6% through 2023. Gate revenues were projected to increase at a lower CAGR of 2.5% through 2023. Sponsorships were expected to increase at a CAGR of 3.8% and, given the higher growth rate, were on pace to surpass gate revenues by the late 2020s. Licensed merchandise sales were projected to increase at a CAGR of 1.2%.
Then the pandemic hit in spring 2020, and the sports world came to a virtual halt. So, instead of our typical projections, this year’s Outlook takes a shorter-term view (the next 12 to 18 months) of key areas where teams and leagues have opportunities to drive real change and growth for their business models as they meet the challenges of today’s market.

This year’s theme is simple, yet multidimensional: Sports is not just sporting events. Sports is a business. It’s people’s livelihoods. And it’s a change agent in this country. We’ve pulled together three “playbooks” for sports executives to consider as they evaluate revenue recovery and growth options, attempt to bolster fan engagement in a more virtual world, and look to address diversity, equity and inclusion issues with their employees, communities and fans.

But first, let’s examine how each of the four major professional sports leagues approached the challenges of 2020, and some of the lessons learned.

Relative to other industries, how well was the sports industry prepared to face the COVID-19 crisis?

<table>
<thead>
<tr>
<th>Don’t know/abstain</th>
<th>Above average</th>
<th>Average</th>
<th>Below average</th>
<th>Very poor</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1%</td>
<td>13.0%</td>
<td>28.4%</td>
<td>31.0%</td>
<td>25.5%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Top three industry-wide opportunities and threats

**Opportunities**
1. Enhanced digital media fan experience
2. Creation and monetization of digital assets
3. Innovation in media rights packaging and distribution

**Threats**
1. Impact of health and safety crises
2. Reduced financial resources to invest/innovate
3. Dominance of major tech firms as gateway to content

Source: PwC 2020 Sports Survey

PwC’s Sports Survey 2020
High-level takeaways from PwC’s survey of nearly 800 sports industry leaders are shared throughout this report. The full Sports Survey 2020 can be accessed here.
## 2020 Season changes

<table>
<thead>
<tr>
<th></th>
<th>MLB</th>
<th>NBA</th>
<th>NFL</th>
<th>NHL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020 Season</strong></td>
<td>60 Games (-63%)</td>
<td>~73 Games (-11%)</td>
<td>16 Games (-)</td>
<td>~70 Games (-15%)</td>
</tr>
<tr>
<td><strong>Modifications</strong></td>
<td>• 7-inning games for double headers</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• Runner on 2nd after the 10th inning</td>
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<tr>
<td></td>
<td>• Universal Designated Hitter</td>
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<td></td>
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<tr>
<td></td>
<td>• Limited / No fans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Play-in tournament for playoffs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No fans (Games played in a bubble in Florida)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• No preseason</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>• No international play</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Limited / No fans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No fans (Games played in a bubble in Edmonton &amp; Toronto)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>New Initiatives</strong></td>
<td>• Expanded playoffs from 10 to 16 teams</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Contemplating retaining some rule changes</td>
<td></td>
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<tr>
<td></td>
<td>• Play-in tournament for 7th &amp; 8th seeds</td>
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<tr>
<td></td>
<td>• Contemplating a mid year tournament</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Expansion of playoff teams from 12 to 14</td>
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<tr>
<td></td>
<td>• Regular season may increase to 17 games in 2021</td>
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<tr>
<td></td>
<td>• Expanded replay</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>• Removal of helmet requires leaving the ice</td>
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</table>
National Basketball Association

When the NBA shut down, it had completed nearly 80% of its regular season. On June 4, the NBA voted to have 22 teams return to finish its season in a “bubble” in Orlando. Training camp, which began in July, continued with scrimmages that were followed by eight regular-season games, beginning July 30.

Keeping all teams in the bubble created many challenges: it’s estimated that the cost of the bubble was over $150 million. But there was innovation born as well, from virtual fan video boards, to new camera angles, technology to assist contact tracing, and new saliva-based COVID-19 testing funded by the league and the National Basketball Players Association. In the end, the tight protocols and pivots put in place seemed to work. When play could resume safely, the NBA and its teams were able to earn media revenues from Regional Sports Networks (RSNs), create assets to fulfill elements from regular season sponsorship agreements and conduct playoffs to earn related national media revenues.

