SportBusinessReview

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Winners or losers?

FOLLOWING THE MONEY AFTER THE UK'S GAME-TIME BAN ON TV BETTING ADS

SportBusiness

The trailblazing execs setting the industry's direction of travel

U.S. POLO ASSN.
SINCE 1890

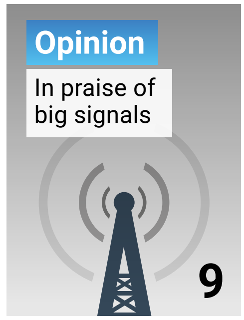
US Polo Assn punches above its weight with $1.6bn licensing programme

DAVIS CUP by BNP PARIBAS

Kosmos plans to reinvigorate 'commercially undervalued' tennis competition

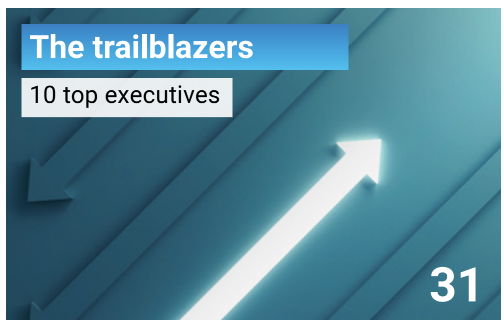
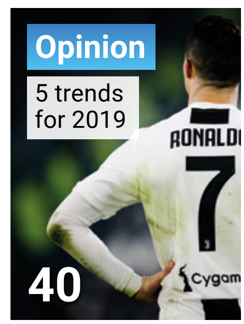
Arsenal

APAC office playing increasing role in Arsenal's commercial fortunes

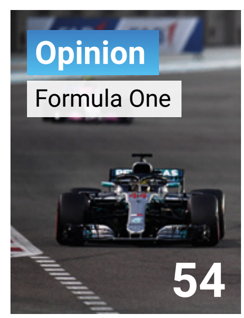



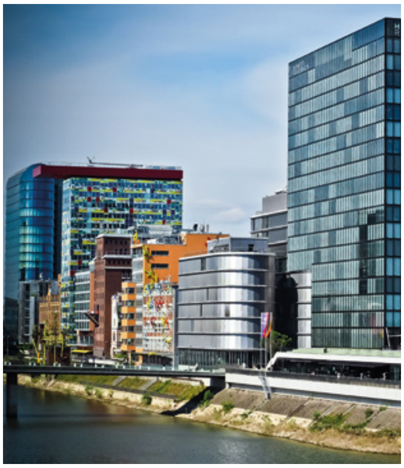








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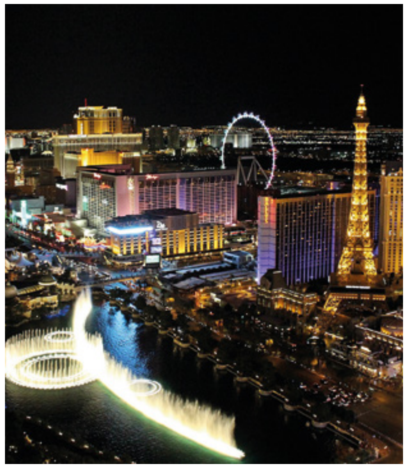

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Racing and football clubs set to benefit as UK gambling firms sign up to TV ad ban

Drop in advertising against football unlikely to impact media-rights income

Shirt and LED inventory not affected by ban and could increase in value

Exemption seems likely to drive up horse racing media-rights revenue

(Harry Trump/Getty Images)

Ben Cronin

When Britain's biggest gambling firms voluntarily agreed to a 'whistle-to-whistle' ban on TV advertising during live sport shortly before Christmas, the feeling was that they were trying to take hold of their destiny before legislators did it for them.

Like pay-television broadcaster Sky's announcement in the preceding month that it was going to limit the number of gambling adverts against its sports content to one per commercial break, the decision was most likely motivated by the growing mood of antipathy towards the betting industry among British politicians.

The betting operators appeared to have learnt a hard lesson from their failed campaign to prevent the maximum stakes on fixed-odds betting terminals – the "crack cocaine" of gambling – from being cut last year. Having initially opposed any restriction at all, they saw the UK government punish their intransigence by slashing the stakes from £100 (€114/$129) to £2, the lowest level possible, on a wave of public sentiment. Opposition policy is for even more radical restrictions on the industry, including a compulsory levy on gambling operators and a whistle-to-whistle ad ban like the one UK betting firms have now imposed on themselves.

Most likely deciding that a new approach was required, the Remote Gambling Association, the trade association for some of the largest European gambling operators, including Bet365, Ladbrokes, Paddy Power and William Hill, led the voluntary 'whistle-to-whistle' ban.

On its planned introduction this summer, it will stipulate that gambling firms refrain from advertising during pre-watershed live sport, from five minutes before the start of the event to five minutes after it ends. It also includes an end to betting adverts around highlight shows and re-runs, and an end to pre-watershed bookmaker sponsorship of sports programmes. The ban will not apply to horse racing or greyhound racing.

Knock-on impact

Clearly any change in TV ad spend by gambling firms will have a commercial effect on rights-holders, though with this ban likely to cut revenues in some areas and increase them in others, there is some disagreement about whether the overall effect will be positive or negative.

The amount of money spent on television advertising by sportsbooks has grown rapidly since the 2007 Gambling Act permitted sports betting adverts on television for the first time. The ease with which customers can now bet on mobile devices has given birth to a new strand of ad that encourages in-play betting – often with offers related to an ongoing match. Betting and gaming firms spent about £81.2m on TV advertising in 2012, rising to £118.5m in 2015 (Nielsen) and £190m in 2017 (Regulus Partners). A media-buying agency contacted by *SportBusiness Review* estimated that in 2018, sportsbooks will have spent £225m on television advertising.

The lion's share of their spending – £157.5m, or 70 per cent – is around live football, targeting a new type of bettor who, unlike the traditional horse racing fan, may never have stepped into a bookmakers before.

The same agency estimates that other sportsbooks, excluding racing, accounted for £37.8m in expediture.

An intuitive assumption is that – with the vast majority of approximately £195m per year suddenly off the table – broadcasters will find it more difficult to monetise their sport broadcasting rights. Whether this will hit hard enough to impact the media-rights fees they are prepared to pay will depend on the property, their business model and whether they can find other ways of bridging the shortfall.

But advertising is a relatively small part of the revenues of pay-television broadcasters Sky and BT Sport, which share domestic linear rights to the English Premier League and almost all the market's premium sports properties.

According to Sky's 2018 annual report, advertising accounted for £917m of the broadcaster's overall revenues of £13.6bn from the year to June 30, 2018. Direct-to-consumer revenues (including subscriptions) accounted for £11.8bn.

A fall in advertising revenue of the size implied will make a dent in Sky and BT's revenues but is unlikely to reduce either broadcaster's rights-fee expenditure alone. It is, however, unwelcome at a time when cracks are appearing in the pay-television business model.

> *"The amount of cash spent promoting gambling on social media has more than tripled over the past three years"*
>
> **Stephen van Rooyen** | Chief executive, UK and Ireland, Sky

"It wouldn't have been a particular problem in the past, but the subscription model is under huge pressure because of piracy and the fact that the under-35s have different ways of engaging with sport now," says Phil Carling, managing director, football, Octagon Worldwide. "Advertising revenue has always been the cherry on the cake [for pay-TV broadcasters], but in straightened times the cherry is very important."

Sky's response to the news of the whistle-to-whistle ban gives some indication of where it thinks gambling firms will migrate their advertising spend now that live sport will no longer be available to them. Citing a Gamble Aware report, Stephen van Rooyen, chief executive, UK and Ireland, at Sky complained that the betting industry spends five times as much on social media promotion as it does on TV advertising and called for something to be done to address this too.

"The amount of cash spent promoting gambling on social media has more than tripled over the past three years," he said. "If the RGA and gambling companies are serious about protecting vulnerable gamblers, then they should start by looking at where they spend the most money, what has the least level of regulation and where there is most evidence of harm: the online world."

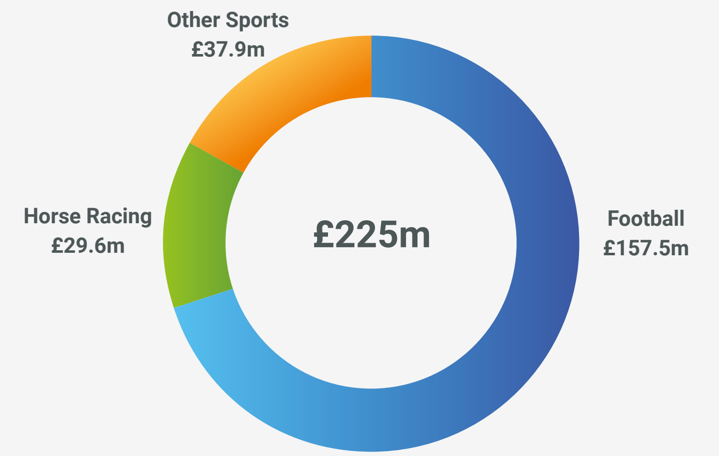
Football inventory

If bookmakers spend even more on social and online marketing, it could drive up the value of club sponsorship packages that include content commitments on their social media channels.

"I would draw the distinction, which is also one that all the betting firms will make, between advertising which is for brand awareness and advertising which is there to drive transactions," says Charlie Beall, consultant with digital sports agency Seven league.

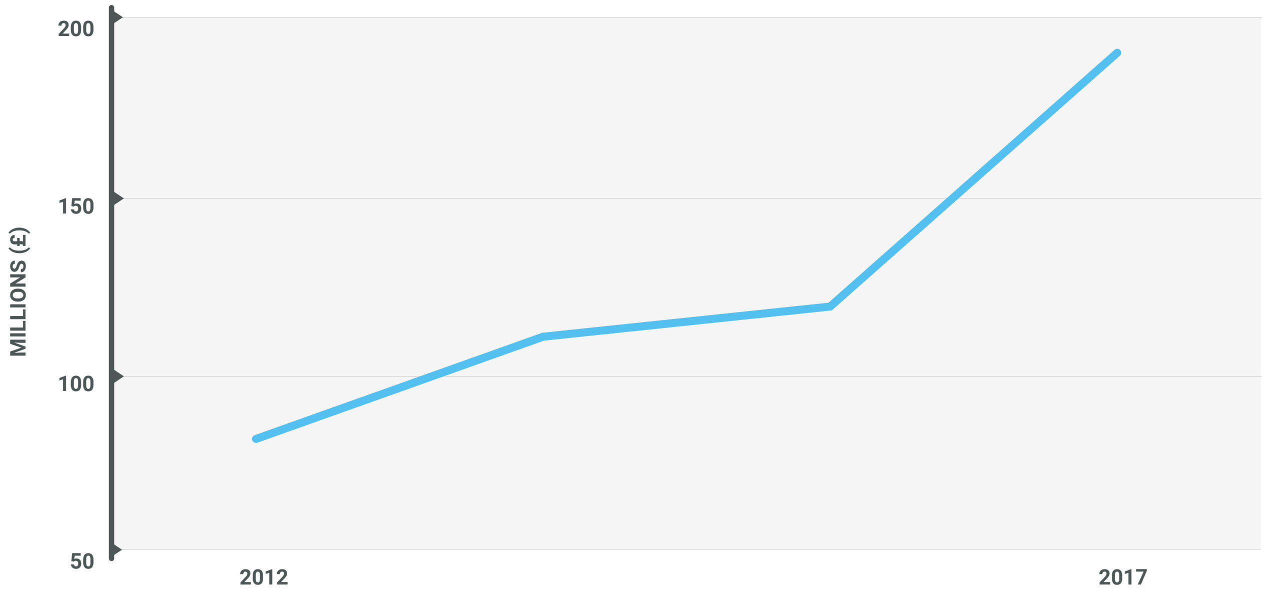
Beall believes betting brands will develop a two-pronged marketing approach in which they use television marketing, club social media channels and shirt sponsorships to push broad

UK SPORTS BETTING ADVERTISING SPEND 2018



Source: Unnamed media-buying agency

ESTIMATED GAMBLING SECTOR TV MARKETING SPEND, 2012-2017



Source: Nielsen, Regulus Partners, SportBusiness

brand messages, but more targeted digital advertising to promote call-to-action adverts to known bettors. This will essentially make their in-play adverts less visible and open to scrutiny.

Carling thinks any rights-holder inventory that allows betting brands to continue to appear during live match broadcasts will go up in value.

"I think the prohibitions will have an inflationary effect on shirt values because these assets will not be affected by the ban, nor will perimeter signage and other forms of 'in-content' media," he says. "In this scenario, the ban on paid-for media via the broadcasters will release more funding for inventory which escapes the ban, namely shirt fronts, sleeves, perimeters, training kits and assets owned by the rights-owners."

Gambling firms have always tended to be more interested in media delivery and audience rather than IP in their sponsorship strategies. Consequently, they have concentrated their sponsorship spend on clubs at the lower end of the Premier League and upper reaches of the Football League, favouring short-term deals that allow them to switch between clubs as they are promoted or relegated.

Every year a spot market for sponsorship inventory gets played out in April as the likely destiny of these teams becomes clearer. This market is heavily saturated with gambling messages – Carling estimates 40 to 50 per cent of all LED inventory in the Football League is bought by gambling firms.

SkyBet's title partnership with the Football League, for example, does not preclude clubs from displaying their own gambling partners on LED inventory or shirts, and many smaller clubs have multiple partners from the sector.

One possibility is that the lower reaches of the market will become even more saturated with betting partners as gambling firms scramble to inject their logos into live events.

"Once the higher-priced items are exhausted there will be a flow of investment into lower-priced assets simply because the notion of exclusivity is ignored with gambling and there seems to be a limitless supply of new entrants into the market place," says Carling.

One media-rights expert contacted by *SportBusiness* imagined a scenario in which broadcasters might call for a slice of this action through some sort of revenue-share model with clubs around shirt and LED inventory.

"I could see a way in which if the clubs were still allowed to sell shirt inventory to betting companies, Sky could make a

(Robbie Jay Barratt /Getty Images)

> *"I think the prohibitions will have an inflationary effect on shirt values."*
>
> **Phil Carling** | managing director, football, Octagon Worldwide

big argument that they are responsible for the major broadcast of that globally. And therefore, if the clubs are allowed to keep that, maybe there is a proportion of that that goes back to Sky."

Whichever way the ban plays out, football rights-holders, broadcasters and gambling firms will have to be careful not to provoke the ire of legislators. To observe the worst-case scenario, they need only look to Italy, where a ban on all gambling sponsorship and advertising threatens to take €120m of sponsorship revenue from the collective coffers of Serie A clubs.

To reduce the threat of a blanket ban, gambling firms will likely look to develop more subtle messaging of the variety developed by tobacco firms in the 1980s and 1990s. Clubs might want to lobby politicians, impressing upon them the importance of gambling partnerships to clubs further down the football pyramid.

Alternatively, the clubs and league bodies could follow the Football Association's lead and refuse to accept sponsorship from gambling firms altogether. So far, the EFL, the operator of the Football League, has resisted doing the same, arguing the FA's decision has no bearing on its own commercial relationships with the gambling industry.

It argues the FA is duty-bound to take a more principled stance as it has the ultimate responsibility of enforcing any breach in betting rules – as was the case when it banned former Burnley midfielder Joey Barton for 18 months for betting on football matches.

League One club Luton Town has taken a more high-minded approach. The team's chief executive, Gary Sweet, says it has refused more than £500,000 from betting firms because it doesn't want to promote excessive gambling. First-movers like this will hope to generate some positive PR and may also be better placed to diversify their sponsorship portfolios if a total ban on gambling comes into force.

Should a blanket ban come about, Carling thinks the betting brands would migrate their marketing spend to the US where many states are legalising betting and relaxing the rules around marketing by sportsbooks. As it presently stands, there could also be a small uplift in gambling advertising spend against US sports content broadcast in the UK, simply because most US major league matches start after the 9:00pm watershed when the ban no longer applies.

Horse racing

The most obvious beneficiary of the whistle-to-whistle blackout, however, is horse racing, whose exemption from the advertising ban is in recognition of its symbiotic relationship with betting. It will soon be in the happy position of being the only sport around which gambling firms can advertise on TV (greyhound racing is also exempt but is almost never shown on mainstream TV).

Racecourse Media Group, which manages the rights to most UK horse racing events, always seeks a free-to-air partner in order to reach the widest audience and encourage the most betting – UK horse racing is funded by a statutory levy on all bets placed.

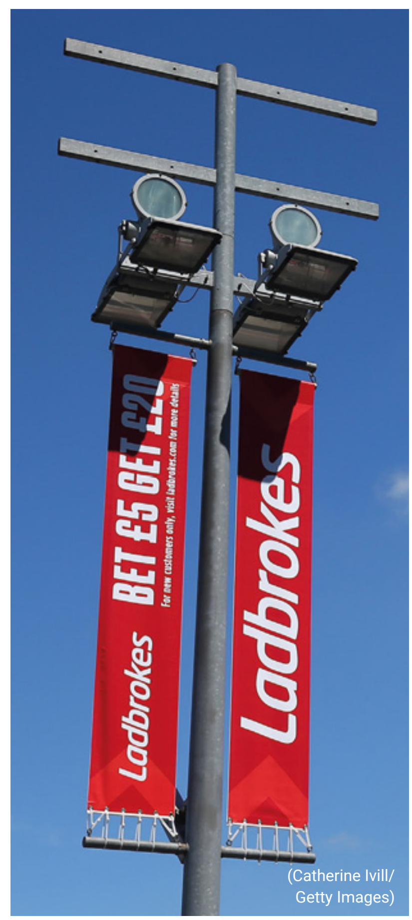
RMG is in the middle of a four-year deal, from 2017 to 2020, with ITV, worth roughly £7.5m per year. ITV's ROI on the acquisition is based on selling advertising spots around races, a good proportion of which came from gambling firms. Competition is believed to have been fierce for the 'bumper' sponsorship of ITV Racing, which was eventually secured by British bookmaker William Hill.

The ban on betting advertising elsewhere can only increase competition for inventory around horse racing, which will help the industry both by pushing up rights fees and indirectly – as a likely effect of the greater marketing spend by gambling firms – encouraging more betting.

This would be timely considering racing's fears around the closure of betting shops when the fixed-odds betting terminal legislation takes effect in April this year. The sport currently earns healthy revenues selling "bet-to-view" media rights to high-street bookmakers based on their number of outlets, and the reduced FOBT revenues are predicted to lead to widespread closures.

The Jockey Club, the operator of 15 racecourses in the UK, indicated the extent of those fears when it froze prize money at its tracks in December, claiming the legislation could lead to the closure of up to 1,000 high-street shops and a subsequent £40m to £60m reduction in horse racing media-rights income.

