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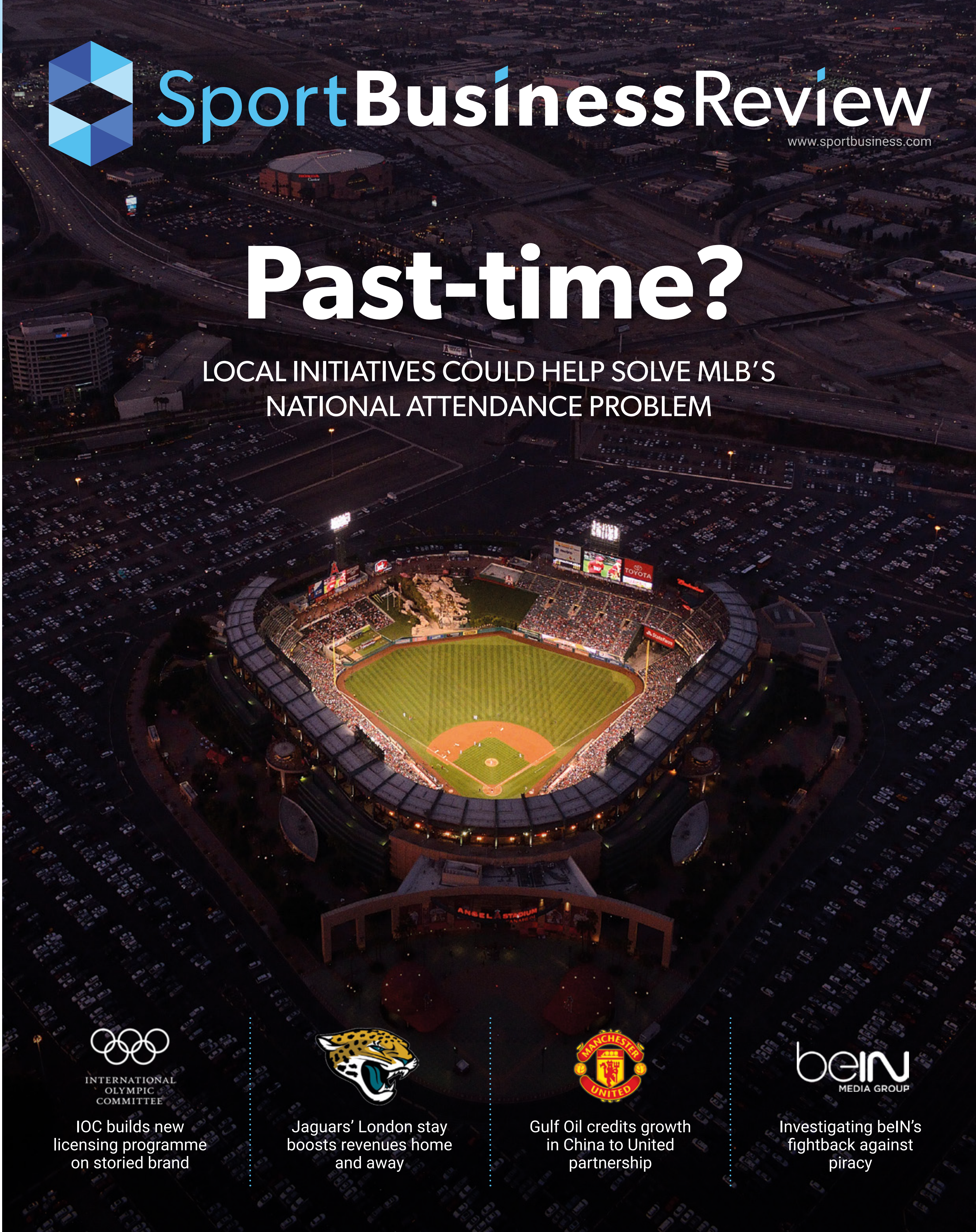

Past-time?

LOCAL INITIATIVES COULD HELP SOLVE MLB'S NATIONAL ATTENDANCE PROBLEM

INTERNATIONAL OLYMPIC COMMITTEE

IOC builds new licensing programme on storied brand

Jaguars' London stay boosts revenues home and away

Gulf Oil credits growth in China to United partnership

beIN MEDIA GROUP

Investigating beIN's fightback against piracy

SportBusinessReview
November 2018 | Issue no. 246

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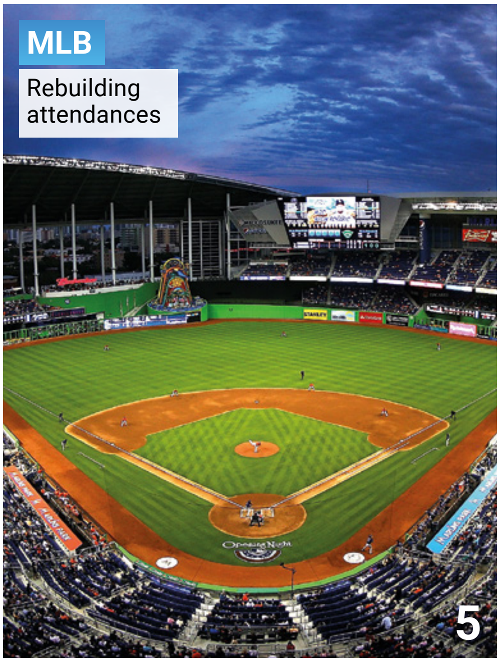

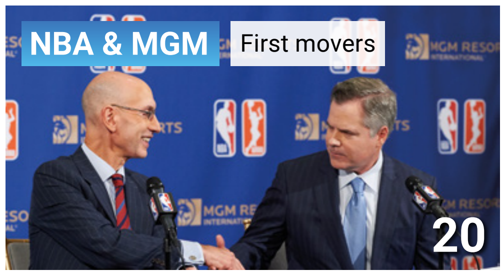

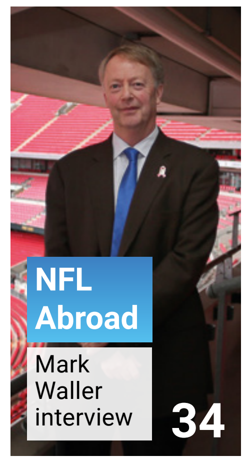

20-21 NOV | GLASGOW
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sis.news/section/tokio

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iscgeneva.com

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thesvgsummit.com

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toi-gss.com

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globesoccer.com

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Local initiatives offer solutions to MLB's national attendance problem

For the first time since 2003, average attendance fell below 30,000 per game

Attempts to attract millennials has led to innovative ticketing strategies and social experiences

New York Yankees redesigned their rebuilt stadium to react to supporters' changing tastes

(Mike Ehrmann/Getty Images)

Bob Williams

Major League Baseball set a series of unwanted records in 2018 as its attendance problem accelerated. Average crowds dropped four per cent, to 28,830 – far steeper than the 0.67-per-cent decrease in 2017 and 0.81-per-cent fall in 2016.

It was the lowest average since 2003, after 14 consecutive seasons topping 30,000, and a 14.4-per-cent decline from the high of 32,785 in 2007. Total attendance, meanwhile, fell to 69.63 million from 72.67 million last year and a high of 79.5 million in 2007.

Seventeen of the 30 teams experienced drops, with six – the Baltimore Orioles, Detroit Tigers, Kansas City Royals, Miami Marlins, Pittsburgh Pirates and Toronto Blue Jays – drawing 5,000 fewer fans per game on average than last year.

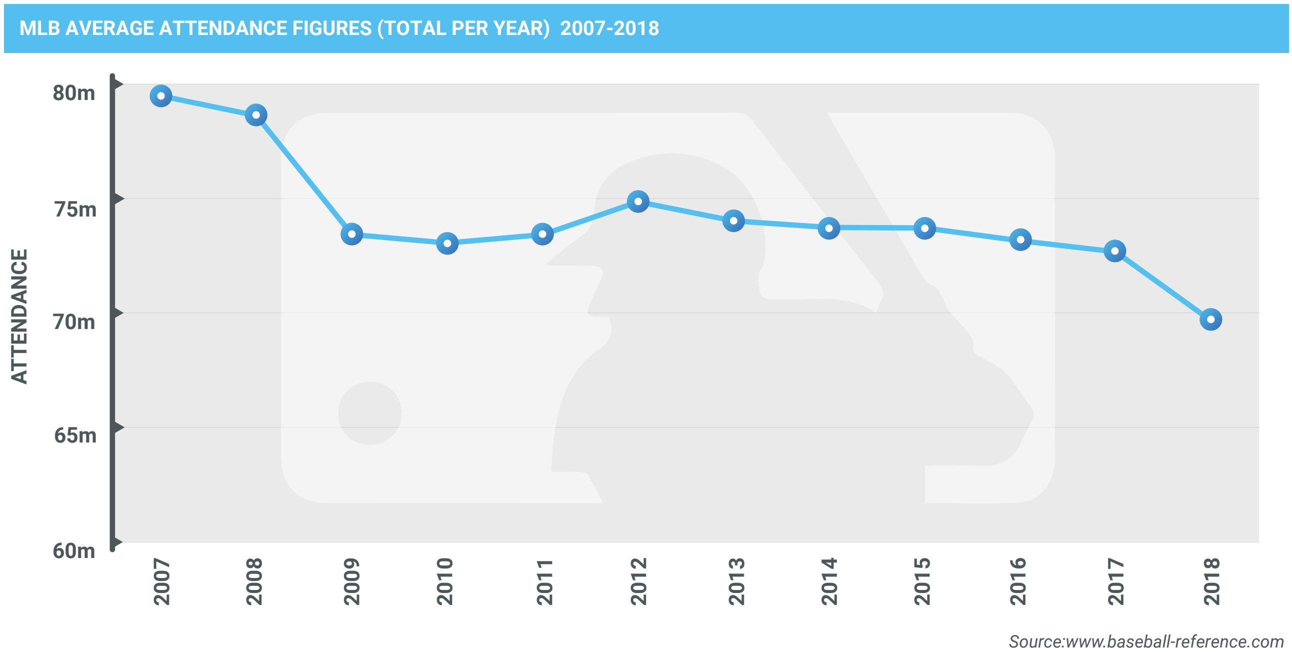
Poor weather at the start of the year played its part. At one point in April, overall attendance was down more than 10 per cent compared with 2017, while the season ended with 54 postponements (the most since 1989), of which 26 were higher-drawing weekend games.

MLB is not in a commercial crisis. It surpassed the $10bn (€8.68bn) mark in gross revenues for the first time in 2017, thanks to rising national and local TV-rights deals, merchandise, sponsorship and ancillary income streams.

But the dwindling crowds remain an issue: pictures of empty seats on a nightly basis are a terrible look, and clubs depend on ticket sales for almost 30 per cent of their revenue.

"People have a lot of decisions to make in their life about what they're doing with their commitments and money," says Orioles manager Buck Showalter. "It's up to us to give them something they want to embrace. Attendance is down. It's our fault, not theirs."

A lack of competitive balance, slow pace of play, length of play and changing consumer tastes are among the



reasons given by league insiders for the attendance decline. Cost is a big factor, too – average ticket prices have risen faster than the median US income over the past decade and more, from $22.21 in 2006 to $32.44 in 2018.

There is a generational problem as well: baseball has the oldest fans of all the major US leagues. According to Nielsen ratings, 50 per cent of the sport's audience are 55 or older, up from 41 per cent a decade ago.

With no definitive problem and, in turn, no definitive fix apparent, major league franchises have been forced come up with their own strategies to entice fans back. *SportBusiness Review* spoke to a number of team executives to discover what MLB can learn from their initiatives.

Creative ticketing

Despite reaching the play-offs this year, the Oakland Athletics continue to be one of the worst-supported franchises in the major leagues, ranking 27th out of MLB's 30 teams, with a late surge pushing the average regular-season crowd above 19,000.

In 2003, Oakland ranked 13th with an average crowd of over 27,000 but there has been a steady decline since. Faced with an ageing and poorly-located stadium, long-standing rumours that the team could relocate out of Oakland and one of the lowest payrolls in MLB, A's fans have voted with their feet.

> *"If baseball has a weakness or vulnerability it needs to address, it is to keep the next generation interested."*
>
> **John Angelos** | executive vice-president, Baltimore Orioles

It's a situation that has forced – and enabled – the team's front office to become far more creative in its ticketing strategy in its attempts to boost attendances. "It was clear that continuing to roll out the same product mix was not going to be an effective strategy for us," Oakland Athletics chief operating officer Chris Giles tells us.

For next season, the A's are freezing the prices of single-game, multi-game and full-season seated tickets. But all multi-game seated packages now come with general admission to every 2019 regular-season home game.

A 10-game plan with reserved seating, for example, allows members the opportunity to watch the other 71 home games from social spaces in the Oakland Coliseum, like The Treehouse or Shibe Park Tavern.

The added 'bang-for-buck' has had a huge impact on sales: according to Giles, the Athletics sold 10 times more packages in the first week of sales for 2019 than the equivalent for 2018.

Following feedback from the Athletics fanbase, the A's Access membership plan has been designed to allow both new, younger supporters and older, long-time fans to find the ballpark experience they want, while remaining financially viable.

"We're seeing a change in the tides of baseball fandom," says Giles. "In a lot of our research we are seeing there is still a sizable core group of fans who want what you might call a more traditional baseball experience. They want to sit in their seat for the vast majority of the game, they want that seat as close to the home plate as possible and many of them want to repeat that exact same experience over and over again. They take a lot of pride of ownership of 'their' seat in the ballpark.

"But what we're also seeing is a smaller but faster-growing group that wants something completely different. They want their ideal baseball experience to be 'baseball meets food tour meets bar hopping' and the whole notion that they will sit in their seat for the entire game, let alone for an entire package of games, is something that is not appealing to them whatsoever.

"We set out at the start of this process to come up with a model that was not only attractive to this new group of fans, but also continued to cater to the existing fans and was a viable business model for baseball going forward."

Specifically, the A's aim is to increase the average attendance by 10,000 fans a game by 2023, when the team provisionally plans to move to a new stadium – based on the evidence that consumers with an existing relationship to the brand are more likely to convert into ticket-holders in the new stadium.

The A's are able to implement this initiative as they have so many spare seats. But it's a strategy that other teams faced with similar issues could look to adopt. Some already are. "We've had about 25 different teams and leagues from across the globe that have got in touch to try to understand on a more granular level what we're trying to do," says Giles.

Attracting the next generation

Early this season, the Baltimore Orioles drew 7,915 fans for their game against the Toronto Blue Jays. It was the smallest announced crowd at Camden Yards, the team's home since 1992.

It set the tone for a disastrous campaign both on and off the field for the Orioles, who set a franchise record for losses in a season – 115 out of 162 – that has had a direct effect on attendances. Last season the Orioles drew 2,028,424 total fans, but average attendance this year was 23 per cent lower.

The arrival of the Washington Nationals in 2005, which took away fans from the Washington DC metropolitan area, and the safety concerns that followed riots in 2015 have also contributed to smaller crowds at Camden Yards in recent years.

In an attempt to help reverse their attendance decline, the Orioles in March announced the 'Kids Cheer Free' initiative, which allows two children aged nine and under free admission with every adult ticket purchased in the upper deck. On top of this, smaller (and cheaper) food and drink items have been made available, the Kids' Corner play area has been expanded and redesigned, and children aged 4-14 will be allowed to run the bases every Sunday.

The programme is specifically designed to boost crowds at Camden Yards but it also addresses a wider issue in baseball: the need to get more children into the habit of going to games to help ensure the future of MLB.

"You make your fans of tomorrow by starting them very young," Orioles executive vice-president John Angelos tells *SportBusiness Review*. "You want kids to have a great experience but you have to get them in the park to have that experience."

Angelos says the Orioles will probably make less in ticketing and concessions revenue as a result of this initiative in the short term but he believes it is a step worth taking if it helps build long-term relationships with young fans.

"You want to make it barrier-free," says Angelos. "You are avoiding what are essentially needless negatives. Do you give up a few dollars? Perhaps. But you are creating a whole lot of goodwill. One would think that makes the experience better and creates a lot more in terms of return engagement.

"Whether it will be neutral, positive or negative in the beginning or the middle-term we don't know, but it is an investment in doing things right and meeting the fan halfway – or even going further than halfway – and building

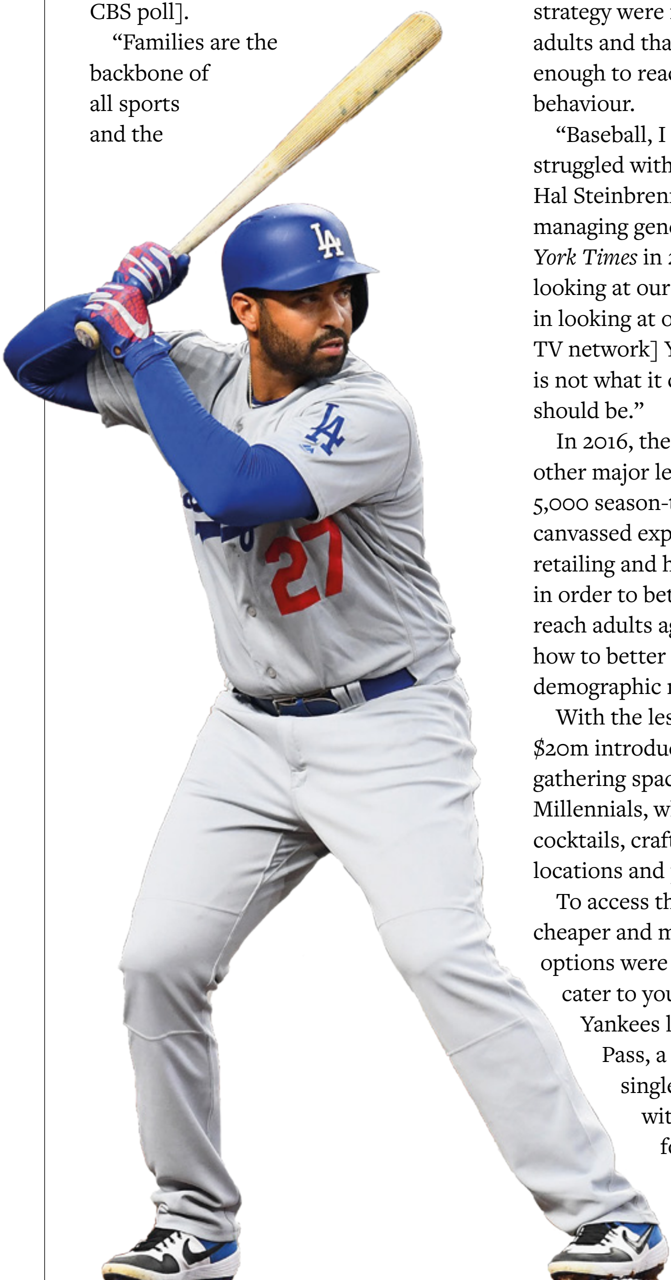
Kids Clubhouse at Yankee Stadium

relations over a generation."

The Kids Cheer Free initiative limits the price of families going to a ballgame, which Angelos says is vital. "I think baseball is in great shape but if baseball has a weakness or vulnerability it needs to address it is to keep the next generation interested. That is a lot about price," he says.

"If you look at [fan] surveys, the number one response is the price is too high. Some people talk about length of game, that the length of season is probably too long with spring training... all these things need to be addressed but we are addressing what is in front of us and dealing with our demographic issue which is about price and value [in 2015 Baltimore was ranked the sixth-poorest city in the US in a CBS poll].

"Families are the backbone of all sports and the season-ticket holders of tomorrow – you want to make it barrier-less for them."



Social-gathering spaces

Even the New York Yankees – a historic, globally-famous franchise in a major market with a huge local population to draw from – haven't been immune to baseball's attendance problems.

After drawing over 3.7 million fans when they moved into the renovated Yankee Stadium in 2009, the team's attendance gradually declined to three million in 2016, resulting in ticket and suite revenues falling by $166m, a 42-per-cent loss over seven seasons.

Yankees executives acknowledged by the end of the 2015 season that both the stadium experience and ticketing strategy were not resonating with young adults and that they had not done enough to react to changing consumer behaviour.

"Baseball, I think, has somewhat struggled with the Millennial problem," Hal Steinbrenner, the Yankees' managing general partner, told the *New York Times* in 2017. "We recognised in looking at our fanbase, we recognised in looking at our viewers [on regional TV network] YES, that that age group is not what it could be and not what it should be."

In 2016, the Yankees visited every other major league ballpark, surveyed 5,000 season-ticket holders and canvassed experts in the entertainment, retailing and healthcare industries in order to better understand how to reach adults aged 35 and under, and how to better understand how that demographic makes decisions.

With the lessons learned, they spent $20m introducing a series of new social-gathering spaces designed to attract Millennials, which offer signature cocktails, craft beers, drink-rail locations and power/USB outlets.

To access these communal areas, cheaper and more flexible ticketing options were introduced, also to cater to young adults. In 2017, the Yankees launched the Pinstripe Pass, a $15 standing-room-only single-game ticket that comes with a free drink. That was followed this summer by

the $49.99 BallPark pass, which offered general-admission access to 11 home games originally scheduled to be played in September. The mobile-phone-only ticket programme will be rolled out further next season.

In response to the fan surveys, a childrens' play area, the Kids Clubhouse, was also created to further attract families.

"In making our recent enhancements to Yankee Stadium, we spent a tremendous amount of time engaging with fans of all demographics to determine what they wanted from their experience at Yankee Stadium," Marty Greenspun, the Yankees senior vice-president of strategic ventures, tells us.

"We heard from parents and grandparents, who explained how having a play space for their young children and grandchildren would allow them to come to more games and stay longer while in the stadium. Additionally, Millennials and young professionals expressed their need for places to congregate and socialise for extended periods of time.