Financially, the NBA collected most of its revenue for the 2019-20 season pre-pandemic. There are, however, liabilities to ticket holders and suite holders for unplayed games, liabilities to sponsors for undelivered elements and lost ancillary revenues (parking, concessions, etc.). There also may be media rights adjustments to teams that couldn’t deliver a minimum number of games to the RSNs. In terms of sponsorship, some make-good inventory was delivered inside the bubble. For example, sponsors that contracted to receive signage in the home arena were able to substitute virtual signage during bubble-played games. There were also new opportunities that could be sold to sponsors, such as virtual signage and advertising.

The league and the players association have reached agreement on a number of items related to the 2020–21 season. The salary cap will remain unchanged for the upcoming season. Free agency began November 20. The season is expected to begin December 22 with teams playing a reduced 72-game schedule, including an All-Star break in March. It remains to be determined if there will be fans at the games.

We estimate that gate, premium seating, concession, parking and other game-related revenues represent 40% of the NBA League’s estimated $8 billion annual revenues. With these revenue streams expected to be lost or diminished in 2021, the league will need to continue to innovate ways to retain and grow other parts of its business.
The NHL had completed about 80% of its regular season when its shutdown was announced. On May 26, the NHL announced that 24 of the league’s 31 teams would compete in a playoff tournament to decide the champion of the 2019–20 season. The league elected to have two bubble sites — in Toronto and Edmonton — set up at an estimated cost of $75 million.

There were several logistical hurdles, but the largest was the need to have players from the United States enter Canada. After negotiations with the Canadian government, the NHL was able to establish safety protocols and begin play.

Financially, the NHL and NBA experienced similar results, as the restart allowed national media revenues to be earned. There are still financial obligations to ticket holders, suite holders and sponsors related to cancelled home games, as well as lost revenues (concession, parking, etc).

On July 10, the NHL and the National Hockey League Players Association (NHLPA) agreed to renew the collective bargaining agreement (CBA) through the 2025–26 NHL season. It includes a deferral of 10% of player salaries for the 2020–21 season to cover pandemic-associated costs, with players to be paid out over three seasons beginning in 2022–23.

The NHL and NHLPA announced plans for the 2020-21 season, moving from the league’s traditional 82 games to a shorter 56 game season set to start January 2021. There will be geographically aligned divisions, including an all Canadian division to avoid cross-border travel. Plans call for the regular season to end on May 8, and the Stanley Cup will feature 16 teams in a best-of-seven, four-round format concluding mid-July. Like the NBA, the NHL depends on gate and gate-related revenue that will be negatively affected by the lack of fans in the seats.
Major League Baseball

MLB faced different challenges than the NHL or NBA. Its 162-game regular season, originally scheduled to begin March 26, 2020, was delayed and ultimately shortened by the COVID-19 pandemic. On March 26, MLB and the Major League Baseball Players Association (MLBPA) reached an agreement on multiple considerations related to delaying the start of the season, including prorating player salaries based on the number of games played.

On June 22, MLB owners voted unanimously to play a 60-game 2020 season and to expand the postseason to a 16-team playoff tournament instead of the usual 10-team playoff.

Safety protocols were implemented, but for the regular season there were no bubbles. They did however use bubbles for the Championship Series and World Series. The league experienced early COVID-19 outbreaks at several teams and had to cancel games and reschedule them as seven-inning doubleheaders. Within the World Series, Justin Turner of the LA Dodgers had to leave Game 6 due to a positive COVID-19 test, only to return to the field post-game to celebrate with his team. MLB conducted an investigation into the incident. “Staging a baseball season during the COVID-19 pandemic was an incredibly difficult undertaking and it required significant sacrifices and an enormous amount of work by players, club staff and the Commissioner’s Office. We all have made mistakes as we navigated these unprecedented challenges and have tried to learn from those mistakes so they are not repeated,” said Commissioner Robert D. Manfred, Jr.