A surge in advertising spend around racing could help plug this shortfall, while the UK government has said it will also work with the sport to mitigate losses from the fixed-odds measures. Other rights-holders who worry that the FOBT legislation is the thin end of a very large wedge will hope the government takes an equally sympathetic view of their relationship with the betting industry. ○



(Catherine Ivill/ Getty Images)

In praise of big signals

Sponsorship is about sending big, intangible signals, argues **Richard Gillis**, that require commitment to a property. Slicing target audiences ever more narrowly risks making the brands themselves look small.

When judging industry awards, I'm always struck by how few of the nominees I've encountered before, out in the real world.

This means that quite often, being asked to give it a prize is the first time I see a sponsorship activation.

That's not particularly surprising. If it's not aimed at me, it exists outside my own personal bubble. Digital marketing's big promise is to reduce the wastage associated with above-the-line media spend, so me not seeing the activation isn't a flaw, it's a badge of honour – evidence that the targeting is watertight.

I get it. It's all about objectives and sponsorship can do big and small, mass and one-to-one...yadda yadda yadda. You pay your money and make your choice: buying IP and working it via social can work, and rights-holders are cutting and dicing inventory into smaller and smaller packages to accommodate this.

My question is, does it matter?

To be effective, does sponsorship need to have a broader existence in the world and touch people beyond a tightly-defined target audience?

I suspect the answer is yes, it does matter, and that in the rush to do the small, measurable things, something bigger is lost.

This is because, arguably more than any other form of marketing, much of sponsorship's appeal is about big intangible signals: to sponsor something infers generosity and power on the brand, two very valuable attributes.

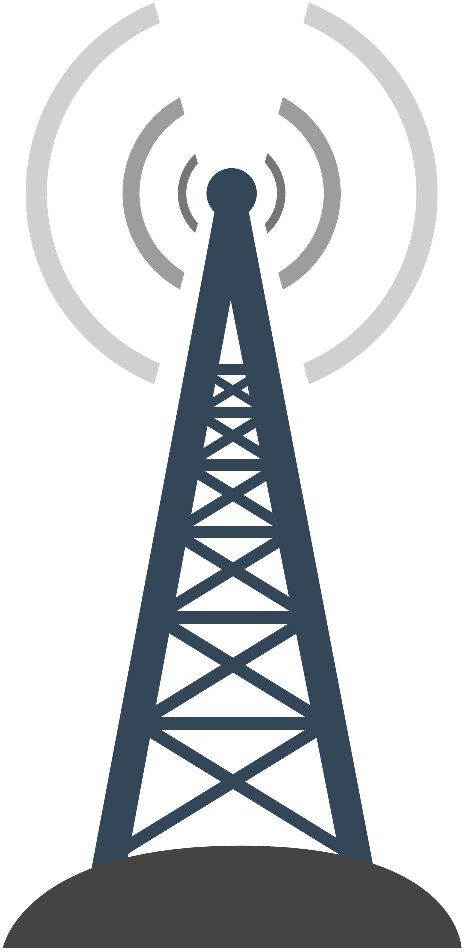
The substantial upfront cost is a clear signal of commitment, a power signal demonstrating a firm's innate confidence in the future. A less robust, fly-by-night company wouldn't do this.

But for those intangible messages to land, it requires an approach that is deeply unfashionable: buy the right rights and stay there, for the long-term.

This approach positions sponsorship closer to philanthropy, which also makes it easy for clever people to mock.

To many in the sports marketing industry, the philanthropy argument is laughably old school, like wearing a monocle. The two terms have evolved to mean different things, separated by the expectation of commercial returns: philanthropists give money away; sponsors invest it.

One is a gift. The other is a contractual arrangement, turning the thing being sponsored into an asset – a property – to be exploited for commercial return. When someone gives me something, behavioural science suggests I'm inclined to reciprocate, with my gratitude or my attention. By contrast, digital sponsorship in particular has become ever more overtly commercial – more tactical, more grasping, more obviously on the take. There's a whiff of desperation about brands seeking to wrench a human response from fans under the guise of engagement.



And just as power and generosity are big intangible signals, so too are neediness and the type of 'click this for a prize' contempt that seems to pervade many tactical activations. Perhaps this is why fans don't seem very grateful for the presence of sponsors in their lives: it's not because they haven't seen the signals, but because they have.

They've noted that, in an era when sponsorship has boomed, so too has the price of tickets, merchandise, beer and food. Then they think back to the old model, before marketing became so sophisticated, when the ads paid for the content. They watched TV for free and the brands footed the bill. A fair and transparent trade-off, that underpinned the consumer-media relationship.

Now they're paying for the content and they're bombarded with commercial messages, meaning effectively they're paying twice: once with their money and again with their attention.

'What's in it for me?' they might fairly think, as the brands come back for a third time, begging for clicks online, trying to hoover up their personal data. The more obviously transactional the approach, the more tightly targeted via a social rabbit hole, the less a brand looks like a sponsor and more like just another company doing digital marketing.

My guess is what goes around comes around, and those using sponsorship to do small things shouldn't be surprised if it's them that ends up looking small.

Richard Gillis is a freelance strategy consultant and author. Find him on Twitter @RichardGillis1

US Polo Association punches above its weight with $1.6bn licensing programme

National polo federation generated $1.6bn in licensing revenue last year

Licensing programme trades on heritage of polo and "classic American styling"

Brand came to blows with Ralph Lauren Polo over fragrance launch

(USPAGL)

Ben Cronin

For a federation that does not command huge sums for its media and sponsorship rights, the US Polo Association (USPA) qualifies as something of an outlier in the sports licensing business. Last year, the national federation's licensing programme generated an outsized $1.6bn (€1.4bn) in revenues according to a study by *License Global*, ranking it seventh on the list of the biggest sports licensors in the world and leaving higher-profile rights-holders like the PGA Tour and National Hockey League trailing in its wake.

"I'd say we're probably the reverse of a lot of other sports," acknowledges Michael Prince, who earlier this year became the chief executive of the USPA Global Licensing (USPAGL), the for-profit steward of the USPA's intellectual property. "The lion's share of our business comes from our licensing."

The federation's disproportionate success in this category looks to be attributable to a farsighted and disciplined strategy, mixed with a degree of good timing. Though the USPA might not acknowledge it explicitly, it undoubtedly owes a debt to the efforts of Ralph Lauren and his 'Polo' menswear brand – created in 1968 and celebrating its 50th anniversary this year – for establishing the sport as a signifier of timeless luxury.

Unlike a lot of rights-holders that outsource their licensing programmes to a specialist agency and derive a royalty from their efforts, the federation decided from the start that it would be better served by a dedicated in-house capability. It established USPA Global Licensing in 1981 and in the following years it built out its expertise through a series of hires and strategic partnerships.

International

Prince says the new organisation achieved modest success in its early years but the business really took off under the leadership of his predecessor

David Cummings, who led the company for 15 years before moving into the role of chairman earlier this year.

Cummings hired marketing, design and licensing specialists with the right credentials to build up the in-house team. One of those hires, Brian Kaminer, a design director who had worked for bigger brands like Tommy Hilfiger, Gant and Nautica before joining the company, describes how he had to work out of a garage in the early days as the workforce outgrew the federation's office space. He says the licensing operation expanded "organically" from these humble beginnings.

Initially, the USPAGL started off as a wholesale business operating "shop in shop" concessions in larger US retail department stores. Its first licensee, a division of manufacturer Jordache Enterprises, helped it build out its apparel business in the US, while its second, Turkish company Aydinli, helped it to break into Turkey, the Middle East and Russia.

Prince believes the global business flourished thanks to these sorts of partnerships, and an appetite among consumers for Americana. "I think it was a time when the brand resonated that classic American styling, that American persona," he says. "Politics aside, people just love that classic American style."

In the early years, the licensing programme's success was built on apparel products that reflected the equipment, colours and materials of the sport. To this day, the apparel category continues to make up more than two thirds of the USPA's business.

Unsurprisingly, the polo shirt has always been the best-selling product in the licensing programme, but Kaminer says the USPA's range of branded Oxford cloth shirts runs them a close second. A range of white jeans was inspired by the white jodhpurs the players wear, while brown leather products, especially in the luggage category, reflect the horses' saddles and the boots worn by players.

"We're inspired by all things polo," he says. "Our sport has a lot of tradition attached to it, so we felt our brand needed to reflect that heritage."

The red, white and blue stripes and American flags that adorn many of the brand's products reflect the federation's American heritage. "It all is inspired by the flag," says Kaminer. "You'll see patterns with stars on them, stripes, all of them are pieces that I took out of the American flag, which I think is important and it's become a much bigger part of what we do."

Notwithstanding that Prince and Kaminer both believe the "bright and colourful" brand is apolitical, it had the good sense to dial up its all-American attributes in its home market and Europe but accentuate its connection to equestrianism and the traditions of polo in markets where that sort of messaging might not be to consumer tastes. The success of the business in Iran, the country where the sport was first played, and the rest of the Middle East shows the success of this strategy.

"I think there's just this interest in equestrian sports in general that is kind of global," Prince says. "In Turkey, they don't necessarily follow polo, but they love horses and so having that connection back to the other athlete, the horse, is very important," he says.

Mono-branded stores

The other benefit of the licensing programme's expansion into Turkey and the relationship with Turkish licensee Aydinli was that it encouraged the USPAGL to think about creating its own mono-branded stores. The stores allowed the federation to control the

USPA Global Licensing chief executive Michael Prince (*USPAGL*) look and feel of its retail operation more effectively and sell more merchandise. But of equal importance for a national federation, they also helped to promote the sport.

As the business has developed, this has become a more fundamental tenet of its strategy. Where other brands are closing their bricks and mortar operations and transitioning online, the USPAGL continues to work with partners to expand its international footprint and introduce more people to polo.

As it stands it now has a physical presence in 166 countries, operates over a thousand branded stores and opened 100 shops in 2018 alone.

Prince explains that he has spent the last year working with partners on a long-term strategic plan called Whitespace 2025, which envisions the brand expanding to more than 1,300 retail stores worldwide and exceeding $2bn in global retail sales. He will also lead the effort to launch a new "high-energy" retail concept in 2019 that strives to encompass even more elements of the sport throughout the stores on large LCD screens and even virtual reality headsets.

"For us it is stores first and then digital second," he says. "I think 10 years from now, digital is going to become more and more important, but right now it's a nice balance between the two."

Affordability

A happy by-product of the USPA's desire to make the sport more accessible is that this has helped it to carve out a niche as what Kaminer describes as an "upper-moderate" brand.

"We're a brand who's in malls and we're not a couture brand," he explains. "Most people can afford to purchase our product and enjoy the sport."

Scott Bouyack, co-head of sports licensing at Creative Artists Agency, and a professed admirer of the USPAGL's licensing programme, says this has proved a masterstroke considering the pricing of some of its polo-branded competitors.

"I think they've found a nice void in the market where there is an appetite for the luxury and the lifestyle aspect of polo but at an attainable price point," he says. "And I imagine not only is it a commercial opportunity for them at that juncture but an opportunity to try to get more interest in the sport."

Trademark disputes

USPAGL's arrival as a lower-priced but authentic polo-branded competitor to Ralph Lauren has on occasion brought the two brands to blows in court.

A 1984 order barred the US Polo association from using "confusingly similar" symbols to the Ralph Lauren Polo logo but gave it permission to use any picture of "a mounted polo player or equine symbol" that did not look like the Ralph Lauren Polo trademark. The same order granted it the right to "refer to the sport of polo".

Later efforts by the federation to expand its licensing programme beyond the confines of its core offering brought it into conflict with its competitor again. A court ruled in 2011 that the USPA's attempts to launch a fragrance carrying its double-horseman logo infringed Ralph Lauren's trademark rights because of the likelihood of confusion between the two brands in this category.

The USPA's defence has always been that as a national federation it has just as much, if not more, of a right to exploit equine imagery and the generic term 'polo' in promoting its licensed goods.

"What I like to say is there's no other brand in the world as close to the sport of polo as we are," says Prince. "If you think about it, we're the official brand for the United States Polo Association itself, but we've taken that DNA and we've exported excellence globally."

After the initial disturbance caused by the USPA's entry into the market, the two brands have learned to coexist. This is exactly as Robert Sweet, the US district judge who ruled in the fragrance case, recommended it should be.

Referring to an earlier case, he said: "There is […] clearly room in our vast society for both the USPA parties and the PRL [Polo Ralph Lauren] parties to engage in licensing activities that do not conflict with one another, and nothing contained in this opinion should be construed as precluding such activities."

Marketing

To reinforce its connections to and rights over the imagery of the sport, the USPAGL sponsors a large number of polo tournaments in the US and abroad. "Where the sport goes, the brand goes," is the catchphrase Prince frequently uses to summarise this marketing strategy.

The licensing arm's close relationship with the USPA allows it to control the branding at events organised by the national federation and in September this year it announced a deal with the Federation of International Polo to be the Official Apparel Supplier for the 2018 FIP European Polo Championships.

In the same month, the USPAGL and its Chinese licensing partner Yicai

USPA guidelines for one of its mono-branded stores (*USPAGL*)

Brands Management announced a similar deal with the 2018 China Open Polo tournament.

China represents the next phase in the expansion of the brand's retail footprint, with plans afoot to build 300 USPA stores in the country over the next five years. The federation became the first global brand to relocate its Chinese operations to the city of Changshu, dubbed "Apparel City" by the Chinese government as it looks to turn individual cities into centres of excellence.

Prince says the satellite office will focus on "IT operations and all things digital" and that a large team at the centre will build the brand's presence on Chinese social media platforms like WeChat and e-commerce platforms like Alibaba-owned Tmall.

As further proof that the strategy isn't all about bricks and mortar, Prince explains that part of his remit as the new chief executive is to transition the USPA into a "digital and content-driven brand" that will be able to command rights fees for its content. The hope is that a higher profile for the sport will in turn drive the licensing business.

"Because of the strength of the brand and what we're doing with the sport and the impact the sport's going to have in the foreseeable future, I do see the opportunities to bring in sponsors and to get paid content," he says.

> *"If you think about it, we're the official brand for the United States Polo Association itself, but we've taken that DNA and we've exported excellence globally."*
>
> **Michael Prince** | Chief executive, USPAGL

Product development

From a product perspective, the strategy is to expand the womenswear and homeware businesses in the next two years. As it presently stands, menswear is the highest-performing part of the business. Overall, apparel makes up roughly $1.1bn of the USPAGL's annual sales, footwear accounts for around $200m, bags and accessories a further $200m and underwear roughly $100m.

Kaminer doesn't discount the idea that the federation might try to license its brand to a chain of restaurants or resorts, as other federations have done. The key, as ever, will be to painstakingly research the market first and ask if it is consistent with the brand.

"We bring in consultants and experts," he says. "You have to know when to go for it or not. I've been involved in businesses where the experts have told me not to do something and at least when we ignore them, we knowingly know we're ignoring what they told us not to do.

"We're not pushers of volume. We let water seek its own level," he adds. "We do what we believe is right for the brand and we develop categories well. We don't want to be all things to all people; we want to do the right thing for people that want and like our brand."

Bouyack thinks it is this discipline that has allowed the licensing programme to thrive. "It really is remarkable what they've managed to do. It would be very difficult to draw up a plan like that which succeeds for nearly 40 years," he says. "I think they've tapped into enduring qualities. Aspirational luxury at an affordable price has become a bigger and bigger segment of retail and segment of fashion, and they've moved with that. I think they've done a nice job of being disciplined and strategic about how they've grown."

Kosmos aims to revive 'commercially-undervalued' Davis Cup competition

Investment company looks to transform historic event with a 25-year partnership with the ITF

Rakuten owner will provide financial backing and help create new app to engage fans

Player participation and rival ATP World Team Cup may prove obstacles to success

(Jean Catuffe/Getty Images)

Bob Williams

Kosmos Tennis believes its structural revamp of the Davis Cup will make the apex of the 118-year-old competition more attractive to fans, sponsors and broadcasters, reviving its "undervalued" commercial fortunes.

An August vote of the 210 International Tennis Federation member nations approved the 25-year partnership with Kosmos, under which the two entities will jointly operate the Davis Cup, with Kosmos managing its commercial rights.

Kosmos will spend $80m (€70m) on the competition each year from 2019: a new $20m prize money pot, $16m to cover marketing and staging costs and $44m as a licensing fee to the ITF for all commercial rights surrounding the competition. An additional $45m has been allocated for other events the ITF and Kosmos may wish to stage in the future, such as a revamped Fed Cup, the equivalent women's team tournament.

According to its 2017 financial statements, the ITF's total commercial rights income – the majority of which derives from the Davis Cup – was $38.7m: $13.5m from media rights, $18.9m from sponsorship and $6.3m from events.

Kosmos will have rights covering all ticketing and corporate hospitality revenue, which was previously controlled by the national federations that hosted ties. Kosmos will take on responsibility for media and sponsorship rights sales – although all existing deals will run to completion – and retain all income from these sales up to a certain level, after which there is a revenue share.

The Davis Cup will be streamlined in a bid to make it more attractive to elite players – who often pass on competing for their countries because of their crowded schedules – and to the public. It is hoped these changes will, in turn, improve revenues from ticketing and corporate hospitality, commercial partnerships and media rights.

It is a calculated gamble that is not guaranteed to pay off. Some leading players – notably Roger Federer, Novak Djokovic and Alexander Zverev – have expressed reservations about the project. Meanwhile, a rival competition – the ATP World Team Cup – will be launched in January 2020, just six weeks after the first of the revamped Davis Cup finals.

Kosmos, though, is bullish about its chances of success. "The reality is the Davis Cup commercially today is in an undervalued position," executive director Javier Alonso tells *SportBusiness Review*. "I think having all the nations together in one week, having 18 nations compete for one crown, will create huge expectation.

"We want to make it grow to a very high level. We think we can bring some new ideas…it is important to have new ideas because I think this is what the world of tennis needs."

Kosmos and its plan

Kosmos Tennis is a subsidiary of Kosmos Holding, the Barcelona-based sports and media investment group founded by FC Barcelona defender Gerard Piqué and whose principal financial backer is Hiroshi Mikitani, the chairman and chief executive of Japanese e-commerce giant Rakuten.

Additional investment in Kosmos Tennis has come from American billionaire Larry Ellison – owner-operator of the Indian Wells Tennis Garden facility in California and annual Indian Wells Masters tennis tournament – and CMC Sequoia, the sports investment fund set up in 2017 by China Media Capital and Sequoia Capital China.

Alonso, the former director general at MotoGP commercial rights-holder Dorna Sports, oversees the daily affairs of the company while, according to a spokesperson, "all Kosmos Tennis is inspired and powered by Gerard Piqué's vision about sports and entertainment". Fernando Soler, the former head of IMG Tennis, acts as a consultant.

At the heart of the company's plan for the Davis Cup is a reimagined format aimed at making the tournament a more impactful event.