"Across the board, all fans wanted creative food, concourses with views of the field and dependable Wi-Fi. But the overarching theme was that

everyone wanted more things to do and more spaces to enjoy beyond just their assigned seat."

This year the Yankees attracted on average 4,000 more fans per game compared to last season, which the front office attributes to a successful campaign on the field – the Yankees recorded 100 regular-season victories for the first time since 2009 – coupled with the warm reception to the new amenities.

Although they are not giving away the exact numbers, the Yankees say they are "extremely pleased with the response" to the reaction to their ballpark passes and have had an increased number of families since the opening of the Kids Clubhouse.

Focusing on group sales

The Atlanta Braves were one of just 13 teams with a higher regular-season attendance this year (2.55 million total fans) compared to 2017 (2.51 million).

The franchise has been helped by several factors: the continued attraction of SunTrust Park, which opened last summer, the popularity of its mixed-use development site The Battery Atlanta – which has a number of shops, bars and restaurants – and the fact that the Braves performed well on the field, reaching the play-offs.

"Fans want to watch a team that has a realistic chance of winning the game that they are going to. They want to see healthy and strong competition. Winning is something that is valued by fans – but it's not the only thing," says Atlanta Braves president and chief executive Derek Schiller.

There is a wider reason why the Braves continue to attract so many fans. The Braves are the only major league team in a six-state region – Georgia, Alabama, Mississippi, Tennessee, North Carolina and South Carolina – and the front office has successfully, and specifically, targeted supporters who are in large groups (such as college alumni and church members) throughout the South East. Last season, 38 per cent of Braves fans came from outside of metro Atlanta, including 25 per cent from outside of Georgia.

"It's important to understand the dynamics of our fanbase as a whole," Schiller adds. "We're a regional fanbase, we have one of the largest geographical territories in baseball. There's a lot of regional draw. We do really well from fans that come from outside of Atlanta – places like Birmingham, Greenville, Charlotte and Nashville."

The Braves have catered to these fans through a number of initiatives. At SunTrust Park, fans can choose the signature food from each of the states in the franchise's catchment area in the 'Taste of Braves Country' programme.

The Braves have also partnered with colleges in nearby states – the University of Alabama, Auburn and the University of Tennessee, among others – for themed College Nights that appeal to both current students and alumni. "We target people who, for example, went to the University of Georgia, and as part of the ticket package you get a co-branded hat – a Braves hat that includes the colours of the University of Georgia," says Schiller.

The Braves are one of the few major league teams that are able to cater to a large geographical territory: the Colorado Rockies, Minnesota Twins, Seattle Mariners and Boston Red Sox are the principal others. But their success in targeting large groups of fans represents an example for other teams to follow.

"We're selling initiatives that appeal to large swathes of people. A large segment of our overall fanbase has been groups," Schiller adds. "We have a team of people who deal with companies or church outings or any kind of group you can think of and try to sell them tickets and create a good experience for them."

Schiller credits the formation of an analytics department for this success. "We have a huge amount of data that we pore through and gather," he says. "It helps inform us on the types of initiatives that are working and the type of things that we might want to go after. We have a half-dozen people who work in that department now. Five years ago that department didn't even exist. Its strength has led to the overall success we've had."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IOC looks for licensors to build brand between Games

Ambition to create licensing programme set out by IOC president in Agenda 2020

Organisation creates three categories to trade on heritage and values of the Olympics

Local organising committees will continue to license products for each edition of the Games

(Harry How/Getty Images)

Ben Cronin

It might come as a surprise to learn that the Olympic Games has never previously operated a centralised licensing programme. After all, the five interlocking rings of the Olympic symbol exist in an exalted category of logo that is freighted with cultural significance and is recognisable regardless of age, gender, or nationality. Exactly how much this is the case was reinforced by a global brand study commissioned in 1999, which revealed that 78 per cent of the world's population recalled the symbol, ranking the Olympics ahead of organisations like the Red Cross in the popular consciousness at the time.

"We have a great selling event, the Olympic Games, and we never really realised that we also had a great asset and a great brand," concedes Elisabeth Allaman, vice-president, commercial integration at IOC Television & Marketing Services. "We never really had a strategy on how we wanted to position our brand outside of the Games."

Until now the official licensing programme for each edition of the Olympics has fallen to the Local Organising Committee (Locog) in the host nation, while National Olympic Committees (NOCs) have been allowed to license companies to create team-specific souvenirs for their own country. The International Olympic Committee has operated a worldwide licensing programme in just a handful of categories, such as films and video games, with the result that merchandising activity tends to spike locally in the period immediately before, during and after the Games and then fall away altogether in the interregnum.

Olympic Agenda 2020 was IOC president Thomas Bach's 2014 roadmap for the future of the Olympic movement. He made a commitment to address this shortcoming when it was published in December 2014 without really elaborating on the strategy. “The IOC [is] to develop a global licensing programme, placing the emphasis on promotion rather than on revenue generation,” was the sparse wording of the 34th proposal out of 40 in the 25-page document.

Four years later and the organisation has begun to add more detail to the plan. Allaman explains how it is now looking to create licensing partnerships with brands that “share the same values and objectives, helping the IOC to engage and connect with our target audiences and communicate the essence of the Olympic brand”. Consistent with the wording of the original Agenda 2020 proposal, she argues that the focus is on brand building and maintaining a regular presence in the marketplace between Games, rather than on pure revenue generation.

“We haven’t set specific financial benchmarks and it is really about the number of people we can touch. That is really the yardstick we are using to measure our programmes,” says Allaman. “If we are successful, there will be a financial payoff, but we aren’t looking at it as a third pillar of our revenue after broadcast and sponsorship. That frees us of the short-term pressure that might lead us into areas that we don’t need to go.”

To control the branding and messaging, and provide a framework for licensees to work with, the IOC has created three new core licensing categories designed for specific target groups: the Olympic Collection, the Olympic Heritage Collection and the Olympic Games Programme.

The Olympic Collection

The first of these, the Olympic Collection, will principally solicit licensing partnerships with third-parties to develop toys targeted at children and sports equipment targeted at active sports people and sports enthusiasts.

“It’s about sport, it’s about our values, it’s about our colours,” Allaman says. “It is about what we are as a movement and it’s really something which is also intended to be fun, to be more developed in the area of sport equipment but also educational for kids.”

(Dan Kitwood/Getty Images)

“We have a great selling event, the Olympic Games, and we never really realised that we also had a great asset and a great brand.”

Elisabeth Allaman | vice-president, commercial integration, IOC Television & Marketing Services

She says that the IOC has found it relatively easy to enter the textile and apparel licensing business but that it lacks the knowledge to develop games and collectibles for children. This, she explains, is one reason why she attended and spoke at the recent Brand Licensing Europe conference in London.

“We want brands to know that we want to be a player in this field of licensing, of merchandising,” she says. “We want to start prospecting in the market.”

But she adds that the IOC has examined the most successful licensing programmes from around the world to guide its strategy. She points to the example of Ferrari’s licensing partnership with Lego as one the organisation would like to emulate.

“They did a specific line of products that you could win if you went to a petrol station,” she says. “You would never think that kids would be interested in going to a petrol station, but they were, and it was a great programme from a licensing perspective but also from a marketing engagement perspective.”

Another example that caught their attention was Fifa and Uefa’s partnership with collectable sticker manufacturer Panini. “How could we have something like this where we make sure that we connect with this audience of kids on a regular basis, where they want to collect something and they engage with you?” says Allaman.

The Olympic Heritage Collection

The second category, the Olympic Heritage Collection, will be a series of lifestyle and commemorative products that trade on the history of art, architecture and design at the Games. Made up of premium and limited-edition products, it is targeted at Olympic collectors and enthusiasts.

“It’s not just the assets we registered, such as our intellectual property like the emblem [for each Games] or the [Olympic] posters, but also all the look, all the design and all the work around the Games,” Allaman says.

The IOC will allow licensees to repurpose artistic collaborations, designs and colour pallets from previous editions of the Games to create new assets that can be exploited.

The collection has already found a licensee in the shape of Lacoste, which signed a deal to produce an Olympic Heritage lifestyle apparel collection in June this year. The limited-edition collection reflected the designs of the 1968 Winter Olympics and the graphic legacy of Lance Wyman's classic identity for the 1968 Summer Games in Mexico.

The collaboration will continue until 2020, with a collection developed each season. Starting this summer, it has initially been sold in 10 countries: Canada, China, France, Germany, Italy, Japan, Mexico, South Korea, Spain and the UK.

In a joint press conference at the time the deal was announced, Lacoste chief executive Thierry Guibert talked up the synergies between the two brands. "[The] Lacoste brand carries the values of fair play, elegance and tenacity that are dear to the Olympic Movement. Those common values have inspired this collection that radiates the iconographic heritage of past Olympic Games," he said.

The Olympic Games Programme

The Heritage Collection is designed to increase the shelf life of the iconography and licensing programmes created by the different Locogs for each edition of the Games, but Allaman says it won't compete with or replace these programmes. The IOC will continue to allow each Locog to manage the third of its three licensing tiers, the Olympic Games Programme, until the end of the year in which it hosts the Games. She says it has been the case for some time that the rights to the marks and iconography from each Games pass over to the IOC at this stage, meaning host city contracts will not have to be rewritten under the new regime.

"In December 2020 all of Tokyo's brand assets will transfer to the IOC," she says. "Sometimes you face opposition on your trademark, so we have a model in which the IOC is more involved with the trademark strategy and registration of all the Olympic properties, whether that's the Games [Programme], whether it's the Heritage [Collection] or others."

As before, the Olympic Games Programme product line will mainly consist of souvenirs such as mascots, keyrings and t-shirts targeted

OLYMPIC LICENSING TIMELINE

ATHENS 1896
A Greek stamp specialist proposes the issue of commemorative Olympic stamps. Olympic stamp revenue helps to finance the building of Olympic venues, including the rifle range in Kallithea and the cycle track in New Phaliron.

STOCKHOLM 1912
Ten Swedish companies purchase rights to take photographs and sell memorabilia of the Games.

AMSTERDAM 1928
Amsterdam Organising Committee covers 1.5 per cent of expenditures with stamp programme revenue. Portugal issues stamps to finance its Olympic team's participation in the Games.

HELSINKI 1952
First modern Olympic coin is struck. Finland begins Olympic coin tradition by issuing a commemorative 500 Markaa coin.

MUNICH 1972
The first Olympic coin programme dedicated to raising revenues to offset the cost of the Olympic Games is implemented. Over $300m (€265m) is raised from the programme.

An advertising agency acts as the Olympic licensing agent for the first time. Rights to use the official Olympic Games emblem are sold. Several types of licensing and advertising agreements are available. The image of the first official Olympic Games mascot, 'Waldi', is licensed.

LILLEHAMMER 1994
The licensing programme results in three times the forecast revenue and sets new standards of organisation and quality for future Organising Committees.

SYDNEY 2000
Online retailing is available for the first time. The concept of the Olympic Store is also implemented for the first time, including the Olympic Superstore in Sydney Olympic Park.

BEIJING 2008
The Beijing licensing programme proves to be one of the most successful in the history of the Games, offering the largest product range in Olympic history – with over 8,000 different items of merchandise available from 1,000 retail units across China and beyond.

RIO 2016
The Rio Olympics offered 5,000 official products in 132 official Rio 2016 stores and more than 40,000 independent retailers. The Games generate BRL$1bn (€238m/$300m) in retail sales. Havaianas flip-flops were the biggest sellers at the Rio Games with 2.5m pairs sold.

Source: IOC

(Pascal Le Segretain/Getty Images)

at fans visiting the host country. But under the new strategy, the IOC will also endeavour to market these to a global audience as well and take a more active role in brand development and licensing guidelines.

Alibaba

The IOC's Worldwide TOP partnership with Alibaba has proved complementary to the new licensing strategy and the IOC's attempts to take it worldwide. Prior to the partnership with the Chinese ecommerce giant, Allaman says the IOC had only planned to sell the three collections through licensee distribution channels in authorised territories and Locog retail programmes, but the firm persuaded the organisation to develop its own global online store to complement these sales channels. "We would have never had this idea to go into e-commerce by ourselves," says Allaman.

The IOC will launch an Olympic store on Alibaba's Tmall platform in China some time in Q4 this year, to take advantage of demand for products ahead of the Tokyo 2020 Summer Olympics and the 2022 Beijing Winter Olympic Games. The company will then launch the Olympic online store in the rest of the world, starting with Europe, Japan and the USA in 2020.

"We will have a store that is not exclusive in terms of distribution," says Allaman. "It is exclusive in the sense that it is the Olympic Store but it's not exclusive in the sense that of course we would give our licensees the right to sell on their own platforms."

The Olympic online store will be branded as being 'powered by Alibaba' while fellow TOP partner Visa is expected to provide the payment provisions on the site.

Terrence Burns, a former senior vice-president, marketing services for the IOC and its former marketing agency Meridian Management, says new technology has been the driver in the IOC's ability to deliver a global licensing programme now.

"One of the reasons the IOC hasn't had a global licensing program before is that it was just too difficult," he says. "We did attempt it when I was there, but the myriad of agreements with each NOC, the differing royalty rates that applied depending on which mark was used in which territory, and the ability to create an online outlet to purchase simply was not feasible."

Allaman gives a sense of this complexity when she describes how the revenues from specific product lines will be shared.

"If we sold an Olympic Heritage Lacoste Mexico '68 polo shirt in Great Britain, then the British Olympic Association would receive its share of royalties," she says. "And if we sell in Tokyo, Japan, that would be the organising committee [for the Tokyo 2020 Games] and we will apply the same principles across the board for collection and sharing of revenue."

The creation of the Olympic Channel OTT service, another plank of the Agenda 2020 reforms, will allow the IOC to promote the global store when it is launched. Allaman says the Olympic store will sit on the streaming site during the Games to take advantage of the increased audiences during the event. Similarly, an 18-part series on the channel celebrating the fashion of the Olympics – including an episode about René Lacoste, the late designer and Olympian who founded the clothing line – will help to generate demand.

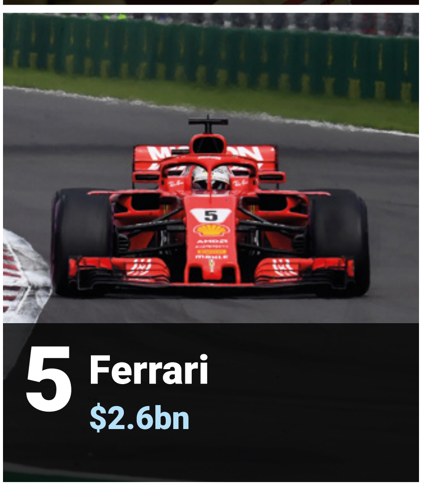
TOP 10 SPORTS LICENSORS BY RETAIL SALES 2017 ($)

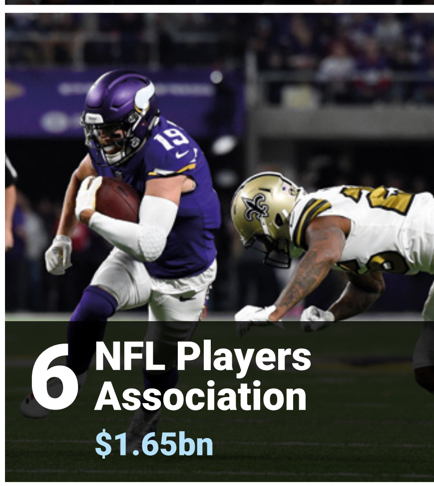

1 Major League Baseball
$5.5bn


2 IMG College Licensing
$4.55bn

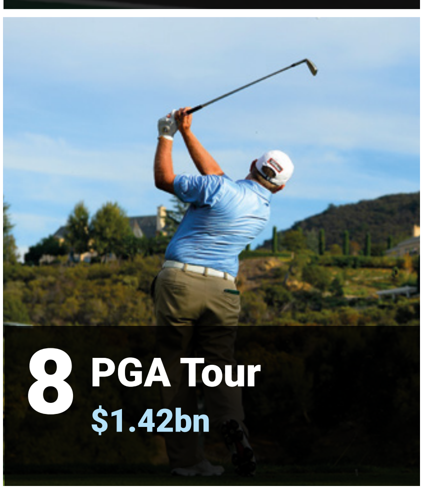

3 National Football League
$3.5bn


4 National Basketball Association
$3.2bn

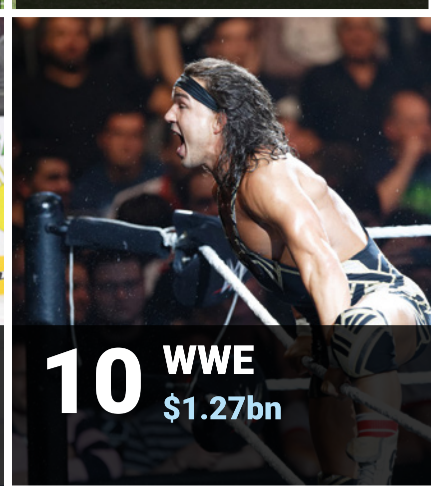

5 Ferrari
$2.6bn


6 NFL Players Association
$1.65bn


7 US Polo Association
$1.5bn


8 PGA Tour
$1.42bn


9 National Hockey League
$1.3bn


10 WWE
$1.27bn

(All images by Getty Images) Source: License Global

Jaguars' leap into London boosts 'local' revenues and offers growth platform

The Jaguars have played a fixture in London since 2013; the city now accounts for 11% of "local" revenues

Playing in London has created a major platform for commercial partners new and old

Interest in buying Wembley Stadium dropped, with potential repercussions for long-term strategy

Jacksonville Jaguars cheerleaders perform during the NFL International Series game against the Philadelphia Eagles on October 28, 2018 (*Jordan Mansfield/Getty Images*)

Adam Nelson

Until a time when it is evident there is an unmistakable directive from the FA to explore and close a sale, I am respectfully withdrawing my offer to purchase Wembley Stadium."

With this statement, Shahid Khan – the owner of the NFL's Jacksonville Jaguars and the English Premier League's Fulham FC – appeared to draw a definitive line under the saga which had rumbled on for much of 2018.

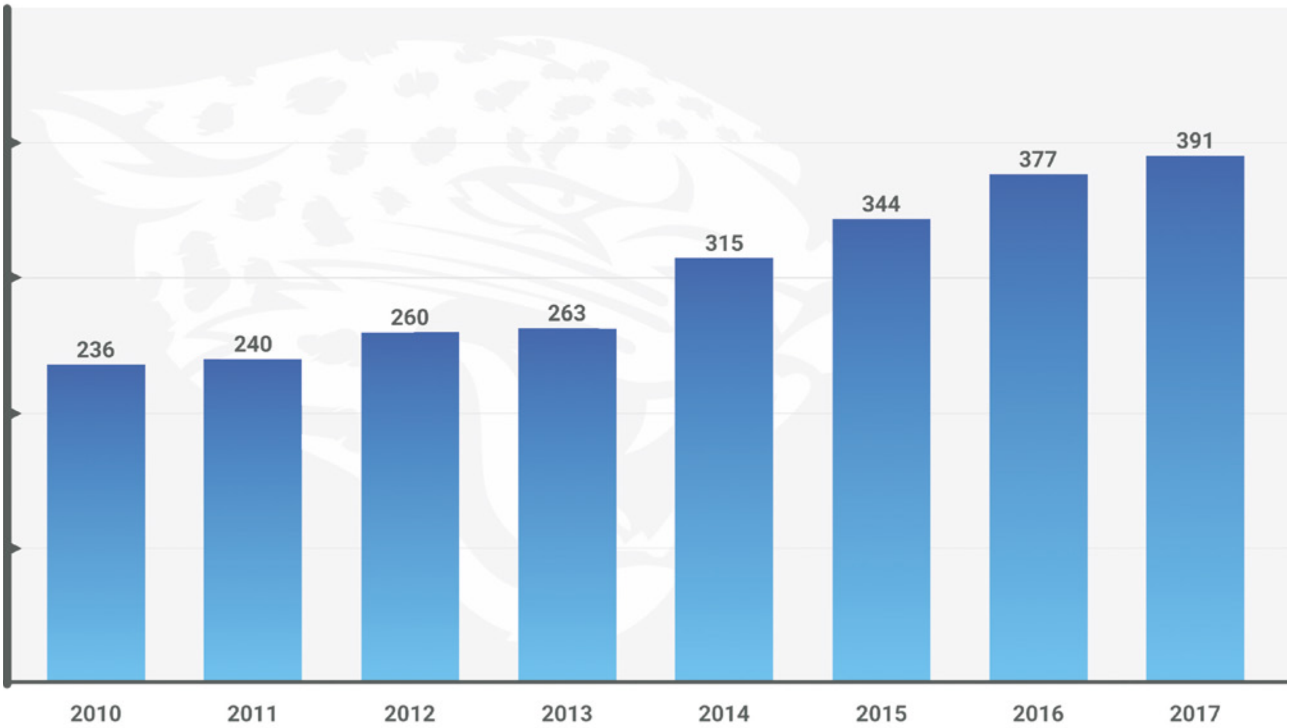
The collapse of the £900m (€1bn/$1.2bn) sale – due, Khan has claimed, to its divisive nature and lack of support from across the FA – will have a major impact on the Jaguars. Having played a game at Wembley every year since 2013, the franchise has staked a lot on London, and the move would have shored up its interests in the city.

"We've never tried to hide from anyone the importance of playing here to our long-term stability," says Hussain Naqi, senior vice-president of international development at the Jaguars. And although he describes the Wembley bid as "a discrete business decision, separate from either the Jaguars or Fulham", one only needs to look at the story of the Jaguars in London so far to appreciate the part the city plays in their long-term ambitions.

Embracing London

In 2011, four years after it first played an annual regular-season fixture in the city, the NFL began seeking one of its members to become its designated London team. The chosen franchise would play one home game per season in the city and – crucially – receive home marketing rights for the entire United Kingdom. The thinking was that having a club return year after year would help to engender a sense of fan community, making the annual NFL fixtures more than a novel day out for UK sports fans.