During the pandemic, MLB was able to negotiate a seven-year media rights extension with Turner Sports. The deal, which begins in 2022 and runs through 2028, allows TBS to continue airing MLB games nationally when the current TV contract expires in 2021. As part of the agreement, a Tuesday night game will be added to the slate, and media rights will increase by 65% over the previous deal.

MLB played regular season games without fans, which had a significant economic impact on the teams. However, since they were able to play a shortened season, the teams could collect portions of the local media rights, and the expansion of the playoffs resulted in additional games that were monetized through the media deals.
National Football League
The NFL completed its 2019 regular season, the playoffs and the Super Bowl in early 2020 without any issue. In March 2020, the NFL and National Football League Players Association (NFLPA) agreed to an extension of their CBA through 2030. Among other items, the CBA expanded the NFL’s playoff field by two teams (starting with the 2020 season) and allowed owners the option to expand the regular season from 16 to 17 games as soon as 2021.

Free agency began March 18 and the buzz of the season (as well as ratings) stayed alive, thanks to Tom Brady’s move from New England to Tampa Bay. After the COVID-19 shutdown in March, the NFL decided to host its annual draft remotely, rather than having an in-person draft in Las Vegas. Team facilities were closed, so coaches and general managers conducted the draft from their homes. Using videoconferencing, the NFL was able to conduct its draft without incident, and fans were able to stay up to date with key athletes (e.g., the reunion of Brady and former Patriot Rob Gronkowski, now a Buccaneer) via social media platforms such as Instagram, Snapchat and TikTok.

The NFL instituted safety protocols, including COVID-19 testing of all personnel. The season began on time, but a number of teams reported cases of COVID-19, and several games were rescheduled (resulting in atypical experiences such as playing on a Tuesday vs the league’s traditional Sunday/Monday/Thursday schedule). The league canceled the 2021 Pro Bowl to allow flexibility to reschedule games, and reports suggest that Super Bowl timing could be adjusted if necessary.

The NFL generates nearly two-thirds of its revenue from national media deals, which will soften teams’ revenue losses from not having fans in stadiums. Teams will likely still face liquidity issues during the 2020-21 season, but the NFL has increased its debt limits to help owners borrow additional funds.

The revenue shortfall, which will be spread over the next three years, will impact the 2021 season salary cap. The 2020 salary cap was $198.2 million per club; 2021’s salary cap could have been under $130 million without the NFL and NFLPA agreeing on an alternative plan in July. The 2021 salary cap will have a floor of $175 million. However, if 2020 season revenues are better than projected, the 2021 salary cap could be higher.

Even in a pandemic, the NFL is looking at future media rights deals with significant increases. The league’s media deals are set to expire over the next two years, but the NFL could arrange potential new deals before
the end of 2021. Some reports indicate that incumbent NBC and Disney/ABC/ESPN might compete for the Sunday Night Football package, and that could drive up rights values. Deep-pocketed technology companies may also bid on digital rights to increase customer engagement with their platforms, which is also likely to increase revenues. Sports gambling (discussed later in the report) is also expected to accelerate media rights, as fans want to watch games and gamble.

Other sports
In addition to the four professional sports leagues discussed above, the rest of the sporting world has faced similar challenges with gate revenues, fan engagement, media coverage and determining strategies for returning to play.

Despite these challenges, there have been a number of bright spots coming from the COVID-19-related shifts in sport consumption, such as NASCAR driving a return to live-televised sports in May, with a race that garnered the most viewers since 2017. In tennis, Wimbledon was canceled in April, but the tournament had an insurance policy that covered pandemic conditions and was able to collect a $141 million payout. Additionally, they were able to pay players who were ranked high enough to participate, as if the tournament had occurred. The US Open was held with no fans, while the French Open was held with limited fans.

Other sports highlights include:

Major League Soccer: All 26 clubs played two regular season games when play was suspended in March because of the virus. It was the first of the larger sports leagues to return to play, staging a month long World Cup-style tournament in its own bubble at Disney World.

