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Sports: the most disrupted of all industries?

PwC's Sports Survey 2017

September 2017



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View from the top

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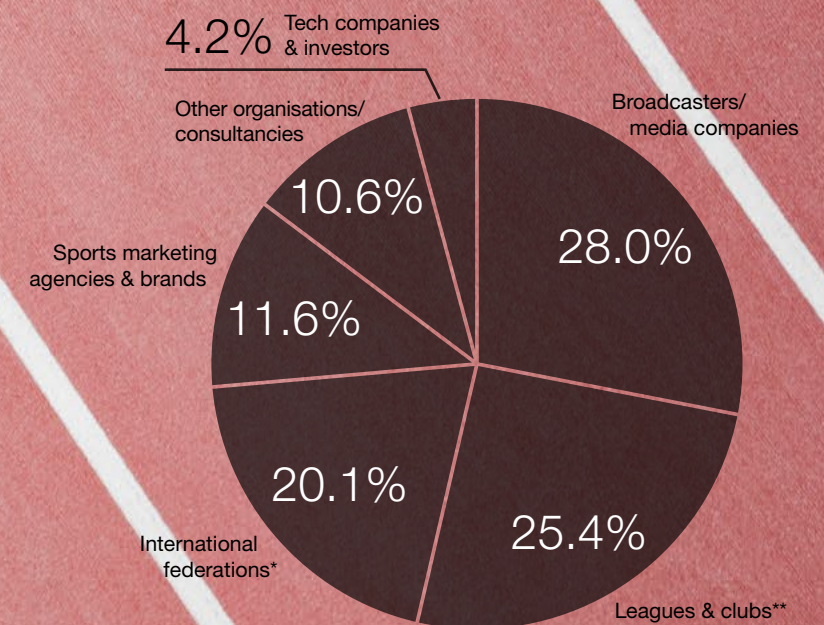
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This survey was conducted between the months of May and June 2017 through an online questionnaire that was sent to a wide variety of sports industry stakeholders. In particular, we received the support of the European Broadcast Union (EBU), the European Professional Football Leagues (EPFL) and the European Club Association (ECA), each of which reached out to their respective members on our behalf. In total, we received 189 complete responses to our questionnaire. iSportconnect also provided support by sending the questionnaire to a selection of their contacts. At the time of their responses, each of the respondents occupied a senior/C-level position within their respective organisations. The analysis within this report is based on the collective opinion of the respondents.



*60% of which are Olympic sports **Predominantly football clubs and leagues



Dear Madam or Sir,

We are pleased to present you with the 2017 edition of our annual sports survey. This year, we have expanded our respondent base beyond international sports federations, reaching out to a wider variety of industry stakeholders. This has resulted in us capturing a broader and more diverse set of viewpoints, deriving insights that we hope you will find as interesting as we do.

What are sports industry leaders telling us? **The message is loud and clear: the industry is undergoing more disruption than ever.** Linear TV is experiencing decreasing ratings and revenues. Global tech giants are slowly but surely entering the rights market. The globalisation of media is perpetuating the dominance of a handful of elite sports. Brands now have more channels through which to engage consumers, diminishing their dependence on sponsorship. The increasing costs of staging major sporting events are diminishing the interest among host cities. And these are just a few of the challenges and disruptive forces that are prevalent today.

As a result, **predicting what will happen in the next few months has never been more complicated, making it more fascinating than ever to do so.**

Beyond a bird's-eye view of the impact that these trends are having on perceived industry growth, this report features three areas of particular focus:

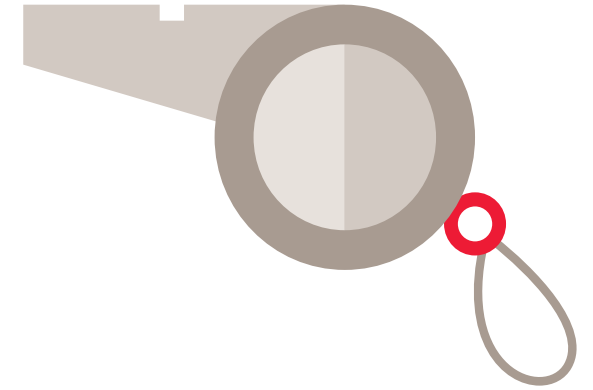
Firstly, we took a close look at the future of the sports rights media market, assessing which of the latest developments in technology, media consumption and distribution will have the greatest impact on the way in which media rights are exploited.

With regard to wearable and sensor technology, we surveyed our respondents on the evolution of the regulation, management and commercialisation of the athlete data that they can emit.

Lastly, we analysed virtual and augmented reality, exploring whether they will indeed develop into the entertainment solution they have been touted to become, and if so, what impact this will have on traditional sports broadcasting and sponsorship.

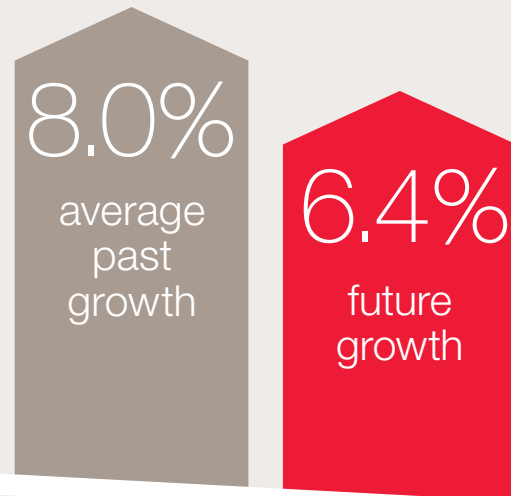
Happy reading!

David Dellea
Director, Sports Business Advisory
PwC Switzerland

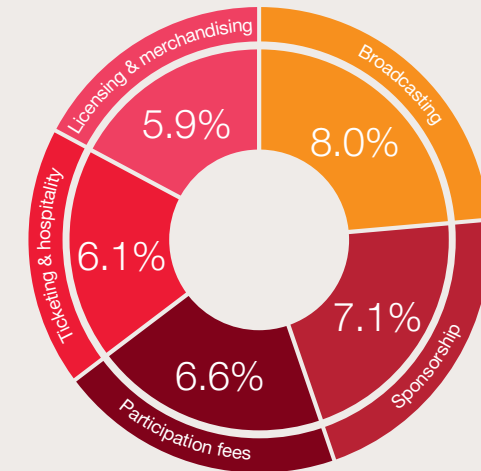


Is sport reaching its tipping point?