Under the old format, the 16-nation World Group was contested over four weekends throughout the year, culminating in a November final. From 2019, after a round of qualifiers in February, 18 nations will compete in a week-long 'World Cup' of tennis each November. Matches have been shortened from a best-of-five format to

Gerard Piqué, Kosmos president and founder, seals the Davis Cup agreement with ITF president Dave Haggerty (*Susan Mullane/camerawork USA*)

Mutua Madrid Open tennis tournament at the Caja Magica (*Julian Finney/Getty Images*)

best of three, with two singles and one doubles, to ensure finals matches can be completed in a single day.

The $20m prize fund has been introduced to help attract elite talent and puts the Davis Cup on a par with the grand slams: the Wimbledon men's tournament prize fund was approximately $21.6m in 2018.

The first two finals under the new format – 2019 and 2020 – will both take place in Madrid. Kosmos had wanted the inaugural finals to be held in Asia – partly because of its Far East backing – but the ITF insisted on a European venue, mainly to help reduce travel for players after the season-ending ATP Finals in London.

Cities in France, Germany, Russia, Spain and Turkey made applications to host the finals. Lille and Madrid made the shortlist, with the latter emerging the winner from a joint decision by Kosmos and the ITF.

The plan is to take the tournament around the globe, with the United States a likely destination for 2021. This directly follows the investment of Ellison, who is hopeful of bringing the event to Indian Wells.

"We don't have to be in one place for a number of years. Now we start with two years [in Madrid], maybe the next

> *"The reality is the Davis Cup commercially today is in an undervalued position...we want to make it grow to a very high level."*
>
> **Javier Alonso** | Executive director, Kosmos

time we go to a place we may stay for three years. We want to move the World Cup of Tennis to every continent of the world," says Alonso.

Under the previous format, host federations kept most ticketing revenue. Kosmos will now keep all the finals ticketing income, including corporate hospitality. According to Alonso, around 200,000 fans will travel to Madrid next year. In order to capitalise on this expected influx of supporters, Kosmos will look to put on a series of events alongside the tennis in order to create a festival atmosphere and gain further revenues.

"We are defining what to do around the tournament with some agencies who are helping us," Alonso says. "Our vision is that the people who come to Madrid will enjoy the experience, not just with tennis but with all the experience they have from when they arrive and when they leave.

"We are working on which hotels we want to work with, we are working with the tourism board to prepare an agenda of events for fans to do. We are also asking sponsors how they want to activate. New sponsors can activate in a different way and create a fantastic experience for the public."

Kosmos is working closely with Rakuten to develop an app that will maximise fan engagement at the 'World Cup' event.

"We are working with Rakuten already in how we develop the app, how we sell tickets, how people book hotels, airplane journeys, restaurants, how to interact with young people in terms of sending them content," Alonso says.

"The objective with Rakuten is that they help us with the digital side of the business. We have 25 years [in the ITF partnership]. Of course we have to generate money, but what we also want to do is to create added value from the start on the digital side."

Media and sponsorship

Despite its long history, the Davis Cup's commercial revenue has lagged behind the grand slams due to its staggered format and the regular absence of top players. The ITF reportedly generated just over $14m in sponsorship income for the event in 2017, a far cry from the estimated equivalent earnings of the US Open ($86m) and Wimbledon ($45m) in the same year.

The Davis Cup currently has three main sponsors – title sponsor BNP Paribas, Adecco and Head – after partnerships with Rolex and Betway ended this year. Seven or eight principal sponsorship partners are being sought for the 2019 event, while deals with Rolex and Adecco are being renegotiated.

Kosmos has no plans to rename the competition via a true title sponsorship deal. The existing deal with BNP Paribas names the event the 'Davis Cup by BNP Paribas'.

With the first two events in Madrid, Kosmos has already received several requests from Spanish companies regarding commercial partnerships, though Alonso says: "We don't want to focus on Spanish companies only – we are targeting international companies also, including some companies that will speak to the Spanish market."

Kosmos will not be able to take over the sale of Davis Cup media rights until 2021 because these are held by beIN Media Group, under a seven-year deal with the ITF that began in 2015. The deal – which also includes the Fed Cup rights – is worth an average of just over $15m per year. This compares to annual media-rights income of approximately $160m and $120m for Wimbledon and the US Open respectively.

However, Kosmos is seemingly free to seek additional deals or deals in territories where beIN has not sublicensed the rights, with the media group's permission. "When we see there is a possibility in one market…then we will try to [take it]," Alonso adds. "It is important we take advantage of the change of format."

Alonso is convinced the new format – a round-robin tournament followed by a knockout stage – will lead to bigger and better TV deals. "If you compete in the new format, you will play until the Thursday in the round robin. Even if you don't get through [to the knockout stage] you will create an interest that will ensure that a number of people will continue to watch the event they have been watching for four days until the final. It is more connected and easier to follow," he says.

Another significant change from 2019 is that Kosmos, and not the host broadcaster, will produce the finals. "When you are working that way, it is a cost for the host broadcaster so sometimes you don't get the best product," Alonso says. "We want a high level of production, so we agreed with beIN that this responsibility will be on Kosmos and not the host broadcaster."

Alonso believes that within the first two or three years of the new format, incomes from ticketing and corporate hospitality, commercial partnerships and TV rights will be similar. "In the future this will probably change as it will be difficult to make much more from ticketing, but with TV rights and sponsorship there is the greater possibility of an upside," he adds.

"It is a 25-year deal, which was very important for the ITF and for us. What

(Sylvain Lefevre/Getty Images)

we want is to build a relationship that lasts forever, this is our objective," Alonso says. "Once you start a long-term relationship like this, it is going to be very difficult to stop it in year 25. I'm sure before year 25 we will be discussing how to extend it because it will be something positive for everybody. It is a very long run and if we work on the day-to-day the numbers [revenue] will come."

Player participation remains a major challenge

Kosmos faces two principal challenges to make its projected $3bn investment work: the rival ATP World Team Cup and player participation.

The ATP World Team Cup – a partnership between the ATP Tour and Tennis Australia – was approved in the summer and is planned for a January 2020 debut, just a week before the start of the Australian Open. It features 24 teams, $15m in prize money and, unlike the Davis Cup, ATP ranking points.

It is unclear how the ATP World Team Cup and the Davis Cup will co-exist, especially as they take place so close in the calendar. "It doesn't make any sense to have two team events. Personally, I think that would be insane," ATP executive chairman Chris Kermode said in May 2018.

Many leading players have expressed unhappiness with the Davis Cup revamp, which was backed by national tennis federations without consulting the players. A number are unhappy at the prospect of extending their campaigns to play in another event immediately after the season-ending ATP Finals. "I just feel like the date of the Davis Cup is really bad, especially for the top players," said Djokovic.

There is also some self-interest at play. Federer said it was odd to see a footballer "meddle" in the tennis calendar, before warning: "Be careful: the Davis Cup should not become the Piqué Cup." The Swiss, it must be noted, is keen to secure the position of his Laver Cup event – another annual team competition which began in 2017 and pits European players against a world team – in the schedule.

"All the changes we have implemented are changes that the players were requesting. For them to participate in the Davis Cup is much easier now, as before they would have had to dedicate six or seven weeks to the tournament and now it is a maximum of three," Alonso says. "It is important that we are able to explain the tournament to the players, we will be at all the tournaments next year to talk to them and [tell them] why their life is going to be easier."


(TPN/Getty Images)

Alonso is planning meetings with the captains of the 18 teams who reach the finals following February's qualifiers, to try to persuade the top players to participate.

National federations could aid his cause by making Olympic qualification dependent on Davis Cup participation. It is also hoped the $20m prize money will help encourage players to take part.

"The increased prize fund is important," says Alonso. "Right now the problem is that the players were not getting the same amount of money, as each federation was deciding how much money would go to the players.

"Of course, the rich federations had the advantage and players from rich countries were happy, and players from poor federations were treated in a different way. Today the beauty of the model is that the federations are going to get more money from the ITF and the players are going to get a fixed amount that is defined…which is a huge change to their lives."

Alonso believes the history and tradition of the Davis Cup will give it a huge advantage over the ATP World Team Cup, ahead of their looming battle for market share and talent.

"There are a lot of tournaments out there. The beauty of the Davis Cup is [that it is] the only place where a player can officially represent their nation [outside of the Olympics]. Yes, there will be teams of players from the ATP Cup from the same nation, but the format is different. It's not nation against nation, it's a group of players from one nationality competing against another," Alonso claims.

"Our competition is 118 years old, there is a tradition and a heritage that is there. For the sake of tennis, we will have to find a solution where Tennis Australia, the ATP and the ITF is more or less happy."

Arsenal's Singapore office contributes to 50-per-cent growth of revenues

APAC contains biggest proportion of Arsenal's global fanbase at 30 per cent

Since opening Singapore office, 85 per cent of all club's sponsorships now come from outside Europe

Club looks to offer 'one-stop shop' for Asian brands breaking out of domestic markets

Arsenal's APAC director Hadrien Perazzini (*Arsenal FC*)

Adam Nelson

When Arsenal opened its Singapore office in 2014, it became – after Manchester United – the second English football club to put permanent boots on the ground in the Asia-Pacific region.

At that time, the vast majority of the club's sponsors came from Europe, if not the UK; now, 85 per cent of the club's portfolio is international. Commercial revenues rose from $99m (€87m) in 2014 to $150m in 2017; about 10 per cent of this is earned from five deals with Asia-Pacific brands – 12Bet, BYD, BNN Technology, Cover-More and Konami. All of these have been negotiated, at least in part, from the Singapore office.

"We have a strong brand recognition everywhere, not just in the UK and Europe," says Hadrien Perazzini, director, APAC at the club. But back in 2013, when the club began to investigate why its commercial returns were lagging behind rivals such as Liverpool and Chelsea, the conclusion was that Arsenal "wasn't doing enough with that recognition. We understood very quickly that we needed to invest time and resources in the long-term to make this engagement and reach grow, and to utilise it to maximise revenues".

International sponsorships have become a key focus for Arsenal over the course of the last decade, with the club identifying them as their "biggest revenue growth opportunity" – especially since their move to the Emirates Stadium in 2006.

"Like every football club, we're generating revenue from the stadium, from media rights, and from our commercial operations," he explains. "We're very fortunate that we've basically had a sold-out stadium for the last ten years for every single game. That's great, but it means it's really a saturated growth area for us. That's why partnerships, and particularly international partnerships, are such a priority for the club."

According to Arsenal's official numbers, APAC accounts for a higher proportion – almost 30 per cent – of the club's total global fanbase than any other region. They have more social media followers in Indonesia than they do in the UK – "which might sound surprising", says Perazzini, "but it just shows the reality of the size of the fanbase out here, and their level of engagement. We're out here now trying to capitalise on that engagement".

While some activities around fan engagement and retail take place out of the Singapore office, it is predominantly a commercial operation. Under the stewardship of Stan Kroenke, the American businessman who assumed full control of Arsenal this year, the club has adopted a business model of self-sustainability. The club must survive off its own revenues, without turning to Kroenke or, prior to this year, former co-owner Alisher Usmanov, for funding. Perazzini admits there is pressure on the commercial team, both in London and Singapore, to help to fulfil those goals.

Tailored Asian strategy

Arsenal has signed regional deals in Asia through its Singapore office, but Perazzini says that this is not the primary purpose of the base, with he and his team mainly looking to global partnerships. This, he notes, differs from the club's strategy in Africa, where regional, country-specific deals are deliberately sought. Until this year, Arsenal held concurrent beer partners in Nigeria (Star Lager) and Ethiopia (Dashen Brewery), for instance.

"Because of the growth that lots of Asia is experiencing at the moment, there are more companies looking to take that next big step out of their domestic marketplace," says Perazzini. "On the whole, African brands want a partnership to boost their reach in their home market. We have bigger partnerships there – such as the Visit Rwanda sleeve sponsorship – but they're generally smaller.

"On the other hand, we're seeing a lot of companies in Asia that are extremely successful in their domestic market but, because of the level of competition and complexities of the marketplace, it can be challenging for them to differentiate themselves."

Arsenal has adapted its strategy in Asia to take advantage of this, offering brands a way of standing out. Because of the way football "bridges cultures and languages", something as simple as using an Arsenal logo on an activation can help a Chinese brand like electric car manufacturer BYD, with whom Arsenal signed a major partnership earlier this year, gain traction in other territories, says Perazzini.

This is something he expects to gather pace as "those traditional unicorns in their domestic markets increasingly find they've maximised growth in their own markets then need to look for that international expansion to keep growing".

The challenge for Arsenal is to continue to provide a marketing platform that is distinct from their Premier League rivals, themselves similarly looking to international growth to counter saturated domestic markets.

Perazzini expects the Singapore

Arsenal's summer 2018 fan event in Singapore (*Arsenal FC*) office to continue to demonstrate its value in this regard: "Especially in this part of the world, you need a lot of face-time, you need to build those relationships, and you can't do that better than actually having an office out here." Arsenal and Manchester United remain the only Premier League clubs to have established permanent physical presences in Asia.

Breaking down the marketplace

That strategy has meant Arsenal trying to do more with its primary assets in Asia, and focusing on working with brands "that are willing to create a partnership and not a sponsorship", says Perazzini. "We need to be able to create something that will deliver value and engagement with our fans just as much as all the more traditional assets that we're able to deliver."

To work out how best to deploy its assets with each partner, the club looked at the Asian marketplace and divided the brands there into three categories based on their goals.

"On the one hand, you have a brand that is based in APAC that wants to engage with its domestic markets in a meaningful way, in a different way," says Perazzini. 12Bet, Arsenal's Asian betting sponsor, fits in here: the club has other betting partners for South and Central America, the Caribbean, Europe, and Africa, each of which activates on a regional basis, using Arsenal branding and marques in locally relevant ways.

"Then we have brands who are based outside APAC that want to engage with this huge consumer base in the region," he adds. "Obviously a lot of our global partners enjoy the huge brand recognition Arsenal can bring them in this part of the world – the likes of Emirates, Puma, Gatorade." The club supports these partners mainly through its traditional assets, allowing them the use of Arsenal IP in Asia and offering significant pitch-side advertising on matchdays.

The final and arguably most important category for Perazzini's team in Singapore are larger APAC-based brands looking toward international expansion. "That can be international expansion within APAC, or on a global basis," he explains. Through their on-the-ground

Singaporean tech company Acronis unveils its partnership with Arsenal last year (*Arsenal Football Club*)

presence in Singapore and the mix of assets the club are able to offer these kinds of sponsors, Perazzini says Arsenal have established themselves as a "one-stop shop to deliver a consistent strategy around the globe" for these kinds of partners, leveraging the strength of the Arsenal brand in the territories their partner is targeting.

"We need to keep reminding ourselves that we are fortunate to be a part of that London-based global football club playing in the Premier League, and that this gives us an incredible mix of assets to offer our partners," he says. "Brands are increasingly giving more importance to a range of assets, but the kind of instant media exposure you get with a club like Arsenal is really important and still plays very well, especially in this part of the world."

Singapore office drives BYD partnership

Into this last category fits BYD, the Chinese electric vehicle manufacturer Arsenal confirmed as their official global car and bus partner in April 2018, in a deal estimated by *SportBusiness Sponsorship* to be worth about $4m annually.

"We were engaged in a search for an automotive partner on a global scale," says Perazzini. "We spoke to a lot of different people, but the conversation with BYD became interesting very quickly. It's important for Arsenal that all of our partners fit the values of the club, and we put a particular importance on sustainability."

In 2016, BYD began supplying electric buses to Arsenal's home city of London, and saw the partnership as a further opportunity to reinforce its brand as a leader in the sustainable vehicle market in the UK and beyond.

As well as offering that "instant media exposure" through pitchside advertising and branding on the team dugouts at the Emirates Stadium, Arsenal are also able to give BYD a long-term media platform, supporting the brand's efforts in both Asia and Europe from the offices in Singapore and London. Arsenal Media Group, the organisation established over a decade ago to create bespoke digital and social content, will create bespoke content for different markets which reflect BYD's differing goals in Europe and in Asia.

"The whole buildup to the negotiations, and handling the negotiations, and all the different levels of contract stages and relationships with the key people – it was all driven by this office," he says. "[...] this is a good example of a partnership that shows the value of being here."

Partnering with a major Chinese company – BYD is the biggest-selling domestic car manufacturer in China – aligned with Arsenal's own goals, too. The club is keen to use its partnerships, in Asia and around the rest of the world, to build up its own visibility and fan reach. BYD has used Arsenal's IP and marques in advertising campaigns in China, something Perazzini says "represents a lot of value for the club as well as for the brand". ○

FC Barcelona makes women's football the core of its US commercial drive

LaLiga club wants NWSL franchise to activate sponsors and 'be different' from rivals

North American commercial partners brought in $99m of club's $1bn revenue in 2017-18

Cancelled Miami game against Girona seen as missed opportunity to build Barça brand

FC Barcelona's New York office (*FC Barcelona*)

Bob Williams

FC Barcelona has made women's football one of the key parts of its commercial push in North America for two principal reasons: to build the club's brand in the region and "to be different" from its rivals.

There is reason to believe the commercial opportunities of women's football equal those of the men's game in the US. The 2015 Women's World Cup final featuring the USA v Japan is the most-watched football game (men's or women's) in the country's history. And according to social intelligence software company Shareablee, women account for about a third of sports engagement on social media in the US, with football the third-most common sport they engage with.

Barcelona last summer used the Beverly Wilshire Hotel in Beverly Hills to announce the expansion of its global partnership with American tools and storage company Stanley Black & Decker to become the first jersey sponsor of its women's team, FC Barcelona Femeni, starting in the 2018-19 season.

According to the club, it is the largest commercial deal for a women's football team anywhere in the world.

And its US office, set up in 2016, continues to push for the creation of a sister side in the National Women's Soccer League to gain a more established presence in the US football landscape.

"It could be very important for us to have a tangible asset here in the USA and one which fits perfectly with our strategic plan," Xavier O'Callaghan, the managing director of the Barcelona New York office, tells *SportBusiness*.

"We are more than a club [the Barcelona slogan in Catalan is *Més que un club*] because we have gender equality, and having a women's team in the US fits in with our strategic plan in Barcelona," he adds.

"It is an asset to grow our fanbase, it's an asset for activations for sponsors, so it's an interesting opportunity for us. We have to agree with NWSL how to do it and then we need to explore locations, partners, investments...all this stuff. I think that we can help that league as well. It will be a boost for them if we can compete."

Barcelona is eager to become the first European club to set up a women's team in the US. "We always think if what we do fits in with our philosophy and if we can do something that makes us different and unique from everyone else. A women's team – nobody is doing something like this...but we are doing this. It will make us different from everyone else."

Barcelona's interest in setting up an NWSL expansion team was approved by the league's board of directors in 2017, but discussions are at an impasse due to Barcelona's insistence that the proposed team play in club jerseys, with all official sponsors present.

The issue stems from Barcelona's $174m-per-year (€153m) kit deal with Nike, which runs until 2023. The club wants assurances that its NWSL team would play in Nike-branded kit throughout that term but, while the nine-team NWSL has its own deal with Nike, it only runs until 2019 and the league could sign a partnership with another company thereafter.