MLS subsequently resumed its regular season on August 12, with clubs playing in their home cities. Several matches were postponed due to COVID-19, and most were played without fans in attendance. The regular season ended November 8, leading into an expanded 18-team postseason and MLS Cup taking place in November and December. Since MLS revenue relies heavily on ticket sales, concessions, parking and other associated revenues, MLS teams without fans at games face continued liquidity issues in 2021.

Golf: Golf took an initial hit when it was announced that the British Open, one of the sport’s four annual major events, would not be played in 2020. The Masters was rescheduled to November with no fans. These annual events typically attract numerous non-traditional fans, a key source of merchandising and media revenues. The golfing world became creative and introduced “The Match,” in which sports superstars Tom Brady, Peyton Manning, Phil Mickelson and Tiger Woods came together to play a 2 vs 2 charitable event. The outcome was a reported ~5.8 million viewers and a new 2 vs 2 TV format that has been replicated on multiple networks. The PGA has since largely returned to its schedule, albeit without large galleries of fans.

NCAA: After canceling basketball’s March Madness, the NCAA’s stance on football evolved on a conference-by-conference basis (where some opted to play in the fall and others moved their seasons to spring 2021). The fall season kicked off with ongoing challenges around player safety, COVID-19 protocol management, and changing schedules. To further complicate revenue impact, in-person fan attendance has varied by team, based on local and state protocols. And for fans allowed to attend college football games in person, adherence to COVID-19 safety measures has been mixed, something to watch as college basketball approaches its upcoming season.
Recap
Each of the sport leagues faces similar challenges in the short term, including:

- **Liquidity issues** requiring teams to consider increasing borrowing or selling minority interests to other investors
- **Revenue-generation issues** related to gate, premium seating, parking, concessions, etc., as well as how to make up the revenue gaps
- **Ripple effect into the media business** (jobs and revenue) and communities that rely on the sports industry for their livelihoods
- **Increased costs** related to testing of players, coaches and employees, reconfiguring venues to ensure safe distancing as well as cleaning and disinfecting venues

There are also potential opportunities, which could include:

- **The expansion of advertising**, either on jerseys or on the playing surface
- **The use of technology** and creative measures to increase fan engagement
- **Growth in media rights revenues** (as evidenced by MLB’s deal)
- **Sports gambling** serving as an accelerant to media rights and alternative revenue streams
- **Navigating a social justice plan** of action that unifies fans, teams and local communities
Managing economic impacts of the pandemic

Revenues in the sports industry have always been close to recession proof, but no longer. During the initial gap in play across major sports in 2020 — from mid-March until May — the COVID-19 pandemic put a halt to live content in the sports industry, significantly impacting advertising and distribution. Even when the leagues returned to play, the pandemic removed the original and most organic way for entertainment industries to bring in money: gate revenue.

By when do you think the sports industry will have fully recovered to pre-COVID-19 levels?

Percentage of respondents

- 2020: 0.1%
- 2021: 8.7%
- 2022: 43.4%
- 2023: 27.1%
- 2024: 10.9%
- 2025: 5.7%
- Don’t know/abstain: 4.0%

Source: PwC 2020 Sports Survey
All leagues, teams and media companies strove to recover from the loss of both content (initially) and gate revenues (ongoing). Forward-thinking organizations worked to be as resilient as possible to minimize the impacts of the pandemic. Those that succeed can convert their resilience activities into the growth of new sustainable long-term revenue streams.

If the sports industry can get back to a steady state with respect to advertising and distribution, we believe revenue can recover. How can leagues get there? By taking advantage of new schedules and seasons, embracing sports gambling and thinking beyond the gate with respect to fan experience.

**Revenue recovery**

**Advertising:** The consumer retail industry has arguably been one of the hardest hit by the pandemic, with the effect rippling into media advertising revenue. Pressure on companies in all industries led to cutbacks in “nonessential” spending and across all media, average US ad spend is expected to fall by 8% in 2020 vs 2019. Ad revenues rebounded somewhat as the economy began to reopen in the third quarter of 2020, but a spike in US cases in the fourth quarter leaves potential 2021 impacts less clear.