JAGUARS OVERALL REVENUE HAS GROWN CONSISTENTLY SINCE FIRST LONDON GAME IN 2013 ($M)



Source: Forbes

"The first stage really is just getting people in, and that's what happened very successfully in the first few years," says Naqi. "But there was a worry that it wasn't sustainable, that people might come once for the experience and then not bother coming back for a second year. You want to educate people about the sport, so that they're coming back because they actually enjoy the game and are emotionally invested in the game. Having a team play here every year that the fans could get behind was a significant step in that direction."

In 2013, the Jaguars became the NFL's official London team, signing a three-year deal to play one game annually at Wembley Stadium. That deal was renewed in 2015 for an additional four years, taking them through to 2020. Internationalisation, particularly with a focus on London, was a priority for Khan – who, at the time, was also in the process of purchasing Fulham FC – but Naqi acknowledges that there were elements of good luck involved in the team's ability to secure the deal.

"We've never tried to hide from anyone the importance of playing here to our long-term stability."

Hussain Naqi | SVP, international development, Jacksonville Jaguars

Naqi says the Jaguars were in a "fortunate position" as one of the only teams who were able to make the commitment over a multi-year period. "Other teams have lease obligations to play a certain number of games in their rented stadium, or there are local considerations," he says. In other cases, particularly for the traditionally bigger NFL teams, it is simply that regular-season home games – of which there are only eight annually – are just too lucrative to sacrifice. That this was of minor concern to the Jaguars offers some indication of why London was such an appealing prospect for the franchise – and why it remains of such importance to their future.

Maximising local revenues

When Khan first took over the Jaguars in 2011, their local revenues were the second lowest in the entire NFL, having faltered against declining local interest and what Naqi describes as a "saturated" regional sponsorship market. Jacksonville itself was regarded as a poor choice of location when it first joined the NFL in 1995, thanks to a significantly smaller suburban area and television market than any of the other teams in the league, issues which have remained obstacles to the franchise's growth.

The Jacksonville media market holds about 700,000 television households – 42nd in the United States. Average attendances at TIAA Bank Field have hovered around 60,000 for the past few years, rarely filling the 67,000-seater venue; 25 teams had a higher average attendance than the Jaguars during the 2017 season. Furthermore, as a business and financial centre, the city is dwarfed within Florida by Miami, limiting the number of local companies able to partner with the team.

All of this has meant that, where the average split between national and local revenues for an NFL team is roughly 70/30, closer to 80 per cent of the Jaguars' total revenue was being made up by national income in 2011. As the team's president Mark Lamping put it last year: "The reason we're interested in London is maximising our local revenue. Just maximising Jacksonville is not going to get where we want to be."

The majority of an NFL team's national revenues come from the league's media-rights deals, which are shared equally by the league's 32 teams. In the 2017 season, this amounted to $255m per team. Local revenues are so crucial to NFL teams because it is where the difference is made, with all profits made from 'local' sponsorship and media rights deals being retained by the franchise.

"Our team president and our owner have been very transparent that as a club, in order for us to be stable, we need to increase local revenue," Naqi adds, noting that the transparency of the club's hierarchy has been crucial in the fans' acceptance of losing a home game every season. "In Jacksonville, because of the size of the market, because of the complexity of the corporate community, because of the size of the corporate community, in terms of the transients and the turnover that you see, there are a lot of fundamental elements that are endemic to Jacksonville that make it a very challenging NFL market."

While there were challenges in moving a game away from Jacksonville – persuading the mayor, the local council and, most importantly, the supporters – Naqi says that most of the relevant stakeholders quickly bought into and backed the concept once it became clear how dramatically the deal would grow the Jaguars' potential 'home working area' and offer a stable growth platform for the franchise.

In the US, the 'home working area' – the territory in which a team is allowed to directly activate and market to fans and from within which revenues are classified as 'local' – is limited to a 75-mile radius around a team's stadium. According to NFL UK numbers, there are three million "avid" American football fans in Great Britain, and as many as nine million people who consider themselves casual fans – against a total of 1.2 million people living in the Jacksonville area. The agreement suddenly opened up a significant marketplace, for the Jaguars to market to and monetise directly but, as significantly, a hugely valuable demographic for commercial partners to target.


(Alex Pantling/Getty Images)

"When you look at the data we have on the demographics that follow American football in the UK and attend our games, they tend to over-index on affluence, they over-index in terms of being younger than other audiences, and they tend to be a little bit more educated than a lot of audiences, so they're a marketer's dream in many respects," says Naqi. "That gives us an incredible audience and opportunity to work with our partners, a great demographic for them to communicate with through the Jaguars."

UK market driving income

Since last year, the Jaguars have signed four new UK-based sponsors: telecoms provider Lyca Mobile; financial services firm LGT Vestra US; packaged meats company Fire & Smoke; and travel agency Ocean Holidays.

"These are either UK-based companies trying to speak to expats over here or, in the case of Lyca

Mobile, trying to get their name out into the US market," explains Naqi. None of the deals would have happened without the team's presence in London and their ability to activate exclusively in the UK marketplace.

It is not just new sponsors coming in to take advantage of the UK marketplace. Existing sponsors have been persuaded to extend and expand deals due to the rise in interest in the Jaguars and their increased marketing reach. Naqi gives the example of insurance provider US Assure, which has sponsored the hospitality suites at TIAA Bank Field for the past three seasons and has now expanded its arrangement to bring employees and clients across to London once a year. Tourism board Visit Florida, a long-term partner of the Jaguars, even took advantage of the Fulham connection, becoming a primary sponsor of both teams in its efforts to communicate with the London audience.

According to Forbes, overall sponsorship revenues for the team increased by 70 per cent in the three years from 2013 – the year they first played in London – to 2016, dramatically outstripping the average NFL sponsorship revenue growth in that timeframe of close to 20 per cent.

> *"The reason we're interested in London is maximising local revenue. Just maximising Jacksonville is not going to get where we want to be."*
>
> **Mark Lamping** | president, Jacksonville Jaguars

Furthermore, the proportion of the Jaguars' $140m local revenue represented by the UK reached a high of 15 per cent in 2016. The fall to 11 per cent in 2018 was attributed largely to an unfavourable foreign exchange rate due to a drop in the pound's value against the dollar rather than any change in the UK's NFL environment. That 11 per cent is expected to rise again when the 2018 numbers are released, and it is a figure Khan and the Jaguars are desperate to protect.

As Wembley is a designated "home" fixture for the Jaguars when they play there, they retain the majority of the gate receipts, generating one-and-a-half to twice the revenue on a per-game basis than an average match in Jacksonville. Higher ticket prices and a considerably-increased capacity (Wembley holds 90,000 specatators) mean the Jaguars can make as much as $5m from a single game at Wembley. Average per-match takings for the 2017 season at TIAA Bank Field were in the region of $2.8m, not including seats in corporate hospitality.

While NFL observers widely expect the Jaguars to renew their deal to play at Wembley beyond 2020, it is by no means certain. Owning the venue would have given them much greater leverage in negotiations. Five years in, though, Khan's London strategy is paying off – increasing local revenues and offering a growth platform for the future.

Fans make their way to Wembley Stadium ahead of a game (*Ben Hoskins/Getty Images*)

NBA-MGM partnership sets precedent for new US sports betting landscape

Data-sharing deal is first between a major US sports league and sports betting operator

Partnership – worth $25m over three years – serves as model for other stakeholders to follow

NBA ensuring it is capitalising on gaming revenues as the fight for 'integrity fees' continues

NBA commissioner Adam Silver and MGM Resorts chairman & chief executive Jim Murren (*MGM /Jennifer Pottheiser/NBAE via Getty Images*)

Bob Williams

The NBA's data-sharing deal with MGM Resorts International is a modest but meaningful partnership in the new sports betting landscape of the United States.

As part of the arrangement – worth a reported $25m (€21m) over three years – MGM will receive official real-time league data directly into its betting platforms via an NBA feed. In return, MGM will provide the league with anonymised access to its account-level betting transactions, which will immediately flag up any anomalies and potential fraud.

Financially, the deal is comparatively small for a league whose teams generated $7.4bn in revenue in 2017-18. But it has set a precedent as the first commercial partnership between a major US sports league and a sportsbook operator.

Since the Supreme Court struck down the Professional and Amateur Sports Protection Act – a law that largely banned sports betting outside of Nevada – in May 2018, US sports leagues have looked to capitalise on a new revenue stream. However, their attempts to ensure 'integrity fees' – which would give leagues a percentage of the total handle – are included in new sports betting legislation have thus far failed.

The NBA, as well as other major leagues, is continuing to push state and federal lawmakers to include integrity fees into bills. But in the interim, the NBA has switched its focus to earning royalties from its official data.

"What was very important for the NBA was that we were able to establish, through a commercial relationship, that we should indeed be compensated for our intellectual property and for our official data," NBA commissioner Adam Silver said at a press conference in July.

"Once we began the discussions with the states [we] quickly saw that it was going to be an uphill battle to get the states to agree with what we thought was the appropriate framework. [But] we never ran from the fact that we thought we could accomplish commercially a lot of what we were trying to achieve with the state legislature."

NBA 'gains ability to look under the hood'

In the NBA's attempts to determine the commercial value of its official data, Silver admits he did not "over-negotiate" with MGM. The league believes it is getting "fair compensation", but a relatively short deal was signed to ensure the NBA would not be tied down if the partnership was felt to be undervalued as the sports betting landscape continues to evolve.

"I think there was a recognition here that it's a leap of faith on both sides," Silver added. "It's a deal, moderate in length, where I think we can both step back and assess as we go, and ask: 'Is this working? Is this deal fair? Are we providing the consumers with the right type of experience?'."

MGM will gain exclusive marketing assets in the deal: the right to be called the 'Official Gaming Partner' of the NBA and WNBA; the use of NBA marks and team logos in its venues and on its apps; and promotion across the NBA's digital assets.

But the access to data feeds is non-exclusive. For integrity reasons and to diminish any discrepancies among gaming providers who use different third-party sources of player and team data for betting lines, the NBA wants all betting companies to use its official information.

"If you're a consumer, spending on games, you want to know that you can trust the data that is being served up to you. And there's only one source of official data and that's from the NBA," says Mark Tatum, the NBA deputy commissioner and chief operating officer.

"So if you're sitting in an arena and you make a determination of, 'well, no, that was an offensive rebound by one player versus the other', you're not the official scorekeeper, so there's one set of official data that is the NBA's and that should be the data that's used for the protection and the integrity of sports betting and for the consumer."

The NBA, likewise, is seeking access to operators' betting information to help prevent fraud and match-fixing. "[The NBA is] gaining the ability to look under the hood to be in position for the first time to be able to monitor granular betting activity," says Daniel Wallach, a gaming and sports law attorney at Becker & Poliakoff. "That is something vital that MGM is giving the NBA in this deal, and it underscores how this can work across other operators and across state lines."

> ***"It sets a precedent, it keeps the conversation moving...I wouldn't be surprised if another league followed."***
>
> **Angela Ruggiero** | chief executive and co-founder of Sports Innovation Lab

Model set for other stakeholders to follow

The non-exclusivity clause also enables the NBA to benefit commercially from similar deals with other sports betting operators. MGM will also be able to strike partnership deals with other leagues. In short, a model has been set for other stakeholders – both operators and rights-holders – to follow.

Indeed, just a month after the NBA announcement, MGM agreed a contract to become the exclusive Gaming Partner of the Alliance of American Football, a new rival to the NFL which is set to launch in February 2019.

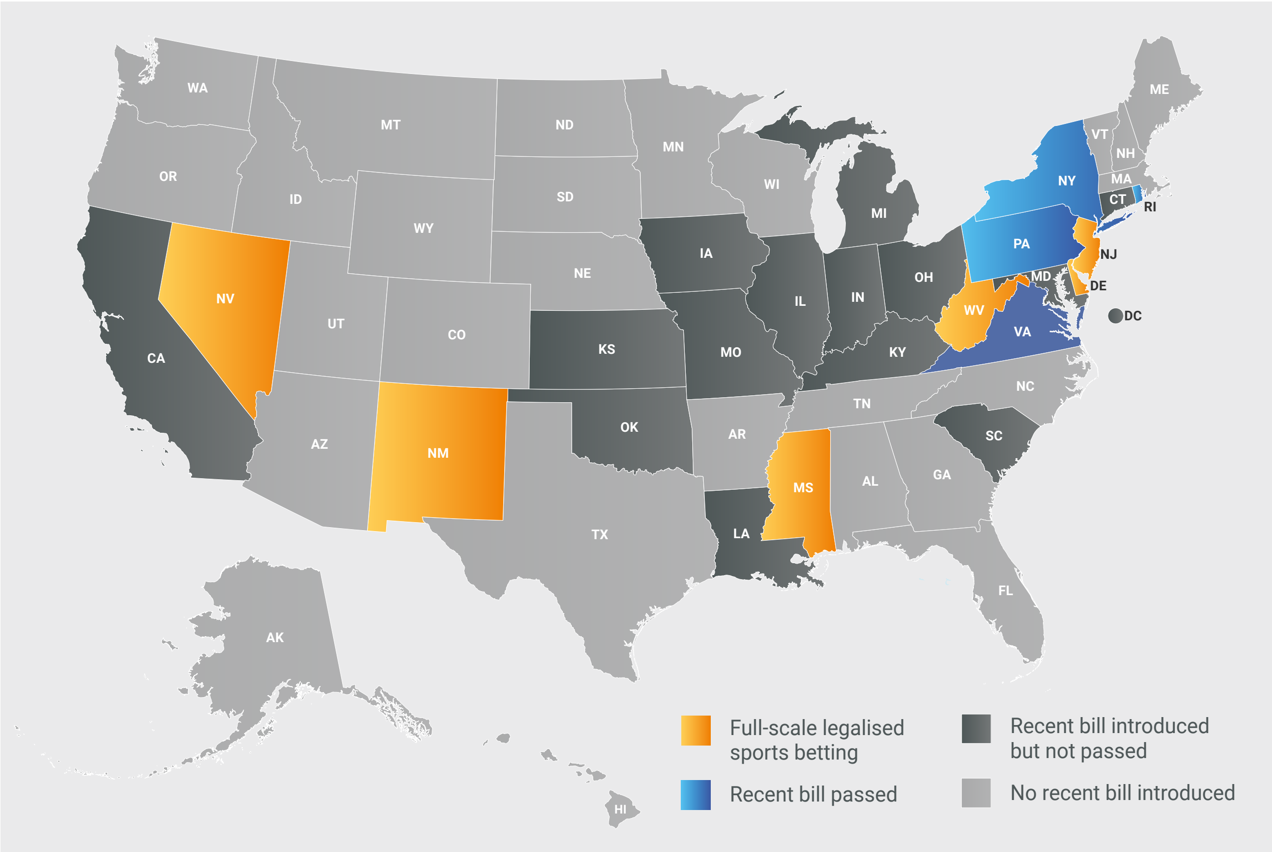
Further deals are planned. "We're in discussions with many leagues and many teams that we think support this effort," Scott Butera, MGM Resorts' president of interactive gaming, tells us. "Our view is that [the NBA deal] sets a good example of how an operator and a league can partner in a way that makes sense for both sides."

MGM is confident that it will benefit financially from the NBA partnership. "We believe that it will lead to customer acquisition for online and for our resorts. Obviously, that would be the biggest thing," Butera adds. "Someone who is new to the betting world should get comfort [from the fact] that it's league-sponsored data that we're using. Plus, we get the ability to advertise who we are and broadcast our message and our plans through their platform and global reach. That the NBA is a year-round global entity, we think is significant."

In states where sports betting is

(Ethan Miller/Getty Images)

SPORTS BETTING LEGISLATION ACROSS THE USA



Source: espn.com

legal, MGM has: 13 properties on the Las Vegas Strip in Nevada (including the Bellagio and the MGM Grand); two in Mississippi (Beau Rivage and Gold Strike Tunica); and one in New Jersey (the Borgata). The Borgata has made over $4.7m in sports betting revenue since June and its monthly income rose from $855,152 in August to $2,394,106 in September, thanks in large part to the start of the American football season.

MGM has three other resorts in the US – in Massachusetts, Maryland and Michigan – and plans to expand to 25-30 states in the next five years, according to Butera. MGM currently offers online sports betting, via its playMGM app, in Nevada and New Jersey.

The NBA believes that the expected increase in betting on its matches – particularly at MGM properties, which will be able to provide customers with new in-game and side bets due to its data access – will lead to rising engagement.

> *"[The MGM partnership is] going to drive eyeballs to the streaming platforms or broadcast and media feeds."*
>
> **Angela Ruggiero** | chief executive and co-founder of Sports Innovation Lab

A 2016 Nielsen Sports study, commissioned by the American Gaming Association, revealed that adults who bet on the NFL (via legal gambling and fantasy sports competitions) watched 19 more games during the 2015 season than those who didn't make a wager. In addition, 65 per cent of people surveyed said they would be more likely to discuss a game via social media if they had placed a bet on it.

"Because we operate and play games in places where sports betting is legal, there's no doubt that the engagement levels and the people who are more into watching the games, following the games and following the players, rises," Tatum says. "We certainly know that the engagement level rises, because it rises in viewership, it rises in the social media and digital media following, so all of those things we see go up."

Angela Ruggiero, chief executive and co-founder of Sports Innovation Lab, adds: "Even if [the MGM partnership] isn't going to drive a ton of revenue to the NBA, it's going to drive eyeballs to the streaming platforms or broadcast and media feeds. The engagement that they'll get from this will be worth a lot more [than the $25m value of the deal]."

Ruggiero believes it is only a matter of time before another major US league follows suit. "The fact that Adam Silver was able to demonstrate that value [of its official data] to MGM and that MGM pulled out their wallets speaks to the appetite in the market," Ruggiero says. "It sets a precedent, it keeps the conversation moving.

"The NBA is, in my opinion, one of the most dynamic leagues in terms of taking risks and being innovative. It's something we'll continue to see and I wouldn't be surprised if another league followed. We see a lot of followers in this industry, behind the NBA."

Will the deal help or hinder quest for integrity fees?

Despite arranging a private partnership with MGM, the NBA is continuing to push state and federal legislators for integrity fees. The financial reasons are clear.

"In a 50-state US sports betting market, a one-per-cent fee on handle would likely be worth billions of dollars annually," Chris Grove, the managing director of sports and emerging verticals at Eilers & Krejcik Gaming, tells *SportBusiness Review*. "The NFL would probably reap the single largest share, but the NBA would realise a competitive amount. Betting volumes have been steadily trending up for the NBA over the last decade."

In Nevada, the amount wagered on basketball – both college and NBA – has risen for the past six years. In 2017 that figure was $1.4bn.Ruggiero adds: "The difference between one per cent or [even] 0.25 per cent of total bets in the legal sports market compared to a $25m deal is night and day."

Since the Supreme Court ruling in May, none of the states which have legalised sports betting – Delaware, New Jersey, Mississippi and West Virginia – have introduced integrity fees into their bills. Gaming experts are divided over whether the NBA-MGM partnership has helped or hindered the quest for integrity fees.

Some believe the deal gives leagues a greater chance of success in persuading state legislators to make data-sharing a requirement in law as MGM, one of the world's largest gaming operators, has shown it is willing to do so with the NBA. "This deal can serve as an argument in favour of a statutory framework that includes central bet monitoring. It shows that the gaming companies can do it," says Wallach.

(Stacy Revere/Getty Images)

Others believe the partnership gives lawmakers an excuse not to mandate what private entities can negotiate commercially. "[The deal] does underscore an argument that is commonly made by stakeholders who oppose integrity fees: that integrity or royalty fees are a commercial arrangement and not something that should be mandated by lawmakers," Grove adds.

Nonetheless, the NBA has ensured it will benefit commercially from legalised sports betting while the fight for integrity fees continues. "There are many different ways to skin the cat, so to speak," Silver said.

"We decided here – rather than sort of re-litigating the integrity fee, which is still being hotly discussed state-by-state – to find an approach which is unique to us and where we both feel that we're being fairly treated."

Additional reporting by Ben Cronin

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ADVERTISING FEATURE

Caroline Anderson, Internal Communications, Executive Office of the Secretary General at FIFA and FIFA Master Alumna

The Canadian Caroline Anderson is another accomplished sports professional graduated from the renowned FIFA Master in Management, Law and Humanities of Sport. Currently at FIFA's Internal Communications, she's been working in sports for over 15 years – even before doing the masters in 2004-05. "Before the masters, I worked in event management for ski resorts, in New Zealand and in the USA, and in communications for professional hockey teams in the UK", she recalls. Caroline then realised that she thrived working in the area of communications and strategy and enjoyed working internationally, and so "I decided to further my education in the area of international sports management and joined the FIFA Master", she explains. Following her graduation, in 2005, her career developed in ways she would have never imagined. Says Caroline: "the programme opened up amazing opportunities and a tremendous network".

Directly after graduation from the FIFA Master, Caroline joined TSE Consulting (now Burson Marsteller Sport) as an intern, and there she climbed positions all the way to the top. "During my time there, I went from intern to Director/ Partner in the firm. I was part of a team that grew a business on an international scale and made a truly positive impact on the world of international sport". Caroline believes that becoming a partner in the firm and ultimately having the company acquired by one of the major media groups in the industry was her biggest professional accomplishment thus far. "I am extremely proud of what I, and the entire team, accomplished, for ourselves, for the company and for each and every one of our clients", she says.

At FIFA, since 2016, she gets to combine her passion for communication and strategy with her passion for helping people grow and succeed. "One of the biggest challenges for any organisation going through tremendous change is to bring its people along for the journey. It is not an easy task and every day is filled with challenges, trying to influence and make change across all levels of the organisation. It is this challenge and the fact that I am part of building a new and stronger organisation for the people that work here that makes me thrive", says Caroline.

