



# GSIC

Global Sports Innovation Center

Powered by  Microsoft

## THE SPORTS INDUSTRY AND THE DIGITAL TRANSFORMATION:

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### 5 YEARS AHEAD

## INTRODUCTION



The global sports market reached a value of almost US \$ 388.3B in 2020, accounting for almost 2% of global GDP. In 2018 it accounted for more than 2% of total EU GDP and almost 3% of EU employment. Despite slowdown due to the global pandemic, the market is expected to continue growing at 9.1%, reaching almost US \$ 600B by 2025, and US \$ 826B by 2030. This will consequently increase the number of business stakeholders involved, such as broadcasters, sponsors, sport properties (athletes, clubs, federations, leagues, competitions and events) and investors, among others.

In recent years, the sports industry has been greatly driven by globalization, innovation, technology and significantly changing consumer trends. This has caused sport stakeholders to continuously change their behavior and strategies in order to adapt to new market conditions inside a very competitive landscape. Adding to all these changes, the COVID-19 crisis has seen sport industry players significantly boost their adaptation and iteration rates.

This black-swan event has drastically impacted the sports industry, causing cancellation and postponement of extremely important worldwide events. However, it has made it even more clear for organizations that digital transformation is an absolute must. In order to stay ahead, sport industry players will have to spend the next few years significantly investing in digital acceleration.

Furthermore, it is important to mention that this transition period does not only require proficient business processes but also the redefinition and adaptation of employees. The success of this process greatly depends on the capabilities of the workforce to adapt to the ongoing changes, and hence it is necessary for candidates to have both hard and soft skills that close the competency gap.

A couple of decades ago, the sport industry was ruled by traditional management practices, avid fans, teams, engagement, all in a local scope and experienced in a physical manner. This has respectively evolved into a "sportainment" industry ran by professionalized management practices, avid and casual fans, engagement and satisfaction leading to monetization, operating in a global scope and through a "phygital" manner. All this is possible through digital transformation, with all the items it entails.

To have a better idea of this, GSIC powered by Microsoft (GSIC) has carried out a survey to understand the exact impact all these different technologies, innovations, and trends will have by 2025. Digital Transformation is here to stay, and all sport industry actors need to be ready to integrate this at the very core of their business strategy. SPSG Consulting has cooperated very closely with GSIC to put together this report, adding value thanks to its approach and expertise.



## METHODOLOGY



In May 2021, GSIC distributed an online survey that was responded by 101 high-profile professionals mostly working in the sports industry. Given this sample size the statistic error is 9.7%. Respondents were asked to first rank the estimated impact in the sport industry revenue stream on a scale of 1(minimum) to 7(maximum). The survey then asks respondents to share on a scale of -3(maximum negative evolution/decrease) to 3(maximum positive evolution/increase) the evolution by 2025 of several sport-related items-statement, including:

1

Smart Venues

5

Esports

2

Fan Engagement

6

Media

3

Team &amp; Athlete Performance

7

Investments

4

Business Insights &amp; Productivity

## RESPONDENT'S PROFILE



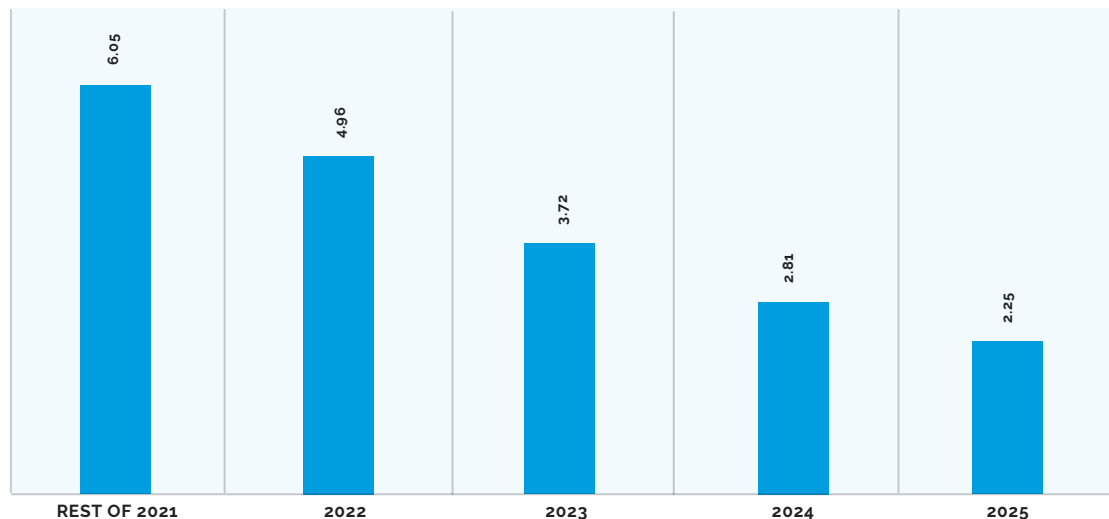
GSIC survey respondents are mostly working in Europe (54%) and Latam + Caribbean (16%). The graph below shows the different sectors these professionals come from. Most of respondent's are working in technology applied to sports (18.81%) and strategic consulting (15.84%), followed by sport club (12.87%) and media (6.93%). Finally, the 35.64% that makes reference to "others" includes professionals in fields such as communication and sponsorship, sport leagues, media, and others.

With the rapid growth of technological innovation and the continuous digital advancements disrupting the sport's industry, it is no surprise that strategic consultants are moving towards the field of sport in order to apply the changes further described in the survey below. This also explains the dominant percentage of respondent's working in technology applied to sport entities.

## Digital Transformation of Sports Entities by 2025.

### 1. ESTIMATED IMPACT IN THE SPORT INDUSTRY REVENUE STREAM.

Timeline of the Estimated Impact in the Sport Industry Revenue Stream



Answers range from a scale of 1 (minimum impact) to 7 (maximum impact)

\*Includes Ownership, Startups, Creation of Innovation Hubs and Financing subcategories.

Respondents were asked to rate the overall impact of Covid-19 outbreak in the sports industry within the next years, on a scale from 1(minimum) to 7(maximum). Despite the Sports Industry being severely impacted this past year due to Covid-19 collateral effects, experts suggest harm caused will decrease over time. The survey held demonstrated the positive outlook on the next five years, with the estimated impact in the sport industry revenue stream decreasing over time.

These believes are further emphasized by a study published by McKinsey, stating the upcoming year will be characterized by a positive outlook. Despite the rise of new Covid.-19 waves, and the at-first slow ramp-up of vaccinations, things are looking more optimistic now. The WFSGI-McKinsey Sporting Goods Survey concludes that 64% of respondents expect “better” or “much better” market conditions (1).

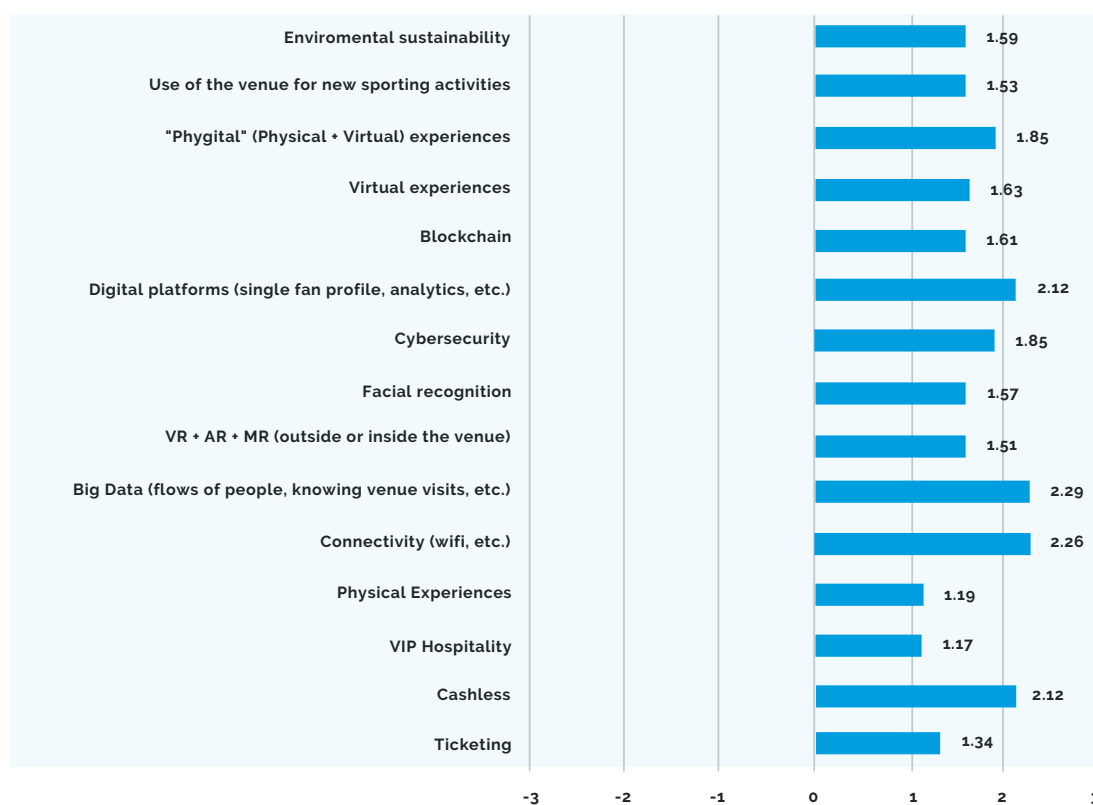
The decrease in sports industry revenue stream has been greatly affected by government restrictions to contain Covid-19 transmission, leading to the closure of recreational facilities and cancellation or postponement of sports events. However, experts assure the sports market will recover from this as it is a black swan event rather than an inside problem of the market or global economy. The International Monetary Fund (IMF) predicts that the global real GDP growth will be 3.6% from 2021 to 2023 (2). Commodity prices, recovering from a decline in 2014 and 2015 are also expected to be an important factor in increasing economic growth. Furthermore, emerging markets are projected to continue growing slightly faster than developed markets through the same forecast period. For example, India's GDP is forecasted to grow 7.5% for calendar year 2021, while Europe is expected to grow 4.2% in the same period. Moreover, with an expected growth rate of 10.1% in 2022, India will be the fastest growing major economy in the world. This will situate it in front of China, which is projected to grow at 5.8% in the same period, a decrease from 8.2% in 2021. Experts believe this continued economic growth will drive the demand for sports.