That said, pent-up demand in the summer and fall led to a recovery in goods spending, and the scarcity of live events in the spring and summer resulted in premium positions for sports advertisers later in 2020. The early recovery period is critical for the sports industry, as the overlapping of seasons in the fall created a situation in which leagues were competing for advertiser support. Organizations that can capitalize on relatively young industry trends, such as digital engagement and streaming video, will likely be best suited to prove their value to advertisers and, in turn, recover revenue.

**New distribution opportunities:** The convergence of sports seasons in 2020 resulted in adjusted playoff formats, shortened seasons (MLB) and on-the-fly schedule changes (NFL Tuesday night football, for example). This brought about revised TV and digital programming schedules and opportunities to gain further rights compensation for content.

MLB reported as much as a 25% increase in media revenue related to 2020’s revised playoff format. If the NFL expands to other days of the week, which media platforms would be able to take advantage of that opportunity? The Ultimate Fighting Championship (UFC) has gained share of audience attention with the “Fight Island” experience and an uptick in pay-per-view
Revenue resilience

Sports betting: While the sports industry has suffered from the pandemic, the online gaming/gambling industry has continued to grow rapidly. States with legalized gambling and operations have seen tremendous success, with Louisiana, Maryland and South Dakota each having sports betting ballot measures passed in November 2020, bringing the number of states with legalized sports gambling to 26 (including DC). As states look to close budget deficits caused by the economic downturn, we anticipate significant acceleration of sports gambling legalization measures in 2021.

This acceleration should create new revenue opportunities for both leagues and teams, as sports and gambling go hand in hand. In recent years, Fox, Disney and Yahoo Sports made strides in the gambling realm: Fox launched FoxBet, Yahoo Sports partnered with MGM resorts, Disney closed deals with DraftKings and Caesars (and subsequently launched a dedicated YouTube gambling channel), and recently Sinclair Broadcast Group agreed to rename the 21 RSNs “Bally Sports” in a partnership with the casino operator, with the goal to integrate sports betting with Bally’s online tools. Beyond the main media players, Barstool Sports (as part of Penn National Gaming) landed a niche sports gambling audience in 2020 that may lead other well-positioned media and sports companies to push the envelope in the sports gambling market.

Regardless of who enters the market, we expect to see expanded partnerships among sports gambling platforms, professional sports teams, media agencies, traditional casinos and other non-sports online gaming/gambling platforms in 2021 and beyond. Specifically, we anticipate:

• Continued integration of media sports distribution with gambling sites
• Sports gaming sites securing partnerships with professional sports teams (such as the the Tennessee Titans’ partnership with BetMGM) as additional states legalize gambling

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Growth of sports media consumption by content type

% of respondents choosing “grow” or “grow significantly”

<table>
<thead>
<tr>
<th>Type</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highlights/short-form content</td>
<td>90.5%</td>
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<tr>
<td>Team/athlete-generated content</td>
<td>81.6%</td>
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<tr>
<td>Original content/documentaries</td>
<td>75.7%</td>
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<td>Fan-generated content</td>
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<td>Live video content</td>
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<td>Results/news/data/statistics</td>
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<tr>
<td>Digital audio/voice-activated</td>
<td>58.0%</td>
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<tr>
<td>Sponsor-generated/branded</td>
<td>57.4%</td>
</tr>
</tbody>
</table>

Source: PwC 2020 Sports Survey
• Small/regional traditional casinos partnering with iGaming companies to create branded online sportsbooks to mitigate the loss of in-person revenues;
• Sports gambling platforms allowing iGaming companies to integrate non-sport gambling games for increased revenue pull-through opportunities

For more on how to take advantage of these trends, check out our Sports Betting Playbook.

Virtual experiences: Even with some limited fan attendance in stadiums, it will take time for gate revenues to achieve levels seen before COVID-19. While the leagues and individual teams take different approaches to recapture fans, many are seeking parallel revenue opportunities by enhancing the virtual experience. For example, the NBA broadcasts in 2020 included virtual fans in the arena (in contrast to MLB’s analog cardboard approach), but an enhanced virtual experience might make fans willing to pay more for their experience.