Read more about Caroline Anderson's views on the FIFA Master and career in general.

How important was the FIFA Master for your career?

It was extremely important as it provided the understanding of how the entire industry works together and the support needed to develop and grow within the industry. The FIFA Master is more than a programme, it is a network of colleagues and mentors that can support you throughout your entire career. It also presented a job opportunity to me that I would have never had otherwise.

Are you still in touch with classmates or other alumni? How important is that network for you?

The network is part of my daily life – some of my closest friends are from the course and on a daily basis, for over ten years now, I have interacted with members of the alumni for professional reasons.

What are your fondest memories of the FIFA Master?

What I remember the most is what happened outside of the classroom: the discussions about the industry, the cultural exchanges, the laughs and personal growth experiences that came from the people with whom I shared the journey.

Sport has traditionally been a "men's world". Is that changing? How so?

People always say that it was a men's world, but what I noticed more when I entered the industry was that it was an 'old' world. The age of the people that were driving sport at the international level had much more of an impact on me then their gender. Now, the industry is changing, becoming more professional and more gender balanced, and I believe this is because younger people are starting to step in to lead and transform the industry. I see the role of women in sport administration exactly the same as the role of men. Sports administrators are here to protect the integrity of sport and develop it in the best way possible for the welfare of athletes: men, women, boys and girls. Men and women sports administrators play the exact same role in doing that.

CIES - Centre International d'Etude du Sport, avenue DuPeyrou 1, 2000 Neuchâtel, Switzerland - Phone +41 (0) 32 718 39 00 - Email fifamaster.admin@cies.ch

Mark Tatum: “The Chinese fan is a very sophisticated, knowledgeable fan”

League claims that most die-hard NBA fans play basketball before the age of 12

NBA working with the Ministry of Education in China on a grassroots junior NBA programme

76ers and Mavericks chosen for China Games because of earlier marketing activities in the country

(Mike Stobe/Getty Images)

Ben Cronin

Mark Tatum’s busy itinerary in early October sent out a clear message about the NBA’s expansionist ambitions. The deputy commissioner and chief operating officer for the league made a two-day excursion to the Fiba World Basketball Summit in the ancient Chinese city of Xi’an, before flying to Shanghai and Shenzhen to watch the Philadelphia 76ers and Dallas Mavericks spearhead the league’s marketing efforts in the latest series of NBA China Games.

The location for the events indicated the shared importance of China to the commercial ambitions of the league and basketball’s governing body, and in contrast to the squabbling that threatens to undermine European basketball, the two parties expressed their desire to work together to make the most of the opportunity.

“Our goal is the same as everyone here, it’s to grow the game of basketball, to make basketball the most popular sport in the world,” Tatum told the Summit. “All over the world, we are forming partnerships to grow the game, whether that’s at grassroots level, or elite level.”

Pyramid model

Tatum explained how the NBA believes in a ‘pyramid model’ for the sport in which the priority was to expose as many people in different markets as possible to the game at a young age.

“We know that for most die-hard fans of the NBA there are a couple of things they have in common: they all play basketball and they all played basketball before the time they were twelve years old,” he said.

To this end, the league has been working with the Ministry of Education in China on a grassroots junior NBA programme which will be in 4,000 schools in 31 different provinces, reaching four million children this upcoming season.

“We’ve come in and we’ve worked with them to train the trainer, and to train coaches on how to teach the game the right way, in their actual school systems – elementary school, middle school and high-school,” Tatum said.

Rather than see the Chinese Basketball Association as a rival to the NBA’s popularity in China, he said the US league was looking to build up the quality of its Chinese equivalent because this would ultimately build engagement with the sport. He explained how the NBA has organised exchange programmes with the league and that three teams from the CBA were currently playing pre-season games in the United States as part of this programme.

(*Palani Mohan/Getty images*)

China Games

The decision to invite the Philadelphia 76ers and Dallas Mavericks to play in the NBA China Games was driven by the global appeal of their increasingly cosmopolitan rosters and recognition for the teams’ efforts in marketing those players to Chinese audiences. 15 international players appear across both teams, including Chinese player Ding Yanyuhang, who featured prominently in the Mavericks’ marketing activities around the pre-season fixtures, but barely played because of injury.

“The Chinese fan is a very sophisticated, knowledgeable fan,” said Tatum in an exclusive interview with *SportBusiness Review* after his conference keynote. “[76ers player] Ben Simmons was the rookie of the year last year, they know his teammate Joel Embiid and they know [Mavericks players] Luka Dončić and Dennis Smith Jr.

“Many of those players have actually already been to China to visit the market. Ben Simmons, for example, has been to China. He’s got a partnership with Nike and they’ve brought him over here.”

Tatum also acknowledged the Dallas Mavericks’ recent decision to crowdsource a new Chinese name for the team because their English-language moniker was often mistranslated to ‘little cows’.

“They actually had a contest here in China to rename the team because their Chinese name did not translate here, and so that was another good example of how Dallas engaged directly with the market to get their input on what their Chinese name ought to be.”

> ***“Our goal is the same as everyone here, it’s to grow the game of basketball, to make basketball the most popular sport in the world.”***
>
> **Mark Tatum** | deputy commissioner and chief operating officer, NBA

Similarly, the 76ers have started to differentiate their content for Chinese audiences, having recently hired a Mandarin speaker to edit their output on the popular social media platform Weibo. The move has paid dividends, with the team having moved from 27th up to fourth in a table which ranks engagement levels for NBA teams on the platform.

Speaking to *SportBusiness Review* after the games, Adam Davis, chief revenue officer for Harris Blitzer Sports and Entertainment, the ownership group of the 76ers, said the fact the NBA’s Chinese media partners, CCTV and Tencent, were able to select which of the league’s games to show placed a premium on player talent. To illustrate his point, he said the NBA Championship-winning Golden State Warriors were shown 30 times on Chinese television last season, while the 76ers were shown 18 times. “There’s no point trying to break China without the players,” he said.

Marketing activities

Unlike the English Premier League, the NBA plans the marketing activities of clubs overseas and decides which teams play in its international series of fixtures. This is designed to maintain the competitive balance of the league. The latest series of China Games were the 25th and 26th games the NBA has played in China in the last 14 years, and the Philadelphia 76ers and the Dallas Mavericks were the 16th and 17th NBA teams to play in the country.

“We represent all 30 teams and what it does is it allows us to ensure that those teams which may not have the ability and the resources to do that still benefit from the globalisation of the sport,” said Tatum.

“We’re not a four-team league or a five-team league. People want to see the Mavericks; people want to see the 76ers; people want to see the Milwaukee Bucks. We’re sending the Orlando Magic to Mexico City.”

Activations

The NBA arranges a host of marketing activities to coincide with the NBA China Games. For this year's event, NBA Cares – the league's social responsibility program – organised two events in China.

In the first event, Dallas Mavericks' players and coaches hosted a basketball clinic in Shanghai that celebrated the 50th anniversary of the Special Olympics. In the second event, players, coaches and executives from the Philadelphia 76ers participated in the dedication of an NBA Cares Learn & Play Centre at Lishan School in Shenzhen, featuring a newly-refurbished outdoor basketball court and a new student reading room. The project included the donation of computers, books and basketball equipment and a basketball clinic for students to participate in on the newly-refurbished court.

NBA China also organised an NBA Fan Day (presented by Dongfeng Nissan) alongside the game in Shanghai to allow a further 15,000 to 20,000 fans who didn't have tickets for the main game to see Chinese celebrities and players from both teams participate in on-court activities and skills competitions. Tickets to the NBA Fan Day were free to the public and were made available through a series of interactive promotions conducted by NBA China's digital and marketing partners.

> *"All over the world, we are forming partnerships to grow the game, whether that's at grassroots level or elite level."*
>
> **Mark Tatum** | deputy commissioner and chief operating officer, NBA

Tatum said these events, combined with the activities of NBA China's 17 partners gave the China Games a 'big-event', All-Star Game feel.

"[The partners] are running extensive promotions leading up to and around the game. All of that activity can be attributed, in a large part, to these tentpoles of games," he said.

Ahead of the latest series of games, Chinese mobile firm Vivo expanded its association with the NBA by becoming the Presenting Partner for the China Games from 2018 to 2020. The brand first teamed up with the NBA in 2016 in a multi-year deal that named it as the Official Mobile Phone Partner of NBA China. As part of its latest deal, Vivo benefited from advertising exposure through the NBA China Games logo, along with on-court branding and signage. The company has also been named as an Official Partner of NBA Fan Day and an Associate Partner of NBA Cares.

Another promotion for the game saw 76ers player Joel Embiid appear on 700 million bottles of Chinese

(Zhong Zhi/Getty Images)

NBA CHINA'S SPONSORS

iced tea brand Master Kong. The deal was arranged through the NBA China office, although the drinks brand had to strike a separate deal with Embiid to use his image.

Tatum said a number of the league's other sponsors activated by running ticketing promotions ahead of the games, which allowed them to capture consumer data.

"There are only about 18-19,000 tickets available and the games are taking place in cities that have populations of 15 and 20 million people," he said. "Having that ticket is really a unique and special thing and there are only a few ways you can do it. If you're a marketing partner, you have the opportunity to host VIP guests, consumers, clients."

Media

League partners also activated their sponsorship rights during the China Games by purchasing advertising spots with CCTV and Tencent. They also supported the NBA Fan day which was broadcast live on BesTV, Tencent Sports and Weibo.

The league's three-year deal with Tencent was initially worth $500m plus a share of advertising and commercial revenue estimated to be $200m but was expanded to integrate the NBA's international League Pass, allowing Tencent to show every NBA game. Tatum said the media company's reach and bandwidth were instrumental in the league's decision to partner with it.

"We have a partner in Tencent, which is also a partner of Fiba, which is terrific at getting live games out. We have over 400 live games that are distributed on Tencent's digital platforms and all 1,300 NBA games are available to Chinese consumers through our partnership with Tencent," he said.

In a separate presentation at the conference, Tencent vice-president Caitlyn Chen claimed the company offered a reach of 143 million core basketball fans across its sports platforms, a combined reach of 482 million basketball fans across all of its media platforms and 2.4 billion monthly active users on its social media platforms. The choice of Shenzen as the location for one of the China Games was also driven by the fact that the media company has its headquarters in what is essentially the technology capital of China.

National-team basketball

With the Fiba World Cup approaching next year in China, Tatum said national-team basketball would continue to play an important role in introducing new audiences to the game and inspiring the next generation of NBA players.

He credited Fiba's decision to allow NBA players to compete in the 1992 Olympics, and for US NBA players to compete as the 'Dream Team', for the growth in the number of international players in the league. Ahead of the decision there were 23 international players in the NBA; last season 108 players born outside of the United States competed in the league.

"That was a seminal moment in the growth of international basketball and the growth of the NBA," said Tatum. "Tony Parker, who was growing up in France at the time, was so inspired by Michael Jordan that he decided to bounce the ball instead of kick the ball. Tony could probably have grown up to play professional football, but he was inspired by Michael and the reason he wears the number '9' is because that was Michael Jordan's number on the USA basketball team."

Fiba World Basketball Summit: Baumann brainchild highlights his legacy

Baumann hoped Fiba World Cup in China would provide platform for the growth of the game

Late secretary general championed 3x3 to build audiences in new markets

Former Nike executive George Raveling describes Baumann as a 'visionary'

Patrick Baumann, Fiba secretary general, passed away in October aged 51 (*Charles McQuillan/Getty Images*)

Ben Cronin

When Patrick Baumann, the late secretary general of the International Basketball Federation (Fiba), gave his opening address to the World Basketball Summit in the Chinese city of Xi'an at the start of October, he said the conference marked the start of a 10-year journey. In a typically enterprising speech, Baumann challenged those in the room to make basketball the most popular sport in the world by the time of the Los Angeles Olympics in 2028.

Tragically, his death just a few days after the summit robbed him of the chance to see his crusade through, but if there was any solace to be found in his untimely passing, it was that the collaborative tone of the conference was a fitting illustration of a career that was defined by an emphasis on the collective.

The presence of luminaries like NBA commissioner Adam Silver and Chinese Basketball Association president Yao Ming at the event bore testimony to Baumann's ability to galvanise some of the most powerful figures from the sport.

"I think we genuinely feel that affection for each other and feel that what is good in one country, one league or federation, supports the game overall," said Silver in a joint panel discussion with Baumann and Yao Ming. "We're competing against other sports, but maybe more importantly, we're competing against other forms of leisure and entertainment and our main mission is to get young people all over the world to play this great game."

Baumann said the choice of Xi'an, a former Silk Road city, as the location for the event was appropriate because it represented a focal point for relationships between the East and the West. He looked forward to the Fiba World Cup in China next year, expressing his hope that national basketball would continue to provide a gateway for new audiences to discover the sport.

"The driving force is the name of the country on the front of the shirt," he said. "It talks to people who don't follow the game normally."

The conference heard from advocates of 3x3 basketball, the shorter variant of the game championed by Baumann because it gives smaller nations the chance to compete on an equal footing with the superpowers of the sport. Italian Rae Lin D'Alie, a Women's 3x3 World Champion, and Myagmarjav Luvsandash, president of the Mongolian 3x3 association, spoke about the increased opportunities for success and basketball development provided by the new format.

Speaking after the conference, George Raveling, former director of international basketball for Nike, and a fellow 3x3 advocate, thought Baumann's international outlook would be his greatest legacy.

"I believe that when historians write this era of basketball, his name will be one of the first mentioned," he said. "The impact that he's had on the globalisation of basketball will be indelible.

"He contributed in a variety of impactful ways and I think one of his biggest strengths was that he was a visionary, but he didn't just have a vision. He had a commitment to make the vision a reality."

Here are some other highlights from the Fiba World Basketball Summit:

Adam Silver thinks esports offer NBA the chance to be a 'truly global league'

In a stellar panel that brought him together with Baumann and CBA president Yao Ming, NBA commissioner Adam Silver said esports offered the NBA the chance to be a 'truly global league'.

While the NBA China Games were disruptive to players and team schedules, he thought esports competitions like the NBA 2K League offered the opportunity to easily schedule fixtures across time zones.

"I can imagine a scenario in arenas where the Xi'an team is competing directly against the Houston team and they're competing in a virtual way and that's what technology will allow for."

Baumann said esports, like 3x3 basketball, provided consumers with an alternative way to engage with the sport.

> *"Our main mission is to get young people all over the world to play this great game."*
>
> **Adam Silver** | commissioner, the NBA

"There are people who are interested in our sport through esports, and through that digital community we need to grab them," he said. "There are people out there that don't want to be in a traditional, typical structure and we should provide them with a home."

Yao Ming said the CBA was "just a little baby" where the application of technology was concerned, but he hoped the CBA's relationship with media company Tencent would help it to mature in this respect.

Looking ahead to the 2019 Fiba World Cup in China, the retired basketball player and former NBA All-Star also stressed the importance of the national team to the growth of basketball in China.

"We have a lot to do," he said. "We need to build a perfect training system that can turn out top players on a constant basis. In the USA you have the NBA and NCAA, so there are a limitless and boundless supply of good trainers and top players. We need to do a lot of manual and detailed work so that we can reach the top of the pyramid."

Wasserman says sport is 'on the precipice' of monetising social media

Celebrated sports agent and Wasserman Group chairman and chief executive Casey Wasserman said sport was on the cusp of monetising social media. "That's not really happened yet," he said.

He envisioned a point in which companies like Nike would use players to 'distribute and sell' products and referenced the way the NBA was using social media to promote fourth-quarter streaming.

Wasserman said the NBA deserved credit for the way it had embraced social media and had optimised its product for mobile audiences.

"They are leaning into what the future of a broadcast looks like more than any other league and that will benefit them," he said. "If you have the NBA app on your phone, the mobile view is better and different on your phone than it is just watching a stream of a traditional broadcast. Basketball

Casey Wasserman, chairman and chief executive of the Wasserman Group (*Mark Runnacles/Getty Images*)

(Sean M. Haffey/Getty Images)

is the perfect product for where the world is and where the world is going technologically."

Participation in China not where Nike would like it to be

Although enthusiasm for basketball is huge in China, Craig Zanon, global head of basketball at Nike, said participation in the country was not where the brand wanted it to be.

He said Nike worked with Fiba and China basketball to bring the Fiba World Cup to the country and would use the event as a 'springboard' to elevate the game there. The brand was now developing new apparel and footwear that it would launch in conjunction with the Chinese national team at an innovation summit leading up to the World Cup.

"We leverage our brand positioning and our marketing horsepower, and the design is we can galvanise this nation through our marketing efforts around the China national team, around basketball and around the joy of sport."

Of the company's global marketing efforts, Zanon referenced the way Nike had created a collection of products for the upcoming Uncle Drew movie, which expands on a series of short-form branded videos by Pepsi and NBA player Kyrie Irving.

> *"[The NBA] are leaning into what the future of a broadcast looks like more than any other league."*
>
> **Casey Wasserman** | chairman and chief executive, Wasserman Group

Tencent relies on AI bots to write basketball news

In a disheartening presentation for the journalists in the room, Tencent vice-president Caitlyn Chen explained how the Chinese media company has developed an AI bot to generate basketball news stories. Chen said it took a human writer an average of 28 minutes to write a formulaic match report whereas it takes its Dreamwriter bot just 0.94 seconds to write a similar story.

She said the technology was necessary to provide users with a 'diversified' content offering and keep them engaged. Tencent, which has media deals with the NBA, Fiba and the CBA, has conducted audience research which revealed only 22 per cent of audiences in China watch a basketball match in its entirety, placing an even greater importance on providing users with an enhanced viewing experience.

According to the same research, 71.5 per cent of audiences use a mobile phone to watch sport in China and that there is a growing number of female basketball fans in the country.

"Out of 10 boys there are three who would be interested in basketball," she said. "For women, out of 10, there would be five who are very interested in basketball games."

London is just the start of the NFL's plans for global domination

Mark Waller, NFL EVP (international and events) hopes for a London-based team by 2022

International Series expected to expand into Canada and Germany, and possibly a global football league

Plan to get teams into more cities will help diversify broadcast schedules

(NFL)

Adam Nelson

In 2007, the first year the NFL played a fixture in London's Wembley Stadium, 81,000 tickets were sold to watch the New York Giants defeat the Miami Dolphins.

That number was over a quarter of a million for three separate games in 2018, all played at the same venue. Demand for seats – according to NFL UK – exceeded that of all other sporting events in London this year except the Wimbledon men's final.

In November, the third annual Mexico Game will take place; the fourth regular-season NFL game to take place outside the US this season. At least 75,000 fans are expected in the Estadio Azteca.

Mark Waller, the NFL's executive vice-president, international and events, promises that this is just the beginning. The NFL's quest for global domination means that the plans for the next few years are even more ambitious than what has come before: putting a full-time team in London and expanding the International Series to further cities around the globe are clear goals for the next decade.

The success in the UK so far has convinced Waller that, however challenging those targets may be, a significant amount of the hard work has already been done, with the choice of London a crucial strategic decision.

"London was always a very deliberate choice as our first international city," he explains. "There are some obvious reasons for that – the lack of a language barrier, the UK-US relationship on a macro level being a very good one, lots of cultural similarities – but there are also some reasons that are less obvious from the outside."

Primary among these, Waller says, is that the UK presented a challenging marketplace in which to prove the concept of the International Series. "It's an incredibly competitive market with four or five already really big, established sports," he says. "It was an opportunity to be successful in a market that truly matters. It matters from a fan perspective – the size and scale of the fan base – and it matters from an economic opportunity perspective.

"Most importantly, though, we felt that if we could prove out the UK, we could prove out a number of other markets, we could almost certainly prove out Germany, because the fanbases are remarkably similar in size and scale."

Does that mean we can expect to see NFL fixtures in Munich's Allianz Arena, or Dortmund's Signal Iduna Park, in the near future?

"Negotiations are not underway, but there is definitely an air of mutual acknowledgement," says Waller. "We know we have a great fanbase in Germany – as in Mexico and Canada – and we know those fans would love to have their own games, in the same way fans in Los Angeles want their own games.

"We also know that there are various stadiums and various cities around the world that are interested. But it's too soon to put a timeframe on when that might happen."

What Waller is willing to put a timeframe on, however, is the discussion of a potential London-based team. The NFL's Collective Bargaining Agreement, the labour agreement between the Players' Association and the team-owners which specifies the terms of labour and sets out the league's aims over the course of the next decade, is up for renewal in 2021. Waller says that the London franchise will be "an integral part" of the discussions.

> ***"We felt that if we could prove out the UK, we could prove out a number of other markets... because the fanbases are remarkably similar"***
>
> **Mark Waller** | executive vice-president, international and events, NFL

"We won't be able to do anything any sooner than that, but I would hope it won't be too long afterwards," he says. "By the time those discussions come around we'll have been playing in London for almost 15 years, showing the appetite there is for the sport in this city. I think it's a natural next step in the development of what we've been doing so far, and it opens up the European market in an even greater way than we've managed so far."

That last point is crucial, and helps to explain why London, Germany and beyond are so key to the NFL's strategy over the coming years.

International growth to prop up home decline

While there will remain stumbling blocks to placing a franchise in London – traditionalist stakeholders opposed to expanding the league outside of America, as well as more practical concerns with regards to scheduling, media rights and travel – the truth is that the NFL sees internationalisation as its best shot at growth over the coming years.

2017's regular-season average attendance of 67,000 was the league's lowest since 2011. Television viewership,

Mark Waller, executive vice-president, international and events, NFL (*NFL*) meanwhile, fell 18 per cent in the three seasons between 2015 and 2017. However, in the UK at least, both metrics are growing, with the BBC's coverage of NFL fixtures on Sunday regularly drawing up to 500,000 people – double what its commercial rival Channel 4 was attracting on average before it lost the rights in 2013. And while the comparison between the International Series and regular-season home matches played in the US is imperfect, attendances in London and the demand for tickets has convinced Waller that there is a public desire to see a team in the city.