In conclusion, we can state that studies and surveys believe the impact of Covid-19 on the sports industry will gradually decrease. Despite having a big impact in the sport revenue stream in what is left of 2021, this will gradually decrease by 2025. To be precise, the global sports market is expected to increase from \$388.28 billion in 2020 to \$440.77 billion in 2021 – showing a compound annual growth rate (CAGR) of 13.5%. Looking into 2025, the market is expected to be valued at \$599.9 billion at a CAGR of 8%. (3).

## 1. SMART VENUES



### Degree of Evolution in Smart Venues per Item



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

Smart Venues are embracing technology to transform the fan journey throughout all the customer touchpoints and fill stadiums. The items believed to evolve most by 2025 are Connectivity (2.26 out of 3) and the usage of Big Data (2.29 out of 3) to better understand both the number of people entering the arena and exact customer profiles. Big Data enables clubs to track consumer preferences and consequently offer products and content adapted to their needs – leading to an increase in revenue, security and efficiency.

Through Big Data, stadiums can obtain insights on consumer behavior like never before, such as game or event attendance, in-store purchases, ticket purchase information and click rates. All these insights will allow them to optimize marketing and sales tactics. Furthermore, they will be aware of lack of attendance of some fans, as well as extreme fan loyalty, and be able to act accordingly with personalized offerings or promotions. Mastering Big Data will allow stadiums to know exactly who their users are and their different behaviors, making it easier and more efficient to target diverse segments through customization. And will have a positive impact on Direct-to-Consumer (DTC) strategies.

Big Data also allows to redefine relationships with fans (as well as with sponsors and other stakeholders). This will be a critical issue to deal with in the short-mid-term, due to the pandemic challenging the celebration of sport events. Despite the impact will decrease over time, we have seen the importance of sport organizations to invest in multichannel digital solutions, from streaming platforms and virtual reality to artificial intelligence. This influences the level of fan engagement year-round. The Fan Experience Survey launched by Deloitte at the end of 2020, states that more than 60% of fans believe that having a great year-round experience would make them more likely to become more engaged with their team in the coming season. Furthermore, 55% state that it would make them more likely to purchase a ticket in the future (4). Hence concluding that constant interaction between fan and sport club has a direct impact on fan engagement.

Respondents have rated connectivity as the second most evolving item (2.26 out of 3) as fans today have become very demanding and fast internet connections have turned into a basic need, it is no longer an added value. Seamless, strong, rapid and reliable coverage is essential in order to attract fans into the stadium (and other facilities: arenas, circuits, swimming pools, etc.) and away from their TVs. Furthermore, this will be the basis needed inside smart stadium with all its different attributes: cashless payment, real time stats through the app, gamification, digital platforms, etc.

Finally, respondents have mentioned Cashless Payments as the third concept with most evolution (2.12). An analysis concluded by PwC and Strategy& states that global cashless payment volumes will increase by more than 80% from 2020 to 2025. Asia-Pacific will be the fastest growing region, with cashless transaction volume increasing by 109% until 2025 and then by 76% from 2025 to 2030. The second fastest growing region will be Africa (by 78% and then 65% respectively), followed by Europe (64% and 39%), Latin America (52%, 48%) and finally the US and Canada growing least rapidly (43% and 35%) (5). These figures demonstrate the necessity of organizations to move not only towards online payment solutions but also to more real-time payments. This will be key for stadia, as it makes the different in-stadium purchase (food, drinks, merchandise, etc.) more comfortable, more sanitary, and quicker. For stadia it means saving on labor costs as well as reducing eventual human errors. Furthermore, cashless transactions also increase the speed of service and subsequently the number of sales. It also significantly cuts down lines and allows fans to return to the play-off in a faster manner.

Given the growing trends towards cashless transaction, and the several benefits it entails for sport arenas, there are many stadia that have already opted for partial or full cashless venues. Even before the global pandemic, the Mercedes-Benz Stadium in Atlanta went cashless in March 2019. All areas inside the stadium, including the parking, have to be paid via Cashless – the stadium accepts debit or credit cards, or mobile wallets including Apple Pay, Google Pay or Samsung Pay. Card-to-cash kiosks are situated around the stadium in order for fans to exchange cash for a pre-paid card that can be used instead, both inside and outside the arena.



More examples include the Allegiant Stadium, home of the Las Vegas Raiders, which is the first venue in American pro sports to open a fully cashless venue. This was followed by the Hard Rock Stadium, home to the Miami Dolphins. Both inaugurated their cashless venues in September 2021, when the stadium opened again after the pandemic. An example in Europe is the football club RCD Espanyol, which joined forces with CaixaBank to make the RCDE stadium the first cashless stadia in Spain.

Adding to all the benefits a cashless stadium presents, it is also much more environmentally friendly than traditional paying methods. Environmental sustainability is an issue that has been growing a lot in the recent years and as survey respondents have answered, will continue to increase. It is no longer an added value option, incorporating sustainability inside the corporate strategy is an absolute must. The global pandemic and social injustice movements in 2020 have been a tipping point to show the importance of this matter, hence reinforcing the idea that the whole industry has to push towards being more sustainable, focusing on racial and social inequality, aiming for the health and safety of the people, all while prioritizing co-creation and synergies of companies. These are matters that truly worry future generations, and sport clubs will have to adapt if they want to achieve fan engagement.

Consequently, more and more sport organizations are integrating environmental, social and governance criteria into the core of their business strategy in order to minimize the eventual negative impact on the economy, community, and environment. The global pandemic has been a tipping point to show the importance of this matter and has reinforced the idea that the whole industry has to push towards being more sustainable, focusing on racial and social inequality, aiming for the health of fans, athletes and employees, while prioritizing co-creation and synergies of companies and partners to engage future generations.

Given the necessity to be socially responsible in all aspects, an increasing amount of sport organizations and athletes are creating initiatives to create an impact. This is very positive as these players have a huge visibility worldwide and it can raise awareness as well as encourage citizens to act in a socially responsible manner. Some examples are the following: Formula E achieved a net-zero carbon footprint, which allowed it to become the first sport in this category ; The NFL created a fund that will donate US \$ 250M over the next ten years in order to confront systemic racism ; Manchester United's player Juan Mata has challenged footballers to meet his Common Goal challenge by donating 1% of their salaries to charity ; Juventus Football Club was the first Italian Club to join the "Climate Neutral Now" initiative.

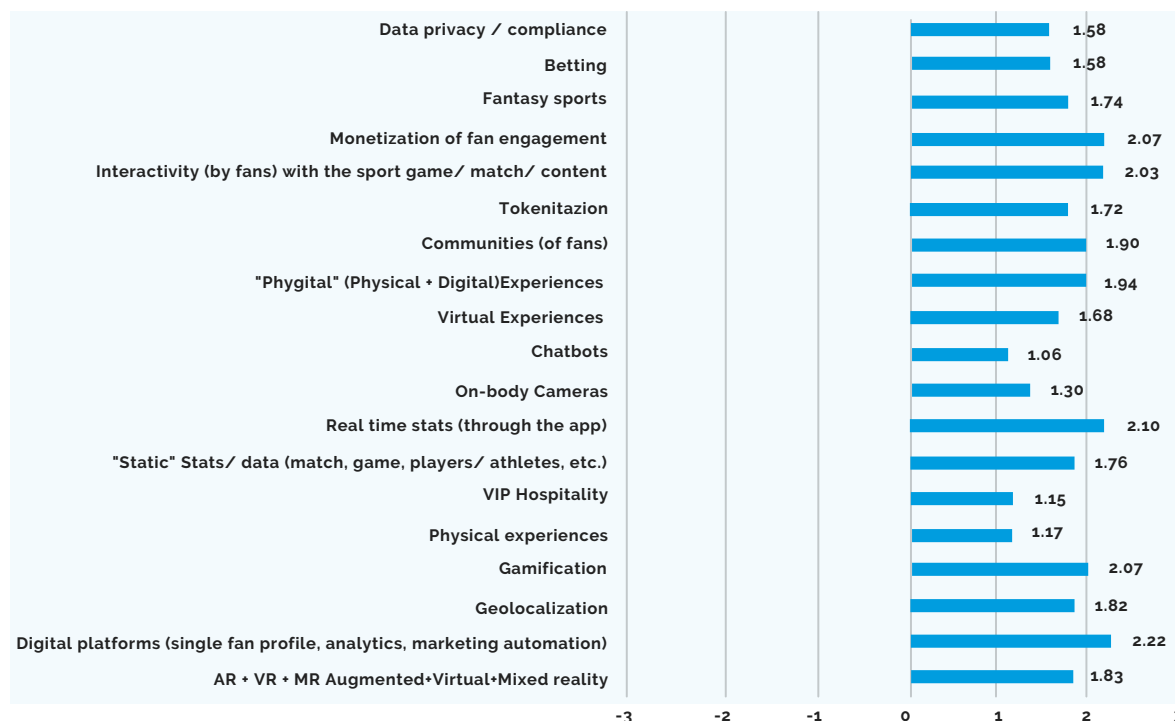
All these initiatives are examples of how entities and athletes are advancing towards sport development and maximizing the contribution of sport to society. Given its dominant worldwide presence, players in the industry should consider prioritizing sustainable development in order to create a future aligned with the 17 Goals in the 2030 Agenda for Sustainable Development.