Premium prices could potentially be obtained by providing fans with unique camera angles and locations for VIP access (e.g., dugout cam, bullpen cam or penalty box cam). Enticing audio enhancements could also be offered, such as a mic’d up LeBron James or listening pre-game to what’s in his earbuds during warmups. Fans might also pay a premium for jerseys or game balls—or for the ability to provide a play-by-play for a few moments during a game. When fans return to stadiums, the industry will be ready with new and innovative ways to drive engagement and revenue.

Much like a top seed challenged by an underdog in the first round of a bracket tournament, the sports industry can approach the COVID-19 period with a survive-and-advance attitude. And as sports fans adjust to new ways to engage with teams, well-prepared organizations can convert some of the aforementioned resilience activities into successful long-term initiatives.

86% of industry leaders believe that live sports viewing will become significantly richer, immersive and interactive in the future.

Source: PwC 2020 Sports Survey
A win for revenues and fan engagement

The sports industry has experienced multiple points of revenue disruption in 2020, but a potential bright spot for 2021 — and beyond — will be continued advancement of the US sports gambling market and the strategic revenue opportunities it could create for sports teams, leagues and their partners.

While the opportunities vary by organization, team and athlete, the basic premise stays the same: Consumers are engaging with gambling platforms at a record pace, and this user base continues to grow.
According to the most recent research conducted by the American Gaming Association, the NFL, MLB, NBA and NHL leagues alone stand to gain a collective $4.3 billion annually in direct and indirect revenues from legal sports gambling. The revenues come largely from partnerships with sports gambling operators, but some also come from increased fan engagement that can increase merchandising, sponsorship, advertising and (though a lower amount in 2021) ticket sales.

Further, the American Gaming Association estimates 39% of adult Americans (about 100 million people) are either current or potential sports bettors. That’s a huge opportunity for sports organizations to tap into new revenue streams, as well as increased engagement and differentiated consumer experience opportunities.

While opportunities will materialize in both the digital and analog spaces (with integrated digital experiences becoming more important than ever), an effective consumer data strategy will play a critical role in how leagues and teams can best take advantage of the growing opportunities.

While multiple opportunities exist, strategy is key to success. The three top considerations for 2021 are:

1. If your organization has not yet gotten involved — or isn’t up to speed with the progression of regulation in your home state — now is the time to develop a strategy to help inform and shape upcoming regulation at state and local levels.

2. Sports gaming/gambling has the potential to transform both digital and in-stadium fan experiences, as well as top-line growth. To be in the best position to capture this growth, take a holistic look at how sports gambling plays a role across all your customer connection points.

3. Data, data, data. It’s the critical piece that may be missing or underdeveloped within your strategies. Capturing data is one thing. But analyzing it and uncovering actionable takeaways requires a different game — one that allows the best in class to leapfrog the rest in class.

39% of adult Americans (about 100 million people) are either current or potential sports bettors

Source: American Gaming Association
Help shape regulation
Keeping track of public policy developments is smart business. Regulatory changes are not temporary, and they cannot be easily altered. So a strategic investment in government relations tied to sports gambling can help ensure that your team’s or league’s point of view is considered as legislation is shaped, helping you get ahead of issues in order to drive ROI. Take the time and effort to inform and educate policymakers and consumers alike about the benefits that sports gambling can bring to the fan experience and individual state tax revenues.

You don’t need to go it alone. Partnering with other professional teams, stakeholders and constituent groups in your state or adjacent states could amplify and extend your reach. Additionally, trusted advisors can provide proactive, real-time insights, as well as contextual analysis and strategies to navigate the sports gambling policies and regulatory issues that might affect your business. This allows you to focus on how best to adjust your strategy, investment and operations.

Transforming fan experiences
Shortened attention spans, coupled with an explosion of alternative entertainment options, require sports organizations to rely more on adjacent entertainment concepts that go beyond just the performance of their teams and athletes. Expand the experience; expand your brand.