Only once in 20 games to date has Wembley failed to draw more than 80,000 fans to an NFL game, with an average of 84,000. Twickenham, with its slightly lower capacity of just under 75,000 for American football games, has sold out for all three of the fixtures it has hosted so far. Perhaps the most important figure, says Waller, is the 40,000 people this year who bought tickets for all three Wembley games.

"That is clear evidence that a sizeable and hardcore fanbase exists here," he says. "It shows we have dedicated fans who are coming for the sport and to watch NFL, not just for the day out or to dip a toe into the water."

Even more vital, he says, is that the NFL has data which shows these 40,000 have become NFL fans in the ten years since the first International Series game. "We do fan surveys which give us lots of insight into the demographic breakdown of the fans, but even anecdotally, we see who is coming," Waller explains. "The best testament is the Seahawks game [against the Oakland Raiders on October 14]. We know that the Seahawks have really grown in popularity over the last ten years, particularly since their back-to-back Super Bowl appearances in 2013 and 2014, and yet Wembley was pretty much a Seahawks home game, there were so many fans in.

"We also know that a lot of the repeat buyers are in the 18-to-34 age bracket, which suggests two things: first, that these people probably weren't coming at all ten years ago; and second, that they're young fans who have grown up

(Alex Pantling/Getty Images)

with the sport. It's really promising to see that group coming through and coming to games, because that's what we will need in order to support a franchise here."

International Football League

The aggressive approach to international development, Waller says, is driven by a belief that "we are the only US league that can really play across the Atlantic", and a desire to capitalise on that growth.

"Every American sport can put a team in Mexico City or Toronto," he goes on, "but I don't think anyone else could put a team in London. The scheduling just doesn't line up".

The NBA has brought a regular-season fixture to London every year for the past seven years, but it has never expanded beyond a single game – in large part because schedules are so packed (with up to three games being played a week) that the travel can cause significant disruption to the teams involved. MLB, meanwhile, is set to dip its toe in the water next year with a game between the New York Yankees and the Boston Red Sox in London's Olympic Stadium, but baseball lags significantly behind American football in terms of popularity in the UK, and scheduling is also an issue.

Waller's ambitions are not limited to London, either. He puts forward a vision of "a league that plays in the USA, in the UK, in Germany, in Mexico, in Canada, potentially in another Latin American country", and claims that the NFL is in a position to "create a framework that no other sport could replicate".

As a model, Waller says he looks to the Uefa Champions League and the way it has grown to take full advantage of its status as an international competition.

"I grew up when the European Cup [the forerunner of the Champions League] was just starting," says Waller. "And what the Champions League is today is fundamentally different to what the European Cup was then. And I don't think it was apparent then what it could be, this commercial behemoth that the entire footballing world looks towards. I think that's a fair comparison to where the NFL is at the moment internationally.

"I don't think it's possible to imagine how powerful a proposition that could be: to have a London team going to play a Berlin team, and then going to play a Washington team, and then a Mexico City team on a regular basis in a single season for a single prize, which I think is the beauty of the Champions League."

> *"Every American sport can put a team in Mexico City... but I don't think anyone else could put a team in London."*
>
> **Mark Waller** | executive vice-president, international and events, NFL

A global broadcast strategy

Playing in different cities around the world – whether that is in an International Series or, eventually, with new franchises placed in key locations – is not simply an end in itself. As well as the Champions League, Waller has also drawn inspiration from the other dominant soccer competition – the Premier League – in his vision for the NFL.

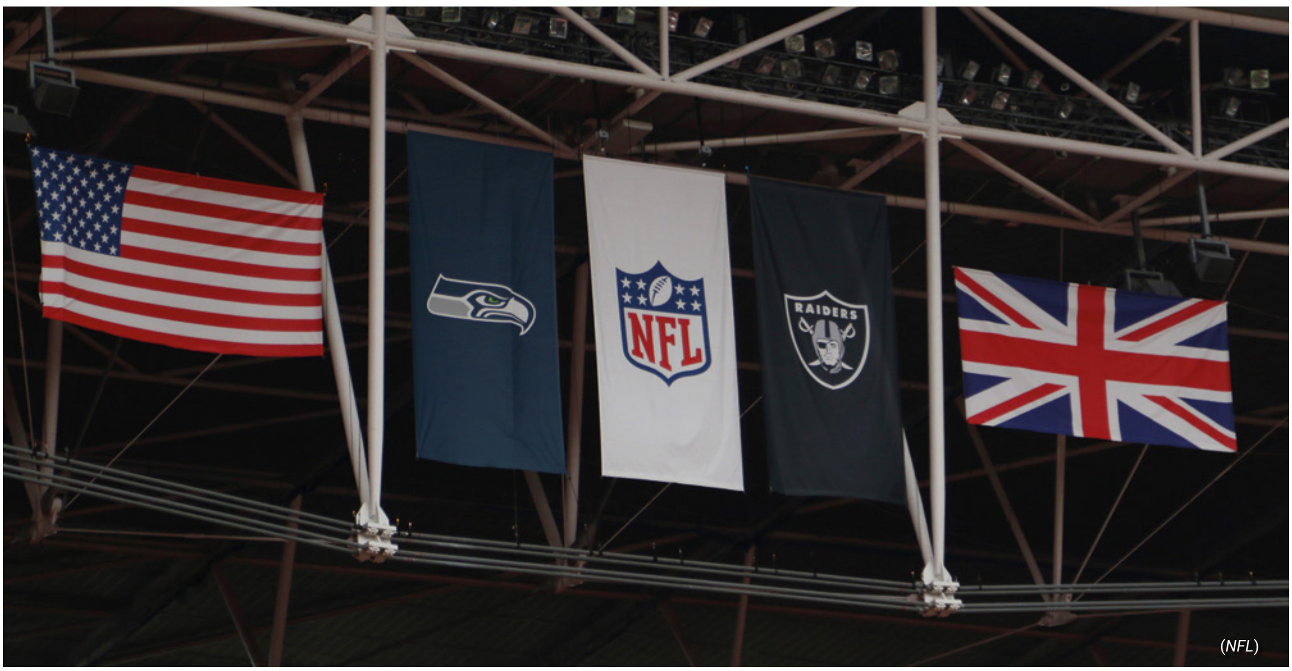
"I would argue very strongly that a huge part of the Premier League's success is the time slots that they play in," he says. "Diversifying from the 3pm kick-offs allowed them access to Asia, India and the US, all at fan-friendly times. That's something we've attempted at different points this season – we're going to have a 6pm game, a 1:30pm game and a 2:30pm game, for a sport that is generally anchored on time slots that are none of those windows – but it has been limited so far."

Expansion into Europe would allow the NFL to create prime-time broadcast viewing slots all around the world. Waller says the league has attempted to adopt an "agile media strategy", which has involved using innovative broadcast partners such as Twitter and developing its own OTT platform in Game Pass, as well as continuing to work with its traditional broadcast partners, but remains stymied by "a shortage of inventory".

"The truth is that we only have a finite number of games per season," Waller says. NFL teams are only guaranteed eight home games per season. Furthermore, with an average NFL game running for around three hours, it is more difficult to move them around in the schedule.

"We don't necessarily want to change the structure of our season, but certainly playing in other cities allows us to move that inventory around more effectively and gives us a lot more to play with in the international marketplace. We certainly don't want to take anything away from our US fans, but we think we can find more effective ways to get live football in front of our international fans."

Playing in Europe, then, is intended to help the NFL not only grow there, but in Asia too. Waller cautions, however, that it will continue to take its development slowly, "because we need to build this over time, and we need to build it to last a long time. That's why we've been so precise and tight in the UK and made sure we really knew what our strategy was and where it was going".



(NFL)

Rights-holders line up hopefully as liquidator sifts through MP & Silva assets

MP & Silva wound up owing hundreds of millions of dollars to sports bodies

Creditors include: Fifa, Uefa, England's Premier League, Italy's Serie A and Formula One

International Handball Federation narrowly avoids crisis as Lagardère steps up at short notice

Frank Dunne

The collapse of the MP & Silva agency will hit the short-term finances of multiple rights-holders across a wide range of sports, from football to Formula One. Most are financially strong enough to take the hit.

Handball isn't, but the sport has narrowly avoided a major financial crisis by acting quickly on two fronts. When the agency's financial problems became apparent, the International Handball Federation took swift action and agreed a new media-rights deal, while the European Handball Federation began to receive rights fees directly from broadcasters.

There have been some short-term opportunities in the agency sector as rights-holders have sought quick solutions to rights reclaimed from the agency this summer. The longer-term implications of the failure will become clearer when – or if – MP & Silva's majority shareholders, the Chinese companies Everbright Securities and Beijing Baofeng Technology, explain why they failed to act over a seven-month period.

Between December 2017, when it became clear the agency was heading for heavy losses, and June 2018, by which time all the agency's rights-holder clients had taken back their rights, Everbright/Baofeng were presented with four proposals for dealing with the expected losses. They took no action.

By July, a company that was valued at $1.1bn (€965m) in March 2016 – when Everbright and Baofeng agreed terms to acquire the agency – was finished as a trading vehicle. Once it had defaulted on payments to many of sport's most prestigious leagues and federations, as it had done between April and June, there was no way back.

MP & Silva was wound up on October 17, 2018, in the UK's High Court of Justice in London, following a petition to dissolve the agency brought by the French tennis

(Jean Catuffe/Getty Images)

federation, the Fédération Française de Tennis.

It is the biggest failure in the sports marketing sector since the closures of the Swiss agency ISL in 2001 and Germany's Kirch Group in 2002.

Creditors line up

Following the winding-up order against the agency, Zelf Hussain, a partner at accountancy firm PWC, was appointed as liquidator of the agency's assets. It is understood the agency had at least £40m (€45m/$51m) in the bank at the time it was wound up. Some sources say it was considerably higher than this.

Rights-holders will not be first in the queue. First come secured lenders, such as mortgage companies. According to records at Companies House, Barclays Bank was a secured creditor for an amount agreed in March 2016 which was settled on June 28 this year.

Next, money will go to pay for the costs of the liquidation process, then to preferential creditors – usually employees. Anything left will be shared among the remaining creditors on a *pari passu* basis, with each receiving the same percentage of what they are owed once the total available pot is identified.

> *"In these situations, the return for unsecured creditors in liquidations is pretty low. A bank guarantee would give you a much better chance of recovery."*
>
> **Neil Smyth** | corporate restructuring partner, Mills & Reeve

Neil Smyth, corporate restructuring partner at law firm Mills & Reeve, said there would be "quite a lot of complexity around the arrangements with the various organisations". Any recoveries would be "a few months down the line, at best".

He said that rights-holders that had required the agency to provide a bank guarantee for the full value of their deal would be in a much better position. "In general, in these situations, the return for unsecured creditors in liquidations is pretty low. A bank guarantee would give you a much better chance of recovery."

The agency's owners stopped paying rights-fee instalments in April, creating shortfalls for rights-holders which amount to more than $250m. The rights-holders affected include:

- Fifa, football's global governing body, for rights in Italy to the 2018 and 2022 World Cups. The agency offered a minimum guarantee of €185m for 2018 and €195m for 2022. Following Italy's failure to qualify for the 2018 tournament it secured only €71m for the rights, in a deal with media group Mediaset. Fifa will now sell the 2022 rights itself, with no certainty it will match the €195m. Its claim for the €114m shortfall in 2018 was due to be taken to arbitration by the two parties prior to the agency's closure
- Italy's Serie A, which is owed €38m against sales of its international rights. MP & Silva paid €185.7m per season for the rights for three seasons, from 2015-16 to 2017-18

- England's Premier League, which is thought to be owed between $35m and $40m. The league concluded three separate deals with the agency in 2015, worth a total of $72.8m per season, for rights from 2016-17 to 2018-19 in seven Asian territories: Japan, South Korea, Mongolia, the Pacific Islands, Taiwan, Vietnam and the Philippines. An instalment covering the second half of the 2017-18 season was not paid
- Formula One Management, the commercial rights-holder for the motor-racing series, is understood to be owed about $20m. MP & Silva agreed a $40m-per-year deal covering the Middle East and North Africa (Mena), Poland, Romania and Bulgaria, for six years from 2014 to 2019. An instalment for the second half of 2018 was not paid. FOM has since taken the rights back. It has agreed deals for 2019 in Poland, Romania and Bulgaria but has yet to sell the rights in Mena
- Uefa, football's European governing body, is owed about $15m. The agency acquired rights in Japan to the European Qualifiers from 2014-15 to 2017-18 and Euro 2016 in a combined deal worth about $30m. The bulk of the fee was for Euro 2016. MP & Silva subsequently acquired European Qualifier and Nations League rights in the country from 2018-19 to 2021-22, in a deal worth just over $10m
- Germany's Bundesliga, which is thought to be owed $10m for one missed fee instalment. MP & Silva paid just over €36m per season for Bundesliga rights in the Balkans, Eastern Europe, Eurasia, the Nordics and Portugal. Having taken the rights back, the league is also facing a shortfall of about €18m per season – compared to the MP & Silva fee – in new deals agreed by its trading arm Bundesliga International with: media company Nordic Entertainment Group in the Nordics, pay-television broadcaster Eleven Sports in Portugal and the Saran Media agency in Turkey
- The French tennis federation, which is owed more than €5m. MP & Silva pays about €22m per year in a deal that initially ran from 2012 to 2016 and was extended to cover 2017. It was later extended for another four years, from 2018 to 2021
- The Scottish Professional Football League, which is owed about £1.3m. The agency was paying about £2m per season for the league's international rights in a deal covering all countries outside the European Economic Area for 10 seasons, from 2013-14 to 2022-23
- The European Handball Federation, which is owed about €500,000. The EHF had a seven-season deal with MP & Silva, from 2013-14 to 2019-20, in which the agency guaranteed the EHF a minimum of between €7.5m and €8m per season, as well as a share of revenues above this figure. When the federation realised MP & Silva was in financial difficulty it began to collect rights fees directly from broadcasters, which it did successfully in most territories. It has taken over the existing broadcast agreements until its new 10-season deal with the Infront agency and DAZN Group comes into force, from 2020-21 to 2029-30
- The Ekstraklasa, the Polish football league, was owed about €250,000 by the agency. However, it is understood that the league owed the agency a larger amount for its advisory services. The league is thought to have paid MP & Silva the difference
- One of the agency's biggest deals was that as rights adviser to Belgium's Pro League for the six seasons from 2014-15 to 2019-20. The deal was based on a 'soft guarantee' of €70m per season in each of the first three seasons and €80m per season for the second three. However, the league, not the agency, was the contracting party with broadcasters. No rights fees passed through the agency, so the league incurred no debt and was able to continue with its broadcasting arrangements
- The International Handball Federation had agreed an eight-year deal for its global media rights with the agency, beginning from next January's men's World Championship, worth €150m: an average of €18.75m per year. Once it became clear the agency was unable to pay its fees, the IHF terminated the agreement and awarded the rights to the Lagardère Sports agency. The IHF did not hold a competitive tender for the rights but awarded them to Lagardère because the agency was prepared to pay €1m more than MP & Silva for the rights: a total of €151m. The deal was completed in two days and unanimously approved by the IHF council.

(Tullio M. Puglia/Getty Images)


(Tullio M. Puglia/Getty Images)

How to blow a billion in two years

Everbright and Baofeng agreed a deal to acquire 65 per cent of MP & Silva in March 2016, announcing the deal two months later. The two Chinese companies created a new entity, Jin Xin, to run the business. Jin Xin is registered in Grand Cayman.

At that point the agency had a turnover of about $700m and had enjoyed positive earnings before interest, tax, depreciation and amortisation for all but one of the previous 10 years. It had no debts.

During the sale process, the new shareholders made their first – and arguably biggest – mistake: failing to tie the company's founding shareholders (Riccardo Silva, Andrea Radrizzani and Carlo Pozzali) and its most senior managers (Marco Auletta and Roberto Dalmiglio) into the company for at least one or two years. At no point were they required, or even asked, to stay on in a day-to-day management capacity. Within four months of the deal being signed, all five had cashed in much or all of their stakes and gone. Within the next 12 months, much of the remaining senior management team had joined them.

It is thought that the Everbright/Baofeng plan was to float the company on the stock market in China within a year or two of taking over. But performance took a rapid downturn. In the financial year to June 2016, the agency was in profit. The following June it was just about breaking even. By the end of 2017, it was clear the company was heading for a loss of between $45m and $50m in the year to June 2018.

> *"With the sale of the company [MP & Silva] I also relinquished management and operational control and have been focusing on other projects ever since."*
>
> **Riccardo Silva** | owner, Silva International Investments

Two deals played a big part in that. The agency was losing about €20m per season on its Bundesliga deal and lost about $10m on its World Boxing Super Series deal, which was set to run from 2017-18 to 2019-20. Other shadows hung over the agency. It was facing, at some point in the next year or so, a big loss – tens of millions of euros – on Fifa World Cup rights in Italy and was the subject of an Italian antitrust investigation into alleged collusion surrounding the acquisition of Serie A international rights. European competition authorities can fine undertakings up to 10 per cent of turnover for anti-competitive behaviour.

An expected boost in earnings in China, driven by the new owners' knowledge of the market, did not materialise.

Over the next seven months, management put four proposals to the majority owners.

Proposal 1: In January, following advice from auditors EY and accountants PWC, the agency's management team proposed a recapitalisation of $125m to cover its losses for two years and provide an investment fund to stimulate further growth.

Proposal 2: In April, having received no response to the first proposal, Riccardo Silva put together a group of investors which offered to recapitalise – at a value well below $1.1bn – taking a 60-per-cent share and leaving Everbright/Baofeng with 40 per cent. In a subsequent discussion, the group of investors said it was willing to take 51 per cent and leave Everbright/Baofeng with 49.

Proposal 3: Later that month, having had no response to the second proposal, Riccardo Silva offered to buy back the agency completely. It is thought that the valuation was in the low hundreds of millions of dollars. The owners rejected the offer, claiming there were several bigger offers on the table.

Proposal 4: In June, the group of shareholders proposed a smaller recapitalisation, of $80m, respecting the original shareholding split of 65:35. It did not receive an answer.

In a conference call at the end of June, the owners proposed a recapitalisation that would have valued the agency at between $700m and $800m, maintaining their 65-per-cent stake. It was too little, too late. The company had no rights left and the damage to its reputation was irreparable.

With revenues not coming in fast enough to stem the losses, and no word from China on fresh funds being injected into the company, the management team under president and group chief executive Seamus O'Brien is understood to have written to the owners for guidance on whether the agency should keep paying rights-fee instalments. With no answer forthcoming, the management took the decision to stop making further payments to rights-holders. Within days of this becoming known throughout the industry, rights-holders demanded to either be paid or took their rights back.

In October 2017, the agency lost international rights to Serie A, which had been contributing about €40m of profit each year for the agency.

A chance to bounce back came in the form of the tender for the Asian Football Confederation's global commercial rights in March. But with no communication from Beijing on his proposed strategy, O'Brien had to submit a $2bn bid 'subject to board approval'. Such a bid was invalid under the terms of the ITT.

Even for a company as large and bureaucratic as Everbright, seven months appears an inordinate amount of time to have responded to what was a manageable loss for a vehicle whose ultimate owner is the Chinese state.

Sports marketing agencies have suffered far bigger losses and continued trading. In 2012, French conglomerate Lagardère wrote down €900m against its Lagardère Unlimited division, which handled its sports-rights sales and the company's 20-per-cent stake in French pay-television broadcaster Canal Plus. Lagardère's sports division, since rebranded Lagardère Sports, continues to operate.

It is understood that senior officials within Everbright were angry that its initial investment represented a substantial overpayment compared to the agency's true market value. Its due diligence was flimsier than that of other bidders, according to former executives of the agency. But in the end, to avoid paying $32.5m – or 65 per cent of the expected $50m loss – Everbright and Baofeng wrote off $700m.

Riccardo Silva, whose investment vehicle Silva International Investments owns SportBusiness, provided the following statement: "I am proud to have built and developed, with my partners, one of the world's leading sports media companies. When in early 2016 I sold MP & Silva to the Chinese groups Everbright Securities and Beijing Baofeng Technology, it was a growing and profitable company with zero debt and enormous potential for continued growth. With the sale of the company I also relinquished management and operational control and have been focusing on other projects ever since."

Nobody was available for comment at Everbright or Baofeng at the time of writing.

(Richard Heathcote/Getty Images)

NBA turns South Korean fashionistas into basketball fans with MK Trend partnership

NBA licenses clothing company MK Trend to create casual and lifestyle-focused clothing for South Koreans

Over 130 NBA stores are in operation across South Korea, positioning the league as a fashion brand

Partnership has helped the NBA engage with a new demographic as it targets young, Asian consumers

(NBA Asia)

Adam Nelson

In 2011, the NBA penned a deal with Seoul fashion brand MK Trend that allowed the designer to create merchandise on behalf of the league and sell it in branded NBA Store locations. The level of freedom granted to MK Trend to play with and redesign NBA marques is exceptional; a bold move for a rights-holder which usually exercises tight control over its branding.

The NBA had seen an opportunity in the South Korean marketplace, where the fashion sector generates $13bn (€11bn) annually, the sixth most in the world – with a notably high proportion of spend from younger consumers. NBA team jerseys and other branded items were already popular in the country, but largely among basketball fans. The MK Trend partnership was an attempt to communicate with fashion-conscious young people first, and use it to convert them into NBA fans.

The league now operates over 130 NBA Stores across South Korea, which are a mixture of standalone shops and sections within larger department stores and outlets, selling not just the usual selection of officially-licensed merchandise, but a range of exclusive lifestyle products not available anywhere else in the world – some not even immediately recognisable as NBA wares.