## 2. FAN ENGAGEMENT



### Degree of Evolution of Fan Engagement by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximun positive evolution/ increase)

As follow up of the previous question, evolution of smart venues per item, it is no surprise that Digital Platforms are believed to be the most evolving item regarding fan engagement (2.22 out of 3). These include single fan profile, analytics, marketing automation, and others that are essential for the monetization of fan engagement, voted as second most evolving item (2.07 out of 3). Nowadays, to create monetization, it is necessary to create fan engagement which will lead to fan satisfaction.

Consequently, organizations have to take into account the whole customer journey, which starts when they get ready to attend a venue and finishes when the person leaves. Hence, everything that happens prior, during and post the match is key for fan's satisfaction. In order to better understand this and how organizations can monetize, the following 4-ring model divides stadia (and other facilities) in four different zones, each one of them with strong influence on the fan experience.

**Ring 1 (R1):** Area inside the stadium arena, where the action takes place. The quality of the match and the ambience are the main factors that have an effect on the fan experience.

**Ring 2 (R2):** Area inside the stadium but outside the court (e.g fan zones, indoor parking, restaurants and shops within the venue). In this layer, fan experience is influenced by other stakeholders as well (such as sponsors with their activations, restaurant operators or cleaning staff).

**Ring 3 (R3):** other assets in the city. Other parties outside the venue affect the fan experience during the match day (e.g public transport to get there, restaurants outside the venue, parking areas, security, traffic jams, security, etc.).

**Ring 4 (R4):** Known as “the rest of the world”, takes into account every action that takes place far away from the stadium or online (e.g fan zones in other cities, social media activations, virtual reality).

Taking these different layers into account, it is essential for the organization to provide the best possible experience in each key moment in order to maximize customer engagement, satisfaction and consequently monetization. Items mentioned in the survey can be placed into the different rings of the model. Those that stand out from the survey are, in order: gamification, fan interactivity with the game/match, real time stats, “phygital” experiences and communities of fans.

The Sports Survey 2020 launched by PwC suggests that as a result of the growing popularity of fantasy leagues and their ties with betting, gamification is one of the most promising fan experience monetization opportunities (6). Gamification allows fans to embed in reward programs, and consequently acts as an asset of customer retention. An excellent example of gamification is Twitch, a live streaming platform acquired by Amazon in 2014. Their long-term agreement with the NFL and exclusive Thursday Night deal, allows fans to make quarterly predictions about several game statistics via their Twitch account. The consequent points awarded to each user is then ranked on a live leaderboard. Through creating this fantasy football-like experience, fans become highly engaged and enthusiastic about interactive gamification. This is also beneficial to organizations, as they gain huge benefits of being able to reach consumers through a booming channel.

Gamification is a great way for organizations to reach out to younger generations. Deloitte's conducted their Digital Media Trends, 15th Edition, in February 2021 in the United States. Survey results conclude that Generation Z prefers playing video games, streaming music, and engaging on social media, rather than just watching TV (7). Hence, it is important for organizations to reach out and engage with the younger generations, and gamification is a great way to do it.

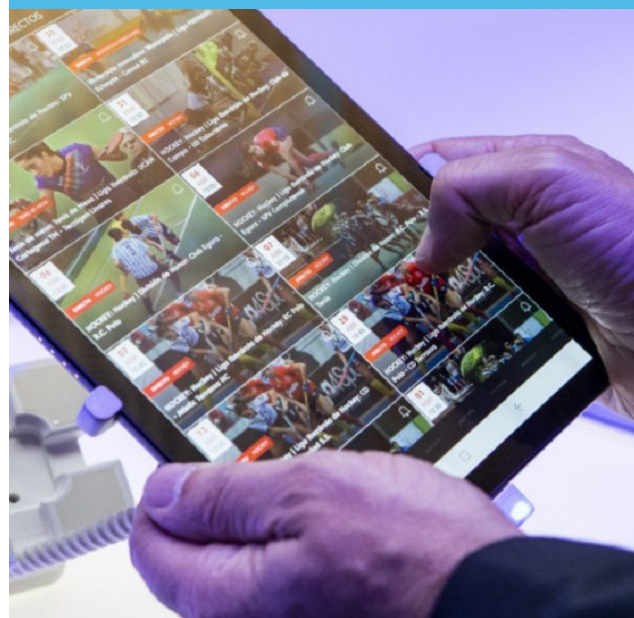
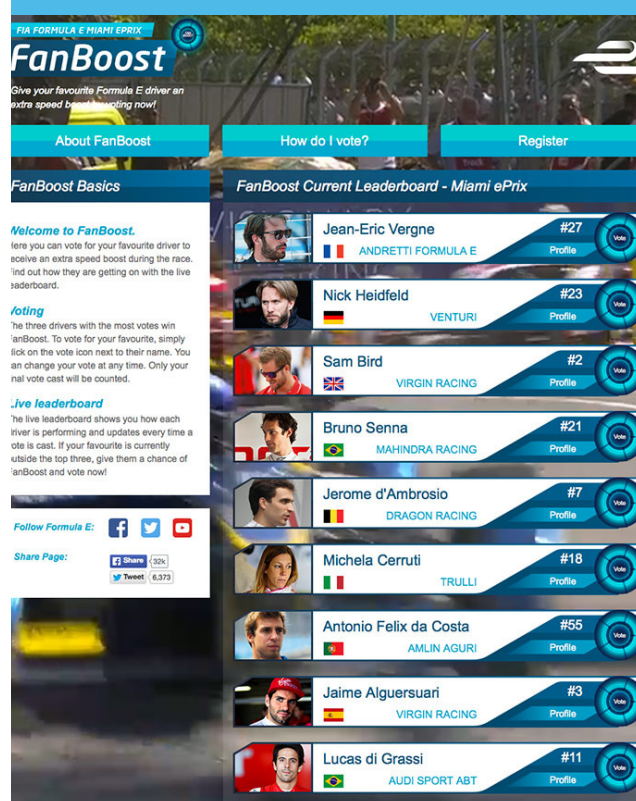
Moreover, in recent years gamification has become an effective way for teachers to encourage participation in the class. For STEM (science, technology, engineering and mathematics) education, gamification is uniquely suited to create an environment that breaks with the traditional teaching methods while encouraging student interaction and exploration. The NBA team Oklahoma City Thunder has created the Devon Thunder Explorers program to promote STEM concepts through sports and gamification. Their mission is to engage students with activities that challenge them to think outside the box, developing problem-solving skills around questions that focus on STEM principles. Through initiatives such as this, organizations can target a younger public.



Further examples of gamification, focusing on cycling, are Rouvy, Zwift and Bkool. These are all virtual cycling apps featuring augmented or virtual routes, official races, structured workout and allows you to even race in real time with other athletes. These players have all signed partnerships with different professional competitions: Rouvy with La Vuelta's, Zwift with Tour de France 2020, and BKOOL will partner with The Giro d'Italia. This is very valuable for consumers as it allows them to experience being part of some of the most iconic races in the cycling discipline. These types of initiatives are very beneficial for both brands and consumers as it promotes physical activity, gives visibility to both sides of the organization's partnership, and allows consumers to feel more connected to the event.

Engaging fans in an event is a great way for events to maintain retention and monetization. A pioneer in fan interactivity is the Formula E's FANBOOST, which allows fans to actively participate in the race and have an influence in the final result. FANBOOST gives fan the chance to vote for their preferred driver and allocate them an extra boost of power during the race. This greatly engages fans in the experience and giving them decision power subsequently makes them feel more attached to the event. Other sports entities that are at the forefront of digital innovation in fan engagement are LaLiga, which have created a spin-off called LaLiga Tech only focused on technological development and innovation, or Manchester City, which was named as the most innovative sports team in the world by Sports Innovation Lab.

Feeling more connected to the event also means having real time stats of the results. Nowadays, younger generations are impatient, multi-taskers, and can be watching a game while browsing through various other websites to check other event results, player stats, or game news on twitter, among others. Due to this, it is essential that the arena offers all this information through their own platform. In order for organizations to avoid fans having to search for stats on other platforms, it is essential for the event to create an app where customers have access to this. Most of the data is already collected, but it needs to be placed inside a single and unified platform which all guests will have access to. This also allows for more personalized content delivered to each fan, depending on their data profiles.

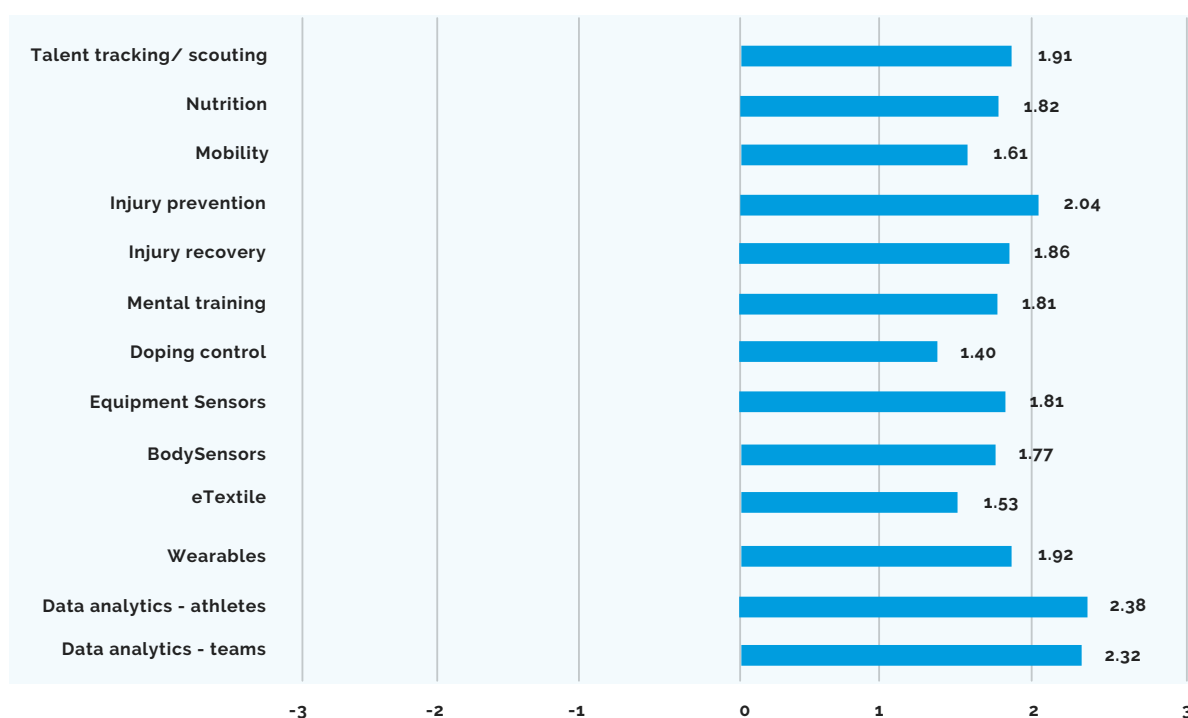


These final points lead to the fourth layer of the 4-ring model, those actions away from the stadium or online. Communities of fans will increase even more regarding importance of fan engagement. Globalization, technology and social media have all been key players in increasing socialization through the internet. This trend has been sped up due to the global pandemic and lockdown. Despite not being able to attend arenas, fans continue to look for Match Day experiences online, and discuss the event with other enthusiasts.