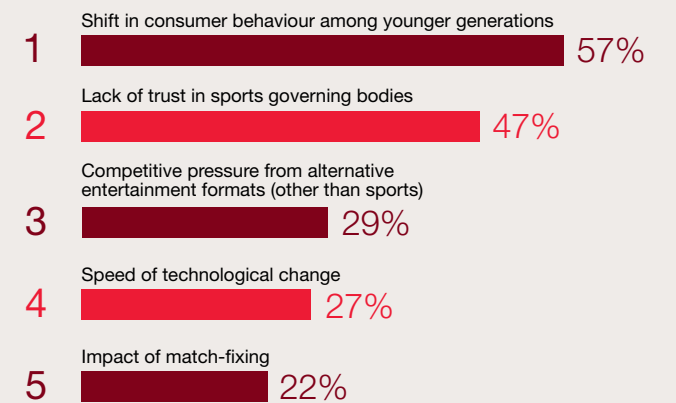
Future vs. past growth



Growth rate by market segment



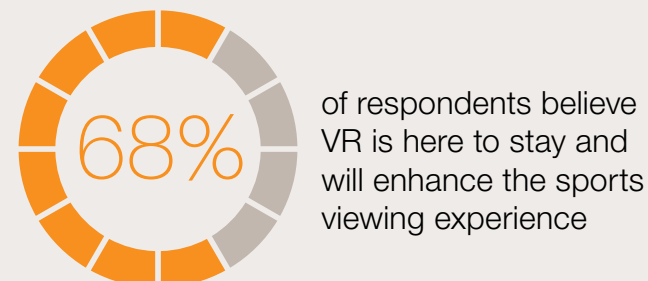
Top five industry threats



Key growth areas



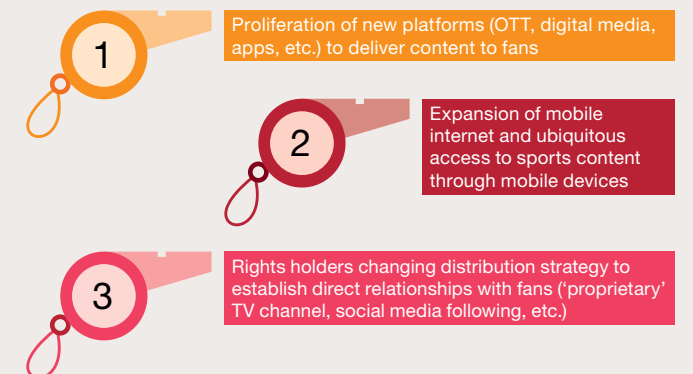
Virtual and augmented reality



Wearables – ready for market?



Top three sports rights media market disruptors



Hot growth rates cooling off?

The sports industry boasts a dynamism and appeal that many other, even larger industries, look at with envy. When asked to compare their perception of the industry's growth rates over the past 3–5 years with that which they expect over the next 3–5 years, however, respondents across the board expected growth rates to slow down by an average that exceeds 20%.

Of particular note is the relative pessimism among broadcasters, who believe the industry's growth rate will slow down by over 32% in the coming 3–5 years. This perhaps reflects the ongoing rise of OTT solutions across a variety of private platforms, in particular social media, and media consumption trending towards mobile, bite-sized and on-demand content.

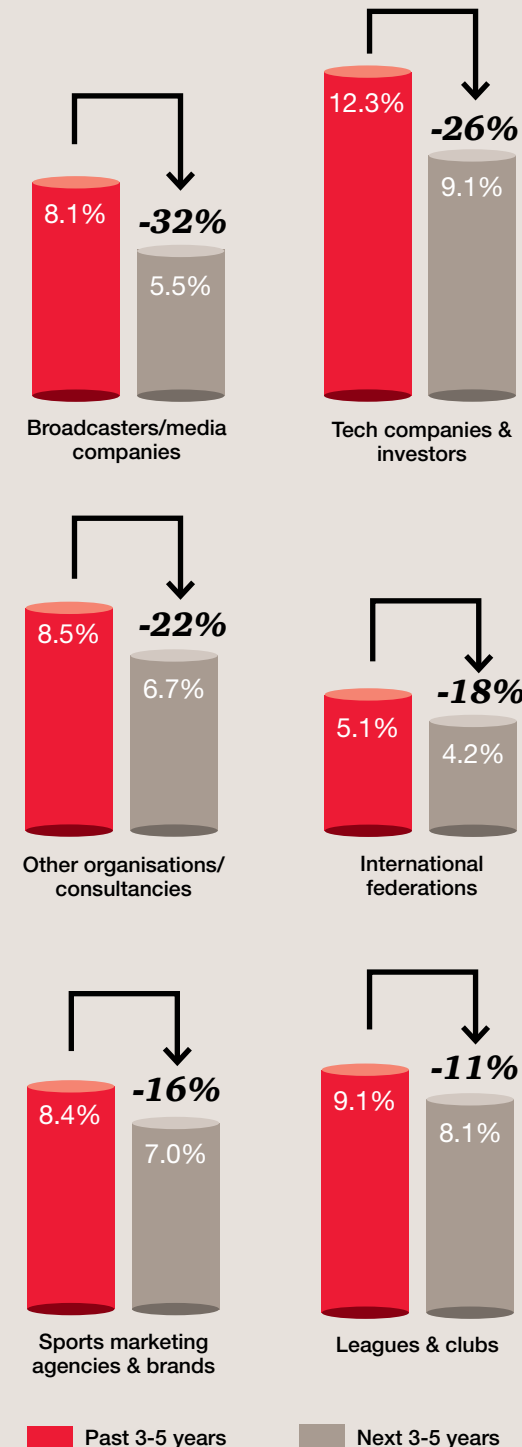
Despite this perceived relative decline in the industry's growth rate, it should be noted that respondents still predict that the industry will grow by a healthy 6.4% on average over the next 3–5 years. The most optimistic stakeholder group is that of sports tech companies and investors, who foresee industry growth of 9.1%, followed by leagues and clubs at 8.1%. On the other side of the spectrum, international federations believe the industry will grow by a mere 4.2%. These growth rates, needless to say, need to be taken with a pinch of salt, as they reflect the respondents' subjective viewpoints. Historically, the sports industry has grown between 3–5% year on year. Nevertheless, the message is loud and

The message is loud and clear: sports leaders no longer have sky-high confidence in the industry's continued growth

clear: sports leaders no longer have sky-high confidence in the industry's continued growth.

Live TV consumption seems increasingly at odds with the lifestyles of millennials and post-millennials, experts have repeatedly warned that the rights valuation of various properties have reached a tipping point, and broadcasters have seen certain ratings decline despite bold predictions. Compounding these trends is the consolidation of online ad revenues among the tech heavyweights of Facebook, Google and Amazon, as well as the increased ease with which brands are able to engage consumers without needing to invest big bucks in headline sponsorship deals.

Expected average annual growth rate across the sports industry, by stakeholder (past vs next 3–5 years)



Growth rates



Consolidation of revenues among the top tier

Unsurprisingly, broadcasting and sponsorship came top of the pile in terms of revenue streams that respondents expect to grow the most over the next 3–5 years, with predicted growth rates of 8 and 7.1% on average respectively.

In both instances, leagues and clubs were the most bullish, foreseeing 9.9 and 8.9% annual growth respectively. This comes as no surprise, considering that the vast majority of respondents are in football. Propelled by the globalisation of the media industry, top-flight football clubs, leagues and their stars are unrivalled winners in the race for new market shares in Asia, a big growth market.