Owning the youth

"We like to think that the NBA really owns youth around the world," says Scott Levy, managing director of NBA Asia, "but especially in Asia". Much of the continent, he points out, is highly urbanised, with playing space for basketball easier to find than for other sports, while the median age across South-East Asia and India is in the low-to-mid twenties.

"That's a significant demographic crossover with what we see as a typical

NBA fan," he adds. "There's a whole continent of potential basketball consumers out there, but it's not homogenous. We really have to tailor our strategy in each territory to make sure we're speaking to fans in ways they understand and appreciate."

In the Philippines, that has meant a strong push into social media and new technology. Across South-East Asia, where consumers are generally less affluent, the Junior NBA grassroots programme has aimed to engage young fans by getting them playing. In South Korea – which Levy calls "the most fashion-conscious nation in Asia" – it has meant using the NBA's brand as a fashion marque.

"But everything is interconnected," he says. "We don't want to silo fans off into: 'these are the ones buying merchandise, these are watching the games'. We want something like the NBA Stores to act as a gateway to the wider world of the NBA."

A fashion-conscious teenager who goes to an NBA Store because she wants to buy an MK Trend-designed Knicks hoodie "is going to learn about all the other ways that she can engage with the NBA", says Levy. Details of upcoming NBA fixtures, and how to watch them via the league's OTT service, are posted in-store, along with social media

Scott Levy, managing director, NBA Asia (*NBA Asia*)

information and promotions for other ways to interact with the NBA, such as promotions for its video gaming partnerships with EA Sports, Take-Two Interactive and Gamevil.

"We want to point casual fans toward other ways they can get involved with the NBA," says Levy. "The idea is to engage them across multiple assets, and in South Korea, one of the ways that can start to happen is in the NBA Store. The stores are really just part of a comprehensive approach to the market – it's not an independent fashion strategy, it's part of our broader approach."

There is evidence, Levy says, of the strategy working. While the NBA does not disclose specific revenue or sales figures, Levy does confirm that the NBA Stores have experienced "double-digit year-on-year sales growth", and the sector continues to expand, with new stores opening on a regular basis – more than 20 new locations since 2016. Meanwhile, uptake of the NBA's League Pass OTT platform is experiencing similar growth in the country. While it is very hard to directly correlate the two, Levy says NBA Asia is confident that its "comprehensive approach" is working.

On trend

The genesis of the partnership with MK Trend was not, Levy says, "a case of us chasing them, or them chasing us". Instead it evolved out of a few early, one-off collaborations and gradually developed into the relationship that exists today.

"There is such a strong affinity for brands in South Korea, but that was an area where we obviously lacked some expertise," he says. "We saw an opportunity for them to take advantage of that and we wanted to bring them on board. Sometimes these relationships might seem obvious after the fact, but they don't come together until you meet the right partner who is developing the right product. It was

really a meeting of two minds to create something unique."

Because of the franchise nature of the NBA, the central organisation controls the rights to each team's trademarks, logos and colours. Typically, their merchandising partners create replica jerseys and other goods which maintain these elements.

In order to establish the NBA as a genuine fashion brand, however, and not just a retailer of licensed merchandise, MK Trend was given a significant amount of leeway to "use our logos in innovative ways, choose a colour scheme, take some of our secondary marques and create a very different, very unique product", says Levy.

The result is a range of clothing and apparel that is style-focused, putting a twist on iconic NBA imagery, such as taking the Washington Wizards' white and red colour scheme and creating a pastel-pink sweatshirt, complete with a floral logo. The NBA still receives a final review and sign-off on all merchandise, but MK Trend has "gained greater flexibility, as we've come to trust them more and understand what they're doing with the products", says Levy. "They've come up with so many unique products that now we're always excited for what we're going to see next. But we trust their instincts as to what is going to work in Korea."

Products are designed for both men and women, and Levy says that there isn't a huge disparity between the genders in terms of sales. Basketball, he notes, is a "gender-neutral" sport, and the NBA Stores and fashion lines have given the league the opportunity to "talk to different demographics to what you would usually target in Asia".

"There is a whole demographic in Korea that probably sees us as a fashion brand rather than as a rights-holder, but in a way that gives us an even better platform to engage them," he explains. "Korea has a unique element in the way they understand the value of our brand on the product, they really see the NBA as a sign of prestige. And that helps us to attract a wider audience, maybe a more casual NBA fan, that will purchase products.

(NBA Asia)

"We really have to tailor our strategy in each territory to make sure we're speaking to fans in ways they understand and appreciate."

Scott Levy | managing director, NBA Asia

"We have the bonus of our players being so authentic in so many things – fashion being one, but also music, and gaming, and technology. These are the same interests that our fanbase has, and particularly casual fans. So once we connect them to the game through one of our partnerships, we think it's a natural pathway for them to become NBA fans and get more engaged."

MK Trend now has a similar deal in place with the Ladies Professional Golf Association, signed in 2016, suggesting that other rights-holders have seen value in this approach.

The NBA itself is not ready to expand the idea, but it is experimenting with further official outlets which distribute regular merchandise, as part of their partnership with Fanatics. Stores in Manila, Doha and New York City are already operational, while another will open in Milan by the end of the year.

The NBA also already has a presence in 150 stores in Japan through sportswear outlet Xebio, and in Australia through fitness brand Rebel, but unlike the South Korean stores, these are not NBA-branded, and still lean toward the sporting side. Some MK Trend designs have been distributed through these partnerships – as well as through Japanese ecommerce giant Rakuten, which is a major sponsor of the NBA – but it has so far been on an ad-hoc basis rather than as a strategic roll-out.

"It comes down to what the things we think are going to have the greatest impact in each of our territories are," Levy says. "It's about the right partner in the right country, and we haven't yet found it necessary to have the exact concept we have in Korea in other countries. We think we have the right structure with the partners that we have, but of course we're reassessing that all the time."

Manchester United sponsorship helps Gulf Oil build Chinese empire

Deal with Manchester United helped Gulf Oil gain recognition and trust in Chinese marketplace

Plans to open 1,000 service stations in three years "impossible" without the partnership

Gulf has relied heavily on sports marketing to increase growth over recent years

Former Manchester United striker Dwight Yorke opens the first Gulf Oil station in China (*Gulf Oil China*)

Adam Nelson

In early 2016, Manchester United announced a partnership with Hinduja Group-owned fuel and lubricants retailer Gulf Oil LP.

Though notable for being the club's first in the sector, the deal – signed for a three-year term and worth about $4m (€3.5m/£3.1m) annually according to *SportBusiness Sponsorship* estimates – was not particularly exceptional.

Two and a half years later, in September 2018, Gulf Oil opened its first Gulf-branded service station in China. A further 25 are already planned to open across the country within 12 months and, by 2022, that number is expected to exceed 1,000.

And this ambitious project has, at its foundation, the deal with Manchester United. Gulf Oil vice-president (international) Frank Rutten is very clear on its importance to the process.

"Let's choose the words very accurately: without the partnership with Manchester United, this would not be happening" he says.

"If we manage to deliver what we have promised, then in three years, we will be two and a half times bigger than British Petroleum and Shell put together in the retail fuel market in China.

"If we did not have an association with an organisation like Manchester United, that would not have been possible."

'Wow' factor

When the call first came from Manchester United, Rutten was sceptical. Traditionally, he points out, oil and lubricants companies work in motorsport: "Because it's your laboratory and your demonstration. You see a Formula One car going 360 kilometres per hour, there's got to be good fuel in there." But a major football team signing a lubricants partner was almost unheard of, and Gulf had little

(Gulf Oil China)

desire to spend millions of dollars on a partnership they were unsure would pay off.

"I agreed to a meeting, but I went with the absolute conviction that it would be the first and last," he confesses. "I couldn't see it, I didn't understand it. What was the connection between Manchester United and oil? How were we going to leverage this?"

Under the stewardship of chief executive Ed Woodward, Manchester United's sponsorship team had identified lubricants and fuels as an under-exploited space in sports partnerships and took the proposal to Rutten to begin changing his mind.

"The presentation that they put together and the approach that they took was absolutely so professional," Rutten says. Using the example of the club's beer partner, Singha, they demonstrated how simply using Manchester United-branded packaging led to a first-month sales increase of 30 per cent for the brand in its home market, Thailand.

"They showed me the power of the brand, and also the power of the team that they have," he adds. The club, he says, engages upwards of 80 marketers globally, counting both in-house and those at their appointed agencies, to work with their 54 commercial partners.

"An organisation like Manchester United have organised themselves to be able to create that 'wow' factor for their customers," he adds.

> *"Manchester United have organised themselves to be able to create that 'wow' factor for their customers."*
>
> **Frank Rutten** | vice-president, international, Gulf Oil International Group

"I look at the world through oil lenses. Manchester United looks at the world through football lenses but they also see the world through our customer's lenses, and that is a magnificent added value that they bring."

A constant presence in Asia – via the club office in Hong Kong – was also a decisive factor. "We've identified so-called 'hero markets', the markets where we wanted to pay special attention," says Rutten.

"India and especially China are two of them, and it was clear that this would give us a fantastic platform. Marketers from Manchester United travel with our marketers and they go together, hand in hand. That level of dedication impressed me greatly."

The benefit of these deals to Manchester United's bottom line is widely acknowledged – the club generated £235m (€269m/$309m) in sponsorship revenue in 2018, the largest in world football and double the figure of £117.6m in 2012, the year before Woodward took over as chief executive. Less clear is precisely how the collaborations benefit their commercial partners.

Power of sports marketing

For Rutten, there is no understating how valuable the deal has been in helping Gulf into new marketplaces and gaining greater brand recognition. Oil products, he says, are not just low-interest products, "they're no-interest products", and marketing them, differentiating your brand from the rest of the field, requires creative solutions.

"You don't go to the pub to say to your friends, 'you know what I've done? I've filled up my car with petrol'," he says. "You don't come home and say to your girlfriend, 'I put a special engine oil in the car'. You don't. So you've got to have a way in which people want to see it, want to think about it."

Sport, Rutten observes, is the only remaining traditional marketing platform in which interest is increasing, not declining. "'Why did we do this?' is a question I had to answer internally quite a lot," he says. "So I say: What's the biggest platform in the world? Is it Formula One? Is it the Olympic Games? Is it the NFL? No. It is football. If you use simple statistics, football is by far the biggest. If you ask what the biggest name within football is, there is again no doubt that it is Manchester United, especially in Asia-Pacific."

Across the 'hero markets' Gulf Oil is targeting, Rutten says that 51 per cent of televised Premier League matches feature Manchester United. "No other platform could offer us that kind of exposure," he says. "We found that it doesn't even matter if people are fans of Manchester United, or if they know the current line-up – which often in these parts of the world they don't. Manchester United often stands for English football generally, and it stands for quality."

Rutten recalls the initial resistance to the partnership from the head of Gulf Oil Bangladesh, who protested that Bangladesh is "a cricket country" and claimed Manchester United could not help sell any products there.

"Within four weeks, he doubles his number of storefronts and points of sale in the country, all because there was a little logo from Manchester United on the pack and shopkeepers suddenly wanted to stock this product," says Rutten. "Normally to double your windows, you need to put another 20 salespeople on the ground, you need to do I don't know how many campaigns. Through sports and what it means to people, we have seen we can massively accelerate this growth."

Gulf had witnessed the potential of sports marketing after a successful campaign involving Indian cricketer MS Dhoni. When Dhoni first became an ambassador for Gulf in 2011, the company was the 11th biggest fuel and lubricants supplier in India; five years later, they were the third, and at current growth levels are on course to overtake Shell within the next year.

"We can't put our entire growth down to sports marketing, of course," says Rutten, "but through that campaign we saw how powerful it can be".

Gulf had created a new oil product which only needed to be changed every 60,000km, where the average in India was 10,000km. Getting Indian truck drivers to change their habits was proving difficult, until Gulf involved Dhoni in the advert for their product.

"In the course of six or seven years, not only did we move the industry average [for changing oil] from 10,000km to 60,000km entirely through sports marketing, we also boosted our oil sales in India by several factors," says Rutten.

"If we can change consumer behaviour like this through cricket, how much more powerful will Manchester United be?"

The spate of similar deals involving United's – and Gulf's – rivals since 2016 is a particularly satisfying measure of the success of the partnership, he adds. "Before our deal, we never saw oil and football as natural partners." In the past two years, Manchester City, Liverpool and Barcelona have confirmed tie-ups with Valvoline, Petro-Canada Lubricants and SK Lubricants respectively.

Building an empire

While Gulf has sold its products in China for the past 20 years, Rutten says it was always a difficult market for an oil and lubricants company to crack, due to the highly-regulated marketplace and the presence of the effective duopoly of PetroChina and Sinopec. Those Western brands which did make an impact were the far bigger competitors with greater brand recognition, such as BP and Shell.

That has been changing over the course of the last half decade, largely thanks to the growth of ecommerce services delivering across China, where consumers will turn to Alibaba for the majority of their needs. This evolution alone has helped Gulf grow sales of its lubricants in China "by almost 250 per cent in the last five years", says Rutten, "a lot of that coming since we began selling the Manchester United co-branded packs".

Prior to the Manchester United deal, Gulf had tried different tactics to boost their status in China. When Gulf lubricants first began being sold

Frank Rutten, vice-president, international, Gulf Oil (*Matthew Peters/Man Utd via Getty Images*) on Alibaba, the company offered a promotion which would see the first 10,000 litres of oil given away for free.

"We still have those 10,000 litres," says Rutten. "Because people didn't trust it, they didn't know what Gulf was. And even when it was free of charge they didn't take it, because if it isn't working for your car then you damage your car. So that was the moment that we realised we have to do something significant with the brand."

It is difficult to put a reliable number on how much of the company's growth can be accounted for by the partnership, he says. But in the three years before the deal was struck, Gulf's overall revenue growth in China was around 10 per cent. In the two years since, that figure has been nearer 20.

The two years from the signing of the deal until the opening of the Gulf-branded station involved an exercise in brand-building and establishing Gulf in the Chinese market, selling co-branded 'Gulf United' packs. But service stations remained "the real challenge", and a space Gulf needed to enter to achieve its ambition of becoming one of the top ten downstream oil players in the world.

That became significantly easier in April of this year, when the Chinese government relaxed the rules around the operation of service stations. Previously, all stations were required to be at least 51-per-cent Chinese-owned – and this usually meant the involvement of either PetroChina or Sinopec, leaving little incentive for other suppliers to get involved.

The new regulations still require a partnership with a Chinese company – as is the case in most sectors in the communist country – but foreign companies can now be the majority owner and establish their own branded outlets.

Partnering with Beibei Energy, and now with two years of growth and association with Manchester United behind it, Gulf Oil threw a launch party to open the first of its Chinese service stations – a former BP site – in Guangzhou on 18th September, 2018. Dwight Yorke, the treble-winning former Manchester United striker, was in attendance to cut the ribbon and officially open the outlet.

A typical service station in China would expect to move 18 million litres of fuel in a year; the Guangzhou Gulf Oil station sold "something in the region of two and a half million" in its first 24 hours.

Rutten acknowledges that not all 1,200 of its planned service stations will be like this; not all will be able to rely on what he dubs "the Manchester United show" to draw a crowd. But it nevertheless demonstrates the journey Gulf has taken in China in partnership with Manchester United – from being unable to give away free products online, to a queue "still 100 metres long at midnight" for its station.

"The excitement because of the presence of Manchester United is unbelievable," says Rutten. "And this reinforces what we believed in: that without the partnership with Manchester United, we would not have been able to give the Gulf brands the colour and flair and status that would enable us to open these stations."

(Gulf Oil China)

Plans under way for Premier League OTT platform for next rights cycle

League has brought in consultants Alvarez & Marsal to advise on OTT platform

New distribution strategy will be in place for the next rights cycle, from 2022-23 season

Biggest question for the league is whether to overhaul strategy for the UK market

Frank Dunne

England's Premier League is working with global professional services firm Alvarez & Marsal on evaluating alternatives to traditional rights sales from 2022-23 onward. According to one well-placed source, the league is "quite some way down the road of having an OTT offering ready to go for the start of the next cycle".

The league is currently selling its international rights in many territories for the next three seasons, from 2019-20 to 2021-22. It has enjoyed uplifts in markets like China, Brazil, and the DACH region, but is understood to be disappointed by the level of bids in many Asian markets.

The rate of growth in the league's international rights over the last 20 years has been spectacular. But many independent experts believe that the rate of growth is about to slow, possibly dramatically, in many territories.

The tougher-than-expected international sales process follows a drop in the value of the league's domestic live rights in its renewals with pay-television operators Sky and BT for the next three-season cycle. The announcement yesterday (Wednesday) that BT and Sky plan to extend their channel cross-supply deal from the UK to Ireland suggests the next domestic cycle will not be any easier.

In such circumstances, it would be a surprise if the league were not evaluating OTT and other new distribution models.

The league is faced with a number of important questions regarding its future media-rights strategy, including:

Phil Lines, ex-director of international broadcasting and media operations, Premier League (*Charles McQuillan/Getty Images*)

- Is it time to consider an entirely different strategy for the UK, with a direct-to-consumer element?
- Would the league seek upfront financing from an agency or a private equity fund to reduce its risk?
- Should the league continue to look for an exclusivity premium or shift to volume distribution?
- Could the league create a single global OTT product or would content need to be localised?
- How would the league work with local partners in each market?
- Who would bear the costs of marketing a new OTT service?

SportBusiness Review put these questions to four experts on league football rights and channel distribution: Phil Lines, the former director of international broadcasting and media operations at the Premier League; Jörg Daubitzer, former chief executive of Bundesliga International; Marco Bogarelli, former president of Infront Italy, the media-rights adviser to Serie A; and William Field, former adviser to the Premier League on new technologies.

Phil Lines

What a broadcaster like Sky [in the UK] will pay for the rights is not just based on what they can earn from their sports

Jörg Daubitzer, former chief executive of Bundesliga International (*Pascal Le Segretain/Getty Images*)

> *"If the Premier League could have, it would have stopped the clock the cycle before last."*
>
> **Phil Lines** | ex-director of international broadcasting and media operations, Premier League

channels, it's based on much more. Recently they were in a broadband war with BT and the Premier League was the beneficiary. But that war is over.

If rights fees continue to go down, which I think they will, there will come a point at which they are only being valued on a very simple basis of the number of subscribers to those channels. No other considerations. At that point it does become logical for the Premier League to do their own thing. There is still a risk factor, but it becomes a lot more plausible.

If you are selling B2B, you do your rights deals with broadcasters, and you know what income you have, which football clubs love. If you are doing B2C, you have no idea. It is all based on projections and there is an element of risk. It's much harder for clubs to plan, to know what portion of their budget is available for players and so on.

This is a reaction to what is happening [in the current sales cycle], primarily in Asia. If the Premier League could have, it would have stopped the clock the cycle before last – that was when TV rights were at their absolute height. They would stop the clock right now if they could because it could get a lot worse.

Rights-holders and agencies keep waiting for FAANG (Facebook, Apple, Amazon, Netflix and Google) to ride to the rescue but they're not doing it, beyond dipping their toe in the water, testing a few markets where they can pick up rights relatively cheaply. They will sit and wait. They can see the way the market is going: that traditional broadcasters, like Sky in the UK, are pulling rights fees down. Why would they want to come in now and keep rights prices at high levels?

Jörg Daubitzer

The question of risk is a crucial point in all these discussions with clubs. On one hand, they want to move forward and develop. On the other hand, they need economic security to run their business. In general, if you decide to move in this direction, to build up your own platform and services, you have to accept that the level of economic security might not be the same as before.

At the outset, it might be smarter to have a mixture of your own products and traditional licence agreements. That way, the risk is shared. For example, the Premier League earns such huge rights fees from sub-Saharan Africa that it would make sense to maintain the economic guarantees of selling in the traditional way.

I don't think it will be black and white, where the league will do something 100 per cent. There is something in between, where you can build something for the future while keeping risk at a reasonable level. No OTT operator or league channel has gone out and started with the whole world. Nobody is taking the risk of going entirely with their own operation from day one.

Marketing costs would be substantial but in a globalised, digital world, things are very different to how they were a few years ago. You can now communicate with your consumers all over the world in a very easy, cost-effective way. Social media provides a great global communications platform. The Premier League would not be the first OTT platform in the world. A lot of the work about informing consumers on how everything works has already been done.

Having ownership of consumer data is increasingly important. If it is not currently the reason for doing these things, it will become so in the future. Nothing is more valuable than knowledge about your fans – how old they are, where they live, their consumer preferences and so on. If you have that information, you are well prepared for the future.

Marco Bogarelli

This is what I have been trying to do for several years in Italy but without success. It's all the more relevant in the UK because the market there is saturated. All football fans who might subscribe to a pay-television service already do so. It's difficult for anyone to add new subscribers with football. The only way for rights-holders to grow is to disintermediate and go direct to the consumer.

In doing this, you are still subject to the laws of the market, which can go up and down. Clubs need guaranteed income, so the only place that can come from is the financial markets. Not from private equity – their expectation on earnings risks eating up a big part of your upside.

Whoever provides this kind of financial support is providing money that has to be paid for. But the financial markets are not only made up of private equity firms. There are bond funds and other kinds of investment partners who want a long-term revenue stream. Because there is a lot of liquidity on the financial markets, you can find investors that will look to share the upside season by season. The cost of money is currently very low.

For global distribution, whatever your platform, it will always be market by market, with payments passing through local operators. They will still need a local distributor, whether that is for a single country or a region like Latin America.

> *"All football fans who might subscribe to a pay-television service already do. It's difficult for anyone to add new subscribers."*
>
> **Marco Bogarelli |** former president, Infront Italy

Customising content for each of those markets has never been easier. It makes sense to do it for major markets, like China, but probably not for a market where there are just a couple of million people. The costs involved are nothing compared to additional revenues you can make from having localised content in a major market.