### 3. TEAM & ATHLETE PERFORMANCE



#### Degree of Evolution in Team and Athlete Performance by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

The use of data and metrics are revolutionizing sports and will continue to do so. The constant analysis of data allows for a more objective and evidence-based understanding of situations. Respondents believe that the items that will evolve the most within team and athlete performance will be data analytics regarding athletes (2.38 out of 3) and regarding teams (2.32 out of 3), followed by injury prevention (2.04 out of 3). These three elements are coexistent, with a strong focus on improving athlete and team performance. However, we can differentiate them into two different groups concerning the type of data that is collected from the athletes.

#### POSITIONAL/TRACKING DATA

measures exactly where a player, ball or other object, is located on the playing field. This data typically includes metrics such as position, speed, jump height, lateral motion, and other measures. It can be collected through video analytics or through sensors that are a combination of global satellite positioning systems and ground-based wireless networks.

## BIOMETRIC DATA

collects biological information from an individual, including pulse rate, blood glucose, oxygen level, sleep rhythms, and other measures.

IoT is transforming how coaches train their team, manage players and strategically handle key situations in a game. Advanced analytics allow coaches to have access to different parameters of data in real-time and subsequently act accordingly. Coaches are able to visualize the effort exerted by each player and consequently maximize efficiency, they can identify performance patterns, establish necessary recovery times, and have real-time stats on player's health. These different parameters show both individual statistics as well as team performance and is very valuable both at an internal and external level. Not only does it allow trainers to focus on their team, but also study the rivals and hence establish a more accurate match or competition strategy. Data analytics unlock a world of metrics that makes it possible for trainers to make decisions on an analytical and evidence-based method.

Physical therapists, sport physicians and doctors are also being greatly influenced by the array of data they are exposed to and consequently facilitating the reduction and healing of injuries. An analysis conducted by AP informs that NFL teams lost over US \$ 500M to injuries in 2019 (8). Furthermore, Forbes published a report stating cost of injuries to premier league players in in 2018/2019 was US \$ 276M, with a total of 764 injuries (9). Therefore, the benefits of being able to foresee injuries and prevent them are huge: for teams it means more wins and more revenue, for athletes it means recognition, comfort, and performing at their maximum potential.



The fastest growing company in the sports monitoring segment is Realtrack Systems. It is well known for its flagship system called WIMU PRO. What makes WIMU PRO the most advanced device of the market is its outstanding performance and reliability underpinned by the FIFA Quality and IMS certifications. The system allows the user to perform physiological analysis as well as carry out tactical, kinematic and video analysis that enables the creation of unique performance insights from athletes' data.

WIMU PRO was designed to perform at the maximum level in any situation or environment. Thus, when the world suffered the COVID pandemic, WIMU teams and individual athletes were able to use the system for individual training sessions within the confinement period. Later on, the WIMU Cloud was upgraded in order to reach the next level in terms of data visualization. The WIMU Cloud 2.0 is a new dynamic environment that is completely customizable and redefines data visualization. Create dashboards with a suite of widgets that promote data storytelling and generate the performance insights to answer the most complex sport performance questions. The user is in the driver's seat of data informed decisions.

The WIMU PRO system was designed not only for sport scientists but for all members of the coaching staff as well as management who find the information provided by the system relevant to make data informed decisions. Furthermore, the information provided can be adapted to create fan engagement.

Covid-19 had a great impact on the performance of the players and athletes, as they were not able to train in normal conditions during lockdown. This, together with the tightening of competition calendars, resulted in a significant increase in muscle injuries once sport returned after lockdown. Injury prevention is possible due to embedded sensors offering real-time tracking and providing a holistic view of the athlete.

The coach and athlete then have access to all the stats and subsequently can make the best decisions regarding health. Catapult is one of the biggest sports performance analytics company worldwide. Their wearable technology is used by more than 2,500 teams worldwide, helping athletes maximize their athletic performance and reducing the likelihood of injury. Another top player in the market is WHOOP which, like Catapult, not only tracks your activities, but also provides a variety of performance data and other metrics based on your activity. These technologies are designed to exert maximum human potential through personalized analytics based upon performance. Other examples include Zone7, which were used by the American soccer club Real Salt Lake and managed to reduce injuries by 57% compared to the previous year (10).



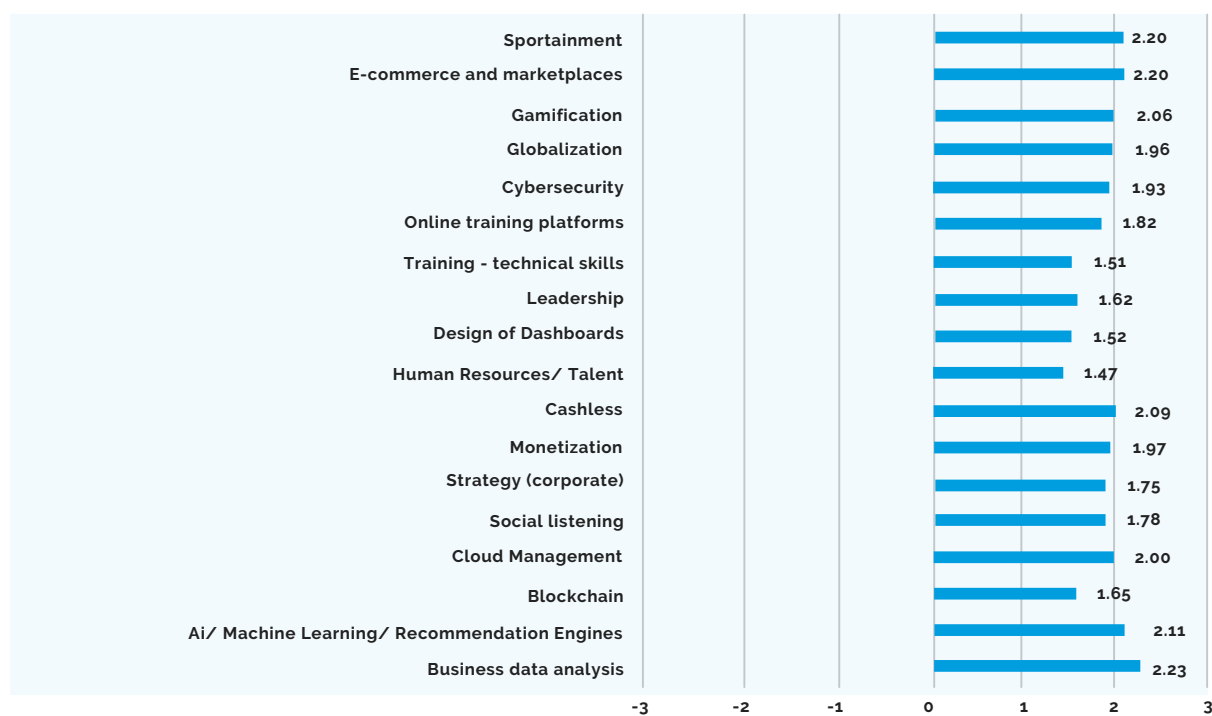
There are also technologies focusing merely on one single sport, as is the case of Humanox. The startup created shin pads that through positional and biometric tracking can monitor up to 40 different metrics in real time and is then displayed on its own platform. Furthermore, since it is made out of carbon fiber it reduces the ball impact on the players' shins. Humanox is currently working with two first division teams in the Spanish League, FC Cádiz and FC Osasuna, as well as other teams worldwide.

The use of data and metrics allows players in the sports sector to have a concrete and evidence-based understanding of different aspects. Hyper quantification of data is helping teams, leagues and athletes discover huge benefits across the sport lifecycle and can be used to cover a huge array of concepts: from talent identification, to training optimization, pregame preparation, game play, as well as postgame analysis, rest and recovery. Through the analysis of all the data collected, teams and athletes are accompanied throughout the whole journey and have evidence-based insights which allow them to optimize their actions. Furthermore, all this data can also be used regarding fan engagement as they will have real-time stats on both positional/tracking data and biometric data. For example, the Professional Squash Association, partnering with Sports Data Labs, tracks players' heart rates during matches and makes it visible for fans in order to get a better understanding of the game's intensity. This entails the creation of an additional revenue stream.

## 4. BUSINESS INSIGHTS & PRODUCTIVITY



### Degree of Evolution in Business Insights & Productivity by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

Human Resources and Talent will also experience a period of evolution until 2025. Given the sport industry is shifting as a result of globalization, technology, and adaptation to global pandemic restrictions, the adequate adaptation of human capital will be essential.

Digital transformation is a must for companies, but its success greatly depends on the competencies and devotion of employees. A survey launched by GSIC (11) in 2020 identified the most important skills needed to drive digital transformation within sport organizations. The top competences are the following:



**Soft Skills:** leadership, negotiation, and communication, among others.



**General knowledge** about the sport industry, with a strong understanding of the current situation, its trends and main challenges.