Sports gambling creates a sticky relationship between fans and events. We believe the organizations that will benefit the most from sports gambling will be those that go beyond simple sponsorship deals that lend brand names and logos to gambling platforms.

Teams and leagues that actively seek to weave opportunities throughout their fan channels and engagement strategies — in a customer-friendly manner — will likely fare better in the long run. Consider how sports gambling fits into your channel marketing strategies, and where you can use it to pull through new fans, while giving existing fans new ways to engage with your organization.

Take, for instance, dynamic betting — a type of betting that allows for continuous change, like in-game wagers (i.e., “next score”). The concept ensures full attention span and engagement, even in a lopsided game that has lost traditional competitive interest. And full attention span is irresistible to advertisers: it guarantees exposure to advertising and other forms of brand placement.
Advertising is a foundational opportunity, but this type of platform could enable many more outside-the-lines opportunities. What if an organization leveraged fan engagement and combined it with a rewards program to create a personalized offer of a single game or a multi-game ticket? Continued engagement with fans will be critical in 2021, as teams will likely look to entice fans back to stadiums or arenas as the pandemic subsides.

In the end, overall customer experiences, ones that differentiate you from the pack, will be key in determining whether sports gambling is simply a lower-level additive to revenues, or if it can grow to become a more significant contributor.

**Data as a revenue driver**

The most effective monetization from sports gambling will likely come from the ability to effectively leverage consumer data while also staying compliant with myriad privacy laws and gaming regulations, which can be complex to navigate. Gathering data in today’s digital world isn’t hard. The trick is how to turn that data into decisions.

Most people in sports are familiar with the *Moneyball* book or movie, in which deeper data analyses usher in new ways for teams to better understand player data. But while data analytics for players and teams help organizations grow the success of the product they put on their fields, courts and rinks, many front offices have not effectively pivoted to using data in the same way to help grow various revenue streams.

It’s not just a sports problem. *PwC’s 22nd Annual Global CEO Survey* found that 85% of CEOs say the data about their customers’ preferences and needs is not comprehensive, and 54% point to the lack of analytical talent as the primary reason the data they do receive is inadequate. We’ve also found that even when there’s an internal analytics team in place, 60% or more of their time spent seeking insights is actually spent on gathering data.

If you haven’t yet done so, you will need to pivot how you use data from preparing reports that are backward-looking snapshots in time to more real-time, actionable insights. The opportunities and additional data that can proliferate with sports gambling betting can drive a need to have a data strategy that relies less on intuition and supports making smart, informed decisions about where to spend, where to pull back, whom to target and when.
A new era in sports: Diversity, equity and inclusion (DEI)

Sports have often served as a great unifier, connecting fans, communities and geographies in a shared experience — with little room for religion, politics or social issues.

That changed in 2016, when NFL quarterback Colin Kaepernick started taking a knee during the national anthem to protest racial injustice. In a pro-sports environment largely composed of athletes of color, social justice issues were further underscored in 2020 when the NBA suspended its first round of playoffs for three days in August after players took a stand for racial justice in the wake of the Jacob Blake shooting in Wisconsin.
Also in 2020, MLB bestowed Major League status upon seven professional Negro Leagues that operated between 1920 and 1948, two professional teams from the NFL and MLB announced retirement of Native American-based names and mascots, and NASCAR banned the Confederate flag from its events, with a statement that its presence “runs contrary to our commitment to providing a welcoming and inclusive environment for all fans, our competitors and our industry.”

As more athletes speak up for social justice, consumers have increasingly started to follow their lead: Almost two-thirds of consumers (64%) say they make purchase decisions based on political or social beliefs, up 13 points from the year before. And more than seven in 10 sports fans (71%) support teams and athletes who speak out on issues of social justice and racial equality according to an August 2020 online ESPN survey. Clearly, fans believe brands — including their favorite sports teams — have the power to make a difference.

**Moment or movement?**
Leagues and teams are increasingly feeling pressure from both players and fans to take a stand. Meanwhile, sports as a whole continues to experience growing complexity in communicating with fans — given the evolution from just a few years ago, when sports typically provided a touchpoint for unity.