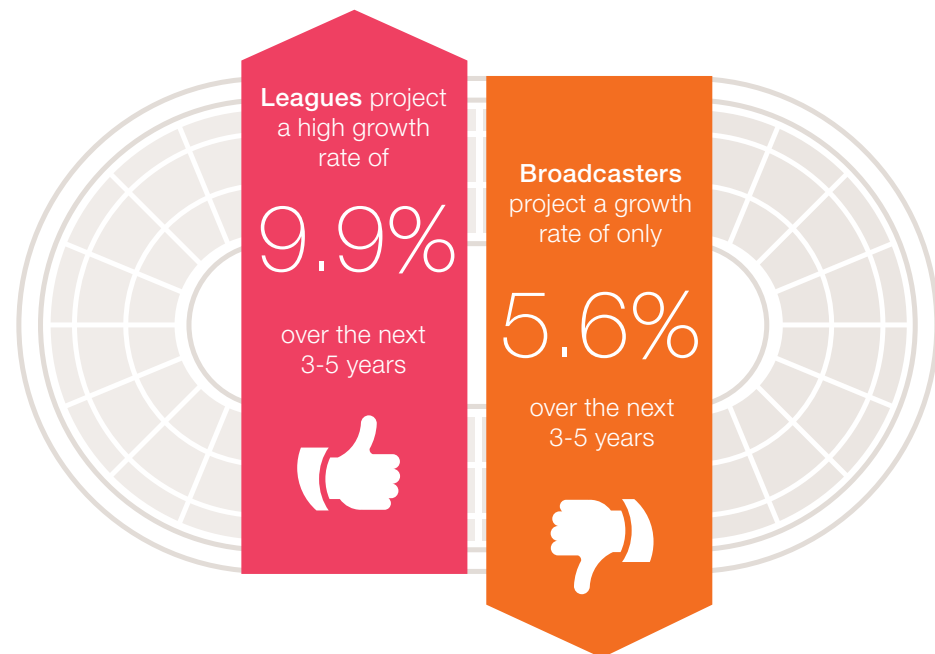
International federations came out as the least optimistic on sponsorship growth (5.9%), which reflects the challenges a number of them are facing in terms of securing new commercial partners and host cities for their events. Ironically, the broadcasters surveyed were the least optimistic

on projected growth of their own market segment at 5.6%.

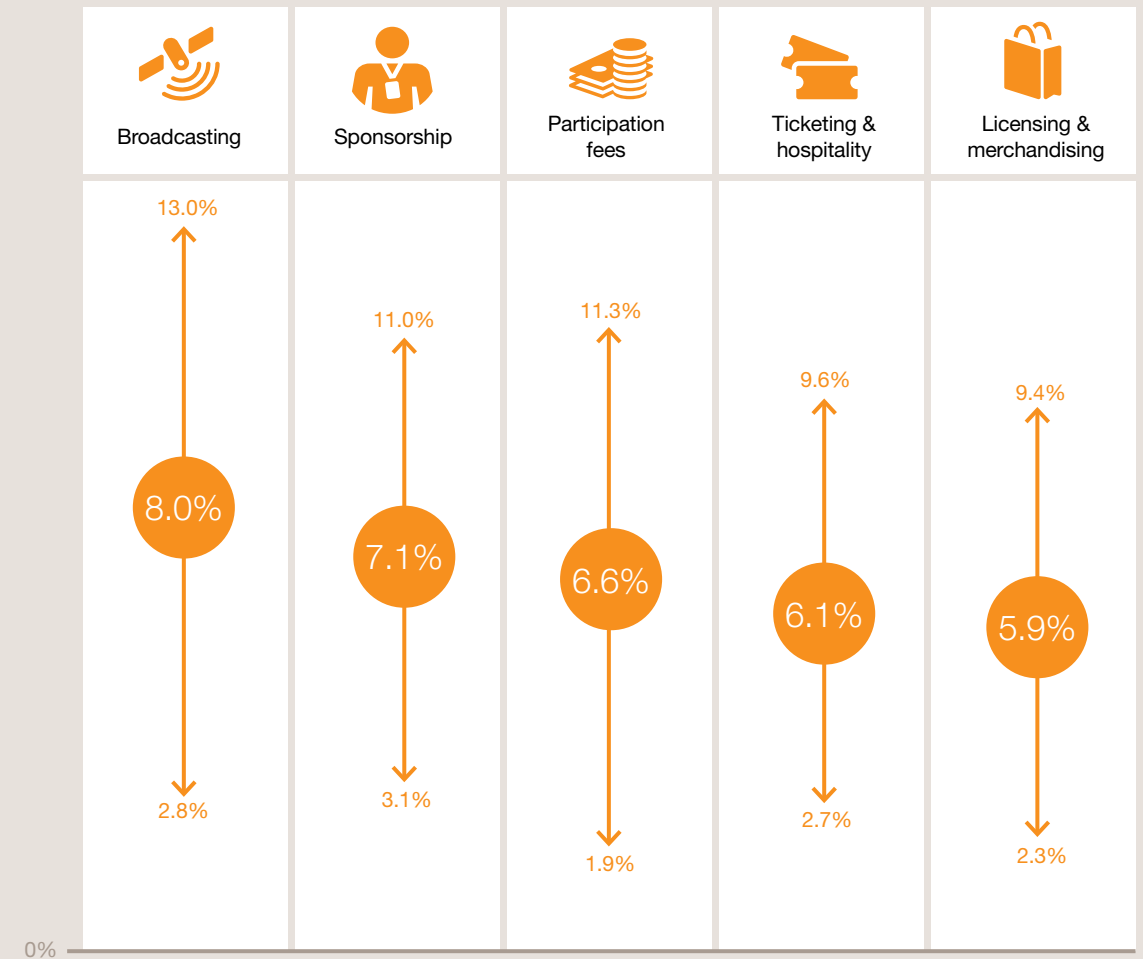
When digging deeper to discover the main growth drivers behind the continued dominance of broadcasting and sponsorship as revenue streams, respondents primarily pointed to the global appeal of premium sports properties. This suggests that there is a commercial consolidation around the leading teams, leagues and events, a phenomenon which may well be squeezing the industry's 'middle class', which is generally struggling to generate revenues of a competitive nature.

Respondents identified the proliferation of OTT/digital streaming solutions, and the new engagement opportunities that these bring, as the second growth driver for broadcasting and sponsorship collectively. Further comment on the extent of disruption caused by this driver to the sports rights media market is covered in Section 2 of this report.

There is a commercial consolidation around the leading teams, leagues and events, a phenomenon which may well be squeezing the industry's 'middle class'



Expected average annual growth rate by segments over the next 3-5 years (arrows indicate range of respondents' answers within statistical confidence)



Football still on top as eSports poised to make breakthrough



Font size determined by the number of times the word was mentioned by respondents when asked about the sports and properties they expected to grow the most over the next 3–5 years



Most respondents expect football to continue to dominate the global sports market unabated

Most respondents expect football to continue to dominate the global sports market unabated. The UEFA Champions League is the main competition driving the sport's continued growth, followed by the FIFA World Cup, the UEFA European Championships and the English Premier League. Women's football and Chinese football were also notable mentions in the anticipated growth areas over the next five years.

eSports, which is currently experiencing a meteoric rise in worldwide popularity, ranked second highest in forecasted growth potential. In the last few years, we have experienced a number of professional competitive e-games entering the sports mainstream, with Formula 1 launching its first official eSports series, top tier football leagues such as Ligue 1 launching full FIFA 17 league competitions, or clubs such as FC Schalke 04 hiring eSports players to compete in League of Legends.