"We don't want to share our brand. We are very protective of the ways we present ourselves. We want to use our crest, our colours and our sponsors. Otherwise this will dilute the brand.

"We have a long-term partnership with Nike and we have to play with Nike. If the NWSL changes to a different brand, then we have a problem."

O'Callaghan remains bullish that a deal can be agreed.

Commercial strategy in the Americas

Barcelona's New York office, in Midtown Manhattan, serves both North and Latin America and followed the opening of a Hong Kong base in 2014. The regional offices were established as part of a strategic plan to reach annual revenues of €1bn by 2021.

The club's commercial partnership strategy is to focus on quality, not quantity. "We want to provide a very good activation feedback and we look for brands that are global so we can take care of them in a very professional way," says O'Callaghan. "If you have a lot of small partners you cannot provide a good service to them because you only have 20 or so players [for marketing and activation purposes]."

> *"A women's team [in the US] – nobody is doing something like this...it will make us different from everyone else."*
>
> **Xavier O'Callaghan** | managing director of FC Barcelona New York office

The club specifically searches for global partners – such as in the automotive, insurance and energy industries – but also seeks major regional partners, specifically in banking and telecommunications.

Its three main offices work hand-in-hand to ensure they do not step on each other's toes. "We have the same targets. If we have to look for an automotive partner, we will do it together, not alone," O'Callaghan says. "The offices have to reach one global partner, it does not matter who [does the deal]. We contribute with our knowledge and ideas but if it is done in Hong Kong, then it is fine, it is for the club. The club is one body – we are one arm and Hong Kong is one arm."

In 2017-18, Barcelona's North American commercial partners – kit manufacturer Nike and sponsors Gatorade, Stanley Black & Decker, Gillette and Scotiabank – contributed about 29 per cent of the club's $340m commercial revenue.

The expanded Stanley Black & Decker deal – the company has been a partner of the men's team since 2014-15 – was orchestrated from New York.

"Without being here I am sure that we couldn't do this deal," says O'Callaghan. "We understood [after opening the Hong Kong office] that providing a good service to our partners could be done in a better way: being in the local market, the same time zone, the same culture.

"This was why, having several American partners, we thought it could be useful for us to be here. It is not easy to do this when you are 7,000km from your partners.

"American companies, here everything is fast, everything is done in minutes if possible...in Barcelona, it's different.

"We have an activation team here and all the communication to the club from the partner goes through that executive. They act as a bridge to the several departments in Barcelona that should provide services to the client. If you need tickets, meet with the football

Xavier O'Callaghan, managing director of FC Barcelona New York office (*FC Barcelona)* department and need background for a press conference they go through that person who then goes to each department to deliver that task."

The New York headquarters started with four full-time employees, with Austrian Arno Trabesinger as its initial managing director, and began principally as a commercial hub. It has since expanded to 10 staff members, with O'Callaghan – a former FC Barcelona handball player – taking over in July 2018. All staff – who work in business development, partnership activation, communications, foundation and back office – are American, apart from O'Callaghan who is Catalan.

The aim is to turn the office into a headquarters for the Americas. In the future, O'Callaghan is looking to hire US merchandise/licensing and marketing executives to grow it further. "If I am able to bring some people from Barcelona to do it and make it profitable for the club then I'd like to," he says. "I'd like to enlarge the office in areas where we have services to provide to American fans."

Barcelona has looked to develop close relationships with US teams and leagues – including the NBA, MLB team the New York Mets and NFL team the New York Jets – in order to learn best practices. "For sports-entertainment this is best country in the world. We are a very good club but you can always learn something in the USA," O'Callaghan says.

Attempts to grow the fanbase

As well as searching for new commercial partners, one of the main objectives of the New York office is to grow the club's fanbase in the Americas.

"We understood that if you want to engage with your fans, if you want to be close to them, then you have to be onsite," O'Callaghan said. "Another reason to be here is to be closer to our fans and enable them to understand the club better and to understand the way they want to be reached."

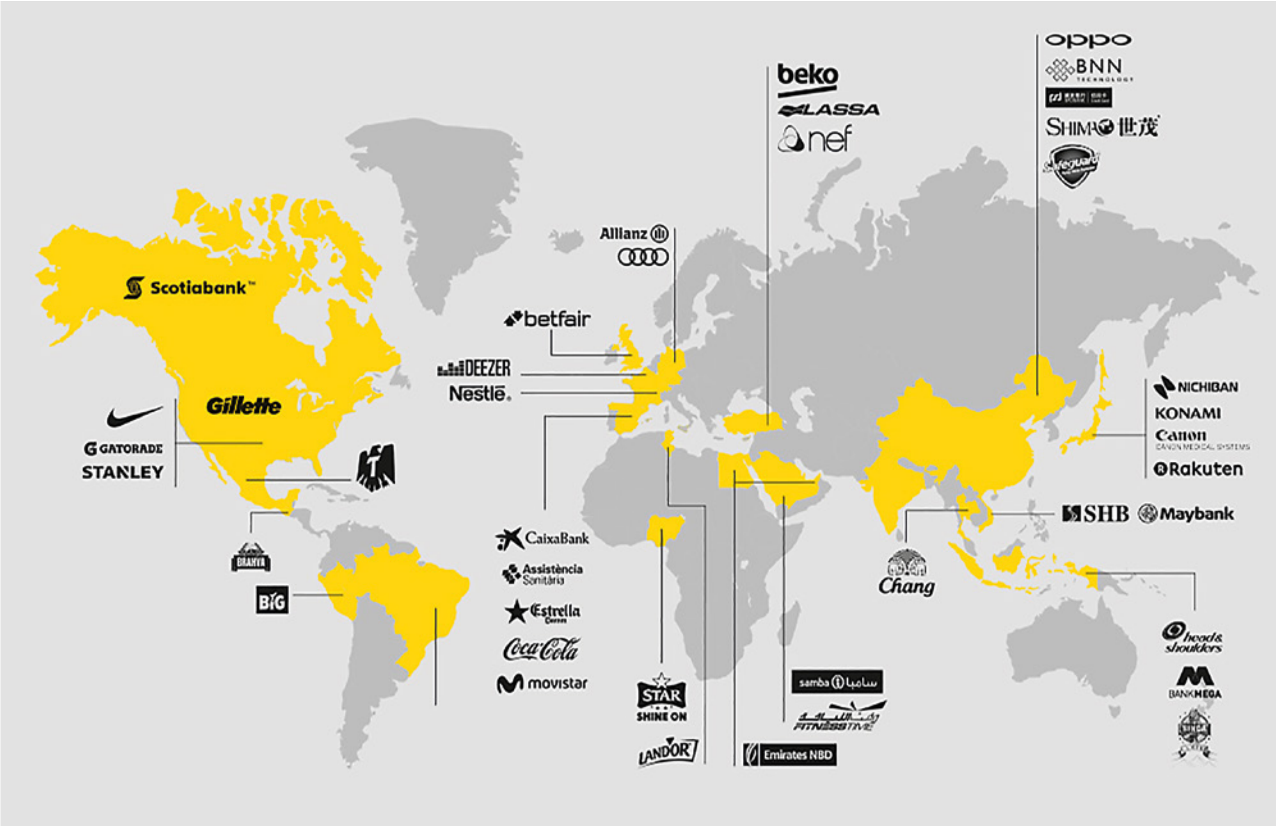
Barcelona has around 84 million fans in the Americas, with Brazil the most popular market (in large part due to the club's history of signing Brazilian players), followed by Mexico and then the US. According to O'Callaghan, this is a "slight improvement" from 2016 when the NYC office opened.

The club has numerous official fan clubs, or *penyes*, in the Americas. In the US, they are located in San Francisco, Dallas, Houston, Miami, Charlotte, Washington DC and New York City. "We do not influence what they want to do but we have good relationships with them, we invite them to watch parties and the summer friendlies," says O'Callaghan. "We used the [2018] summer tour to meet all the US Penya presidents in Dallas."

To engage with its Americas fanbase, the club uses its official English, Spanish and Portuguese social-media accounts. Barcelona has a specific US Instagram channel and geo-targets US-focused posts, such as for Thanksgiving, on Facebook. A specific US Twitter account, like one established by Bayern

Fans crowd Smithfield Hall for a luncheon hosted by the Official NYC FC Barcelona Penya Club to celebrate FC Barcelona's arrival to New York on September 7, 2016 in New York City. (*Jeff Zelevansky/Getty Images for FC Barcelona*)

FC BARCELONA SPONSORSHIP MAP



Source: FC Barcelona

Munich, is not planned because the club does not want to "dilute the brand".

Academies play a key role in Barcelona's plans to grow its fanbase in the Americas. The club has eight in the US, six in Canada and nine in South and Central America, plus additional summer camps.

Barcelona licenses its academies under the FCB Escola brand and they are managed by local partners. "We have almost 50,000 people in camps and academies. It's a lot of kids related to us," O'Callaghan says. "Of course [we want them to become Barcelona fans] but we are trying to educate players in the Barcelona way all over the world.

"There is a commercial aspect but money is not the only reason why we are doing this. If we can discover the new Messi here or in China that would be fantastic but we want to bring back to football what football has brought to us."

Barcelona part owns and operates one of these academies in Long Island, New York.

Cancellation of Miami LaLiga game 'a pity'

Barcelona was due to play Girona in an official LaLiga game at Miami's Hard Rock Stadium on January 27 – what would have been the first in the league's history – as part of the 15-year partnership between LaLiga and Relevent Sports to promote the league in North America.

Due to opposition from numerous stakeholders – including the Spanish players' association, the Spanish football federation and Fifa president Gianni Infantino – Barcelona withdrew from the game in December – albeit while saying they "were and remain willing to play a LaLiga game in Miami".

O'Callaghan rues a missed opportunity to promote the club and activate with sponsors. "For [us] as an office it was a pity because bringing an asset like a real game could be an amazing tool to promote the brand and I think that football in the US could be well promoted with these games," he says.

"We don't like confrontation so if everyone feels that it is not working it makes no sense to do it. If everyone agrees then we are happy to do it. It is possible, for sure."

The New York office has a healthy working relationship with LaLiga's US base in the city. O'Callaghan, though, would like to see LaLiga secure a better TV deal in the US to further its reach.

LaLiga is broadcast on beIN Sports, which was available to 22.1 million cable households in February 2018, a figure which has since declined after the network was dropped by providers Comcast Xfinity, DirecTV and Verizon Fios (temporarily) over carriage fees. The Premier League, by contrast, reaches 84 million households on NBC Sports.

"I would like to get a better [TV] distribution here. I think beIN is a good partner, but I feel a bit of lack of exposure here in the US," O'Callaghan says. "It is not so easy to reach the channel. This is something we would like to be different, but we cannot influence it. It is not up for us."

Dropouts from 2026 bidding race show IOC reforms are yet to have an impact

The New Norm contains 118 initiatives designed make Games more flexible and less expensive

2026 Winter Olympics bidding race is bedevilled by familiar problems concerning the cost of hosting

Key challenge now is to convince the public in referenda of the value of the Games to a host city

(Alexander Hassenstein/Getty Images)

Jonathan Dyson

As bidding to host the 2026 Winter Olympics enters its final stretch, just two candidates remain: Stockholm and Milan/Cortina.

In November, Calgary became the ninth successive Olympic bid city to lose a public vote, highlighting long-held concerns about the challenges facing cities in bidding for and hosting the Olympics – in particular the costs associated with such a huge event.

Coming out on the wrong side of public opinion – again – will have greatly frustrated the International Olympic Committee because it happened in spite of the significant changes it has made to the process of bidding and hosting the Games.

These efforts were encapsulated in 'The New Norm', a set of 118 reforms presented at the 132nd IOC session in February 2018 in Pyeongchang.

The IOC maintains that the reforms are having a positive impact on the current race and that the reason they haven't saved bids in public referenda reflects a failure only to effectively communicate their ethos.

"Both Stockholm and Milan/Cortina have declared that without The New Norm's reforms they would not still be in the race," Christophe Dubi, the Olympic Games' executive director, IOC, tells *SportBusiness Review*.

The New Norm

The New Norm emerged out of Olympic Agenda 2020, the strategic roadmap for the future of the Olympic Movement that was agreed at the 127th IOC Session in Monaco in December 2014 and comprises 40 recommendations to be achieved by 2020.

The New Norm developed from six of these recommendations:

1. Shape the bidding process as an invitation
2. Evaluate bid cities by assessing key opportunities and risks
3. Reduce the cost of bidding
4. Include sustainability in all aspects of the Olympic Games

5. Reduce the cost and reinforce the flexibility of Olympic Games management

6. Maximise synergies with Olympic Movement stakeholders.

Dubi says that the idea behind the 118 New Norm reforms is to "take the general spirit and direction given by Olympic Agenda 2020, going into the details so that it materialises in implementation.

"Some of the measures are very strategic…and then you have a number of the detailed measures that are at the other end of the scale but have also a profound effect. Each of them has either a direct relation to simplifying the equation or a direct cost effect."

Reform number 29, for example, is a strategic change designed to help deliver on Recommendation One of Agenda 2020 [shape the bidding process as an invitation]. It calls for the "maximum use of existing facilities and temporary/demountable venues as well as competitions or venues outside the host country for reasons of sustainability".

Through reform number 29, OCOGs are "strongly encouraged" to develop temporary venues in "the most cost-effective way…weighing the cost of the technical solution against the revenue-generating potential for the events it will host".

In addition, new permanent venues "should be considered only if a viable business plan is presented, detailing proven post-Games demand, funding and future operational usage, including operator". For mono-functional venues "no permanent construction will be required", with competitions moved instead to "the most suitable existing venue…even if located outside the host city/country".

Examples in the 2026 race are the cross-country venue in Stockholm and the multi-sports hall in Milan, both new permanent venues that Dubi says have viable business plans. The sliding track in Sigulda, Latvia, which forms part of Stockholm's candidature, was chosen as the most suitable existing venue – even though it was outside the host country – to avoid unnecessary permanent construction.

Dubi notes that the Interested Cities in the 2026 race on average plan to use 80 per cent existing or temporary venues, compared to 60 per cent among the Candidate Cities for the 2018 and 2022 Winter Games.

Micro reforms

Looking at some of the micro reforms, Dubi says that while some of these might seem mundane, they can also have a significant impact in reducing cost and complexity.

Number 97 encourages OCOGs to "simplify food and beverage services, especially warm menus for some stakeholder groups. Where kitchen facilities must be fully designed and built, warm food will be provided only to certain Games clients".

"Why this, you might ask? Well we don't want to build a temporary kitchen in the mountain if it's not already present," says Dubi. "A temporary venue means renting of the equipment, it means energy, it means a complex food supply chain – this is complexity. In terms of cost, yes it makes a difference but in terms of complexity it's night and day.

"We've been looking at every single element of Games organisation to find either simplification or massive cost reduction."

Other similar reforms include number 33, which aims to reduce the rental period for venues used during an Olympic Games, and number 79, designed to reduce the cost and complexity of transport arrangements by combining the use of OCOG-dedicated resources with robust and available public transport.

IOC figures suggest initial Games operating costs projected by the Interested Cities for 2026 are on average 15 per cent (approximately $300m/€264m) lower than those of the cities in the two previous candidature processes.

In general, the reforms are designed to ensure that "the Games adapt to a city or a region, and not the other way around. It means that decisions are

Christophe Dubi, Olympic Games executive director at the IOC (*Christophe Morin/IP3/Getty Images*)

Sculpture at the Gangneung Coastal Cluster, one of the venues for the Pyeongchang 2018 Winter Olympics (*Carl Court/Getty Images*)

based on a long-term interest and not driven by short-term needs”.

Implementation

As part of the implementation process, The New Norm’s initiatives have been incorporated into the host city contract and its technical appendices – which together form the framework for organising an Olympic Games. The changes will apply from the 2026 Winter Olympics onwards.

Dubi stresses that for each change to the requirements, the IOC will liaise closely with the OCOG on the cost. “If we change a requirement – for example with technology where sophistication is increasing constantly – that has a financial impact on an OCOG, we would have to have their consent. And we have to agree whether they can absorb it or whether it’s the IOC that will contribute financially. And that’s very important, because it means that we cannot change anything unilaterally.”

An example was the Big Air event in the 2018 Winter Olympics in Pyeongchang, where the IOC stepped in to pay for the new venue required by the addition of the new sport to the Olympic programme.

As a further measure to assist OCOGs with cost, the IOC is no longer asking for an unlimited financial guarantee from a host city’s government. Instead the IOC is only asking for a Games delivery guarantee, and a contingency delivery plan. Dubi claims every Games of the past 20 years has either broken even or returned a profit.

He also notes that the IOC is now taking on a larger proportion of the operational costs of hosting the Games. In the 2013-2016 quadrennium, $2.36bn was distributed to support the staging of the Olympic Winter Games in Sochi 2014 ($833m) and the Olympic Games in Rio 2016 ($1.53bn). For the 2025-2028 quadrennium, it has already been announced that the contribution to support the hosts in staging the Games will increase to $2.725bn ($925m to the 2026 host city and $1.8bn to LA 2028).

The IOC is trying to reduce costs for candidate cities by shortening the bidding process, first to a year and then, in June 2018, to eight months. It is also trying to end candidates’ dependence on bid consultancies by providing more support and expertise, for instance, through more frequent visits to potential host cities.

The IOC released updated information during its latest executive board meeting in Tokyo in late November, claiming that the projected budgets for Stockholm and Milan/Cortina are on average 75 per cent lower than the average budgets of the 2018 and 2022 Candidate Cities.

Communication

The biggest IOC’s challenge appears to be changing perceptions about the Games and the cost of hosting them.

Olympic hosting and bidding experts tell *SportBusiness Review* they are in favour of The New Norm, but question the success of the IOC’s communications.

“It is clear now that the IOC understands the issues at hand and is taking steps to address the situation,” says Terrence Burns, executive vice-president, global sports at marketing agency Engine Shop. “The hard part seems to be explaining it to the rest of the world.”

For Lars Haue-Pedersen, managing

director of Burson-Marsteller Sport, the IOC’s problem is the language it uses.

“The IOC has done a great job with The New Norm and cutting the costs,” he says. “But it’s still a very expensive exercise to host the Olympic Games. The IOC is now talking about costs being much lower. But they still talk about costs. The word ‘cost’ is mentioned constantly.”

> *“The IOC is now talking about costs being much lower. But they still talk about costs. The word ‘cost’ is mentioned constantly.”*
>
> **Lars Haue-Pedersen** | Managing director, Burson-Marsteller Sport

Dubi argues that more concrete evidence about the value of the Games is now available. He notes, for instance, that Pyeongchang 2018 had a surplus of at least $55m, while a joint study released on November 6, by Johannes Gutenberg University Mainz and Paris-Sorbonne University, highlights the distinction between the costs of hosting the Games and the costs of infrastructure.