Today, the issues swirling around sports can be as challenging to navigate as politics and religion. “No comment” is not an option. In fact, not taking a position is no longer perceived as taking the higher ground, as it had been for decades. In the minds of fans, when teams and leagues choose not to communicate, their silence itself is a statement.

With record levels of clout and cash — as well as compelling personal stories — athletes are well-positioned to align with consumer brands. But brands and leagues alike may risk irrelevance by ignoring the urgency of diversity, equity and inclusion. Indeed, DEI is far more lasting than a moment; it is a movement that will usher in tomorrow’s leaders and bind consumers to brands that share and support their values.

**DEI in action**
In the business world, consumer brands that live out their values are gaining a clear competitive edge. Take Nike, for example. Two years after an ad featuring Kaepernick initially spurred a boycott and a dip in its stock price, Nike’s stock rebounded, reaching an all-time high. The company also experienced a surge of social media comments, both positive and negative. While drawing some initial criticism, the campaign ultimately proved beneficial for Nike, driving brand awareness and relevance.
What does this mean for leagues, teams and brands? At its core, DEI represents an evolution in the DNA of an organization. Brands and corporate entities should identify their values and principles, while acknowledging that taking a side will raise awareness and support but might also alienate some fans or customers.

After identifying your guiding principles, the next step is to add data-driven stories to motivate purpose-led behavior:

- Embrace an intersectional culture of belonging.
- Establish organization-wide accountability.
- Understand root causes and barriers to change.
- Champion curiosity, humility and empathy.
- Benchmark and analyze your data

A data-driven approach can offer clear evidence for DEI change where needed, highlighting barriers that might impede social progress (including how to address fans who disagree with a team or league’s efforts). Real-time dialogues tapping into all stakeholders can help inform strategic decisions to help shape the future.

Professional basketball has emerged as a DEI model. The inclusive relationship between owners and players results in collaboration at all levels. In comments about the 2020–21 season, NBA Commissioner Adam Silver said, “We’re completely committed to standing for social justice and racial equality. It’s part of the DNA of this league.”

Effective DEI requires empowered leadership. To echo Silver, DEI can work only when it’s integrated into all facets of business operations and organized around intentional goals. When DEI is inextricably linked to an organization’s goals, it becomes measurable — making it a priority.

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NBA Commissioner Adam Silver
Fuel equity with accountability and transparency

Change requires accountability. Some organizations, including PwC, are reinforcing their DEI strategy by releasing the data publicly in an effort to transparently commit to change — while also recognizing that the journey is just beginning. Starbucks is tying executive pay to DEI targets as part of its efforts to make the company more inclusive.

Working collectively, organizations can do more to address these societal challenges. By joining the CEO Action for Diversity & Inclusion, more than 1,400 CEOs, including several sports teams and leagues, have made a public pledge to advance diversity and inclusion in the workplace.

The opportunity exists: More than 70% of employees place more trust in their employers than in government to respond to racial inequity. And business is responding. The Business Roundtable, whose members are CEOs of companies that represent more than $7 trillion in annual revenues, has made a public commitment to advance racial equity.

For leagues and teams, building on the progress of 2020 would be a natural next step. As NFL commissioner Roger Goodell said of the athletes who took a knee,

“These are not people who are unpatriotic. …. what they were trying to do is exercise their right to bring attention to something that needs to get fixed. And that misrepresentation of who they were and what they were doing was the thing that really gnawed at me.”

Despite a measure of fan pushback, the NFL continues to navigate a better path for social justice action — including bolstering minority hiring for high-level coaching positions. MLB’s Miami Marlins, meanwhile, made history in November 2020 by hiring Kim Ng as general manager, the first female GM not only in Major League Baseball, but also the first female GM for any of the four major North American men’s sports leagues.

Sports has one of the largest megaphones available to reach — and unite — fans. As athletes take to social media in support of societal social justice, leagues and teams are well-positioned to provide true allyship — via meaningful, systematic action toward an inclusive future that athletes and fans alike can support. Step boldly forward because there’s no going back.