**Project management skills** in order to manage the digital action plan.



**Specific knowledge**, expertise and hard skills about digital transformation.



**Multidisciplinary competences** that allow the employee to adapt to ongoing changes.

It is important to note that the most essential professional competences regarding digital transformation inside sports organizations are a combination of soft and hard skills. While hard skills are technical abilities that can be taught, trained and measured, soft skills are personal attributes that are related to a person's behavior and are harder to measure. Some of the most relevant soft skills are teamwork, leadership, analytical skills and negotiation.

Regarding business data analysis, it is essential to collect the correct data. Companies nowadays have more data than ever but generating data doesn't yield revenues if it doesn't have a concrete objective. Hence, it is fundamental for data analytics to extract the correct value from the available data and make sure they are answering the right questions to reach a coherent conclusion.

All this data is achieved through a constant recollection of consumer data, and this consequently attracts cyber criminals. Business strategies are focusing on acquiring more analytic tools in order to better understand their customers, create engagement, customization, and consequently monetize more. All this is done through the digital space, and hence both consumers and organizations are exposed to confidentiality and security breaches in the system. A report published by IBM states that in the United States alone, average cost of total data breach in 2020 was US \$ 8.64M, with Healthcare having the highest industry average (12).



Likewise, consumers are also concerned about the increasing data use and how they are vulnerable to possible breaches in the system. A report by PwC states that almost 70% of consumers believe companies are susceptible to cyberattacks, and only 25% believe their information is being handled responsibly (13).

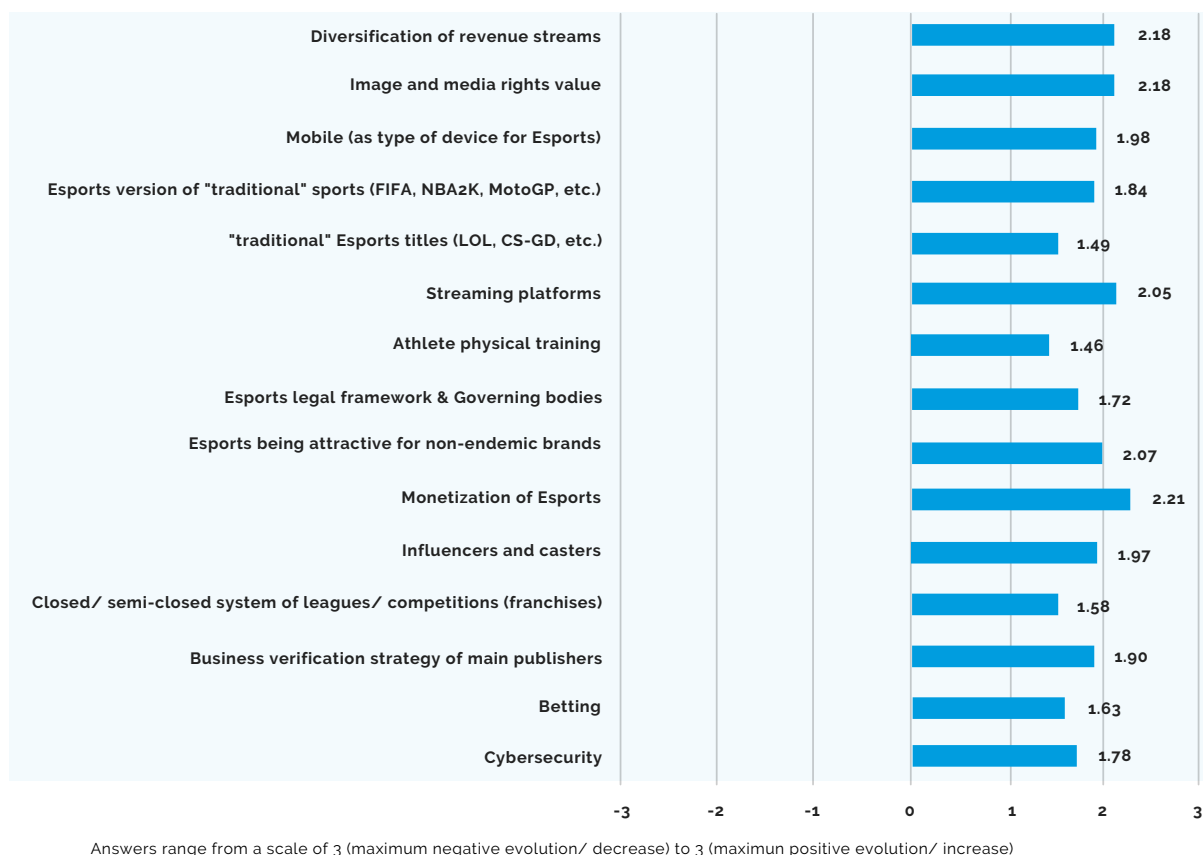
Moreover, a Pew Research report states that 81% of consumers feel like they have little or no control over the data companies collect, and 79% state they are worried about how the data facilitated is used (14). These studies conclude that cybersecurity is a major concern for consumers, given the abundant use of the internet and the amount of personal data that it has access to. Hence, it is essential for organizations to invest in cybersecurity, not only for their own company precautions, but to make consumers feel safe in their hands and prevent hazardous outcomes from a cyber breach.

Increasing trends toward the digital world has also greatly affected consumers consumption methods. Despite consumers continue to enjoy shopping in brick-and-mortar stores, the past year has seen an increase in online shopping. A study published by McKinsey states that online penetration is expected to stabilize at around 25% in 2021, which is six times higher than prior to the pandemic (15). Consequently, brands and retailers have already started their digital transformation in order to adapt their business models to the new consumers trends, dominated by e-commerce and marketplaces.

## 5. ESPORTS



Degree of Evolution in Esports by 2025



The 2020 Sport Survey published by PwC ranked the top 10 sports by potential to grow revenues, where esports emerged as the fastest-growing category, both in the "Simulated Sports" (FIFA 2020) and "Action/Fantasy/Shooter" (League of Legends, Fortnite) category (15).

The Global Esports & Live Streaming Market Report created by Newzoo states that global esports revenues will increase to US \$1,084M in 2021, which is a 14.5% increase from 2020. Moreover, the global esports audience will reach 474M in 2021, an 8.7% growth from the prior year. It is estimated that it will grow to 234M by 2024, at a CAGR of 8.7%

Value creation of eSports can be done through engagement of new fans, attracting new partners and creating new revenue streams. However, key success factors for companies include creating an engaging narrative for fans and partners, as well as developing and implementing an effective monetization strategy. It is no surprise that GSIC survey respondents believe that monetization of eSports will be the item with the highest degree of evolution by 2025 (2.21 out of 3), followed by diversification of revenue streams (2.18) and image and media rights value (2.14).

Companies are beginning to treat eSports as a new discipline within each sports ecosystem, as a way to achieve consistent results over time and consequently be able to monetize esports. PwC 2020 Sport Survey Analysis suggests the creation of completely new game formats, such as T20 Cricket and FIBA 3x3, rather than building esports alongside traditional sports (16) as this will increase landscape complexity and difficulty to differentiate between the different modalities. PwC suggests right owners should distinguish between three categories: simulated sports, hybrid sports, and physical sports (17). Through the development of these disciplines, organizations could aim towards the creation of a multi-layered ecosystem, where each physical sport will have its equivalent in the hybrid and physical sport. This will allow for extremely diversified revenue streams, and intensified image and media right contracts.

Despite this is a complex multi-layered ecosystem that will take time to develop and mature, rights owners will greatly benefit from sports' growing virtualization. Hence, as concluded by GSIC survey respondents, image and media rights value will be one of the items that develops the most. Co-creation between right owners and existing stakeholders will be essential in the future, in order to agree on the optimal competition format and create a strong esports platform. There will be a great diversification of revenue streams within disciplines, and a strong regulation of image and media rights will need to be established in order to set boundaries

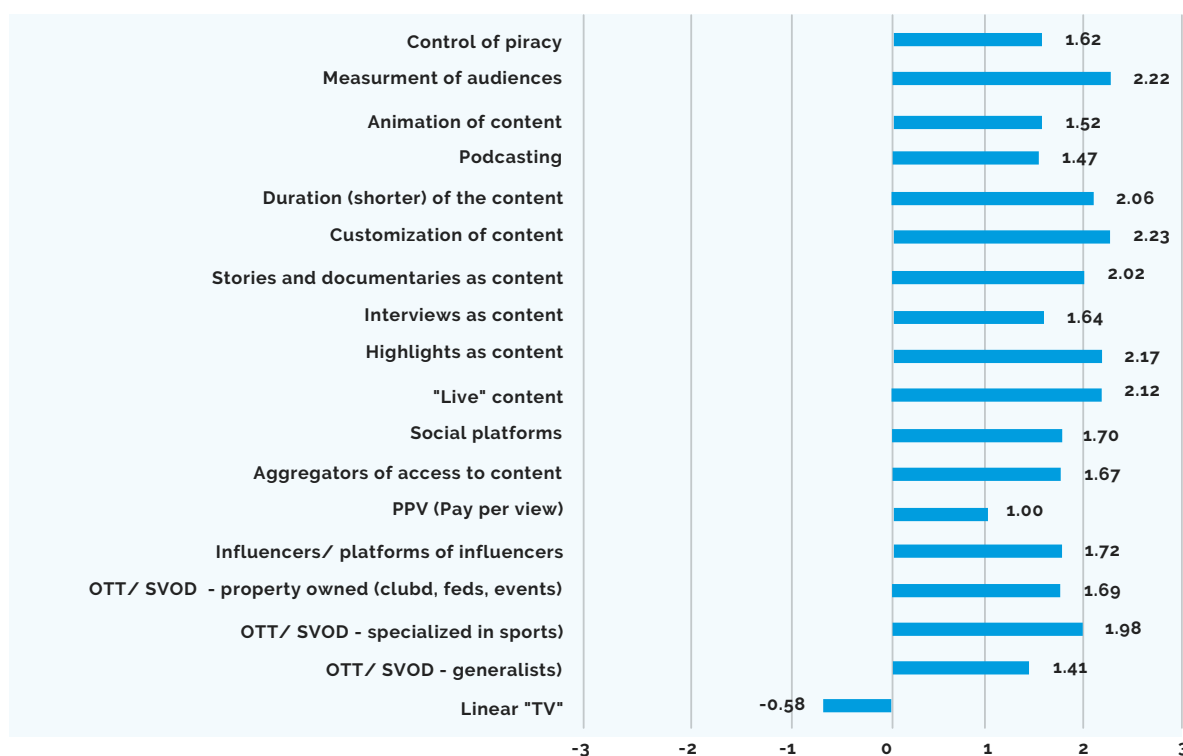
According to Newzoo, in 2021, more than 75% of the total market, equaling US \$ 8333.6M in revenues, will be generated from media rights and sponsorship. This will grow to US \$1,185M in 2024. Sponsorship revenues are the basis on which the esports market was built, and the revenue stream that generates the most profit. While merchandise and tickets were a previously important revenue for esports, this has been affected the annulment and postponement of events and has shifted towards media rights as digital revenue streams have risen. Image and media rights will continue evolving symbiotically to live-streaming and diversification of revenue streams.