The Olympic Games are showing signs of losing ground in the global sports domain, as evidenced by declining NBC TV ratings among the younger population (31% drop among viewers aged 18 to 34 from London 2012 to Rio 2016) and an ageing fan base (median age of U.S. viewers at 48 for London 2012 and 55 for Sochi 2014).

Basketball will continue its strong growth, fuelled by the continuous expansion of the NBA and increasing popularity of the sport in Asia. Similarly, rugby is also anticipated to grow further thanks to continuous efforts for expansion into new geographies and age groups. Cycling and other mass participation events have gained popularity in recent years and most survey respondents believe that trends for healthy lifestyles and regular exercise will strengthen participation and eventually fan engagement for endurance sports and events.

Breaking new ground in the virtual world



Just how big is the eSports segment? What is its growth potential, what can it become, and what is driving its rapid growth?

eSports is atypical in that it defies the commonly accepted notion that sports should involve a combination of physical prowess and technical skill. However, the increasing popularity among high-income younger audiences (half of them aged between 21 and 35) has changed the perception of eSports within the sports industry. The recent inclusion of eSports in the Asian Games (as a demonstration sport in 2018 and a medal sport in 2022), as well as a number of partnerships between major leagues and teams with eSports franchises, indicates that eSports is gaining recognition and is ready to claim a place alongside traditional sports.

Just how big is the eSports segment? What is its growth potential, what can it become, and what is driving its rapid growth?

According to leading provider of eSports market intelligence Newzoo, eSports revenues will grow to \$700m in 2017, which represents a 41.3% increase from 2016. The segment is forecasted to reach \$1.5 billion by 2020 (CAGR 2015–2020 of 35.6%). Today, eSports revenues are mainly derived from sponsorship and advertising (38 and 22% respectively), while media rights and live event ticketing is still lagging behind.

eSports viewership has grown drastically over the years thanks to the growth of online streaming and dedicated gaming channels such as Twitch.tv. The production quality has also improved to include live commentary, behind the scenes extras and other forms of audience engagement.

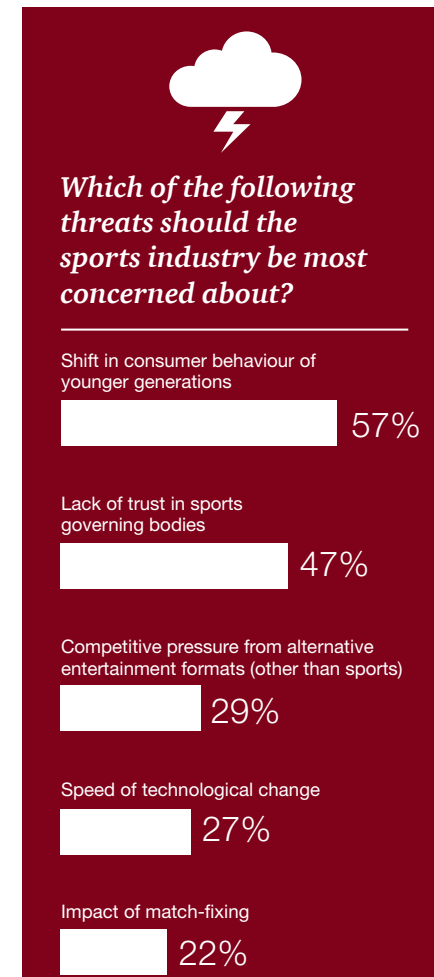
In the future, we expect to see eSports properties/rights holders and brands creating customised strategies that will help them develop and effectively operate eSports programmes and communities locally and regionally, particularly around physical events but also through dedicated leagues and initiatives.

Also, we expect most eSports rights holders' efforts to focus on increasing direct spending from fans. Today, most of the content is still largely available for free. Reward mechanisms and dynamic social and cross-platform integrations (e.g. Twitch Prime) are evolving with the potential to create stories that are more engaging for viewers and provide monetisation platforms.

'Live': dying a slow death?

Viewership demographics for top properties

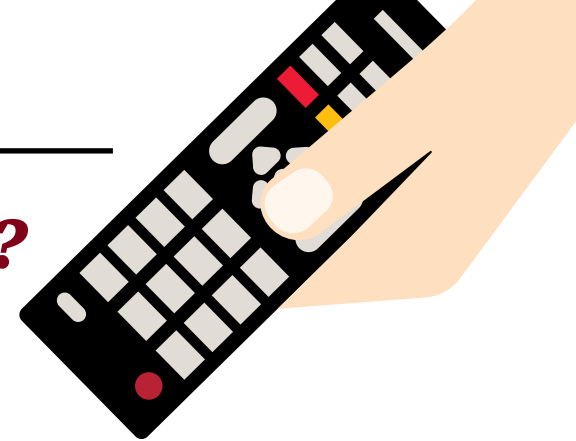
Property	Median age of TV viewers in 2016	Change since 2006
PGA Tour	64	+5
ATP Tour	61	+5
Major League Baseball	57	+4
Women's Tennis Association	55	-8
Olympic Games	53	+3
National Football League	50	+4
National Hockey League	49	+7
English Premier League	43	N/A
NBA	42	+2
International football	39	+4



When asked which threat the sports industry should be most concerned about, respondents viewed the shift in consumer behaviour of younger generations as the most menacing development. This comes as no surprise given how media is mostly being consumed nowadays, i.e. via mobile and on demand.

It is no longer disputed that live TV is in decline, as evidenced by dropping viewership figures among leading broadcasters such as ESPN in the US (the subscriber base has contracted from 100 million to 88 million in the last six years) and Sky in the UK (average viewing of live Premier League matches declined by 14% over the past season, resulting in the launch of revamped and considerably cheaper channel package offerings). The alarm bells have also been ringing for the IOC since NBC reported a 17% decline in ratings for primetime coverage of Rio 2016 compared to London 2012, with a steep decline of 25% among the all-important segment of adults aged 18–49.

Furthermore, TV viewers are ageing across the board, as highlighted by a recent study on sports TV viewership conducted by Magna Global for SportsBusiness Journal (see table above).



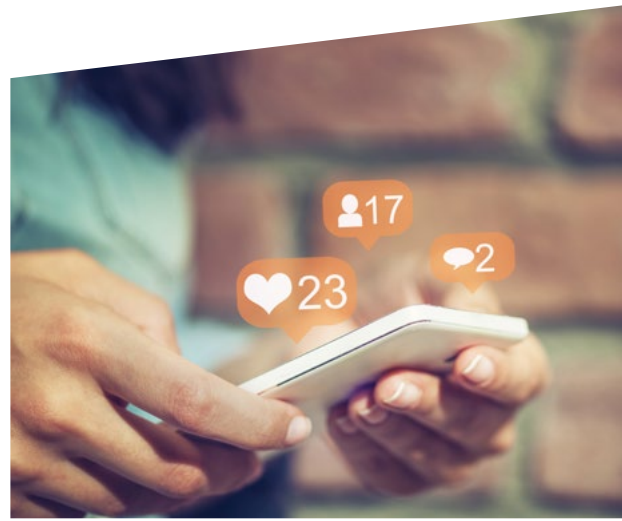
It is no longer disputed that live TV is in decline

This shift has resulted in an increasing number of sports experimenting with new formats that are more suitable for younger audiences. The recent launch by the Infront Sports & Media AG/Velox partnership of the Hammer Series is a great example of a competition that has prioritised fan entertainment and engagement appeal. Beyond the increased use of live data through wearable technologies, the Hammer Series' format results in short but frequent highlights, ideal for digital media consumption. The IOC has also been attentive to fan needs, integrating 3x3 basketball and BMX, for example, as Olympic sports in time for Tokyo 2020.