The study compiled a comprehensive list of expenditures and revenues of the Olympic Games from Sydney 2000 to Pyeongchang 2018. While it still found cost overruns, among its conclusions were that for all 10 Games editions, the costs of organising the Olympic Games (OCOG budget) were usually covered by revenues, made up almost entirely of private resources and the IOC’s contribution.

But as the IOC’s losing record in referenda shows, that message isn’t getting through to the public.

Dubi says: “The ‘no’ side has one message: that your taxes will rise, which, whether it is true or not, resonates with anyone. So we have to be very sophisticated on the promoter’s side to explain what’s in it for the people.”

As a result, the IOC is trying to promote societal and environmental benefits more heavily, while working more closely with, and being more present, in candidate cities.

Dubi says the impact of the IOC’s new approach to communication has already been seen in the race for the 2026 Winter Olympic Games. In Calgary, he notes, many local media commentators towards the end of the campaign expressed the view that hosting the games would be a big deal for the city.

He believes that the no campaign won in Calgary because this argument emerged too late. “It was very clear that most of the $1.8bn proposed in the bid would be spent in the local economy. But this came very late on to the table, simply because the various levels of government, although being very generous in the end, could not provide some of the financial backing early enough.”

Of the outcome in the Calgary referendum, Robert Datnow, co-founder and joint managing director of The Sports Consultancy, thinks that the IOC would benefit from a standardisation of the methodology used to measure the economic, media, and social impacts of the Games.

“These impacts need to be defined,” he says. “I think the IOC could do well, as others, to look at the major professional services providers who are looking in this area to create standard methodologies which are designed to capture the tangible as well as the intangible social impacts of the world’s major events.

“By social impact, I mean asking questions about the participation and grassroots impacts of hosting a major event like the Olympic Games. And what is caused by the event, in terms of increases in participation?”

Iain Edmondson, director of Legacy Delivery Ltd and the International Association of Event Hosts, says: “I do think the IOC management are making genuine, meaningful and pro-active steps to address the balance of equity between the rights-owner and the host city.

“However, currently in many markets they are suffering from damaged brand perception, which is taking time to repair.

“The next Winter Games would benefit from strong leadership from a sophisticated and experienced host city who can help demonstrate the IOC’s vision set out by The New Norm, thereby rebuilding trust in the brand.”

Dubi concedes that more work needs to be done in persuading the public in a bidding city that the cost of the Games is not prohibitive.

“People do understand that the games have changed, but they still want more proof, and we have to bring more proof. If that is what is needed to convince people in their referendum, then that’s what we have to bring.

“It’s virtually a crusade that we have here ahead of us. Because the cost of the Games has been talked about for such a long time, to persuade anyone with a new narrative will take time and effort and convincing arguments and proof. And this is what we are doing. This is what we have started with 2026.”

2026 BID EMBLEMS

STOCKHOLM ÅRE 2026
CANDIDATE CITY
OLYMPIC WINTER GAMES

MILANO CORTINA 2026
Candidate City
Olympic Winter Games

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The trailblazers

SportBusiness Review **highlights ten executives whose work indicates the direction of the sports business in 2019 and beyond**

Adam Silver | Commissioner, NBA

While other major professional sports leagues in the United States were continuing to fight for so-called 'integrity fees' following the Supreme Court's sports-betting repeal in May, Adam Silver ensured that the NBA would be ahead of the pack by making MGM Resorts International its first official gaming partner just two months later.

By agreeing a data-sharing deal, worth a reported $24m (€21m) over three years, the NBA became the first major league to capitalise on new sports-betting revenues and set a precedent for others to follow. By the end of the year, the NHL and MLB followed suit with similar partnerships with MGM, while the NFL made Caesars Entertainment its first casino partner.

The NBA also announced deals with Sportradar and Genius Sports to distribute official league data to licensed sports betting operators in the US. Silver was at the heart of all these deals.

Further enhancing its reputation as the most innovative league in the US, the NBA introduced micro-transactions, which allow fans the opportunity to purchase a portion of in-progress games. The NBA 2K League also had its inaugural season in 2018, making the NBA the first league to bring the franchise model found in traditional sports into esports.

Under Silver's guidance, the NBA continues to go from strength to strength. According to Forbes, the average team is worth a record $1.65bn, 22 per cent more than 2017, and every team is worth at least $1bn for the first time.

> "Silver successfully kept the NBA at the forefront of the regulated sports betting conversation without alienating fans or potential partners on the casino side. That delicate balancing act speaks to his commitment to navigate the league through the uncharted waters of legal betting in the US market."
>
> **Chris Grove**, managing director of sports and emerging verticals, Eilers & Krejcik Gaming

Alfredo Bermejo | Digital strategy director, LaLiga

Former Facebook executive Alfredo Bermejo was the man behind the impressive growth in LaLiga's digital presence in 2018, leading a strategy that added 25.8 million new followers and increased engagement by 683 million across the league's social networks.

Localisation was the watchword as the league set up new Twitter accounts in French, Japanese and Portuguese and created new accounts on native social media platforms in Russia and China. Unlike a lot of clubs and leagues which often translate social media content generated from a central hub, the league has invested heavily in local content teams to produce a more market-friendly output.

"There's a whole journey they've taken over the last two, two and a half years in which they've identified a particular market, they've invested in it and it's now delivering returns – both in terms of delivering a new audience but also very real commercial returns," says Charlie Beall, a consultant with digital agency Seven League.

The best example of this was in Russia, where LaLiga started developing content tailored to local audiences on

Facebook and then launched a channel on VK, the country's largest social media network. This subsequently led to the league signing a broadcast deal with VK and its first Russian market sponsorship deal with Russian bookmaker Fonbet.

Bermejo also negotiated the innovative three-year deal with his alma mater Facebook that will see the social media giant screen 380 LaLiga matches to users in Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

"It's a financial deal, but they're not just looking at it in terms of the money it brings them. It's also the data that it's bringing them," says Beall. "It won't provide people's email addresses and contact details but it will provide more insights into the way global consumers are consuming LaLiga content that they can then aggregate and make further content decisions around."

Barney Francis | managing director, Sky Sports

Sport was once famously the battering ram for Sky. These days it is more like its rudder, helping Sky navigate the choppy seas of disintermediation, cord-cutting, online piracy and teenage attention deficit syndrome. The fact that the broadcaster is doing that so smoothly is in large measure down to its brilliant sports team, led by managing director Barney Francis.

The standout Sky deal of 2018 was its renewal of the rights to the Premier League – the main driver of the business since day one – at a chunky discount to the value of the previous deal. Sky consolidated its grip on domestic football by renewing exclusive deals with the English Football League and Scottish Professional Football League. It also heads into 2019 with long-term deals in place for Formula One motor racing and England cricket.

Sky's dogged resistance in the rights market led its main rival in the UK, BT Sport, to realise it would never unseat Sky, paving the way for a rapprochement between the two broadcasters which has enabled Sky to cut costs but maintain its number one position.

There is a reason why beIN Sports, DAZN, Facebook and Amazon have stayed out of the market for premium sports rights in the UK: the enduring excellence of Sky Sports.

The success of Sky Sports is not down to acquisitions alone. The broadcaster has long set the standard in content delivery. It is at the forefront of experimenting with new technologies, from HD to VR, and unerring in knowing when to bin them, as it did with 3D.

Live has always been at the heart of Sky's output, but shoulder programming, like Monday Night Football's passionate and astute analysis from former players Gary Neville and Jamie Carragher, has developed into water-cooler content that sets the agenda in the UK for the week's football conversations.

Darren Eales | President, Atlanta United

In January, Darren Eales was named Major League Soccer Executive of the Year for the second consecutive season after taking Atlanta United's record-breaking inaugural campaign to even greater heights in 2018.

Atlanta averaged 53,002 fans during the MLS regular season at Mercedes-Benz Stadium, up from 48,200 the previous year. The mark represented the 19th highest average attendance worldwide for 2017-18, ahead of Marseille (52,654), Liverpool (52,553) and Newcastle United (50,979).

The club also drew more than 70,000 fans eight times last season – including a league record 73,019 for the MLS Cup final, which Atlanta secured with a 2-0 victory over the Portland Timbers. It was the city's first major sports championship since 1995.

The England-born Eales – a former Ivy League Player of the Year and Cambridge Blue – was appointed club president in 2014 following his role as Tottenham Hotspur's Director of Football Administration.

Under his guidance, Atlanta have set the standard for all other MLS teams to follow, both on and off the field.

They led the league in merchandise sales in 2017, accounting for one quarter of all sales, and increased sales by eight per cent year-on-year in 2018, with five of its players among the 25 top-selling jerseys. Forbes values the club at $330m (€290m), the highest in the league.

Atlanta's success has turned heads in the game globally. Last June, more than 20 executives from leading European clubs, including Arsenal and Roma, visited Mercedes-Benz Stadium to learn more about how the club has been so successful.

While playing in a $1.5bn state-of-the-art stadium and having Atlanta Falcons owner Arthur Blank funding the club certainly helps, much of Atlanta's success can be attributed to Eales's leadership.

> "Darren Eales has been instrumental in making Atlanta United the envy of many in the business of sports. He has built a winning and entertaining product on the field and he has fostered a passionate and engaged culture off the field. In short, Darren Eales has made Atlanta United the team by which all others are measured."
>
> **Alexi Lalas,** Fox Sports broadcaster and former US national-team defender

Atlanta United's vice-president Carlos Bocanegra said: "He really cares about every detail, from the players, to a press release, to social media."

David Szlezak | Managing director, EHF Marketing

When the MP & Silva agency's crisis reached breaking point in 2018, it could have represented a significant problem for the European Handball Federation, whose deal with its long-standing media-rights partner brought in a guaranteed income of €8m ($9m) annually and had a further two years left to run.

Instead, EHF Marketing (the commercial arm of European handball's governing body) and its managing director, David Szlezak, grasped the opportunity to secure the future of handball in Europe for the next decade.

The joint venture created between the EHF, sports marketing agency Infront and Perform Group-owned broadcaster DAZN increased the value of the EHF's global media and marketing rights by an unprecedented 300 per cent in one fell swoop. Worth up to €600m to the federation until 2030, the agreement is by far the biggest in the sport's history. Szlezak led the negotiations from the EHF Marketing side, and oversaw the strategy that saw the EHF capitalise on the growing demand for both its national-team and club competitions, bundling the rights for the two together, ensuring that the production costs of every biennial European Championship and annual Champions League events are covered for the period from 2020-2030.

"We realised that there are changes and possibilities on the market, we saw there was big money on the market," he told *SportBusiness Media* at the time. "We thought that if we bundled our national competitions with our club competitions then we would get a leverage effect. This 100 per cent came true."

The deal also represented major vindication for Szlezak's decision to invite joint bids, something that the EHF had previously been reluctant to do, preferring to deal separately with MP & Silva for its media rights and Infront for its marketing.

> "His main achievement surely was the successful media and marketing rights tender (2020-2030) for all EHF club and national-team competitions. He played a crucial role not only during the tender process, but, even more importantly, during the preparation and strategy phase of the tender. He was one of the few – together with the EHF president – who strongly supported the vision to consolidate the club and national-team competitions and look for a long-term partner for European handball. It was a very difficult task for David and his team but the result was the 10-year deal with DAZN/Infront, an extraordinary achievement, boosting handball as a sport to the number two position in Europe after football when it comes to commercial revenues."
>
> **Sascha Kojic**, founder & chief executive, SN1 Consulting

Joanna Adams | Chief executive, England Netball

Joanna Adams appears in our list for the second consecutive time having overseen another wildly successful year, both on and off the court, for England Netball.

The national governing body for the largest female participation sport in England announced a three-year renewal to its title partnership with health and life insurance provider Vitality, believed to be one of the largest deals in women's sport in the UK. Just one month later, it agreed a multi-year partnership with Nike to design and supply on and off-court apparel for its elite women's teams at international competitions.

Both deals were undoubtedly given a helping hand by the performance of the England [ladies] team – the Vitality Roses – in the Gold Coast Commonwealth Games in April. The team broke up Australia and New Zealand's duopoly over the sport to win gold in a match watched by an estimated 1.8 million people on the BBC.

A survey conducted by YouGov on behalf of England Netball in October revealed that 130,700 adult women started playing the sport as a result of the Commonwealth Games gold medal performance. This built on the already impressive numbers generated by the governing body's 'Back to Netball' campaign, which helps people to return to the sport. In November it achieved another milestone as the 100,000th person signed up for the programme since its inception 10 years ago.

Adams argues that the Vitality deal, which she says was agreed ahead of the Commonwealth Games, will be essential in continuing to bridge the gap between the English game and its Australian counterparts. Players can currently earn far more playing professional netball in Australia than they can in the UK's elite-level Superleague.

The 2019 Netball World Cup also ought to help England Netball's commercial prospects and drive participation in the sport. With serendipitous timing, the global event will take place in Liverpool in July this year.

Kerry Bubolz | President, Vegas Golden Knights

The Vegas Golden Knights became arguably the greatest expansion team in North American professional sports history by reaching the Stanley Cup finals last year.

But it was not just on the ice that the Knights were so incredibly successful. "There's a lot of revenue certainly generated by the Las Vegas franchise," NHL deputy commissioner Bill Daly said in May.

"Certainly on their jersey sales and licensed merchandise, it's off the charts. It's an amazing story in every category."

The Knights lead the league in merchandise sales through Fanatics, the official e-commerce retailer of the NHL and, according to Forbes, the team ranked among the top teams in season-ticket holders (over 14,000), average single-game ticket price ($160) and season ticket waiting list (more than 6,000).

Forbes ranks the team as the NHL's 12th most valuable out of 31, at $575m (€506m), which represents a value increase of 15 per cent, based on the $500m expansion fee.

The franchise, meanwhile, rated fourth in terms of attendance as a percentage of capacity (103.9 per cent) – thanks to additional standing room-only space – averaging 18,042 fans per game at T-Mobile Arena.

Based in Nevada, the Knights quickly took advantage of the new sports betting landscape in the US. Last September the team signed a multi-year partnership with William Hill US, making them the first team from any of the four major North American sports leagues to ink a deal with a sportsbook operator. The team is considering testing out installing betting kiosks at T-Mobile Arena, in partnership with MGM, which would be a first in the US.

Bubolz has refused to rest on his laurels to prove the Knights will be no one-season wonder. "We have to keep raising the bar, keep elevating that experience," the former Cleveland Cavaliers executive said. Attendance is already up to 18,296 fans a game, 105 per cent of stadium capacity.

Laura Froelich | Senior director, head of US content partnerships, Twitter

While speculation continues to grow about how the eventual, long-awaited arrival proper of the so-called ‘FAANGs’ (Facebook, Apple, Amazon, Netflix and Google) will affect sports broadcasting, Twitter continued to redefine the sector in its own, relatively quiet way in 2018. Laura Froelich, its head of US content partnerships, has led this push.

The company’s deal with the NBA to show alternate camera views in the second halves of games, focused on one specific player, demonstrates precisely the strength of Twitter’s partnership strategy under Froelich, and her understanding of the social media platform’s place in the sports broadcasting ecosystem.

Rather than trying to compete directly with its bigger, more monied rivals, Twitter has played into its status as a ‘second screen’ platform, something fans engage with alongside the main event, not in place of it. As Froelich herself admitted at this year’s Consumer Electronics Show, “Twitter conversation has always been a complement to live action on TV.” The NBA deal takes that philosophy and runs with it, offering a tantalising hint of where Twitter might move in the near future.

With Verizon shelling out several billion dollars for the streaming rights to NFL games over the next few years, leaning further into that space feels like a wise strategy for Twitter to pursue, staying out of the costly fight for full-game rights but still capturing a significant proportion of the audience with innovative smaller deals.

Similarly, the long-term partnerships it has fostered within sport – with broadcasters such as Fox Sports, to produce a magazine programme from this year’s Fifa Women’s World Cup, for instance, as well as with rights-holders like the PGA Tour – demonstrate Froelich’s desire to cement Twitter’s place in the sporting conversation without sinking billions of dollars into rights deals.

Sean Jefferson | Director of partnerships, Man United

Manchester United proved that footballing success is not a pre-requisite for commercial growth in 2018 as it signed nine new sponsors and agreed a number of extensions, upgrades and renewals to existing deals.

The team’s director of partnerships Sean Jefferson takes a large degree of credit for a year in which sponsorship revenue once again accounted for the majority of the club’s overall commercial revenues (£173.2m (€200m/$227m) out of £276.1m overall). This helped it to outperform its nearest commercial competitor Manchester City (£232m in commercial revenues) by over £40m.

Four of the new deals signed in 2018 were in Manchester United’s highest global partner tier. They included the club's first ever sleeve partnership with luxury bathroom manufacturer Kohler, deals with Whiskey brand Chivas; mobile betting brand MoPlay and partnership with True Religion to produce the club's first range of club-branded denim wear.

The club now has an impressive 25 global partners, 9 regional partners, 13 financial partners and 23 media partners overall.

Partnership renewals, upgrades and extensions provided proof of the club's ability to deliver a return on investment and service partners effectively for the duration of a deal. In May, Chinese company Mlily extended their global partnership as the club's official mattress and pillow provider, while German company and official coffee partner Melitta transitioned to a global deal in August.

Frank Rutten, vice-president of the club's official lubricants partner Gulf Oil, gave a sense of the power of Manchester United as a sponsorship platform – and also the assiduous attention Jefferson's team devotes to the club's partners – in an interview with *SportBusiness* in November. Without the partnership, he said the company would not have been able to carry through on its ambition to open a number of Gulf-branded service stations in China. He revealed that the club engages upwards of 80 marketers globally, counting those in-house and appointed marketing agencies, to help partners to leverage their association with the team.

"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," he said.

Simon Denyer | Chief executive, DAZN Group

In 2018, the scale of the DAZN Group's ambitions for its OTT service DAZN became clear. Launches in Italy and the US in the summer were followed by an announcement towards the end of the year that Spain and Brazil would follow in 2019.

These will build on the earlier launches in Japan, Germany, Austria and Canada, as the company moves towards hitting its target of being in 20 markets by 2020.

The roll-out is driven by Simon Denyer, chief executive of the DAZN Group and one of the founders of Perform Group, the London-based digital media specialists owned by Leonard Blavatnik's Access Industries.

The characteristics making DAZN attractive to new sports audiences – low-cost, high-quality, no obligation, multi-screen delivery – come from Denyer's vision of how sports broadcasting will look in the future.

There were some other milestones in 2018. In March, the acquisition by Japanese advertising giant Dentsu of a 10-per-cent stake for £300m (€346m/$392m)valued the company at £3bn, making it the UK's most valuable tech start-up.

In September, the company split its assets into two separate divisions: Perform Content, the B2B betting and data division; and DAZN Group, which includes DAZN and websites such as Goal.com.

"Simon is a "concrete visionary": an exceptional entrepreneur who not only anticipates industry trends but also transforms them into concrete business."