## 6. MEDIA



### Degree of Evolution in Media by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

The above table can be divided into four main areas: platforms used by consumers, content consumed measurement of audiences, and control of piracy.

### PLATFORMS USED BY CONSUMERS

According to Statista, the number of active OTT platforms in Europe from 2015 to 2019 has more than doubled regarding Streaming Subscription Video on Demand (SVoD) and over-the-top (OTT) pay TV providers (18). These past years have been marked by a rapid shift away from linear television and more towards OTT, and the pandemic has accelerated this conversion. Two of the biggest beneficiaries have been VOD, specifically SVOD, and the rise of all types of video games across various devices (mobile, console and PC). In May 2020, during a restrictive lockdown, Deloitte launched the 2020 Digital consumer Trends Survey in the United Kingdom, showing a strong migration to VOD. In the table below we can see SVOD access by age groups between 2018 and 2020 (19).

	18-24	25-34	35-44	45-54	55-64
2020	83%	80%	74%	65%	51%
2019	76%	71%	60%	53%	39%
2018	69%	65%	52%	46%	31%

Millennials and Gen Z, often described as impatient and tech-savvy generations, have greatly shifted towards VOD and away from linear TV. This trend is also visible in older generations, despite not being at such a high rate. From the GSIC Survey, we can conclude that within these OTT platforms, the ones that will see the most evolution are those specialized in sports (score of 1.98 out of 3). This is directly linked to the global scope sport has gained in the past years, and the interest of consumers to be able to follow events worldwide in a live manner.

The rise of OTT/SVOD platforms has consequently decreased the consumption of Linear TV. This trend has been occurring for the past few years, and survey respondents believe it will continue to decline by 2025 (-0.58 out of 3). However, it is important to highlight the differences of opinion depending on geographical areas of the respondents (note: final results are computed given majority of respondents are from Europe, and hence those responses have a larger weight). Survey respondents from Europe strongly believe that linear TV will decrease, while the rest of continents do not have such a strong opinion. In fact, the sum of respondents concludes that linear tv will evolve slightly (0.062 out of 3).

### CONTENT CONSUMED

Customized content is a key attribute for the younger generations. Netflix's success is not only because of the fact they stream content, but due to their recommendation engine and original content. Netflix's algorithm is designed to suggest content users will enjoy. The collection of viewing data is transformed into giving users what seems like customized content exclusively for them, and that is what attaches users. However, it is essential for these algorithms to function well in order to maintain consumer expectations and satisfaction. In order for OTTs and SVODs to differentiate themselves from competitors they will need to invest in creating customized content for their users and doing it in a more accurate manner than others. Consequently, and as survey respondents stated, customization of content will continue to increase by 2025 (2.23 out of 3). By providing a more customized user experiences, streaming platforms will strengthen the relationship they have with audiences.



Documentaries and stories as content will also see continuous evolution, and this is already visible as platforms such as Amazon Video, Netflix, HBO or Movistar+ are constantly launching new content of this type. One clear example is the documentary *Last Dance* launched by Netflix during lockdown. The show co-produced by the star Michael Jordan streams the story of the Chicago Bulls 1997/1998 NBA Championship. Only taking into account the lockdown period, the show was streamed by 24M families worldwide despite not being NBA fans (20). It was first available on ESPN in the US, and then broadcasted worldwide. It reached an engagement audience of 5.6M US viewers per episode (total of 10 episodes) on ESPN channels. Netflix was then necessary to stream worldwide.

Highlight as content will have major weight in the near future, and this trend is already visible today. This is mostly caused by younger consumers, which have grown up surrounded by a lot more options and have a much lower attention span. This attention span is not optimal when it comes to watching 90-minute football matches, more than two-hour tennis games, or a three-hour baseball play-off. Consequently, they are more prone to consume game highlights lasting from 5 to 20 minutes showing the most referent points.

### MEASUREMENT OF AUDIENCES

Due to the vast array of cable TV channels, OTT, SVODs, and Social Media platforms in which sport content is diverged, organizations are losing track of a correct number of viewers. The amount of scattered content online does not allow for companies to have an accurate measurement of audiences; hence the impact of the event cannot be correctly assessed. Measurement of audiences is an essential KPI for sport stakeholders, directly impacting on various aspects such as the future of the tournament, sponsorship attractiveness, consumer data, profits, among others.

### CONTROL OF PIRACY

The increase of both supply and demand for content has greatly increased piracy levels, and this is an issue that will have to be tackled by organizations if they want to continue launching content while obtaining the correspondent revenue. This is mostly caused by the numerous streaming service options available to consumers, and the total cost having all of them entails. Different platforms stream different content, and this leads to consumers having scattered interests. This issue became prevalent during lockdown, when users were consuming much greater amounts of content. The company Smart Media Protection confirms that pirate infringing URLs increased by 56% when comparing the beginning to the end of March (21). Numbers have somewhat stabilized a bit post lockdown, nonetheless this is still an ongoing issue for businesses as there is more and more content available to consumers. It will be crucial for organizations to adopt anti-piracy technologies and services in order to address this issue. Furthermore, providing an excellent user experience with the appropriate content and customization will be key to prevent piracy.



## 7. INVESTMENT

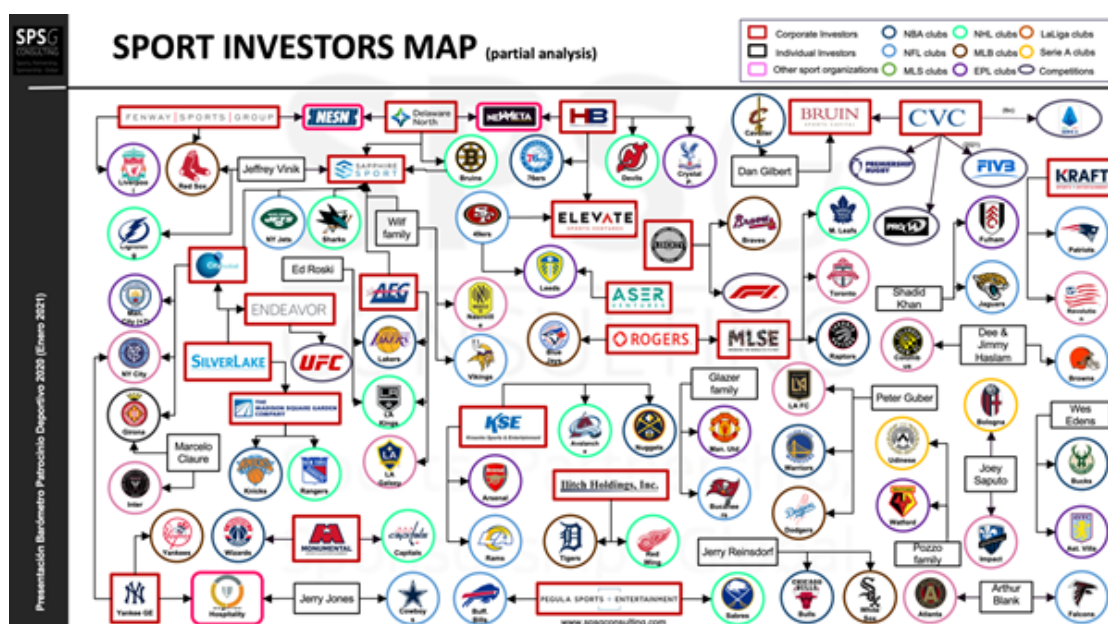
### 7.1 OWNERSHIP

#### Degree of Evolution in Investment (from Ownership Perspective) by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

As the sport industry continues to evolve and professionalize, so do club ownership models. Survey respondents believe that the typologies of ownership model that will evolve the most are competitions owned by investment funds (1.84) and competitions owned by conglomerates (1.63). Sport clubs have long been owned by members or worldwide billionaires, but as sport industry continues to professionalize, the value of teams and leagues also increases, and this is becoming a problem (and an opportunity, at the same time) for owners. Leagues and clubs are turning to even bigger players to be prospective buyers and increase team values. Demanded amounts often exceed the reach of single parties, leading to a growing trend towards wealthy investment funds or conglomerates being the main players capable to afford these quantities.



A sport investors map has been developed by SPSG Consulting, analyzing the main players behind selected clubs, leagues and events.