A close second was the lack of trust in sports governing bodies, which unsurprisingly remains the top concern among international federations, as was the case in the 2016 edition of this survey.

Respondents viewed the shift in consumer behaviour of younger generations as the most menacing development

Interestingly, despite the recent scandal raging on, poor anti-doping compliance didn't make it into the top five threats the industry should be concerned about, with only 14% of respondents choosing it as one of their up to three threat options. The fight against doping is still not perceived as top of the agenda relative to overall governance and commercial considerations, and remains as a complex and costly operation.



Disintermediation will have the greatest impact on the way in which sports media rights are exploited and consumed. A direct relationship with fans is increasingly important in terms of media value.



Timo Lumme, Managing Director, IOC Television and Marketing Services SA

Changing habits, increased competition

The rise of the smartphone as the device through which most of our daily activities are managed has resulted in us having a medium through which to consume content at all times, no matter our whereabouts. We now have (at least) one generation of consumers that has grown up with mobile devices with high-speed internet connections at hand, a phenomenon that has inevitably and irreversibly moved their consumption habits away from linear programming and towards on-demand content.

According to a Microsoft study published in 2015, our average attention span had fallen to eight seconds, down from 12 in the year 2000. To some extent, this development is a reflection of how an increasing number of us live our lives today: always on the fly, always online and always trying to do multiple things at once.

Furthermore, the global ubiquity of alternative on-demand content means that (live) sports is now competing with various other entertainment formats far more than it used to. OTT solutions such as Netflix or HBO Now are investing more than ever in the content they produce (or acquire the rights for), attracting subscribers with a multitude of engaging series, films, shows and documentaries to choose from. Indeed, respondents identified the proliferation of new platforms to deliver content to fans, such as OTT solutions, as the number one development disrupting the sports rights media market.

Sports is now competing with various other entertainment formats far more than it used to

Top three sports rights media market disruptors

- 1 Proliferation of new platforms (OTT, digital media, apps, etc.) to deliver content to fans
- 2 Expansion of mobile internet and ubiquitous access to sports content through mobile devices
- 3 Rights holders changing distribution strategy to establish direct relationships with fans ('proprietary' TV channel, social media following, etc.)

OTT: friend or foe?



The declining appeal of live is inherently compounded by the proliferation of digital channels and variety of formats through which sports content can now be consumed

Within this context, players with strong digital platforms are partnering with rights holders and traditional broadcasters. For example, ESPN Media Distribution recently teamed up with the European Broadcasting Union in order to strike a deal with the IAAF for the sale and distribution of a broad package of media rights, whereby both companies will be able to leverage ESPN's OTT streaming platform.

Such developments indicate that it is errant thinking to view OTT as necessarily competing with broadcast. Lewis Wiltshire of Seven League went as far as to state that "the biggest misnomer in the industry is that OTT is killing broadcast. OTT is in fact additive to broadcast – at this stage. Almost all of the deals we've seen involve digital platforms adding another syndication stream to rights already being shown on traditional TV. Those digital platforms are bringing additional revenue streams and reaching divergent audiences who would otherwise not consume those rights."

While this is true for the most part, Perform Group's DAZN is specifically targeted at so-called 'cord-cutters', that is, consumers who are turning their backs traditional pay-TV subscriptions in favour of digital streaming options. As DAZN CEO James Rushton describes this more aggressive approach, "to make an omelette, you've got to break a few eggs".

An added advantage of standalone OTT providers at present is, of course, that they

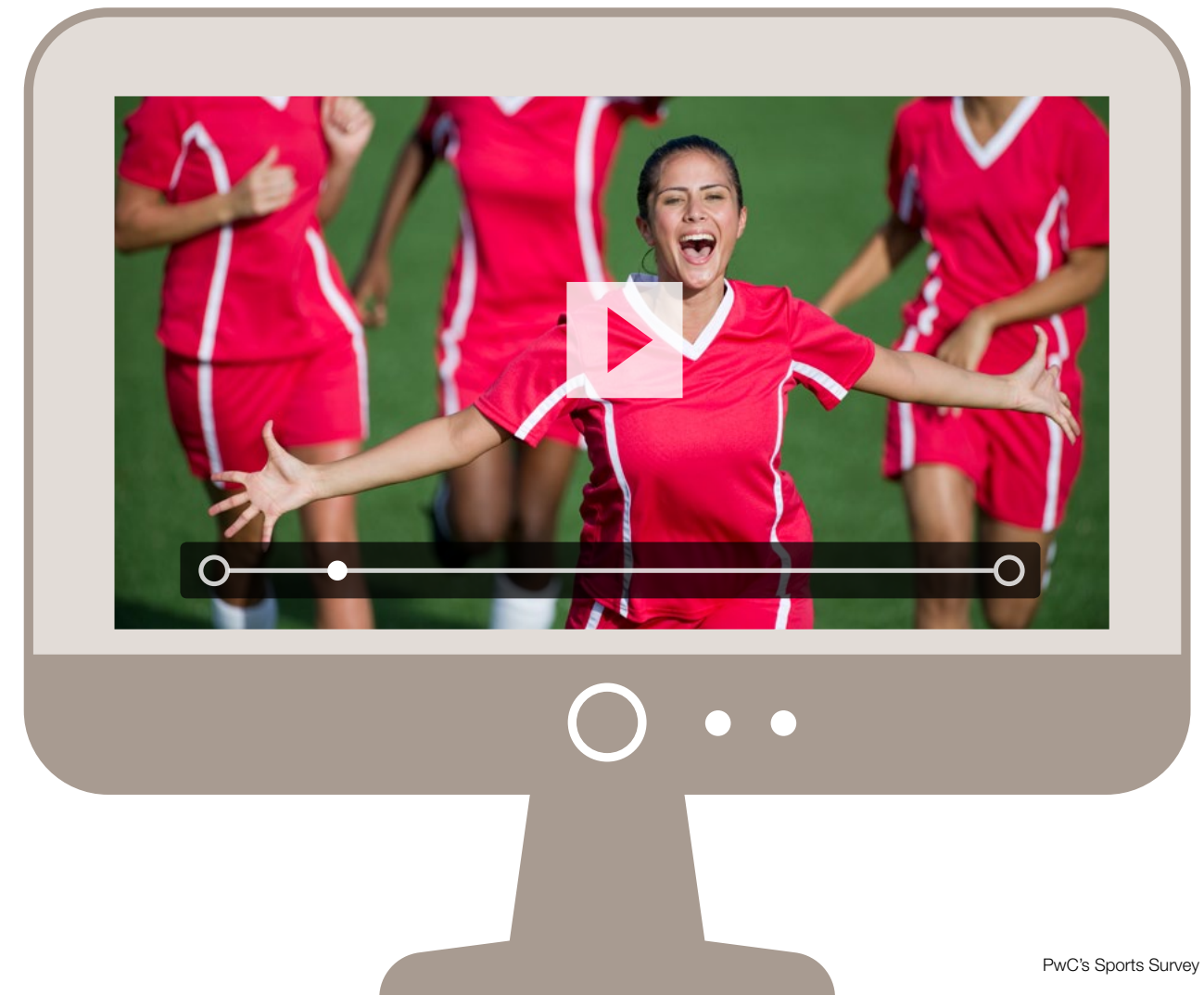
are considerably cheaper to subscribe to than traditional cable packages such as those offered by the likes of Sky and ESPN, which inevitably charge consumers more in order to finance the premium sports rights they have paid top dollar for. It comes as no surprise that millennials are increasingly subscribing to the former over the latter.