A financial partner might take four or five per cent on what they lend you. The question is whether that is more than what a broadcaster would earn in upside if they bought out your rights. If you are distributing a channel, rather than selling rights, and you don't have a financial partner on a global level, you have to find a way to share the risk with the carrier, but the exact model is going to depend on the market.

Going direct to consumer makes sense for the Premier League domestically, because the last tender showed that in the absence of competition between platforms the price goes down. The league would get to earn the margin it is not getting from the platforms. Internationally, I would take a mixed approach. Where there are players who will guarantee you a big penetration in important markets like the Americas it makes sense to work with them.

William Field

I'm sure [launching in the UK] is part of the thinking. While it is a massive challenge to build an understanding of customers and the ability and culture

Marco Bogarelli, former president of Infront Italy (*Gabriele Maltinti/Getty Images*) to manage paying customers, it will be easier to do this in a single, home, market than in multiple countries, with different languages and cultures. That's the bit of this that concerns me most. Anyone, in principle, can build a live streaming platform. It takes great skill and massive focus to deal directly with real human beings. That's not something the Premier League has done before.

The best example outside the US is probably ATP Media's TennisTV, but that is offered alongside traditional broadcast rights deals in most major markets. Of course, that may be where the Premier League OTT service starts, as an adjunct to a broadcast deal. But in that case, how easy will it be for them to create real price pressure for the broadcast deal?

It is difficult to argue against them dipping a toe into the water, but it will be interesting to see what stakeholder expectations are being set and how it will play out. Those waters are uncharted.

If you look at the way the major US leagues are organised, they have all gone some way to developing customer-facing departments and capabilities – as well as in-region departments with some big-hitting hires, for example Ralph Rivera going to the NBA as its managing director in Europe and the Middle East. The Premier League is at a much earlier stage yet is arguably a bigger global property than the US leagues, so this is no small task – financially, organisationally and culturally.

How far should it go and how quickly? This is the issue that will dominate the incoming Premier League chief executive's time for many years to come.


William Field, former adviser to the Premier League on new technologies (*Valerio Pennicino/Getty Images*)

BeIN fights back against beoutQ and calls for rights-holder support

BeIN believes piracy is the biggest threat to both media rights-holders and broadcasters

Media group says it has irrefutable evidence that beoutQ is being operated from Saudi Arabia

Discord between beIN and beoutQ is part of a broader geopolitical dispute that is set to continue

(Matthew Ashton/Getty Images)

Robin Jellis

Ask anyone at beIN Media Group what the biggest threat to their business is; every one would say piracy.

And if you asked the same of any other media-rights executive, you'd be hard-pressed to find one that doesn't think piracy is the most significant challenge to the industry.

The content to which beIN holds rights in the Middle East and North Africa has been lifted for more than a year by beoutQ, an Arabic-language pirate service, created shortly after the blockade imposed on Qatar by four Middle Eastern countries: Saudi Arabia, Egypt, the United Arab Emirates and Bahrain.

The four countries, led by Saudi Arabia, began the blockade on June 5, 2017 as a reaction to Qatar's support for Islamist movements such as the Muslim Brotherhood in Egypt and Hamas in Palestine, as well as its close ties with Iran – Saudi Arabia's main economic and political rival in the region.

In an exclusive and wide-ranging interview with sister publication *SportBusiness Media*, two senior executives at beIN Media Group – Dan Markham, executive director of content; and Cameron Andrews, anti-piracy counsel – chart the piracy of beIN content and discuss how the industry must work together to combat piracy.

BeIN is one of the biggest funders of world sport, spending billions of dollars on sports media rights in Mena, and beyond: Turkey, France, Spain, the US, Canada and across Asia-Pacific. BeIN's commitment to sport stems from Qatar's 2030 Vision, launched in 2008, which has encouraged the country to invest in sport, leading to a successful bid to host the 2022 Fifa World Cup as well as the acquisition of French football club Paris Saint-Germain.

Markham told *SportBusiness Media* he believes the situation to be "the biggest single issue that faces the industry, bar none". He continued: "This could change the industry. If we're basically saying that we no longer as broadcasters, as sports rights-holders, as industry bodies, have the ability to tackle piracy on this scale, then it challenges the very fundamentals of what the industry is built on."

Link to Saudi Arabia: Selevision and Arabsat

BeIN says it has irrefutable evidence that beoutQ is being operated from Saudi Arabia:

- The beoutQ.se website is geo-blocked to Saudi Arabia
- BeoutQ satellite subscriptions must be validated from a Saudi IP address
- BeoutQ is widely and openly sold across Saudi Arabia from dealers which are regulated by the Saudi regulatory authority, the General Commission of Audiovisual Media
- BeoutQ subscriptions are priced in Saudi riyals
- BeoutQ has been viewed at public events across Saudi Arabia
- BeoutQ carries advertising for Saudi brands
- BeoutQ has distributed advertising rate cards priced in Saudi riyals
- BeoutQ has been heavily promoted on social media by prominent Saudi citizens.

BeIN filed legal proceedings in the US against the operators of beoutQ, and via these proceedings issued a subpoena to the company providing content delivery services to the beoutQ website.

The company, Beluga, disclosed a credit card payment record showing that services required to operate the website were purchased by Raed Khusheim. Khusheim is chief executive of Selevision, a Saudi company that operates a video-on-demand platform called Seevii. Selevision distributed beIN set-top boxes and subscriptions in Saudi Arabia until the launch of the blockade. A record of the transaction, seen by *SportBusiness Media*, shows that $2,125 (€1,864) was paid from Khusheim's American Express account on October 16, 2017.

Dan Markham, executive director of content, beIN Media Group (*beIN*)

Furthermore, beIN's anti-piracy team has detected that a beIN subscription illegally used to provide beIN content for rebroadcast on beoutQ was purchased in the name of a Selevision employee, who gave a Selevision email address.

Nagra, a supplier of set-top boxes and a leader in digital television security, published an overview of beoutQ piracy this summer. As part of its technical investigation, Nagra determined that there is a "link" between beoutQ and Selevision: beoutQ and Seevii/Selevision shared the use of Arabsat Badr-6 frequency 12380 MHz Horizontal.

BeIN says beoutQ is being distributed via satellite by Arabsat. Nagra has separately investigated and concluded that beoutQ is broadcast on Arabsat's satellite frequencies; so too have US technology firm Cisco and broadcast services company Overon.

All Arab League nations (except for Comoros) are shareholders of Arabsat, but the Saudi state owns 36.6 per cent of the satellite operator.

Together, the four blockade countries own more than 45 per cent of Arabsat. The company is headquartered and based in Riyadh, and the chief executive is a Saudi national.

BeIN and many of its major rights-holder partners – such as Uefa, England's Premier League and the NBA – have written to Arabsat multiple times asking for the beoutQ channels to be taken down, while providing evidence that the channels are carried on Arabsat. Arabsat has claimed it is not responsible for the content of its channels but that it would investigate the issue.

BeIN believes there is a direct link between the commencement of the blockade against Qatar and the launch of beoutQ. BeIN points out that Arabsat is signatory to an anti-piracy charter in which it commits to working with rights-owners to fight piracy and is a sponsor of anti-piracy conventions – prior to the blockade Arabsat routinely took down pirate channels on request from legitimate broadcasters.

Arabsat denies involvement

Arabsat denies any involvement with beoutQ. When contacted by *SportBusiness Media*, the firm's lawyers, Squire Patton Boggs, said: "Arabsat denies any involvement with beoutQ or in any way facilitating beoutQ's transmissions in Saudi Arabia or anywhere else. Prior accusations along these lines by beIN Media have uniformly been proven false, and beIN Media has provided no convincing evidence to back up its claims."

Arabsat claims that beIN's research into beoutQ piracy is inaccurate. BeIN commissioned research into the piracy from Nagra, Cisco and Overon.

After receiving correspondence from Fifa, football's global governing body, that beoutQ was available on certain frequencies, Arabsat carried out multiple tests, and claims that no Arabsat frequencies were used to transmit beoutQ's pirated content during the 2018 Fifa World Cup.

Arabsat also engaged six expert companies of its own to determine whether its satellites were being used by beoutQ to broadcast pirated content: Dutch satellite communication consultancy IGP, connectivity company Mobile Systems International, the Arab States Broadcasting Union's Arab News and Program Exchange Center (ASBU Center), satellite company Eutelsat, France-based satellite communications consultancy Kratos Integral Systems Europe, and BeaconSeek – a UK consultancy specialising in satellite communications. None of these reports has been made available for scrutiny.

> *"It's impossible for us to engage with them [beoutQ]. But they have done the sum total of zero to address the issues. They've ignored it."*
>
> **Dan Markham** | executive director of content, beIN Media Group

On August 20, the General Authority for Competition for Saudi Arabia announced it had cancelled beIN's licence to broadcast in the country and placed a SAR 10m (€2.3m/$2.7m) fine on the media company. According to the authority, the sanctions were placed upon beIN due to violation of competition laws in Saudi Arabia.

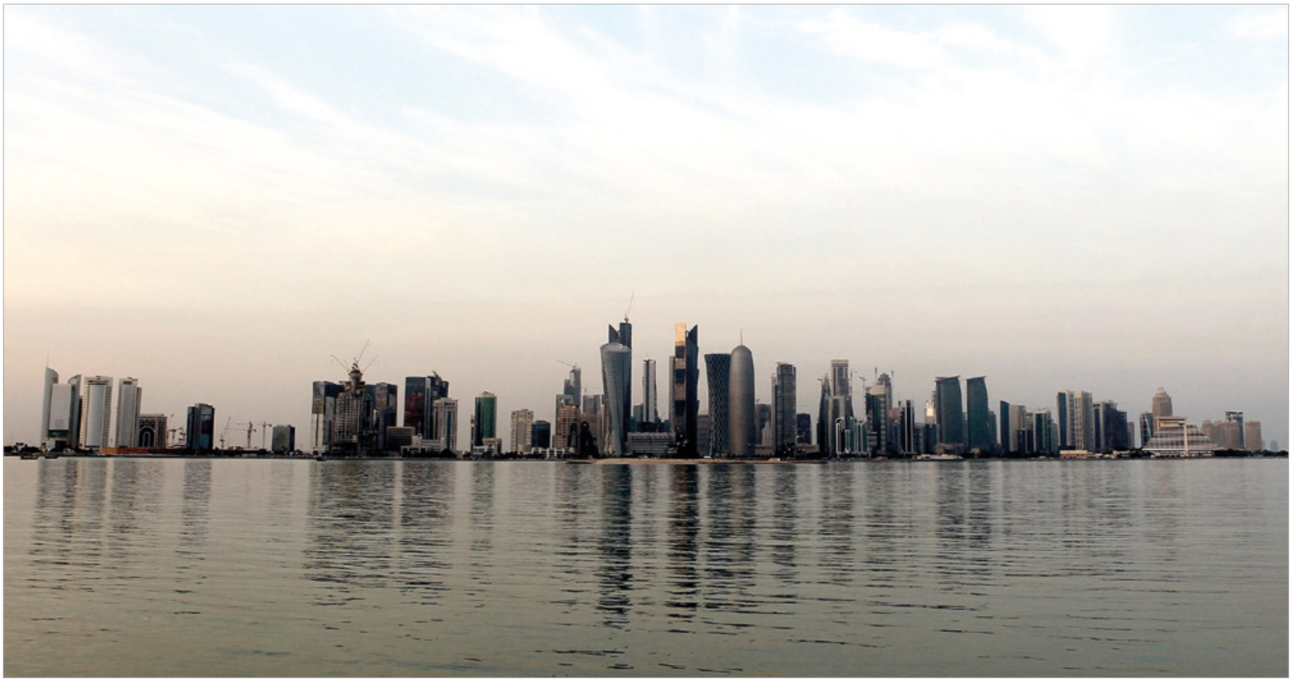
On October 1, beIN launched a $1bn international investment arbitration against the Kingdom of Saudi Arabia, citing the state's alleged support of pirate channel beoutQ and the fact beIN has "unlawfully" been driven out of the Saudi market. Qatar has also launched an action at the World Trade Organization in Geneva, accusing Saudi Arabia of violating intellectual property rights.

Markham said: "How can any of us have any certainty of the income that any of us are able to generate from this intellectual property? Sure, today it's Mena. It's easy in Mena because it's 23 countries that are quite difficult to control and manage and it's in a part of the world that doesn't affect many broadcasters. It affects one [beIN] very, very seriously. There are different levels of consumer and legal law and regulation to help. But there's nothing to say that this couldn't happen elsewhere. And it's the very fundamental model that underpins the funding of sport...It's the biggest single issue for the industry to grapple with."

The blockade

BeIN believes that the piracy of its content stems from the blockade. Saudi Arabia was the first of the blockade nations to publicly say beIN didn't have the legal right to operate in the country.

(BeIN)



Doha, Qatar (*Christof Koepsel/Getty Images*)

It claimed beIN's rights were no longer recognised and applied directly to rights-holders to cancel their contracts with beIN.

Markham described this as a "sledgehammer to crack a nut kind of solution for them". But beIN cannot secure any legal representation in Saudi Arabia. Markham said: "There is no law firm in Saudi Arabia that will act for beIN for fear of Saudi reprisal."

As part of the blockade the beIN website was blocked, payments from Saudi Arabian people or businesses to Qatari institutions were disabled, and beIN set-top boxes were confiscated from distributors, as well as licensed beIN premises for public viewing.

Markham added: "There have been very direct, specific, targeted actions against beIN. We have had various harassment of our staff as well. It's impossible for Qataris to travel to these [blockade] territories but we have contracts that need to be fulfilled, and the most notable of these is the AFC [Asian Football Confederation, to which beIN has media rights across the Middle East and North Africa until the end of 2020]."

Saudi Arabia's broadcast rights ambitions

After the enactment of the blockade, the next step for Saudi Arabia was what appeared to be a genuine attempt to acquire sports media rights in Mena.

On June 19 and 20, 2017, Mufleh Al-Hafta, chairman of Saudi Media City – a company that offers satellite broadcasting services – tweeted that Saudi Arabia would launch a broadcaster called PBS Sports to "break the monopoly of TV rights held by the Qataris".

It was planned that PBS Sports would have 11 high-definition channels and would be carried in the region by Arabsat. The interim chief executive of Saudi Media City, Jassim Al-Haroon, is the director general of the Saudi regulator.

BeIN has established itself as the predominant broadcaster in Mena, holding media rights to all major properties on a pan-regional basis: the top five European football leagues; Uefa's Champions League and Europa League; the Fifa World Cup; the European Championship, associated qualifier and Nations League matches; the AFC; and the Olympic Games.

"You started to hear another tack then when people started to talk about monopolistic behaviour," Markham said. "About rights bundling, about pricing. Things that haven't really manifested themselves in our 12-15 odd years in the market...There were some prominent officials calling on rights-holders to terminate their agreements with beIN."

Competing with beIN in the short- or medium-term was not an option due to the fact all major rights were locked up well into the future by beIN. "The only way to have a service would be to steal it," Markham said.

Representatives for Saudi Arabia are understood to have held talks with Uefa, football's European governing body, and Team Marketing, Uefa's sales agent for its club competition rights, seeking to acquire media rights to Uefa's Champions League and Europa League competitions across the region.

But on July 20 last year, despite much talk about the impending aggression of PBS Sports, beIN announced it had acquired rights to the two competitions in a new three-season deal, from 2018-19 to 2020-21. PBS Sports did not bid.

However, the threat of serious competition from a well-funded new rival was one of the reasons beIN paid a fee increase of more than 200 per cent compared to the value of the rights in the 2015-16 to 2017-18 cycle.

In the new deal it will pay a total of between $275m and $280m per season: $250m per season for the Champions League and $25m-$30m per season for the Europa League.

Rights-holders begin to publicly denounce beoutQ

BeoutQ first appeared in August last year. "Saudi Arabia and Egypt heralded these legitimate channels which to this day have never materialised, but coincidentally, beoutQ started," Markham said.

The service was initially web-only and was geo-blocked to Saudi Arabia. BeoutQ claims it is a Colombian-Cuban entity backed by Gulf investors, but no more information on its owners can be found. Following beta testing, beoutQ became available via a satellite-delivered set-top box. When the set-top box is turned on, it connects to Arabsat.

On June 15, Fifa issued a statement saying it is "exploring all options to stop the infringement of its rights" after beoutQ broadcast matches from this summer's World Cup, but it did not name Arabsat.

In April it was reported that Japanese conglomerate SoftBank was in talks with Fifa over a $25bn agreement to expand the Club World Cup competition and to create a new league competition for national teams. Saudi Arabia is one of the main investors in SoftBank. But Fifa is in a difficult position because it receives huge sums of money from beIN for media rights and from Qatar's national airline, Qatar Airways, for sponsorship rights.

On June 21, Uefa – football's European governing body – said: "We are aware that a pirate channel named beoutQ, which is based in Saudi Arabia, has illegally distributed the Uefa Champions League and the Uefa Europa League throughout the 2017-18 season."

It added: "Uefa considers that illegal piracy of live football, particularly on the scale of that being carried out by beoutQ, poses a significant threat to European football. The protection of our intellectual property is key to Uefa, and we will take the necessary steps to address the issue in order to enforce and protect the rights granted to beIN Sports."

Formula One issued a similar statement on June 23 via social platform Twitter.

Multiple rights-holders have publicly condemned Arabsat:

- On July 5, the world's top tennis rights-holders – the All England Lawn Tennis Club, the US Tennis Association, the Fédération Française de Tennis, Tennis Australia, the International Tennis Federation, the ATP and the WTA – issued a joint statement "calling for Arabsat to stop facilitating...mass-scale piracy"
- On August 16, France's Ligue de Football Professionnel condemned the piracy of matches from its top tier, Ligue 1, and raised the issue with the director general for trade at the European Commission
- England's Premier League published a statement on August 21 condemning the illegal broadcast of its matches by beoutQ after all 20

(Catherine Ivill/Getty Images)

Premier League matches over the first two match-weeks of the 2018-19 season were available on the service. The league has written to the EC to address the situation.

The Guardian this week reported that UK public-service broadcaster the BBC and multi-territory pay-television broadcaster Sky have called on the EC to take formal action against beoutQ and Saudi Arabia. The pirate service is available internationally, including in the UK. Both broadcasters have sent letters to the European commissioner for trade, Cecilia Malmström, outlining their concerns as well as their support for political action against Saudi Arabia.

BeIN's bottom line has been hit by the establishment of the pirate service. Its subscriber base in Mena – about three million a year or so ago – has declined markedly. BeIN has seen a very high impact in Saudi Arabia; a high impact in Morocco, Tunisia, Jordan, Kuwait, Oman and the UAE; and a medium impact in Egypt.

BeIN's Mena business is set to miss this year's financial target by about 17 per cent, having lost subscribers and missed out on advertising revenue, as well as incurring considerable expenses in trying to combat beoutQ. Andrews said beIN was investing "very heavily" in anti-piracy technology. Markham confirmed that the cost is "in the millions [of US dollars] for sure". BeIN is also paying expensive legal fees for action it can take outside Saudi Arabia.

But beIN believes there is a deeper, underlying threat to the entire media-rights industry, especially with beoutQ operating as if it were a legitimate pay-television broadcaster. Pirates historically don't encrypt their feed, instead making content available free-to-air.

Markham said: "They [beoutQ] have in effect set up what looks like a legitimate service: there's a set-top box, there's a piece of hardware you buy, the box comes with rights-holders' logos on it – it looks incredibly legitimate. It's a good piece of technology: it connects to the web, it connects to DTH, it's clever, it's smart. There's a payment mechanism for the box, you can get an annual subscription, and it's encrypted to the Middle East in the sense that it's on an encrypted signal on Arabsat. It's presented as a legitimate service."

Andrews said: "There has never been piracy of 10 encrypted channels carried on a major satellite operator before. No-one has ever seen anything like this. This is a different category to all the other sorts of piracy that broadcasters have to deal with."

As well as the subscription fees people are paying for the service, beoutQ is understood to be earning advertising revenue. Some international companies are being advertised on the service without knowing their brand is being associated with a pirate service because the advertising is placed by local agencies.

> *"This is industrial, commercial, state-supported piracy at the highest, highest level...It undermines the very model that sport...is funded on."*
>
> **Dan Markham |** executive director of content, beIN Media Group

Andrews said: "They carry 15-second ads for Saudi brands and occasionally for international brands. It looks like a normal TV channel."

The action beIN is taking

As beIN has no recourse to the law in Saudi Arabia, the media group has resorted to trying to put public pressure on the state and on Arabsat to close the beoutQ channels.

BeIN wrote letters to Arabsat after every match from this summer's Fifa World Cup was shown by beoutQ. It received no response from Arabsat until after the end of the tournament. In total, beIN has sent more than 150 letters to Arabsat.

Markham said: "We, as beIN, have written to the authorities in Saudi Arabia: GCAM; the Ministry of Information, Entertainment and Culture; and various other bodies. We try dialogue, we try advocacy, we try putting pressure on them through trade bodies, but they don't respond to us. They don't see any Qatari company as a legitimate company. It's impossible for us to engage with them. But they have done the sum total of zero to address the issues. They've ignored it."

BeIN is now encouraging sports rights-owners to publicly condemn beoutQ in an attempt to force the Saudi state into action.

Piracy will directly affect what beIN can pay

Having its content pirated by another service effectively means beIN's sports rights in Mena are non-exclusive. In a bidding process, beIN would offer far less for rights if it knew they would be non-exclusive. Markham argues it is in the interests of rights-holders to help beIN combat the piracy because otherwise, in the long term, they could miss out on vast sums of revenue.

"The fundamental issue here is that we pay for rights based on a very limited criteria and most of the value we ascribe is to exclusivity. As a pay-TV operator, as a media company, it's about exclusivity," he said.