Some of the biggest individual investors are The Wilf Family, owner of Nashville SC and Minnesota Vikings. Wilf brother have owned the Vikings since 2005, when they purchased the team with four other partners for US \$ 600M. According to Forbes, the estimated value of the franchise was US \$2.95B in 2020 (22). The increase in professionalism has benefited many club possessors, and Jerry Jones, owner of the Cowboys, is another clear example. He bought the franchise in 1989 for US \$ 150M, and in 2019 the team delivered operating profits of US \$ 425M on revenue of US \$ 980 (23). Other investors include Jerry Reinsdorf, owner of Chicago Bulls and the Red Sox for over 35 years; Arthur Blank, owner of the Atlanta Falcons and Atlanta FC; Marcelo Claure, investor of Inter Miami CF and Girona FC.

Despite there are some exceptions, most investors have been owners of these sport clubs for many years, when sport was not so professionalized and prices were not as sky rocketed. However, sport club valuations over the past decades have changed these trends towards investment funds and corporate conglomerates. As synergies are created between sports, entertainment and digital sectors, investors have seen a huge opportunity to profit from these trends. This is occurring worldwide, but European Football has been particularly affected by this, as American private equity investors dive in. Fenway Sports Group, owner of RedSox and English Premiere League Liverpool FC, is reportedly about to sell 10% of the club to the US investor RedBird Capital Partners for around US \$ 745M, as they intend to build a global network of football investments. RedBird already owns a stake in French club Toulouse. In Italy, AC Milan is owned by Elliot Management Corporation. Another classical example is City Football Group, owned by investors from Abu Dhabi, China and the USA. The company, a truly global entity focused on football, owns, so far, ten clubs in different countries: UK, Spain, France, Belgium, USA, Uruguay, China, India, Australia and Japan.



Sports, and in this particular example football, is a very appealing market for private equity groups, as it counts with engagement worldwide. This interest is further created by the streaming opportunities it entails, which are increasing even more with digitalization. Consumption habits have changed over the years and will continue to do so in the near future, causing a consequent change in existing broadcasting formats and the increased consumption of sport. Sport events have been benefiting from lucrative broadcasting contracts, and the rise of OTTs such as Netflix, DAZN, and Amazon prime will yield even greater financial returns. These changes are very interesting for Investment Funds as the sport industry worth is forecasted to continue increasing over time.

## 7. INVESTMENT



### 7.2 INVESTMENT IN STARTUPS

#### Degree of Evolution in Investment in Start-ups perspective by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

Tech companies have gained more and more importance in investors' portfolios, as innovation and disruption have been key in creating economic value. Moreover, investing in the early and growth stages of startups can yield huge returns. In recent years, more and more athletes have been investing and promoting start-up companies. In recent years, more and more athletes have been investing and promoting start-up companies. 2019 can be recalled as a stellar year for athletes that had invested in tech startups as they obtained huge earnings from the tech IPOs. The NBA player Carmelo Anthony invested in Lyft; Stephen Curry in Pinterest; Lance Armstrong in Uber; and Andre Iguodala in Zoom. In fact, Armstrong made a US \$100,000 investment in Uber in 2009, and provided a return of around US \$20-30M in 2019. These successes have made it even more attractive for more athletes to invest in start-ups, creating a win-win situation for both parties. Given it can be difficult for tech startups to get funding at the pre-seed and seed stages of the company, athletes have the economic potential to be relevant early-stage business angels, while getting large premiums on their shares.

Athlete investment in startups has been followed by the interest of many sport stakeholders becoming investors too, with a special focus on the tech industry. Linked to data analytics and digital transformations, startups are coming up with more innovative tech sports and solutions that are very interesting for sport stakeholders, including items previously discussed such as sport wearables or health analytics apps. The natural synergies between these solutions and clubs' interest to maximize performance have made startups very attractive for clubs looking for investment opportunities. As the sport industry is revolutionized by digitalization and technology, a new way of operating is arising and opening the doors to smart venues, cashless stadiums, phygital experiences, gamification, rise of eSports, and body sensors, among many others. Technology is the basis of everything, and consequently sport stakeholders are starting to bet on these revolutionary providers. Despite all items presented on the survey will evolution, respondents believe sport corporations and athletes investing in start-ups will continue to soar.

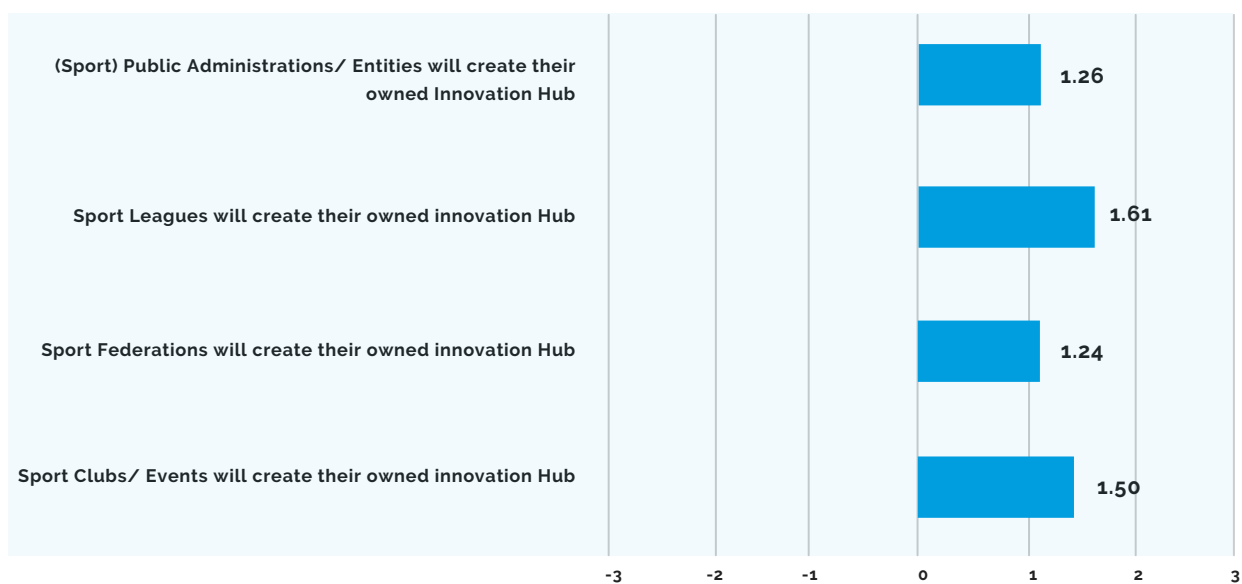
GSIC is currently supporting more than 100 startups in accelerating, with more than 450 members involved around 45 different countries. Moreover, since September 2020, GSIC (with the assistance of SPSG Consulting) and the Government of Andorra (through Andorra Business and Andorra Research & Innovation) is creating and developing an Innovation Hub focused on Winter, Mountain Sports and Cycling. In November 2020, they worked together and hosted a competition to recognize the most disruptive solutions and technologies worldwide with the goal of improving the user's experience and loyalty to off-season sports and tourism in Andorra. The event joined professionals from different areas of technology, sport, business, innovation, investment and entrepreneurship in order to find the winner of the competition. GSIC (with the assistance of SPSG Consulting) and Actua are acting as business angels and mentors to these tech startups as the winner of this event received various benefits and resources in order for it to continue developing its idea and be able to employ it in the market.

## 7. INVESTMENT



### 7.3 CREATION OF HUBS

**Degree of Evolution in Investment**  
**(from a creation of Innovation Hubs perspective) by 2025**



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

On top of investing in startups, sport stakeholders are moving one step forward by creating their owned Innovation Hubs. Dictated by globalization and the fast pace technology is progressing at, the capability of companies to reinvent themselves and generate innovative solutions is becoming an important pillar for success in the current and future competitive landscape. Consequently, corporations are investing in open innovation, in order to combine their own capabilities with those offered by external tech partners. This has led to the growing popularity of innovation hubs, which have the goal of generating business between startups and large corporations, mainly.

The sport industry is no different, and many of its players have been investing a lot of money in being up to date in the tech world. Because of this, many organizations have already begun creating their own innovation hubs.

GSIC survey results demonstrate the increase of evolution in investment, from a creation of innovation hubs perspective, by 2025 given the fact respondents mentioned positively for all four assumptions. However, the two most mentioned aspects were that Sport Leagues will create their own Innovation Hub (1.61) followed by Sport clubs and events creating their own Innovation Hub (1.5 out of 3). These results are aligned with what has been occurring in recent years.

Since its creation in 2015, GSIC has been an inspiration for the development of major innovation hubs in the sports industry. For example, LaLiga and GSIC have been working together since 2019 in the creation and development of The Original Inspiration Center, an innovation initiative to help LaLiga detect the best solutions and technologies in the ecosystem and integrate them in their organization to become a digital business. Another reference is the Barça Innovation Hub, founded in 2017 with the goal of creating an ecosystem worldwide that boosts athletic excellence through the use of knowledge and innovation. Through partnerships and co-creation, Barça Innovation Hub is a promoter of the technological world in order to find solutions for sport stakeholders and society as a whole. Rather than partnering with external innovation hubs, they have created their own, and many European clubs have followed and will continue to do so. Recently, Valencia FC has launched their own Innovation Hub, through which they will support and promote young-talent startups in Valencia. They have joined forces with Startup Valencia with the goal of using technology and all its means to deliver better fan experiences, foresee future necessities and adapt to the changing ecosystem, all while promoting Valencia's young talent.

Sport leagues will also evolution to work as a whole in order to integrate the complexity of technological innovations and provide optimal solutions. In 2018, UEFA Innovation Hub was inaugurated with the goal of shaping the future of sport. Using innovation and technology is key to stay ahead of the game, and Innovation Hubs provide the constant work and evolution to make this possible. Aligned with sport stakeholder's strategies, Innovation Hubs will allow for co-creation and a digitalized future for the sports industry.