Frank Leenders, director general, Fiba Media & Marketing Services

Blavatnik's gamble on Denyer's vision is one of the biggest in sport. The investments in rights, technology, front-of-screen talent and marketing are colossal. But if it comes off, the rewards will be huge, with some observers expecting DAZN to be either taken public or sold to one of the major tech or social media players.

Comparisons are made between DAZN and the two streaming services, Netflix in film and Spotify in music. If DAZN ends up with their level of market cap – currently at $144bn and $24bn respectively – Denyer's legacy in the industry will be secure.

Sporting glory: Five trends for 2019

With technology, rule changes and fan expectations constantly changing the way sports are being played and viewed, **Misha Sher**, worldwide vice-president for sport & entertainment at Mediacom, identifies five sport business trends that will matter in 2019.

Women's sport will go beyond the superstars

Women's sport has been bubbling away for a while now, but 2019 could be the year it finally makes a wider impact beyond the big names like inaugural Women's Ballon d'Or winner Ada Hegerberg.

Research recently released by Nielsen Sports found that 84 per cent of general sports fans find women's sport more "inspiring" and "progressive" than the male version, which is seen as being more "money-driven".

So, while men's sport currently attracts the lion's share of the commercial revenue, 2019 could see a major uptick in the amount spent on women's competitions. If a recent ground-breaking deal that Visa signed with Uefa to sponsor women is anything to go by, we are on the verge of a major shift.

As more brands invest in purpose-led marketing, and with consumers increasingly making purchasing decisions based on beliefs, there is a huge opportunity for a different approach. With the Women's Football World Cup on the horizon, offering something different will only encourage brand spending.

Fan engagement will continue to be trusted

Blockchain and sport may seem like odd bedfellows, but as clubs and teams recognise the value of increasing fan engagement, they could become important partners.

The advantage of blockchain is that it ensures that engagement can be trusted by all involved, and a host of sports are looking at how to exploit and monetise this relationship with fans.

Formula E, for example, has already successfully integrated fan involvement into its platform, allowing fans to give a boost to the three drivers who earn the most votes through the Formula E app. Blockchain-backed solutions have recently been proposed by some drivers as a way to help stop what they see as a manipulation of the voting system.

Engagement is being taken a step further by the US-based Fan Controlled Football League, which is being billed as "the world's first tokenised,

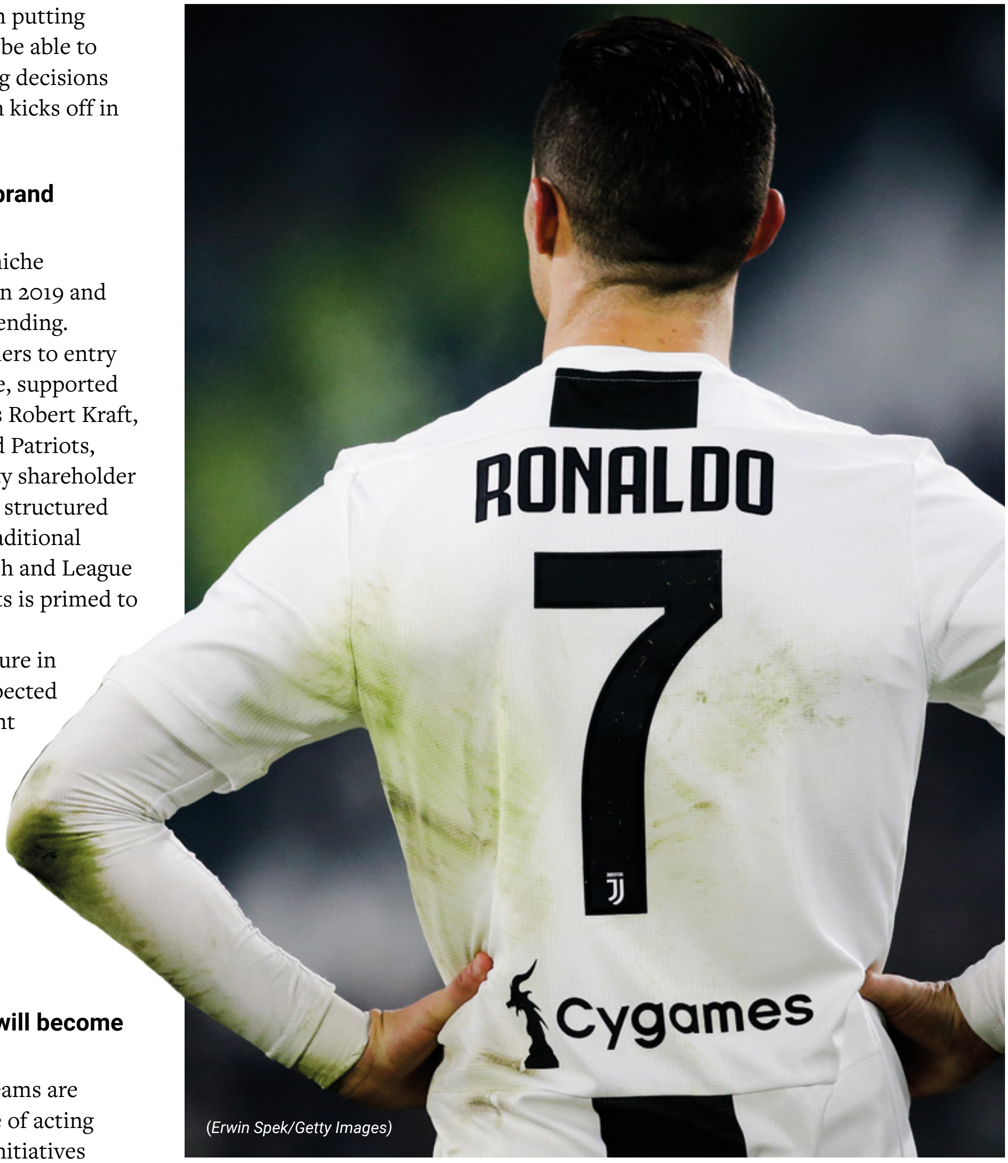
Philadelphia Fusion play London Spitfire during Overwatch League Grand Finals (*Bryan Bedder/Getty Images*) blockchain-based platform putting fans in control". Fans will be able to make real-time play-calling decisions when the inaugural season kicks off in May 2019.

Esports will attract big brand takeovers

Esports will stop being a niche sponsorship opportunity in 2019 and start earning big brand spending.

Without the major barriers to entry that traditional sports face, supported by major investors such as Robert Kraft, owner of the New England Patriots, and Stan Kroenke, majority shareholder at Arsenal, and adopting a structured environment similar to traditional sports with new Overwatch and League of Legends leagues, esports is primed to become mainstream.

In 2018, brand expenditure in the esports industry is expected to reach $694m, 77 per cent of total esports revenue. This will grow to $1.4bn by 2021, representing 84 per cent of total esports revenues, according to games and esports analytics website Newzoo.



(Erwin Spek/Getty Images)

Sporting sustainability will become critical

Both rights-holders and teams are seeing the economic value of acting sustainably. By adopting initiatives and utilising their national and global standing to help communicate such messages, they are making themselves more attractive to brands who are increasingly aligning themselves with properties that help them espouse their values.

The driving force behind this is clear from Kantar data, which shows that brands with a high sense of purpose have experienced a brand valuation increase of 175 per cent over the past 12 years, compared to the median growth rate of 86 per cent and the 70-per-cent growth rate for those with a low sense of purpose.

According to *The New York Times*' bestselling author, Simon Mainwaring, 91 per cent of consumers would switch brands if a different one was purpose-driven and had a similar price and quality.

Sustainability, not just on the sports pitch, will be increasingly critical for teams and rights-holders that want to attract brand support.

Personal brands will become even bigger

You always hear that no player is bigger than the club. But in 2019 that old adage will become even less true. When Cristiano Ronaldo moved to Juventus in the summer of 2018, he sold 520,000 shirts in the first 24 hours. That compares with the 850,000 shirts Juventus sold in the whole of 2016.

Ronaldo demonstrates the impact that a marquee player can have commercially, which is why his salary is also reported to amount to 40 per cent of the total Juventus wage bill.

Personal branding for players on social media is enabling them to create platforms that are bigger than the club they play for. Ronaldo's Instagram following of 146 million people dwarfs Juventus's 18 million.

In 2019, expect the power of the personal brand to become even more obvious, and for players and their agents to invest more time and effort in creating channels worth following.

How brands adapt will depend on their ambition, but at a minimum, they should think about the way in which these trends can be adapted to benefit their existing or future investments.

Good things come to those who wait: Guinness and the Six Nations

Tim Crow looks at the recent partnership between Guinness and rugby union's Six Nations championship, and considers what we should expect in terms of how they will activate during the 2019 tournament.

I wasn't surprised to see Guinness revealed in December 2018 as the new title sponsor of the Six Nations. Diageo's flagship brand was always a prime suspect to replace RBS, the championship's title sponsor since 2003.

Like any prime suspect, Guinness had the means, the motive and the opportunity.

Diageo's deep pockets – it spent £1.8bn (€2bn/$2.2bn) on marketing across its brands in 2018 – were the means; the affinity between Guinness and rugby – and the brand and business opportunity presented by the Six Nations – was the motive; and the Six Nations' protracted and much-publicised difficulty in replacing RBS provided the opportunity.

It was a deal waiting to happen but, like a pint of Guinness, long in the making.

Diageo had previously taken runs at the Six Nations title sponsorship when windows of opportunity looked like opening in between RBS contract renewals.

And though RBS persisted, Guinness remained a Six Nations insider – as a secondary sponsor of the Six Nations itself, and of all four British and Irish rugby unions.

So it was inevitable that two years ago, when the Six Nations made its now-infamous decision to reject RBS's £14m-per-year renewal offer and go to market seeking £17m, Diageo would be one of their first calls.

But like everyone else the Six Nations approached, Diageo balked at the price tag, forcing the Six Nations into a stop-gap one-year deal with RBS in 2018 – the bank paying way below what it had originally offered for a longer-term renewal – and then back to the market.

And still it took another year before Guinness was signed and announced.

Why did it take so long? And why did the Six Nations find it so hard to replace RBS?

The answer is that despite its stature, the Six Nations is actually a tough sell.

It has a quirky core footprint that aligns with few businesses and, like rugby itself, minority appeal in other major markets.

It's highly cluttered, as the six participating unions all have their own individual sponsors across a wide range of categories – a major deterrent for brands in those categories (though not for Guinness, given its existing deals with the four British and Irish unions).

In addition, it has a short activation window, over only a few weekends.

For a beer brand like Guinness, its value is also significantly reduced by the prohibition of alcohol advertising in France, as the country delivers 40 per cent of the Six Nations' total audience.

And when you remember that the Six Nations went looking for a new sponsor in the softest UK sponsorship market in years, with a number that always looked unrealistic, the result was inevitable.

The Six Nations became a price-taker, not a price-setter, which was a case of history repeating itself because the Six Nations struggled last time it was in the market for a new sponsor back in 2002 – despite the twin attractions of a new exclusive UK broadcast deal with the BBC and an all-conquering England team.

Like Guinness, RBS signed in November – only two months before the start of the championship.

Also like Guinness, RBS signed for a bargain price – just £3.5m for its first season as sponsor in 2003. Guinness is reportedly paying £6m for its first season sixteen years later.

So how can we expect to see Guinness activate the Six Nations?

An iconic ad campaign – a Guinness hallmark – is a given, as a priority in year one is to not only brand the championship but, even more importantly, to emotionalise the sponsorship – something RBS could never do following the collapse of its business and brand.

Another given is a major corresponding push at point of sale, the ground zero of the beer business and in Guinness' intense battle with Heineken for dominance in the rugby experience.

Key to this and to the overall Guinness strategy will be to unite its messaging to appeal to both older core rugby fans, whose affinity with Guinness is high, and younger 'Big Eventers', to attempt to bring them into the brand as part of their rugby experience.

Tim Crow is the former chief executive of Synergy. Follow him on Twitter @shaymantim

Blockchain ticketing shows value of digital, but simpler solutions may be available

The Open golf championship looks to follow Uefa in trialling blockchain ticketing

Experiments are adding weight to the case for more digital ticketing

Basic solutions look to be a more accessible option for most rights-holders

David Walmsley

Blockchain advocates have claimed the technology can solve some of the global problems of our time; for its detractors, it is the most over-hyped technology in human history.

The sports industry will soon begin to make up its own mind as blockchain platforms position themselves as offering new operational models for everything from player transfers and concession payments to fan engagement and ticketing.

In the last of those fields at least, blockchain cannot be dismissed as offering a solution to a problem that does not exist – the issues of security, distribution and reselling that it aims to address are concerns for venues and spectators alike, and why the likes of European football's governing body Uefa and golf's R&A are interested in exploring its potential.

Their final conclusions are yet to be drawn, but two things seem clear: first, blockchain's rocketing profile is creating a halo effect around digital ticketing in general; second, the technology's biggest challenge may well be differentiating itself from less-starry alternatives that can deliver similar solutions in a simpler fashion.

Paul Williamson, ticketing director of the London 2012 Olympics and now managing director of the Sports Ink consultancy, believes that the more venues and rights-holders that begin to move beyond traditional systems, the wider the variety of solutions likely to emerge will be. "I think blockchain is an interesting development," he says, "but let's keep it in context because a lot of the benefits of blockchain are benefits of digital ticketing.

"As we are more digital generally and more things are delivered to devices rather than as paper tickets, many of the benefits can be delivered without the blockchain, frankly, just by things being sent to the end user and then being validated as they enter the stadium. I think we will see more digitisation of ticket access and some of that will be blockchain."

What is a blockchain?

A blockchain is a database that stores a growing list of records in a series of ‘blocks’, each containing transactional information and a timestamp, and each of which is securely linked to the previous one using cryptography. It is also a type of decentralised distributed ledger, which means each block added to the database is validated and recorded across multiple computers – potentially up to thousands worldwide. The number of copies against which each new transaction must match prevents the blockchain being amended retrospectively.

Blockchains can also be configured to require each transaction to comply with a digital ‘smart contract’, which sets out the conditions that must be met for a new block to be validated and added to the chain. This is particularly relevant to sports venues and rights-holders as it enables them to control what happens to a ticket after its initial sale. They can specify a maximum resale price or prohibit its transfer completely. Buyers in the secondary market can be confident they are purchasing a valid ticket. A smart contract could also require the identification of all secondary purchasers or recipients of a ticket, enabling venues to know who its owner is at any given time.

“I think we will see more digitisation of ticket access and some of that will be blockchain.”

Paul Williamson | Managing director, Sports Ink

Digital ticketing takes back control

The key ticketing issue facing rights-holders, venues and fans is one of ownership – being able to determine and restrict the identity of the person in possession of a ticket at any point in its lifecycle, from its initial sale through to its ultimate validation at the gate. Lifecycle ownership control enables the regulation of the secondary market (in terms of who can buy or sell, and at what prices), and generates more real-time data about the ultimate users of tickets as well as their original buyers.

Regaining this control is the main driver of the R&A’s exploration of digital ticketing in general – and blockchain in particular – after being introduced to the technology by its ticketing partner SecuTix, which it shares with Uefa.

Kevin Bain, head of data and digital infrastructure at the R&A, tells *SportBusiness Review*: “Our interest has come from being aware of the number of tickets that are on the secondary market, and that is impacting our fan experience. If there is a ticket available on general sale for £80 (€90/$103) and it is going for £400 on the secondary market, that is not a story we want to be told about the Open. We want people to be able to get there for a fair price.”

And he says of blockchain specifically: “We have nothing concrete planned but SecuTix have talked us through the technology and approach Uefa took and we could potentially do a trial for 2019 with a small group of users and assess it.

“The Uefa model shows it affords them flexibility and a higher level of control over their tickets. It allows the end user to forward a ticket to a friend and it cuts down on a lot of pain points. If you have got someone who buys four tickets for them and their mates, it’s a really good way of forwarding them on securely. You take your mobile everywhere with you, but I’m sure I am not the only person who has nearly forgotten to take their tickets with them.”

The Uefa test

Uefa was the first major rights-holder to trial blockchain ticketing on any significant scale, in the distribution of all 10,000 general admission tickets for its August 2018 Super Cup match and a smaller number at the Europa League final the previous May.

Seats for both events were sold through the organisation’s usual lottery system but the standard distribution of printed tickets was replaced by a blockchain model the organisation wanted to explore, as a means of gaining control over ticket transfer and eliminating forgery.

Uefa has shown an appetite for exploring blockchain's potential (Getty Images)

Fans purchasing tickets received a link via SMS that enabled them to download a Uefa smartphone app on which they could register to unlock access to their ticketing wallet, and then transfer seats to family and friends as necessary. The transfer process forwarded a similar link, again requiring registration to access the wallet and with the details of the transfer and the identity of each ticket-holder recorded in the blockchain. On the day of the game, fans' devices were authenticated via Bluetooth connection with a series of beacons situated around the stadium and the actual mobile match ticket unlocked. They could then scan the mobile ticket at the turnstiles to gain entry to the stands.

Uefa tells *SportBusiness* that the process ran sufficiently smoothly for it to want to continue with further testing. A spokesman explains: "We took a lot of positives from the trials: flexibility, cost reduction through the fact that we do not have to ship tickets via courier service any more, and also to witness the openness of fans towards new technologies and processes was a very positive observation. The most interesting element was clearly the controlled transfer of the tickets to the ticket-holders, combined with the added security that replication is prevented."

Blockchain v digital: The similarities

Uefa's experiments can be seen as a trial of digital ticketing that happened to use blockchain as its delivery system, rather than as a trial of blockchain alone: the organisation says it has not identified a cost advantage of using blockchain over any other digital solution and is not wedded to the technology in the long-term. The spokesman adds: "Blockchain itself is only one element of the solution. Our aim is to be able to move to a mobile ticket distribution that provides more security than just storing tickets on a wallet application. The key is the combination of blockchain with other operational processes."

The fact that blockchain is just one option for the R&A also underlines the extent to which none of the digital functionalities that can strengthen rights-holders' control of their ticketing ecosystem are blockchain-exclusive.

Jeffrey M Kreuser, president and ticketing consultant at American software developer Softjourn, whose clients include LiveNation and eTix, observes: "Blockchain forces digital ticketing, but there is nothing stopping the use of conventional technologies to accomplish many of the same things.

"One of the items mentioned for blockchain is data integrity, trust, and smart contracts. But a conventional ticketing provider can provide all the same things without blockchain – all we need to do is trust the provider the same with the digital asset as we trust them now when using a paper ticket."

Trust is at its weakest in the secondary market, but suppliers are already taking steps to improve accountability here by setting up 'ethical' resale platforms such as Twickets, Ticketek Marketplace and See Tickets' Fan2Fan service, which restrict prices to face value and mark-ups of 10 per cent and five per cent respectively. The outcomes are the same as those achievable through blockchain alternatives, says Vivendi Tickets' global chief executive Rob Wilmshurst, who argues: "In a classic blockchain-use case, no one party can control the transaction and data without the consensus of all participants of a transaction. Fan2Fan is a closed, end-to-end system where... no one party can control the data without the consensus – willing seller, willing buyer via some transactional mechanism – of all participants. Spot the difference."