"Exclusivity can be on a pick, a schedule, a time window. Fundamentally, whether it's piracy or legitimate means, if the rights are non-exclusive we can no longer monetise them in the same way. Our inability to monetise the rights in the same way means we can't pay the same for rights going forward.

"It's not simply our responsibility to stop them, it's down to everyone who is part of the universe of sports rights and sport generally to stop this. Some rights-holders are probably better at grasping that." Markham said there is a risk that other pirate services could spring up around the world because of beIN's inability to prevent beoutQ from stealing its content.

He continued: "We've been speaking to rights-holders, asking them not to underestimate the challenge this is to the fundamental way that sport is funded. This is not piracy happening in someone's house, it's not Justin.tv, it's not a guy in his bedroom who's making money from Google ads, it's not the standard ones the Premier League closes week-in week-out.

"This is industrial, commercial, state-

Richard Scudamore, former executive chairman of the Premier League, puts pen to paper with Nasser Al-Khelaifi, chairman and chief executive of beIN Media Group (*BeIN*)

supported piracy at the highest, highest level...It undermines the very model that sport – from the top of the pyramid at the elite through to participation – is funded on."

With beIN currently unable to successfully counter the piracy of its content, rights-owners may have to prepare themselves for the value of their rights in the Mena region to stagnate or decline in new deals.

Markham said: "This has fundamentally changed our approach to how we contract sports rights globally. We haven't been able to have any success in addressing this issue in the last 12 months. We have to now factor this into how we acquire and value sports rights. Principally in the region of Mena but also globally, because this could pop up [elsewhere]. We're in markets in Asia where a similar issue could happen."

This more circumspect approach was evidenced in beIN's August renewal of Premier League rights in Mena. The new three-season deal, from 2019-20 to 2021-22, represents an increase of only about 10 per cent on the fee the media group previously paid, and the agreement was reached before the peak of the dispute with beoutQ. When beIN last extended its Premier League deal in the region, in November 2015, it paid an increase of about 30 per cent.

Broadcaster or rights-holder responsibility?

One of the biggest problems in combatting piracy is the issue of whose responsibility it is. Broadcasters believe it is the responsibility of the rights-holders who own the events, while many rights-holders expect broadcasters to handle it. Markham said: "We're going to have to deal with this by saying to rights-holders that this is not just simply our battle, it's their battle as well."

He continued: "One of the interesting issues you have as a broadcaster is we don't own any of the rights we're protecting. One of the ways pirates obfuscate you in courts of law is by saying the rights-holder has to bring the claim. BeIN only rents the rights, we are in most cases only the beneficial rights-owner and not the legal owner of the rights. The legal rights-owner has to challenge it.

"Some rights-holders will say they won't take a claim to a jurisdiction unless they think there is a very good chance of winning because they don't want to set a case law precedent of losing, which will mean other services will spring up. But every case can be treated on its own merits. The reality is that legal action is expensive, it's time-consuming, and they're not necessarily geared up to do it."

Markham said the Premier League is probably the organisation that is most advanced when it comes to tackling issues of piracy, as the league understands "the importance of media rights to their viability".

"In the last three or four years, it is understood that Sky [the league's primary domestic rights partner] has put pressure on the Premier League to combat piracy. Premier League contracts have monitoring clauses: in effect means-testing on piracy for international broadcasters about piracy going back into the UK. Broadcasters can lose their international rights if they are not cracking down on piracy."

Markham continued: "Protect your rights – that's all we're asking. The rights-holders who do the most to protect their own rights – they're the ones who make it easier for us to work with and to value their rights in the most aggressive way possible, because we know that they are the ones who will do the utmost to protect their rights. These are their rights, they're never ours. We only ever rent them. We are only ever the temporary custodians of their rights. If a rights-holder relied on the broadcaster who has their rights for three or four years as their strategy to defend them, then I'd argue that they're not going to find themselves in a very good position if they're always just relying on whoever broadcasts their rights to be the defender of their intellectual property."

Concerns spreading beyond Mena

But beIN isn't the only broadcaster that is being affected by beoutQ. And beoutQ set-top boxes receive content over the internet and come with pre-loaded apps. "This is the type of pirate streaming apps that the Premier League and everybody else is deathly concerned about," Andrews said.

"They provide access to hundreds and often more than a thousand channels. On the beoutQ box you can see all channels from around the world: HBO, CBS, NBC, all of the content on Sky Sports – absolutely everything is on there. That's why Sky, movie channels and Hollywood studios are engaging because it's not just beIN's content." Trying to prevent piracy over the internet is much harder than over satellite.

As a broadcaster, the risk is that even if you succeed in preventing beoutQ from pirating your content, beoutQ will access the content via another broadcaster. During the World Cup, beoutQ pirated the signal of other broadcasters: Spanish-language US broadcaster Telemundo, Swiss public-service broadcaster SRG, and Polish public-service broadcaster TVP.

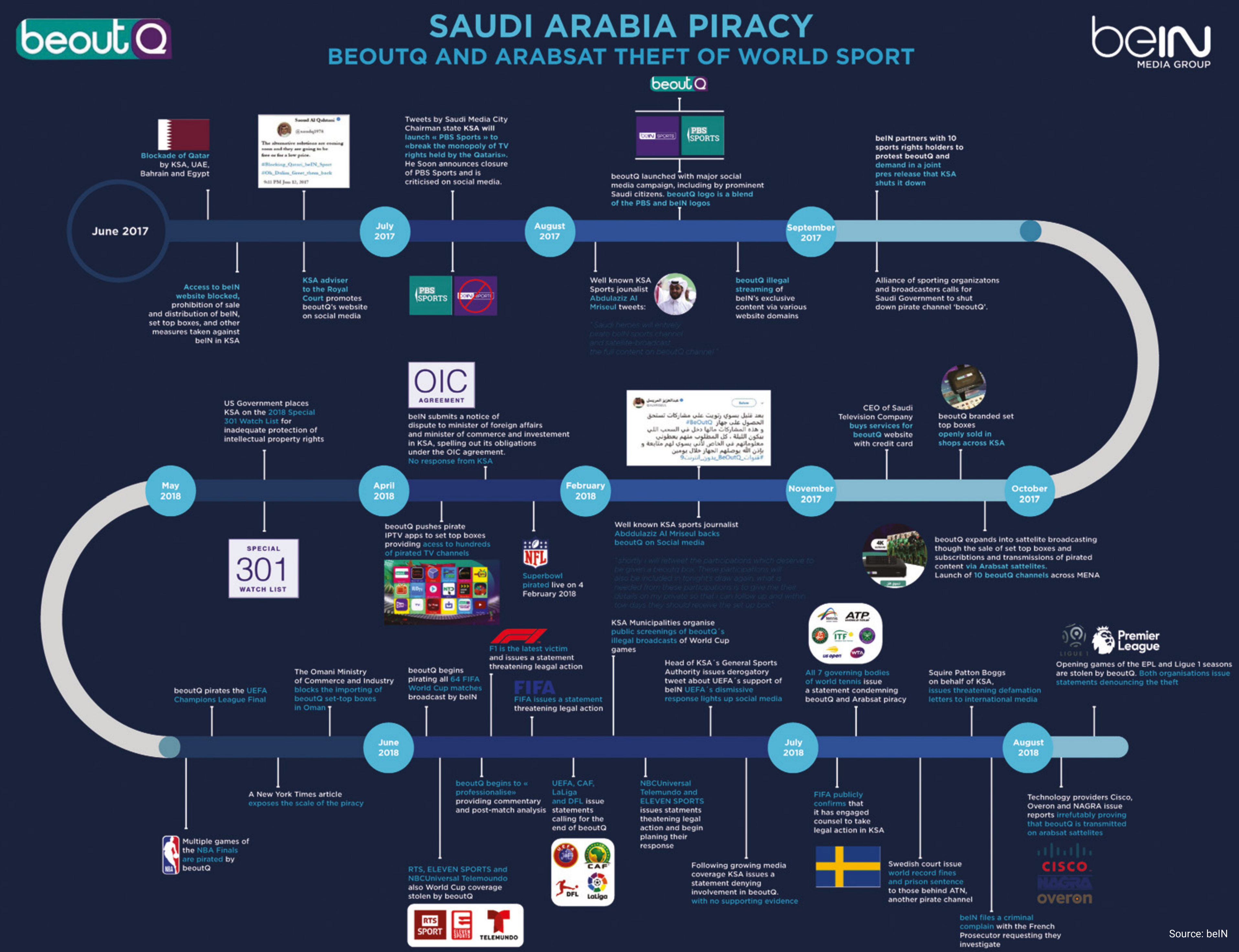
Andrews said: "As we have success with it [counteracting the piracy], the pirates just switch to taking it from another source. I think that's what we'll see more of. BeIN will get stronger at protecting its content, but unfortunately that won't stop the pirates from stealing the same content from others."

An additional problem is that, rather ironically, beoutQ's coverage is now being pirated. Andrews said: "Other pirates have started to hack beoutQ. There is piracy of beoutQ – in other words, piracy of the pirates. They're encrypted, but they're not beIN – they're not using sophisticated forms of encryption like legitimate broadcasters do. They're using a fairly rudimentary form of encryption which is very, very easily hacked. Now there are pirates across North Africa selling hacked set-top boxes at an even cheaper rate than beoutQ."

In the meantime, beIN is lobbying multiple bodies, while also putting Saudi Arabia under as much pressure as possible. "One of the best ways we think is embarrassing them," Markham said. "If there are enough people who see this evidence and say it's Saudi Arabia, then it gets to the point where they have to do something about it."

But the dispute between beIN and beoutQ is part of a much wider geopolitical quarrel to which there is no immediate end in sight.


(Ryan Pierse/Getty Images)


SAUDI ARABIA PIRACY
BEOUTQ AND ARABSAT THEFT OF WORLD SPORT
June 2017
Blockade of Qatar by KSA, UAE, Bahrain and Egypt
Access to beIN website blocked, prohibition of sale and distribution of beIN, set top boxes, and other measures taken against beIN in KSA
KSA adviser to the Royal Court promotes beoutQ's website on social media
July 2017
Tweets by Saudi Media City Chairman state KSA will launch « PBS Sports » to «break the monopoly of TV rights held by the Qataris». He Soon announces closure of PBS Sports and is criticised on social media.
August 2017
beoutQ launched with major social media campaign, including by prominent Saudi citizens. beoutQ logo is a blend of the PBS and beIN logos
Well known KSA Sports journalist Abdulaziz Al Mriseul tweets:
" Saudi heroes will entirely pirate beIN sports channel and satellite-broadcast the full content on beoutQ channel "
beoutQ illegal streaming of beIN's exclusive content via various website domains
September 2017
beIN partners with 10 sports rights holders to protest beoutQ and demand in a joint pres release that KSA shuts it down
Alliance of sporting organizatons and broadcasters calls for Saudi Government to shut down pirate channel 'beoutQ'.
October 2017
beoutQ expands into sattelite broadcasting though the sale of set top boxes and subscribtions and transmissions of pirated content via Arabsat sattelites. Launch of 10 beoutQ channels across MENA
beoutQ branded set top boxes openly sold in shops across KSA
November 2017
CEO of Saudi Television Company buys services for beoutQ website with credit card
Well known KSA sports journalist Abddulaziz Al Mriseul backs beoutQ on Social media
February 2018
Superbowl pirated live on 4 February 2018
April 2018
beIN submits a notice of dispute to minister of foreign affairs and minister of commerce and investement in KSA, spelling out its obligations under the OIC agreement. No response from KSA
OIC AGREEMENT
beoutQ pushes pirate IPTV apps to set top boxes providing acess to hundreds of pirated TV channels
May 2018
US Government places KSA on the 2018 Special 301 Watch List for inadequate protection of intellectual property rights
SPECIAL 301 WATCH LIST
beoutQ pirates the UEFA Champions League Final
Multiple games of the NBA Finals are pirated by beoutQ
A New York Times article exposes the scale of the piracy
The Omani Ministry of Commerce and Industry blocks the importing of beoutQ set-top boxes in Oman
June 2018
beoutQ begins pirating all 64 FIFA World Cup matches broadcast by beIN
RTS, ELEVEN SPORTS and NBCUniversal Telemoundo also World Cup coverage stolen by beoutQ
beoutQ begins to « professionalise» providing commentary and post-match analysis
F1 is the latest victim and issues a statement threatening leagal action
FIFA issues a statement threatening legal action
UEFA, CAF, LaLiga and DFL issue statements calling for the end of beoutQ
KSA Municipalities organise public screenings of beoutQ's illegal broadcasts of World Cup games
NBCUniversal Telemundo and ELEVEN SPORTS issues statments theatening legal action and begin planing their response
Head of KSA's General Sports Authority issues derogatory tweet about UEFA's support of beIN UEFA's dismissive response lights up social media
Following growing media coverage KSA issues a statement denying involvement in beoutQ. with no supporting evidence
July 2018
All 7 governing bodies of world tennis issue a statement condemning beoutQ and Arabsat piracy
FIFA publicly confirms that it has engaged counsel to take legal action in KSA
Swedish court issue world record fines and prison sentence to those behind ATN, another pirate channel
Squire Patton Boggs on behalf of KSA, issues threatening defamation letters to international media
beIN files a criminal complain with the French Prosecutor requesting they investigate
August 2018
Opening games of the EPL and Ligue 1 seasons are stolen by beoutQ. Both organisations issue statements denouncing the theft
Technology providers Cisco, Overon and NAGRA issue reports irrefutably proving that beoutQ is transmitted on arabsat sattelites

Source: beIN

IMG confident Circuit of Americas investment will help World Rallycross to go global

Agency funds 'multi-million-pound' circuit at Austin facility to bring series to United States

New potential sponsors already in discussions to partner with World RX following the move

Cross-promotion with Endeavor properties during the weekend 'opens event to new audience'

(Tony Welam Bildproduktion)

Bob Williams

The IMG agency, which promotes the FIA World Rallycross Championship (World RX), is confident its multi-million-pound investment in bringing the motorsport series to the United States will lead to multiple new commercial partnerships.

World RX made its US debut in September after IMG Motorsport – a division of IMG – signed a five-year deal with Circuit of the Americas (COTA) in Austin, Texas, which included constructing a permanent rallycross circuit at the facility.

IMG has organised World RX since its creation in 2014, after taking over the commercial rights from the FIA, the world motorsport governing body, in a 20-year deal that involves some revenue sharing. As part of the arrangement, IMG is responsible for all TV, commercial and promotional rights for the series.

Though still predominantly based in Europe, the series – one of five fully-fledged FIA world championships – has since expanded to Canada, South Africa and the US. From next year, it will also be held in the United Arab Emirates.

Since 2014, IMG has looked to bring the series to the US to showcase the series to American audiences and potential commercial partners and car manufacturers. After a long, fruitless search for a suitable facility, IMG parent company Endeavor decided to fund the construction of a rallycross circuit at COTA.

"One of the big territories we've never really conquered – or got into – was the USA. It had been an ambition for a while but we couldn't find the right partner and the right facility," Paul Bellamy, senior vice-president and managing director at IMG Motorsports, tells *SportBusiness Review*.

"There are no permanent rallycross facilities in America. Unlike in Formula One or MotoGP, we cannot just go to an existing facility and do a normal commercial deal on a rental or a joint venture. That was always the biggest stumbling block on how we did it.

"Over a three-year period we visited numerous sites and numerous potential partners but nobody had a rallycross track, and the cost of building it was prohibitive. We were going round in circles really. But under the new Endeavor umbrella and in line with its entrepreneurial spirit and looking to do things that are perhaps a bit risky but with a long-term future, my bosses said, 'If you had to go to a track in America and build a circuit, where would you do it?'

"We talked about a number of options and it was quite clear that [we should choose] the Circuit of the Americas: because of Formula One, because it's quite new and because Austin as a city ticked a lot of boxes. Endeavor put their money where their mouth is and built it. It was a multi-million-pound investment for us."

Bellamy says IMG will aim to make its money back through investment from car manufacturers and new sponsorship and broadcast partnerships. World RX currently has eight official commercial partners, including Monster Energy as the 'Presenting Partner'.

"The American market is a big market for car manufacturers, so to be in a market where they can showcase their products and their cars was really important," he adds. "For car manufacturers which were speaking about coming into the series, America is a really important market for them.

"We're in discussions with a number of new sponsors in America – brands we wouldn't have ordinarily spoken to that are now talking to us at an advanced stage as we go forward. Not just in America but globally, and COTA has opened up those conversations that we wouldn't have previously had."

In recent weeks, both Audi and Peugeot announced they will leave World RX at the end of the 2018 season. Peugeot cited market pressures – new European legislation on CO_2 emissions, which affects the company's car manufacturing process as a whole, and the "uncertainty" surrounding the series' proposed move to electric cars, which was pushed back a year to 2021 – as its reasons for leaving the championship. Audi said it has decided to focus on Formula E and touring cars instead.

It is believed that the FIA and IMG had failed to secure a minimum commitment from four manufacturers to green-light an electric series for 2020, with only Peugeot and Volkswagen understood to have been firmly on board initially. Manufacturers have now been given until March 2019 to commit to a 2021 season with electric cars.

"We are disappointed that Peugeot and Audi have withdrawn from the series, but respect their decision. Manufacturers inevitably come and go in motorsports and this is no different," says Bellamy. "We are in active planning stages with a number of manufacturers as we move towards an electric series in 2021."

Next year's competition will have 11 rounds, after being held over 12 events in recent years, with Portugal's Montalegre circuit being dropped. IMG has also signed new multi-year hosting contracts with the Circuit de Barcelona-Catalunya in Spain and Sweden's Höljes track. The number of manufacturers for next season will be announced in the new year.

Endeavor properties utilised for cross-promotion

Alongside the race at COTA, IMG put on a festival weekend to try to attract more fans and co-promote other Endeavor properties, just as the agency did for the UK round at Silverstone in May.

These included marketing activations with Professional Bull Riders and UFC, as well as music provided by Ludacris and Jazzy Jeff. World RX manufacturers Subaru, Volkswagen and Audi also offered test drives of their models throughout the weekend on COTA's F1 circuit.

"We've built a festival around the World Rallycross Championship. The race is at the spine of it and there's different elements that we're able to tap into," Bellamy tells us.

"It's opening up a motorsport championship to people who wouldn't normally come. Some people may be coming for the music, food or gaming elements and they are introduced to a whole new sport. Bringing in a lot of different elements of what Endeavor has opens us up to a whole new audience. We can talk to that audience on a different level that we wouldn't normally get to."

IMG conducts exit surveys with audiences at every event, though the research from COTA has yet to be analysed. At Silverstone, the agency discovered that 54 per cent of attendees had never been to a motorsport event before and many had come for the music. "We put a lot of time and effort into the music element and it was clear that it drew a different audience in," Bellamy says. "From a motorsport perspective, the whole 'festivalisation' of events means that fans can bring wives, husbands and children along."

While IMG took some of its learnings from Silverstone to COTA, Bellamy and his team ensured their activations catered to the local market. "What works in the UK may not work in the US," he adds. "There are certain learnings that you start with and then you do local research to see what has worked in that market. You have to be respectful of what people in those markets are used to with regards to entertainment."

(Tony Welam Bildproduktion)

At COTA, IMG put on a number of activations between World RX and Professional Bull Riders, which was taken over by Endeavor (then WME-IMG) in 2015, for a reported $100m.

This included PBR bringing a mechanical bull for fans to ride at COTA, along with a display pen featuring live bulls; World RX drivers helping PBR athletes 'pull the rope' in the chutes prior to their rides at the Austin Invitational event that weekend; and World RX and PBR riders being given a VIP tour of the Nasa facility in Houston, all of which was documented on multiple social media channels.

"We looked into our lines of business and how we were promoting to identify crossover opportunities, to identify fanbase crossover to attract both events and entities, and came up with a number of media-driven and athlete-driven exposure opportunities to the folks in the Austin market," Ellen Newberg, PBR's senior vice-president of live event marketing, tells us.

"When you boil it down, we're both extreme sports that are a little bit on the dangerous side, so we found some commonality there and really capitalised on it."

Newberg says the cross-promotion was not intended just to attract more fans to the race. "Inherently, all of our events are incredible productions from an entertainment to a participation standpoint so I think the basis is there," she says.

"The number of resources that we are able to tap into is quite overwhelming at times...These were not viable resources for us prior to the acquisition."

Ellen Newberg | senior vice-president, live event marketing, PBR

Rather, Newberg adds, its aim is also to market and advertise different Endeavor properties to a captive audience. "To be able to do so through a live-event experience and not through traditional forms like a 30-second commercial while people are watching linear TV or hard-sell messages," she says, "we are able to talk to people who are like-minded as well as those who might not fit the general mould and demographic or our attendees and participants."

Since the Endeavor takeover, PBR has risen from 65 million to 83 million fans in the US, according to the annual ESPN Sports Poll, which is managed by analytics company Luker on Trends and interviews 1,500 Americans per month and tracks interest in 31 different sports. Newberg credits this rise in large part to the company's cross-promotional efforts.

"As we pull more and more data, we are able to see our ability to hit mainstream has hands-on increased since Endeavor acquired us in 2015," she says. "We know that we are garnering those fanbases and that attendance growth is attributable in part to some of those cross-collaborative efforts that we have had out there.

"The number of resources that we are able to tap into is quite overwhelming at times. This is everything from content generation to celebrity access, influencers, technological advancements that we've been able to make. These were not viable resources for us prior to the acquisition.

"Does it mean we have free access to the Endeavor client network list and celebrities and things like that? No. But it means it's much easier to engage in a conversation to go about obtaining that."

For the final World RX race of the season, in Cape Town on November 24, IMG is planning a co-promotion with the current Miss Universe, South Africa's Demi-Leigh Nel-Peters. Miss Universe is an Endeavor property while Nel-Peters has been signed to IMG Models Worldwide.

ARX driver Scott Speed riding a bull (*Tony Welam Bildproduktion*)

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