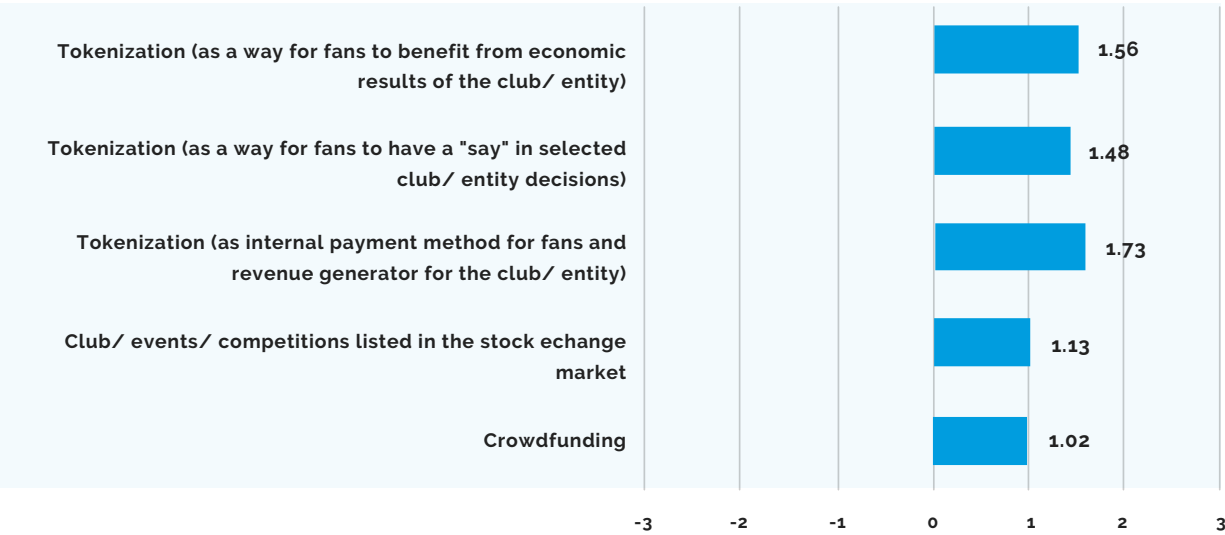
GSIC is currently working with Sport Singapore, the national agency of sport promotion in the Republic of Singapore, to open a new GSIC office that would cover the whole APAC territory. With forecasts that foresee the upcoming strength of the sport industry presence in Asia, both groups have decided to work together in order to strengthen opportunities and create a strong sport-tech ecosystem in the region, with 30 members already. GSIC has also partnered with ASTN (Australian Sports Technologies Network) and VARCIS to offer a series of government-funded pre-accelerator programs for entrepreneurs in Australia and Hong Kong that will boost the creation of sport-tech startups in APAC. The importance of sport in Asia continues to increment, supported by the hosting of three Olympic Games, 2018 Winter Olympics in Pyeongchang, 2021 Summer Olympics in Tokyo, and 2022 Winter Olympics in Beijing. These partnerships look to work together in order to maximize the sport industry's capacity, capability, and potential for innovation and be able to position the Asian-Pacific market as a benchmark for sport innovation worldwide.

## 7. INVESTMENT



### 7.4 FINANCING

#### Degree of Evolution in Investment (from a Financing Resources perspective) by 2025



Answers range from a scale of 3 (maximum negative evolution/ decrease) to 3 (maximum positive evolution/ increase)

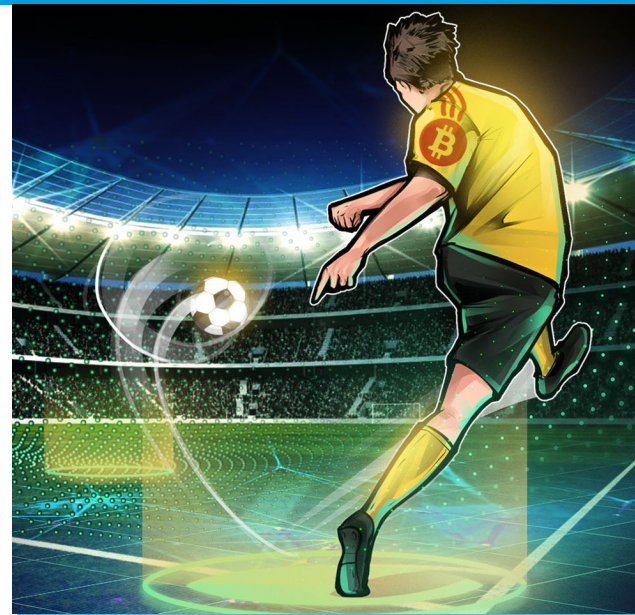
More and more sport stakeholders are exploring the idea of implementing tokenization into their disciplines, and the purpose of these tokens can vary. We can see from the GSIC survey that respondents believe the degree of evolution in investment will be spent mainly on Tokenization as internal payment method for fans and revenue generator for the club/entity (1.73 out of 3) followed by tokenization as a way for fans to benefit from economic results of the club/entity (1.56) and as a way to have a "say" in the selected club/entity decisions (1.48).



Tokenization is a great way to create a new revenue stream while enhancing fan experience, activating fan interest and remaining relevant in a fast-changing environment. Using tokenization aligns with the use of gamification but goes one step further. While through gamification users obtain points for certain actions, such as quiz point during a live game, they rarely have a real and physical monetary value. However, through tokenization, fans are able to turn rewards into tokens of real value that they can then turn into cash, purchase discounts, or merchandise, among others. It is also important to note that through tokenization clubs and entities can recollect user data to use in future fan engagement strategies.

Chiliz is a blockchain fintech company that creates fan tokens and has partnerships with some of the top clubs worldwide. One of its latest incorporations was AC Milan in January 2021, but it is also working with other clubs such as Juventus, AS Roma and FC Barcelona. It launches the club tokens via the rewards platform Socios.com, who's main focus is fan engagement. By buying these tokens, fans have benefited from participating in club decision making processes as well as privileges such as VIP rewards. For example, Juventus FC supporters chose the celebration song and the team's first official car in the 2020/2021 season; AS Roma fans asked the coach questions during a live briefing; and Paris Saint-Germain fans were able to participate in the voting for the club's annual awards.

Tokens are also a great mean to generate extra revenue for clubs, as they can be traded on top exchanges such as Binance, the world's biggest cryptocurrency exchange. AC Milan's \$ACM Fan Token debut on the platform yielded more than US \$6M in digital revenue in just a few hours. The Fan Token Market cap stood at US \$194M in January 2021, and Alexander Dreyfus, CEO & Founder of Chiliz and Socios.com forecasts that this will evolve into a US \$ 1B ecosystem (26). Blockchain and cryptocurrencies are another major trend that is here to stay with the rise of technology and digital platforms, and its involvement in the sports industry will continue to grow.



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## ABOUT GSIC POWERED BY MICROSOFT



**Global Sports Innovation Center** was born in 2015 with the support of the Microsoft Sports division in order to create an international meeting point for innovation applied to the sports industry. Since then, GSIC is successfully operating based on a model that allows sustainable growth and the construction of a global ecosystem of companies and institutions linked to sports and technology. GSIC is betting on a vision of teamwork, building from the effort, providing support to entrepreneurship, applied research and education, as well as generating a meeting, networking and business space for our members' network that now reaches over 340 different entities. All our members in almost 40 countries get involved in different onsite and remote activities that are helping them with their internationalization processes.

The purpose of the GSIC is to support sports companies and organizations in order to foster projects and activities that strengthen sports industry and also enable people to achieve a better quality of life, both through the experience of sport itself (professional and amateur) and as viewers. The Center represents a space where the experience ecosystem is developed, enabling innovation and the establishment of technologies in sports services, devices and venues.

### GSIC CORE AREAS



Business network



Showroom



Applied research,  
innovation and training



Microsoft Partners  
Solutions



Startups and companies



Digital transformation  
advisory services

Based on the pillars mentioned above, GSIC develops series of activities for its network in order to contribute to the entire sector. Those activities are aimed to understand the starting point and the needs of sports entities, prescribe solutions created by GSIC members, reduce the gap between technological companies and sports entities, create new business opportunities and educate active and future professionals in digital transformation processes.

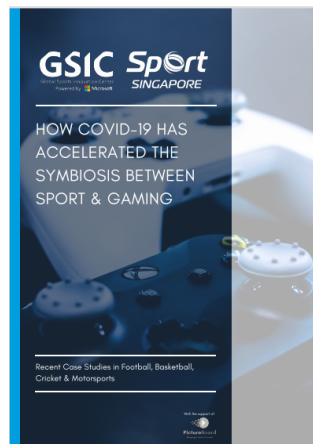
### GSIC'S MAIN GOAL IS...

...to reduce the gap between large organizations and startups, creating services and activities that make it easier for small companies to become suppliers to the largest ones.

## DISCOVER OUR DIFFERENT PUBLICATIONS



**'PHYGITAL' INNOVATIONS  
IN LIVE SPORTS COVERAGE  
DURING COVID-19**



**HOW COVID-19 HAS  
ACCELERATED THE  
SYMBIOSIS BETWEEN  
SPORT & GAMING**



**DATA AND SPORTS: A  
MARRIAGE MADE IN  
HEAVEN, AND THE CLOUD**



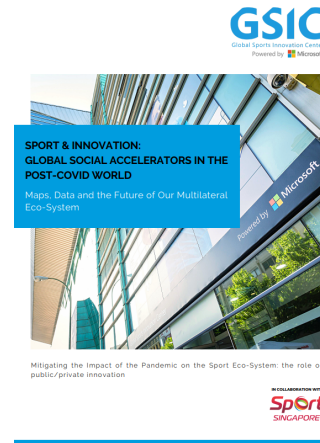
**NEXT GENERATION FAN  
ENGAGEMENT**



**THE THEATRE OF DREAMS:  
SPORT, TECHNOLOGY &  
SMART VENUES**



**TALENT IN THE SPORTS  
INDUSTRY FROM A DIGITAL  
TRANSFORMATION PERSPECTIVE**



**SPORT & INNOVATION: GLOBAL  
SOCIAL ACCELERATORS IN THE  
POST-COVID WORLD**

## FOLLOW OUR SOCIAL NETWORKS



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WITH THE TECHNICAL  
ASSISTANCE OF

**SPSG**  
CONSULTING