Blockchain v digital: The differences

The difference for blockchain advocates is not that currently available digital ticketing systems are incapable of providing any level of control and assurance, but rather that the new technology can offer it with greater detail and at lower cost.

Michael Waterson, professor of economics at the University of Warwick, author of the UK government's 2016 review of the secondary ticketing market and an advisory board member at blockchain ticketing developer Aventus, says: "There is no need to use an expensive secondary website, as some clubs do, to authorise ticket transfers. In total, charges on the main secondary sites are of the order of 25-30 per cent of the selling value, so this strikes me as something a blockchain solution can easily keep below. But, of course, it depends on how much of a discount the clubs receive."

Blockchain ticketing can be used to prevent re-selling altogether but, again, many venues are already prohibiting this via comparatively low-tech methods. How successfully they are doing so may be open to question, but Williamson cites tennis' Wimbledon Championships as one property happy to discourage the practice in this way. "They do checks on people, they have a legal process against resale, they police and manage it very effectively and they spell out the policy very clearly in their terms and conditions. They do that with paper tickets. They could switch to blockchain but would it bring untold benefits to them? No, because the business model is working already."

Consequently, Williamson sees blockchain as a more elegant solution rather than a revolutionary one, but he also argues that most venues and rights-holders are far more preoccupied by another ticketing issue altogether: they need to get their tickets into the hands of *more* people, not just those of the *right* people.

"In the blockchain-use case, no one can control the transaction without consensus. Fan2Fan is a system where...no one party can control without the consensus. Spot the difference."

Rob Wilmshurst | Global chief executive, Vivendi Tickets

"I think [blockchain] gives tighter control, better audit and better connection with the ultimate user [than other digital systems]," he says, "but there aren't many clients for whom those are the top priorities. Seventy five per cent of venues are desperate to sell more tickets and blockchain is not a marketing solution: it doesn't help you sell more tickets against unattractive opposition on a Tuesday night."

What happens next?

Factors ranging from consumers' growing familiarity with mobile payments to governments' increasing willingness to tackle the excesses of secondary ticketing markets are creating the conditions for a widespread shift from paper or card-based systems to new models of digital delivery.

For example, the NFL has introduced mobile-only ticketing for the 2018 season, a move that Softjourn project manager and ticketing technology specialist Lyubomyr Nykyforuk says "is not an easy decision as it requires an access control upgrade and customers to rely on their phones rather than something they've been using for decades".

Taking a further step towards blockchain-based systems is arguably an even bigger decision, given their greater complexity and unfamiliarity. Kreuser says of the barriers: "Other than for cryptocurrency, the use of blockchain is still very early and immature. Speed and scalability are an issue, permissional – or private – blockchains are still a young technology and the use of a public blockchain can be slow and expensive."

Wilmshurst echoes that opinion, adding: "It's too slow for high-frequency ticketing, it's expensive to deploy and not widely understood. It's probably a great idea if you are a CTO looking for 'budget' from an unwitting CEO I guess, [but] I haven't seen an example use case that could not be tackled with traditional database technologies and rule sets."

The technical barriers Wilmshurst highlights are: the cost of adapting stadium entry systems (which require an additional point of verification to unlock the mobile ticket from the spectator's blockchain-enabled digital wallet); the development of the blockchain ledger itself; and the speed at which the system is able to process ticket sales.

Uefa and the R&A say adding beacons or geofencing to a venue perimeter is relatively inexpensive, but the three-and-a-half hours it took Dutch supplier GUTS Tickets to sell 50,000 concert seats via blockchain in September 2018 – believed to be the largest such sale to date – is significantly longer than major sports venues' current systems would take to process the same inventory, due to the additional requirement of creating and verifying a new block in each ticket's chain.

As a result, Nykyforuk says the best place to start any blockchain adoption would be "with the small segment of fans that are open to innovations", an approach that is likely to apply just as

Uefa distributed all 10,000 general admission tickets for the 2018 Super Cup via blockchain *(Power Sport Images/Getty Images)*

much to rights-holders.

Williamson, who is currently working with the hosts of this year's World Cups in rugby union, cricket and netball, believes the specific circumstances of the likes of Uefa make the exploration of blockchain's potential a logical step for the governing body to take, but that most other rights-holders will be far more circumspect.

He explains: "Uefa own the ticketing for all their events and have the strategic strength to take their solutions anywhere across Europe. Trialling a blockchain solution makes absolute sense for them moving forward, where they are staging their tournaments or finals in different territories but want the same service levels and delivery each time. It's more secure, joined-up and long-term [than other digital alternatives]."

But he also believes Uefa and the R&A are in a minority of top-tier rights-holders able to make the business case for experimentation. Major international tournaments are restricted in their ability to innovate by the capabilities of the venues they use, he says, while the giants of the world's biggest sports leagues are more naturally inclined to wait for new technologies to mature before getting onboard.

"It's quite difficult for a one-off project to be leading-edge in terms of technology," he says. "You certainly don't want to trial anything new because you don't have a second chance to get it right, and you often don't have the opportunity to trial anything new anyway because you have to tie in with existing systems and controls. I work in major events, where we are using multiple venues on a turnkey basis, which mean the lowest common denominator of ticketing solution generally has to apply."

He adds: "There will be blockchain solutions at some major operators – Uefa being one of them – and probably at lower-end venues or clubs where change is easier, but the biggest players tend to be risk-averse, and for good reason.

"If you already have a pretty complicated but very well-oiled system, say for example the FA or any big football club, you are not going to throw the baby out with the bathwater. Rather you will get there incrementally through digitisation and enhancements. If you run a big business, sometimes it is better to be incremental rather than revolutionary. That is why we won't see many big sports venues jumping straight in."

"There is no need to use an expensive secondary website, as some clubs do, to authorise ticket transfers."

Michael Waterson | Professor of economics, University of Warwick

Judo comes home to its roots

Judo has grown beyond all recognition since the sport, which was founded in Japan, made its Olympic debut at Tokyo's last Games in 1964. As Tokyo prepares to host the 2019 World Championships before next year's Olympics, the popularity of judo is exploding worldwide – thanks to the IJF's development initiatives.

As the clock ticks down to Tokyo 2020, judo has forged a uniquely solid footing to ensure it is ideally positioned to maximise opportunities in Japan and beyond, before and after next year's Olympic Games.

Japan was not only judo's birthplace, but the sport also made its Olympic debut at Tokyo's previous Games in 1964.

The 2020 Olympic judo competition will take place at the Nippon Budokan, 56 years after the same venue hosted the sport's Games debut.

Whilst many sports view the Olympics as a launchpad for development in the country, there can be little doubt that judo is already one step ahead as it prepares to return to its roots.

"There is a symbolic dimension," says the International Judo Federation's media director, Nicolas Messner. "Judo was born in Japan, and coming back to the country is always a bit special for all judo lovers – especially as the sport has spread all over the world."

(IJF)

World Championships

With the 2019 World Judo Championships also taking place at the Nippon Budokan from August 25 to September 1 this year, athletes, officials and fans will be offered a taste of what to expect 11 months before the Olympic competition returns to the same venue. Moreover, the Championships will stoke an interest that has grown steadily in Japan since Tokyo hosted the first two editions of the Championships, in 1956 and 1958.

The Japanese cities of Chiba and Osaka staged the Championships before they returned to Tokyo in 2010, the most recent edition to take place in the country. Tokyo has also hosted an annual IJF Grand Slam Series event for men since 2006 and women since 2007.

In preparation for the Championships later this year, the IJF has been working closely with the All Japan Judo Federation and the Kodokan Judo Institute.

"Working with the AJJF and the Kodokan is always a pleasure," Messner adds. "They are very professional and do know how to organise good events in the best way possible. Every time there is a major event in Japan, the organisation is perfect and every detail is taken into consideration. The advantage of the Championships this year is that everything will be tested in a realistic scale so that it will be the best Olympics ever in 2020."

Recipe for success

The unprecedented success of Japan's judo team has helped to boost public anticipation. Japan easily topped the medal table at the 2018 World Championships in Baku, Azerbaijan, with eight golds among a total of 17 medals – 13 more than second-placed South Korea.

"Media and TV interest is building momentum as everybody knows that judo coming back to Tokyo and Japan is a must-see event," says Messner, who is also responsible for producing the *Judo for the World* documentary series.

However, while judo in Japan will naturally take centre stage for the sport's leading athletes with the 2019 Championships and 2020 Olympics, the IJF is well aware that hosting two such high-profile events in Japan in consecutive years will have an impact across the wider region.

"Japan is definitely an important market for the development of judo, but Korea is another, as well as China," Messner says. "Having the World [Championships] and the Olympics coming to the region two years in a row will help to continue the development of judo in those countries, as well as in the sport's comparatively less-developed countries.

"The increased visibility of judo in the media and the increased interest of sponsors is a good sign and the popularity of the sport is rising rapidly. In parallel, the IJF, assisted by national federations, is focusing on development and values through extensive educational programmes, such as Judo for Children, Judo in School and Judo for Peace, which are more and more successful and popular."

Global growth

Over the last generation, the growth of judo worldwide has been startling. The 1991 World Championships in Barcelona, a year ahead of the Olympics in the same city, attracted a total of 57 competing nations. More than double that number have been in attendance at each edition of the Championships since 2011.

A crucial aspect of this growth is the IJF's commitment to education as part of its development initiatives. *Judo for the World*, for example, has helped to engage young judo enthusiasts from Ushuaia on the southern tip of Argentina up to Inuit communities in northern Canada, as well as aboriginal communities in Africa and Australia.

The size of country has been no barrier to success in international competitions, with the likes of Kosovo being one of the sport's top nations. The IJF has also been keen to use the sport as a driver for positive change in countries and regions that have suffered from natural disasters or conflicts.

In the Middle East, Israel has been elevated to grand prix event-hosting status this year, having already successfully staged continental championships and produced a number of the sport's top athletes since the early 1990s. The development comes after Israeli athletes were allowed to compete under their national flag in the United Arab Emirates for the first time last year.

"The political situation is difficult, but we believe that this grand prix event in Israel will help to build a more stable world in the future," Messner says.

Olympic opportunities

Ten destinations are on the grand prix calendar this year, as well as six grand slam events, the Masters in China and the World Championships.

There will be added incentives for competing judokas worldwide, with the events providing multiple opportunities to qualify for a place at Tokyo 2020.

However, in the tiers below the big-name superstars, it is the IJF's development work in the grassroots of the sport that will ensure a positive legacy for years to come, with youth-focused projects now active in more than 30 countries.

The Judo for Peace initiative is also present in several refugee camps, with the IJF having formed a close partnership with the United Nations High Commissioner for Refugees programme.

"The IJF is very visible through its World Judo Tour, but a lot is going on in the fields of development and education," Messner says. "We are very proud of what judo can do."

(David Finch/
Getty Images)

Kit and shirt deals will earn Europe's top five leagues €1.63bn in 2018-19

This and other findings were uncovered by SportBusiness' *European Football Sponsorship Report 2018-19*, our investigation into the deals of the top five leagues and their clubs, of which an extract is published here.

The 2018-19 season sees the combined value of kit supply and shirt sponsor deals across the five biggest European leagues reach approximately €1.63bn ($1.45bn), up 7.9 per cent from about €1.51bn in 2017-18 and about €1.31bn in the 2016-17 season.

The top 20 shirt sponsor deals are worth €598m in 2018-19, up 3.7 per cent from €576.5m in the previous season. The percentage of total shirt sponsor revenue made up by these biggest deals stayed flat at 74 per cent.

Seven of the top 20 deals are from the Premier League, and six of those deals make it into the top 10. Together, those six deals account for 30 per cent of total shirt sponsor revenue from across the five leagues.

At £14.1m (€15.9m), the Premier League also has the most valuable average shirt sponsor deal.

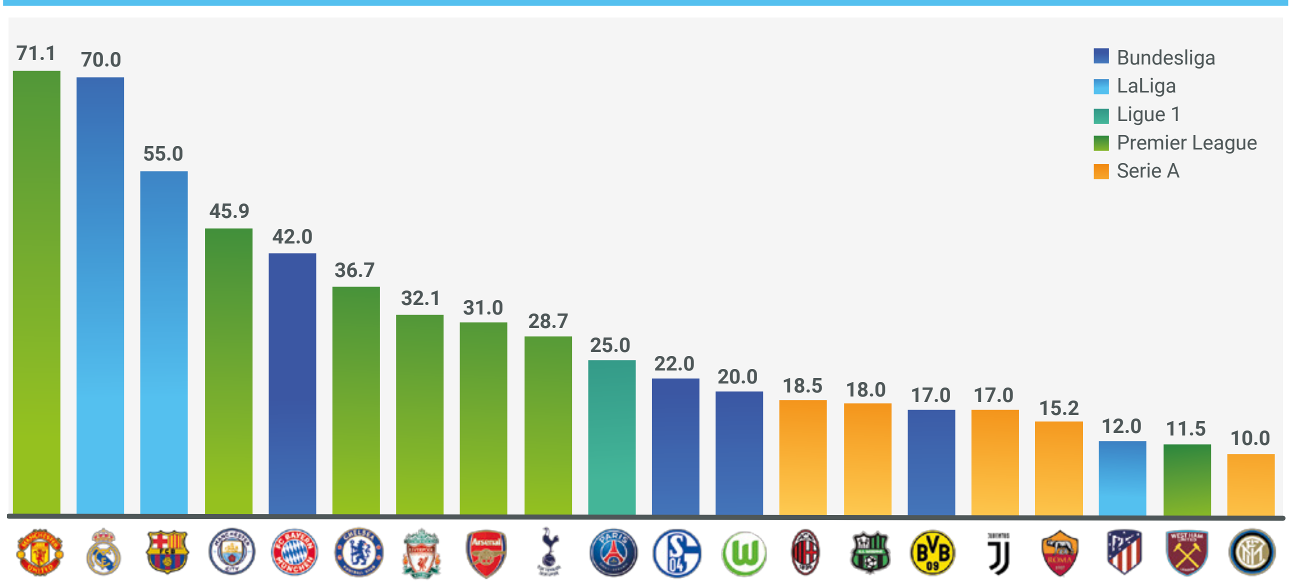
The Bundesliga's average shirt sponsor deal is worth €9.5m per season, LaLiga's is worth €8.9m per season, Serie A's is worth €6m per season, and Ligue 1's is worth €2.5m per season.

(Ian MacNicol/Getty Images)

Manchester United's $80m-per-season deal with Chevrolet, from 2014-15 to 2020-21, remains the biggest shirt sponsorship deal in European club football, narrowly surpassing Emirates' €70m-per-season renewal, from 2017-18 to 2021-22, with Real Madrid.

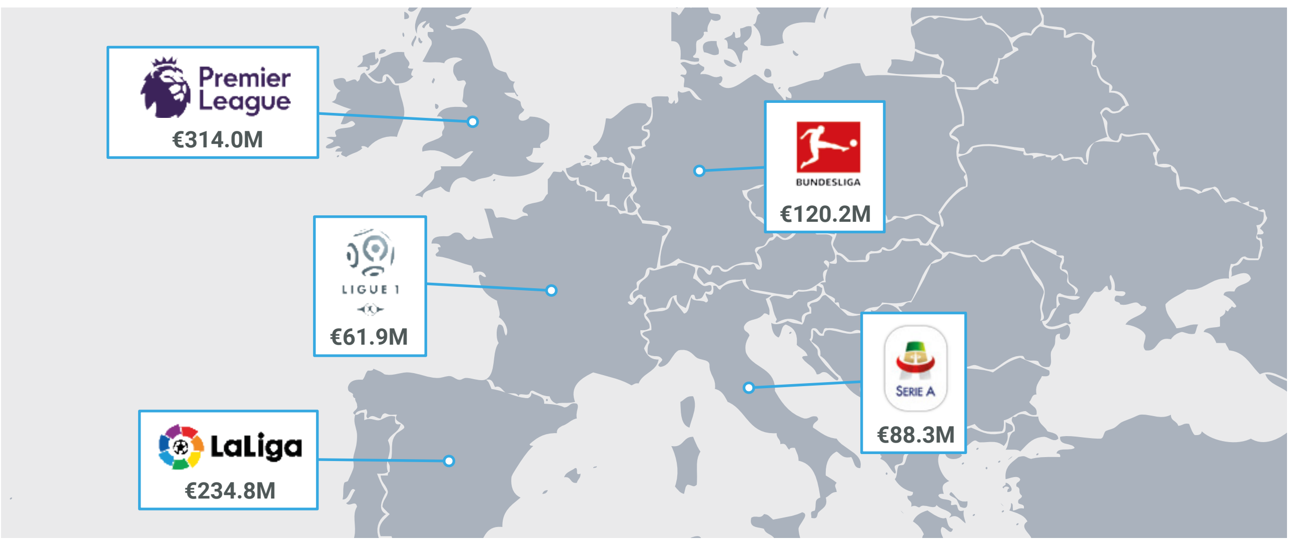
But the Chevrolet deal may well be superseded before the end of the year: it is understood that Paris Saint-Germain has set an asking price of €80m per season when its current deal with Emirates expires at the end of 2018-19.

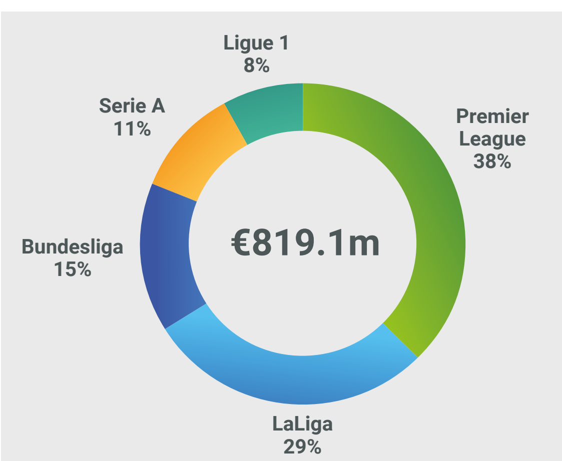
TOP 20 SHIRT SPONSOR DEALS ACROSS THE TOP FIVE LEAGUES (€M/SEASON)



TOP 20 KIT SPONSOR DEALS ACROSS THE TOP FIVE LEAGUES (€M/SEASON)

TOTAL KIT DEAL REVENUE BY LEAGUE





AVERAGE CLUB KIT DEAL, BY LEAGUE

The top 20 kit supply deals are worth €672m in 2018-19, a 7.7-per-cent increase – almost €50m – from about €624m in the previous season.

The top 20 kit supply deals account for 82 per cent of total kit supply revenue across the five leagues.