The declining appeal of live is inherently compounded, therefore, by the proliferation of digital channels and variety of formats through which sports content can now be consumed. Whether it is behind the scenes footage on Instagram or Snapchat, highlights on YouTube, fan-led programmes such as Arsenal TV or even live broadcasts via Periscope, consumers are now spoiled for choice, and rights holders generate more engaging content than before. Fans are increasingly seeking a highly personalised, immersive experience that they can engage with. This explains why respondents identified rights holders' establishment of direct relationships with fans through their own channels as the third most disruptive development to the sports media market.

This view was backed up by Ben Miller from player agency Grupo Actyvos, who commented that "in the digital world, success stories involve cutting out the middle man and making life quicker, easier and cheaper for the consumer. This suggests that rights holders need to be targeting their audiences directly and no longer relying on larger payments from media companies."

“Media organisations will move from the acquisition of fully exclusive broadcast rights for sports events to a combination of tailored exclusivities and shared exploitation – with free-to air as a key player for years to come.”

Stefan Kuerten, Executive Director Sports, EBU



Tech firms purring on the sidelines, but ready to roar

From a qualitative standpoint, digital streaming has, to all intents and purposes, caught up with the various forms of (linear) TV signals, especially in countries with good connectivity. That said, huge investments have been made in distribution infrastructure over the years, and the entire sports media framework is centred on this, both physically and contractually. As a result, certain rights deals have typically distinguished between broadcast and digital rights.

While this distinction is becoming obsolete in many territories, for as long as it lasts, the forays of big tech firms into the sports rights market have logically been limited to the latter. In late June, Facebook entered a partnership with Fox Sports to stream more than a dozen UEFA Champions League games in the US as of September, including four Round of 16 games and four quarter-final matches. Significantly, Fox Sports won't be airing some of the games it has agreed for Facebook to stream. By doing so, they believe the audience they will reach will be wider. In cutting the linear signal, their strategy is to redirect their TV audience online – it will be streamed on Fox's OTT platforms as well – as well as capture the attention of the millions of fans that wouldn't otherwise tune in to watch the full match on TV. And this with the expectation of a far more social

audience, which is always a big plus for advertisers.

More recently in early August, Amazon outbid Sky to secure the UK rights for all elite ATP men's tennis events except the four grand slams, for £10 million (USD 13.5 million) a year, up from the £8 million (USD 10.8 million) a year paid by Sky in its current five year deal which ends in 2018. This followed the tech giant's acquisition of the rights to stream ten Thursday night National Football League games in the US this upcoming season, for which they paid USD 50 million. This represents a five-fold increase on the USD 10 million Twitter paid for the same rights last season. It later emerged that Amazon is looking to charge advertisers USD 2.8 million for packages that include 30-second spots during the games, which will be available to Amazon Prime subscribers. According to Recode, more US households could be subscribed to Amazon Prime than cable TV by 2019.

These developments leave us with no doubt that big tech firms are gearing up to play in the sports rights market in earnest, either in direct competition for premium rights or through broader partnerships. The question then is, when will this tipping point be?



According to PwC's global entertainment and media outlook 2017–2021, global internet advertising surpassed global TV advertising in 2015, with mobile online advertising set to overtake wired online advertising in late 2018.

Indeed, as a result of lower than expected ratings at Rio 2016, NBC Universal has decided to adapt the way it computes audience guarantees for advertisers to also account for viewing that is taking place beyond the TV. It has already implemented this for the 2018 Winter Olympics in Pyeongchang in order to ensure it isn't caught off guard again. As the consumption habits evolve, so must the metrics.

Furthermore, online data analytics allow for a much more intimate tracking of consumer preferences and behaviours relative to the data available to traditional broadcasters through linear signals. This is a big advantage for the more tech savvy players in the market. Whether they do so knowingly or not, most fans share more information than is needed for such players to tailor their products to each of their consumption profiles. This will lead to the provision of an increasingly customised fan experience.

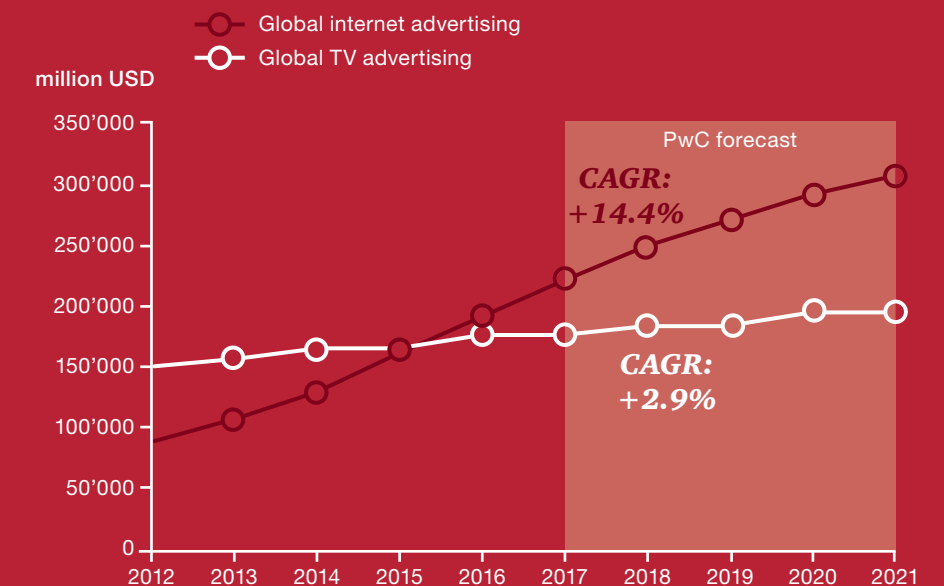
In short, the combination of media convergence and the fact that advertisers will increasingly get more bang for their buck online will – sooner or later – place digital platforms in good stead to outbid traditional broadcasters for premium rights.

Exactly when this will happen will vary from property to property, but is effectively a commercial question. For the time being, however, Silicon Valley outfits have taken a 'baby steps' approach, investing additional millions that complement, rather than compete with, the billions forked out by TV companies to secure premium right deals.

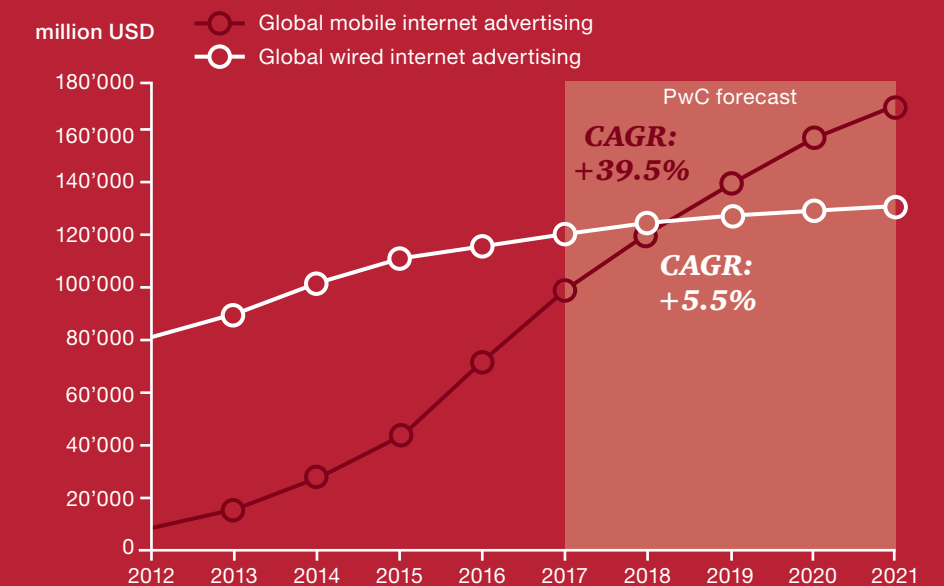
In the longer term, however, they are unlikely to be so cautious.

There is no doubt that big tech firms are gearing up to play in the sports rights market in earnest. The question then is, when will this tipping point be?

Global forecast for internet and TV advertising revenues



Global forecast for mobile and wired internet advertising revenues





Wearables: niche or mainstream?

Most respondents consider these types of data as an 'add-on' that will not be a game-changer

Wearables and sensor technologies have been around for a long time and have already penetrated a considerable share of the consumer sports equipment market, particularly for endurance sports. It is only in the last few years, however, that major professional sports have fully embraced the power of the performance metrics generated by such technologies.

While different video camera technologies have provided a first wave of activity data, new advanced wearable and sensor technologies can now provide more accurate positioning and biomedical data that facilitate critical decision-making, both on and off the pitch (e.g. recovery, injury prevention).

The majority of the respondents (60%) believe that the introduction of these

devices will have a highly positive impact on professional sports, whereas one third believes the impact will be minimal/neutral, with a minor share (7%) seeing a potentially negative impact on the game.

While most of the respondents acknowledged the increasing usage of wearables/sensor data for fan engagement, there was a degree of reluctance in the potential for further commercialisation of data on broadcasting or other channels. Most respondents consider these types of data as an 'add-on' that will not be a game-changer. Among them was Bruno Marty of Infront Sports & Media AG, who believes that "[this data] will remain a niche product that will be used only partially to enhance the end consumer experience."

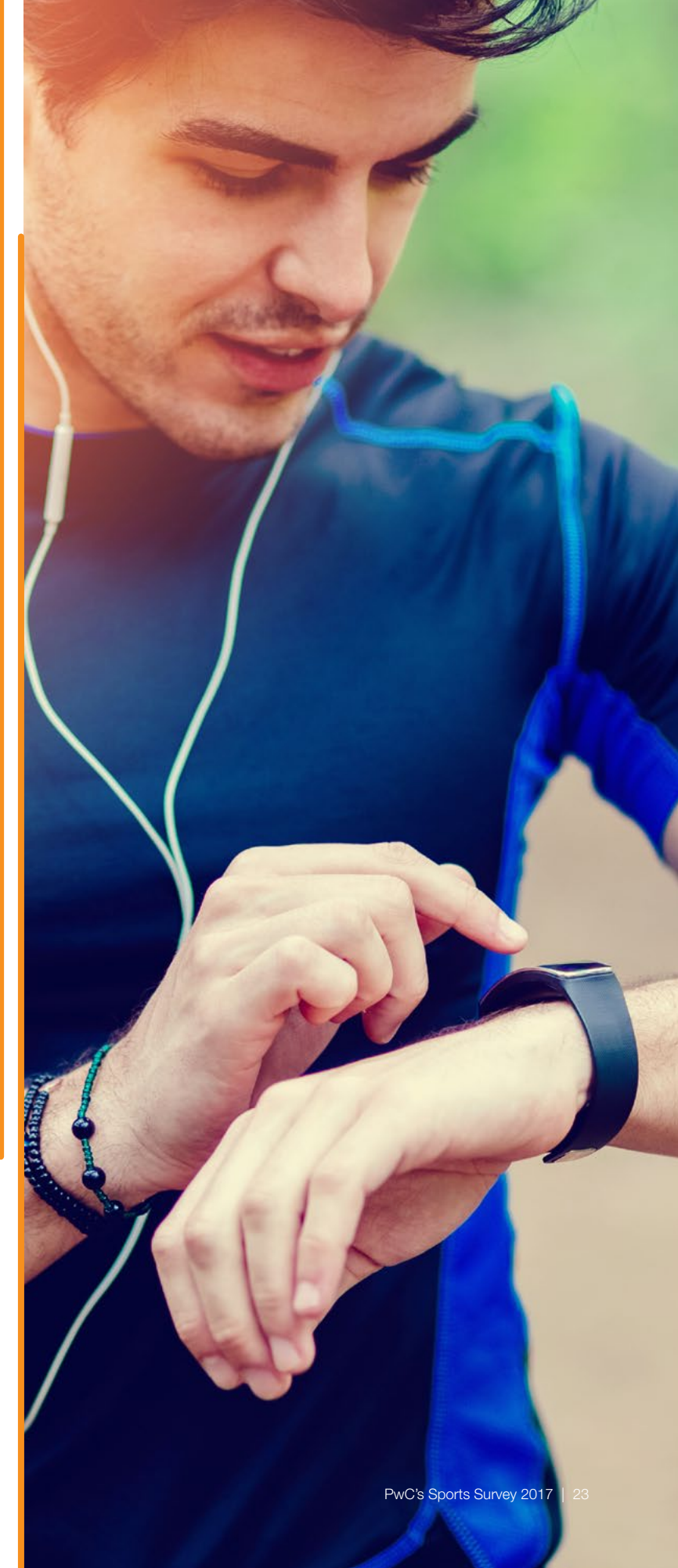
That said, respondents from different backgrounds highlighted that ongoing research is aimed at building more intelligence around these data in order to use them for a variety of purposes, whether commercial (e.g. statistics) or sporting (e.g. player welfare).

“

It's the next frontier... through wearables, fans can find out what it actually takes to be the athletes they admire.

”

Rayde Luis Baez, Managing Director, WWP Group



Protecting athletes' privacy and commercial rights



More crucially, a third of respondents believe there are significant steps to be taken with regard to athlete data ownership and privacy before the use of such technologies can be fully regulated and commercialised. It is clear that sports federations, athlete representative bodies and teams/leagues are already considering how to best manage these data through labour contracts or collective agreements.

The IFAB is already working on regulating the use of such devices and data in football, with a particular focus on protecting players' physiological data. IFAB Secretary Lukas Brud explained that "the concern with such data is that it offers a new perspective on players' abilities, which makes them more 'vulnerable'. It can also have an impact on analytics in the betting industry, including the identification of anomalies that can help combat match-fixing".

that could be used in commercial activities. Naturally, the athletes must be granted revenue sharing agreements, as a collective, such as from media rights, derived from the organisation of competitions that want to use this data."

Overall, the responses from the relevant stakeholders (governing bodies, teams and athlete unions) imply a broad readiness for the introduction of wearables into 'live' professional sports. The devices are now mature enough to be used 'in play' and to adapt to sporting regulations, with most stakeholders now clearly focusing on issues related to data ownership and management, as well as potential commercial applications.

Athletes, on the other hand, have an inherent interest in the revenues generated through the use of their physiological data. FIFPro's Communications Director Andrew Orsatti was adamant that "athletes must give consent to the handling of private data



A third of respondents believe there are significant steps to be taken with regard to athlete data ownership and privacy before the use of such technologies can be fully regulated and commercialised

Most important challenges for wearables in the future



30% of respondents believe wearables will have a medium to high commercial impact on the market

How real is VR in sports?

Virtual reality (VR) and augmented reality (AR) technologies are frequently referred to as the 'next big thing' for the media and entertainment industry.

Greenlight Insights has estimated that VR could become a whopping \$75 billion business by as early as 2021. Given its inherent versatility, this technology has also been touted to have a major impact on the sports industry. Should we believe the hype?

Recent developments suggest that we should. Over the past 12 months, certain premium sports properties have introduced the technology in a variety of ways, with a number of players having already developed VR experiences for their customers. While it is difficult to predict how the future of this technology might look, we believe there are three main areas to watch.



Fan experience and engagement



Fans will have much more flexibility and autonomy in their consumption of sporting events

“

While complementary to broadcast at first, it has the potential to become a new standard for everybody and lead to the creation of new products such as virtual stadium visits or even allowing a fan to participate in the match – when eSports meets VR ...

”

Stefan Schuster,
Managing Director, mm sports

VR has the potential to revolutionise the fan experience when it comes to sports events, but also the way sports content will be broadcasted. Beyond the advantages of being able to have the look and feel of a front row seat from anywhere in the world, fans will have much more flexibility and autonomy in their consumption of sporting events. And this is no longer a distant prospect. At the Telegraph's Business of Sport 2017 conference earlier this year, Aston Villa CEO Keith Wyness asserted that clubs will soon be able to sell virtual reality season tickets in China, thereby replicating the match day experience far and wide.

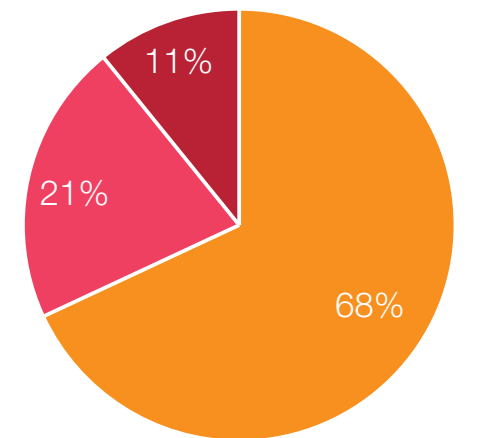
Having a look in the catacombs of the stadium or changing rooms before the game starts, or even experiencing the event from athletes' vantage points, can enhance their experience massively. According to Steve Hellmuth, the NBA's EVP of Media Operations and Technology, we are five to six years away from a VR experience that makes use of enough cameras to enable users to 'sit' where they want to inside the stadium. Combined with live statistics, this

extremely customised experience should in turn lead to more engagement than ever.

Several trials have been already successfully conducted at a variety of events. At this year's French Open, for instance, Tennis fans were offered the opportunity to watch live centre court matches from a virtual VIP box. deltatre are also pioneering the technology and plan to go live with full-service VR starting this year. For the Winter Olympic Games in PyeongChang in 2018, certain events will be broadcast live and on-demand in VR via an application for the first time. South Korea is said to have one of the fastest and best internet coverages, which is crucial for the successful implementation of this technology.

In sum, while further technological improvements will be necessary for us to see the full potential of VR in sports broadcasting, the majority of respondents see it more as a question of 'when' rather than 'if' VR/AR will have an impact on traditional TV broadcasting.

Perception of VR/AR prospects in sport



Positive Neutral Negative

Virtual sponsorship



Another area that stands to benefit greatly from VR is the sports sponsoring segment. With the shift of sports broadcasting from linear TV to digital and social media platforms, the online (read more monetisable) sports audience is growing enormously. The online audience is more commercially attractive in part due to the use of so-called virtual advertisement, which allows broadcasters to replace real advertising panels on the field of play with more relevant advertising in the form of virtual images on screen when showing the same event. Technical progress and analytical tools have made it possible to reach a mass audience with individualised, targeted and localised content. Ongoing improvements also make VR's use by more venues and right holders simply a matter of time.

As a result of sports' increasing reliance on technology, more and more tech companies are entering the sports sponsoring market. Recent examples include Alibaba becoming the IOC's official 'cloud and e-commerce platform services' partner. Even more recently, the IOC brought Intel on board, which will focus on 5G platforms as well as VR, 3D and 360 content development.

Technical progress and analytical tools have made it possible to reach a mass audience with individualised, targeted and localised content

“VR and AR will bring additional value to sponsors, broadcasters, fans and properties alike. If the open questions on monetisation are resolved, this is a very interesting avenue for technology and sports.”

**Alberto Ramon,
Chief Operating Officer, JS3SPORTS**

There should be no surprises when AR/VR becomes a 'must have' for training purposes



Training and performance

While the use of technology in broadcasting is still a work in progress, there are some use cases in which VR is already being used to improve athlete performance. Several sports teams are trying to improve the efficiency of their training sessions with the help of VR/AR glasses. Game scenarios can be recreated, allowing teams to analyse matches or prepare for competition through visual training. For sports containing certain static game scenarios such as baseball or American football, this technique can be especially helpful for practising each individual movement in an environment that is close to reality. The sports teams that are using it are already sending out positive feedback. There should be no surprises when AR/VR becomes a 'must have' for training purposes.

👍 So what's next?

VR/AR solutions have become more than just technical gadgets for a niche market. Technical improvements and numerous practical trials over recent years have legitimised the enthusiasm around VR/AR within the sports industry. While the technology's first use cases have been a success, prices of the devices will still have to drop in order to be affordable for the mass market.

The survey results illustrate the consensus that the technology can be considered as a promising additional tool, especially for broadcasters, even though it still needs further improvement. Only 10% of the respondents thought that VR/AR will just be a fad.

In our view, VR and AR will certainly enrich the fan experience, but should not do so at the expense of the social experience that sporting events offer. As John Kristick, Executive Director of the 2026 United Bid Committee for Canada, Mexico and United States, put it, "we need to find ways for it to be socially attractive and not turn sports consumption into a closed, private experience. It will certainly supplement traditional viewing but I'm not yet convinced it will be game changing."

In the short to medium term, therefore, we see VR/AR as making a strong contribution to the way in which sports media is consumed, rather than reinvent the entire sports media industry.

VR and AR will certainly enrich the fan experience, but should not do so at the expense of the social experience that sporting events offer

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*Are you interested in contributing to the 2018 version of PwC's Sports Survey?
If so, please contact us at sportssurvey@ch.pwc.com.*