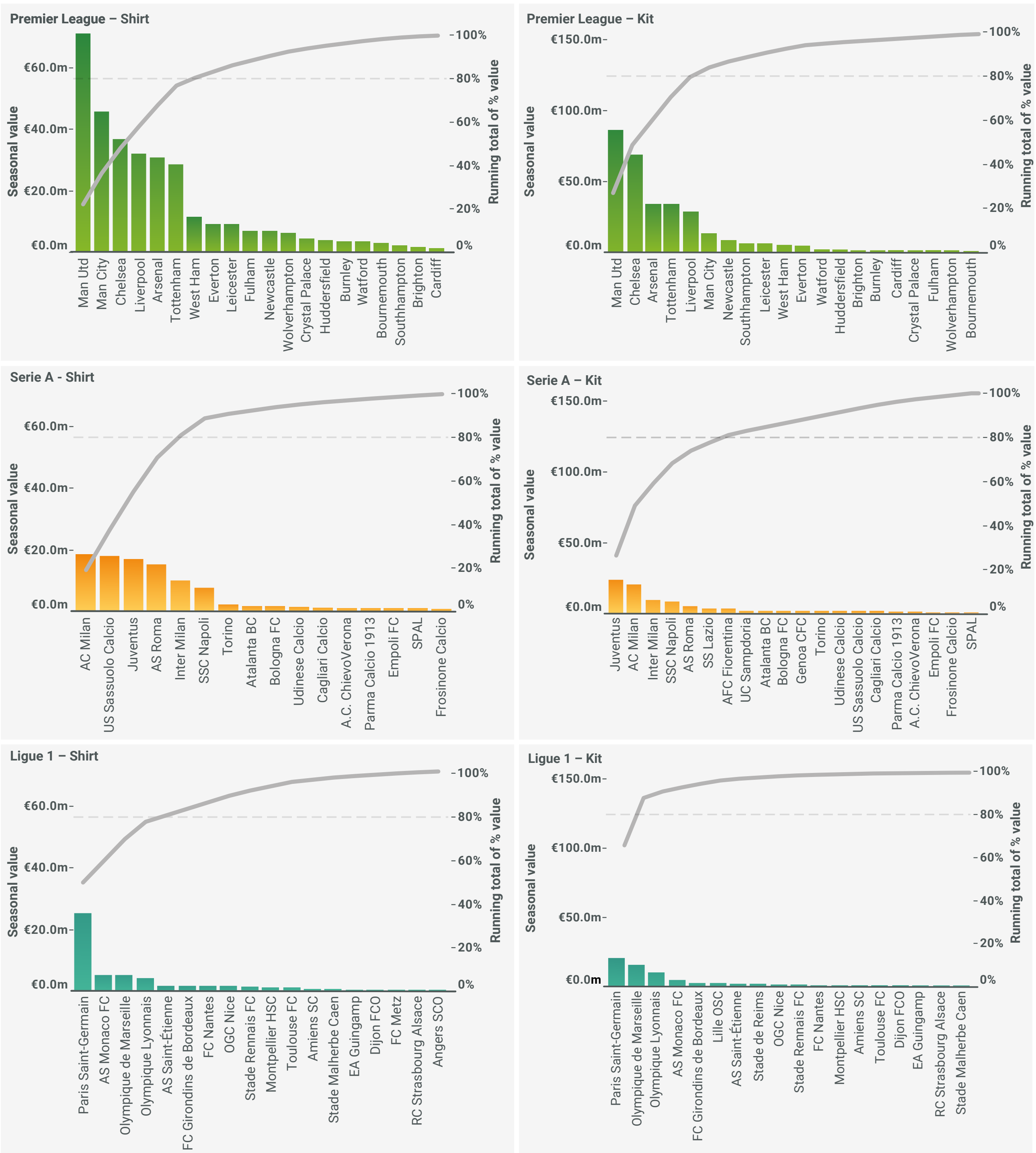
At £13.9m (€15.7m) per season, the Premier League has the highest average kit supply deal out of the five leagues.

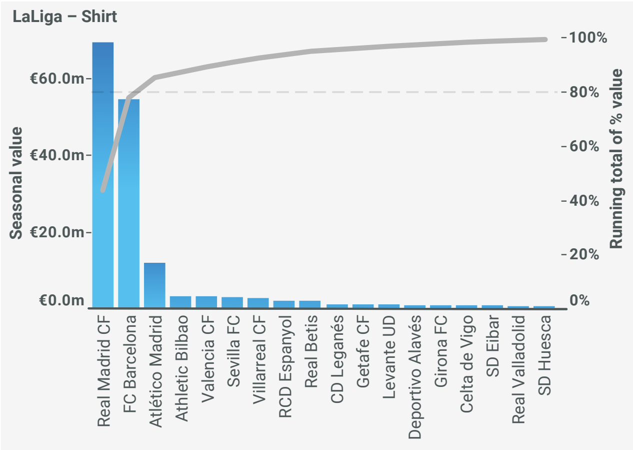
LaLiga's average kit supply deal is worth €12.4m per season, largely due to Barcelona's mega-deal with Nike, worth €155m per season. Excluding this deal, LaLiga's average kit supply deal drops to €4.4m per season, the same as Serie A.

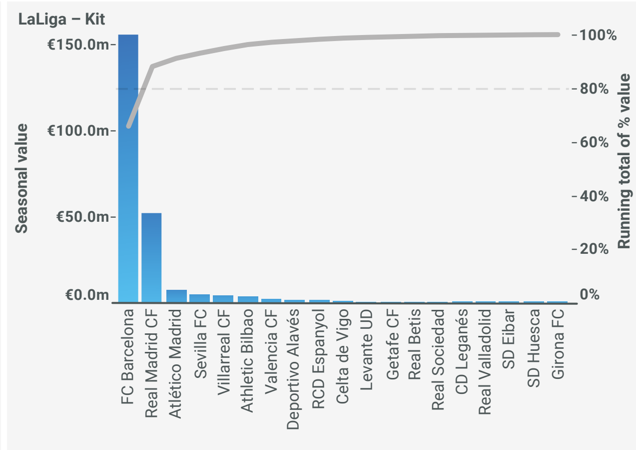
The Bundesliga's average kit supply deal is worth €6.3m per season, and Ligue 1's average kit supply deal is worth €3.3m per season.

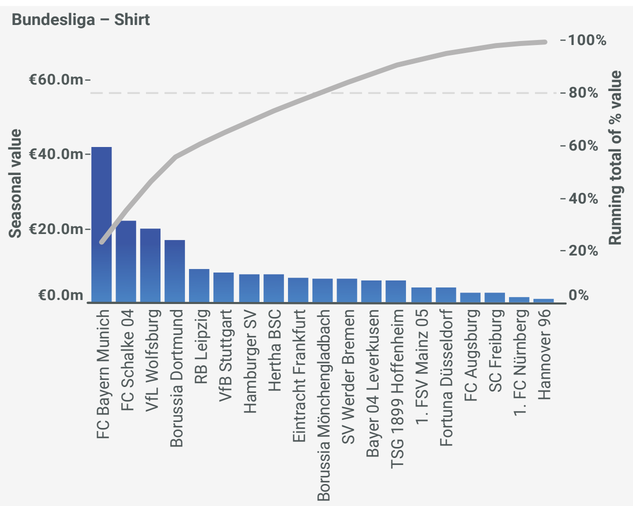
The top clubs currently now have the upper hand in kit negotiations, whilst retaining control of their retail, licensing and merchandising rights.

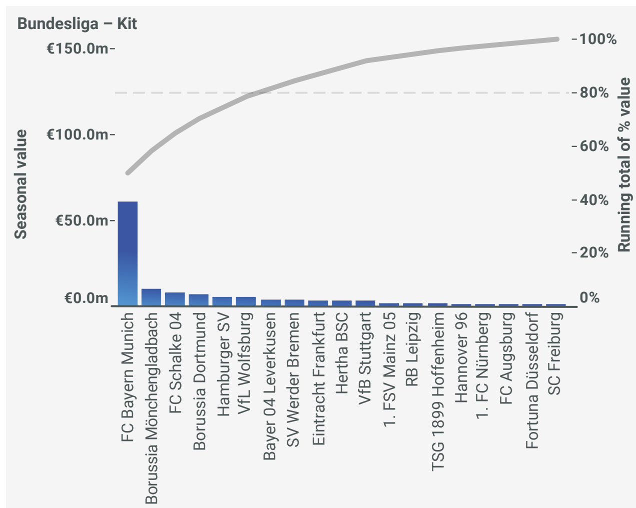
TOP FIVE LEAGUES: SHIRT AND KIT SPONSOR DEALS







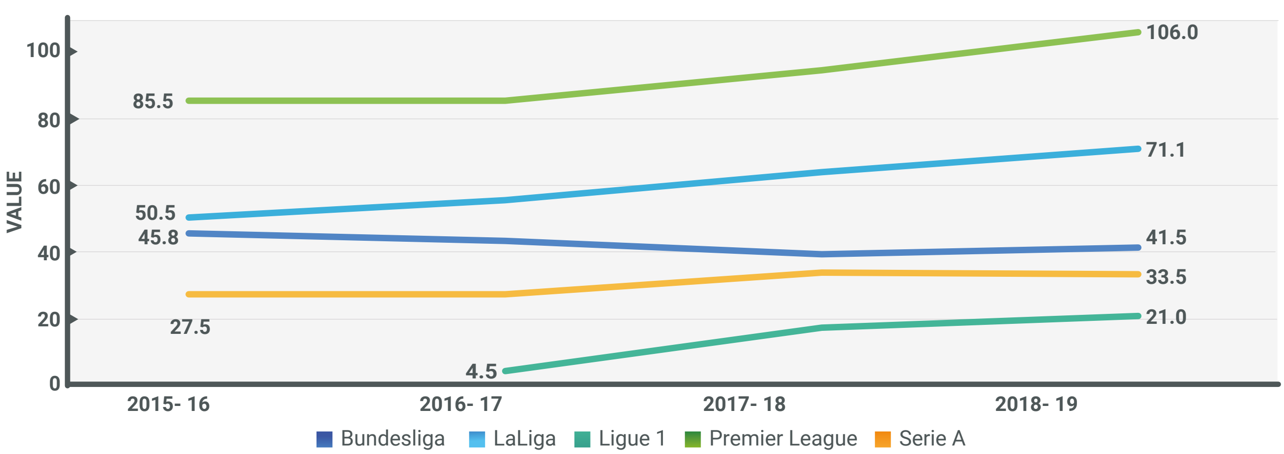




In LaLiga, Barcelona and Real Madrid make up 88 per cent of total kit supply revenue and 78 per cent of total shirt sponsor revenue. In Ligue 1, Paris Saint-Germain makes up half the league's total shirt sponsor revenue, and 23 per cent of total kit supply revenue.

In the Bundesliga, Bayern Munich also accounts for half the total revenue from kit supply deals, and 23 per cent of shirt sponsor deals. And in Serie A, Juventus and AC Milan make up 42 per cent of total revenue from both kit supply and shirt sponsor deals.

TOTAL CENTRAL SPONSORSHIP REVENUE (€M)



Note: Premier League revenue includes the Official Sticker and Trading Card partnership with Topps and the Official Licensee agreement with Sporting iD. Revenue from the central sponsors of the German Bundesliga (sold by the Deutsche Fußball Liga), and Spanish LaLiga (sold by the LaLiga organising body), are shared between each league's top two divisions. In Germany, central sponsorship income is split 80:20 between the Bundesliga and Bundesliga 2. In Spain, central sponsorship income is split 60:40 between LaLiga and the second division LaLiga 2.

On the right track? Formula One in 2018 and 2019

Scott Branch, CSM Sport & Entertainment's head of marketing communications, motorsport, looks back at the 2018 Formula One season through a commercial lens, and highlights what we can expect in 2019.

Formula One got three big things right in 2018:

1. Focusing on the fans

In December 2017, F1 turned its focus to the fan experience more so than in any other year, and in 2018, we saw that trajectory continue.

Heavy investment in digital platforms since then has provided fans with a window into garages, motor-homes, the Paddock and, most importantly (for the fans), the lives of the main protagonists: the drivers, the team principals and the engineers.

While the Paddock and garages remain at arms-length for fans at the track, the F1 Racing Fan Village over grand prix weekend is now worthy of the name. It's now more interactive, with more buzz, more noise, more merchandise, more experiences: more F1.

2. Kicking off in key markets

Having unveiled the consummate F1 experience live to 100,000 fans in London in 2017, F1 Fan Festivals went global in 2018 in Marseille, Shanghai and Miami.

The road show wasn't without its hiccups, but it got progressively more polished. Hundreds of thousands of potential new fans – as well as existing fanatics – were introduced to the sport in a dynamic and exciting way, which can only be a good thing.

3. Progressive partnerships

F1 demonstrated in 2018 that it's willing to get more creative with its inventory.

In April, for example, Malaysian oil and gas giant Petronas became F1's first regional sponsor. Being flexible allows partners to focus activation spend on key markets, which drives deeper engagement, and ultimately helps to fulfil business objectives.

In September, F1 took a step into virtual advertising inventory, when it agreed a $100m (€88m) deal with Interregional Sports Group to allow in-race betting and gambling partners into the sport. This gave ISG the right to sub-licence betting partnership rights to selected gaming brands around the world.

And finally, the machine-learning and data-analytics deal with Amazon Web Services in June highlighted that F1 is willing to deploy its inventory in a way that can both deliver commercial return and make the sport more accessible to fans: a win-win.

New brands

The partnership with Amazon could well mark a shift, while the ISG deal could signal an onrush of gaming brands, but for the moment the tech sector remains the most fertile hunting ground for commercial teams across F1.

F1 presents a very real ROI opportunity for many tech brands, giving them access to Original Equipment Manufacturers. Gaining a foothold as a team or series partner will open the door to these prized B2B contacts, and the chance to recover initial investment many times over.

The onrush of household consumer

brands has yet to materialise, but as the sport continues to grow and appeal to a younger demographic, we can expect this to change.

What went wrong

There is more than one area that still requires work, not least the on-track spectacle, but the one area that really didn't go to plan in 2018 was the F1 over-the-top (OTT) offering.

The project was overambitious. Having originally announced that the service would be launched in March, in time for the start of the season, a subsequent announcement just ahead of the Australian grand prix amended this timeline to the start of the European season to allow for a 'test phase'.

Following the launch of F1 TV around the Spanish grand prix in May, the service was hindered by a series of technical teething problems. This ultimately led to F1 chief executive and executive chairman Chase Carey putting 2018 down as a "beta project". This year has now been earmarked for a full launch, but fan impatience won't allow for more mistakes.

Threats and opportunities

It's very much a buyer's market, and with the amount of effort and expense that goes into finding and signing a new partner, it's astounding that the knee-jerk response to brands remains 'no', rather than a more solution-orientated: 'We can't do it like that, but we can do it like this' approach. Brands need to ensure they are holding the rights-holder to account. The rights-holders that will get ahead of the pack are those that develop partner-focused deals, and those that help existing partners to activate successfully.

Major sports need major stars that can transcend the sporting bubble. At present, Lewis Hamilton is the only driver that truly fulfills these criteria. The truth is, F1 – series, teams and drivers – needs to do more. Lewis can't continue to carry the load himself.

The loss of Fernando Alonso won't help in this regard. The flip-side, however, is that 2019 will see the most significant movement in drivers for years, and this will provide some real intrigue, which could lead to commercial opportunity. Definitely one to watch closely.

As a sport, F1 has all of the ingredients to succeed in quenching the thirst of even the most vociferous fan: The risk of sudden violence; extreme and raw velocity; and, ultimately, a victor. The sport needs to dial this up.

2019 and beyond

After two seasons of tinkering and seeing what sticks, F1 has established some common themes that seem to be bearing fruit:

- We will see the expansion of the live fan festivals, F1's much lauded '21 Super Bowls', and the fan experience over race weekends
- F1 can't afford to lose more ground on other sports. As such, its digital footprint will continue to grow with a full-spec (hopefully) OTT service up and running
- We'll see some more changes around the on-track product, though these will likely continue to be restricted by the teams' power of veto
- I'd hope to see new and more expansive partnerships with brands coming into the sport. At a series and team level, we should see continued diversification, and an even greater focus on providing tailored rather than off-the-shelf solutions
- Finally, F1 needs to start to understand its role in a changing world, a world that is shifting more rapidly to electric mobility. Is that role one that focuses on entertainment, rather than a testing bed for road relevance, as has been the traditional model? Four big manufacturers remain in F1, so this doesn't have to be an immediate shift, but the landscape could be very different in five years' time...

Turbulence raises questions about growth in sports media rights

The underlying trajectory may well have continued upwards but the industry hit some serious turbulence last year, and those headwinds look set to continue into 2019 and beyond.

Frank Dunne

The global value of sports media rights in 2018 was just over $49.5bn (€43.2bn), up about 5.5 per cent from $46.9bn in 2017, according to the SportBusiness Consulting *Global Media Report 2018*. The market should break the $50bn-barrier in 2019 and reach almost $53.3bn by 2021.

These headline numbers suggest the big picture is healthy. But they don't always tell the full story, with all the ups and downs, of any given year. .

There were many signs that all was not well in 2018.

In October, the MP & Silva agency, which for over a decade had been the most aggressive in the global rights market, went under. It was the most dramatic agency failure since the closures of ISL in 2001 and the Kirch Group in 2002 and came just two years after the agency had been acquired by Chinese investors Everbright Securities and Beijing Boafeng Technology in a deal which valued it at $1.1bn.

English football's Premier League – a bellwether property watched by everyone in sport – suffered a drop in the value of its domestic television rights after two successive 70-per-cent increases. Nobody expected an increase at a similar level this time, but many analysts had predicted a modest uplift.

The threat to the beIN Media Group posed by the beoutQ pirate service in the Middle East raised the prospect of another of the industry's most aggressive buyers of rights reconsidering its entire strategy. If its investments in rights can't be protected, why continue to spend billions?

And Rupert Murdoch spent much of the year in a complex sales process for his 21st Century Fox assets, having seen the writing on the wall, it would appear, for old-school media business models.

The aggressive roll-out of Perform's DAZN OTT service added dynamism in several markets around the world. But it's too soon to know whether its low-cost, no-obligation service will turn out to be a Spotify or a Setanta.

One of the underlying problems for the sector is that the pay-television market in many parts of the world has reached maturity and is no longer driving rights inflation in the same way.

Put simplistically, the first big leap in rights values came in the 1990s when pay-television could offer a premium on what commercial television could pay. The second leap was in the last decade, when some of these pay-TV operators and major telcos could leverage dual-play, triple-play and quad-play services to offer a premium over operators with a single major revenue stream – subscriptions.

The question sport has been asking for the last few years is: what will drive the next step-change?

Many sports bodies had hoped that 2018 would be the year the big US tech companies, the so-called FAANGs – Facebook, Apple, Amazon, Netflix and Google – would shake up the market. It didn't happen.

Facebook and Amazon did enter the fray, but in a selective, highly-targeted way. Twitter too continues to play around the margins of sport, doing some interesting deals, such as its recent NBA tie-up, without spending huge amounts of money.

(beIN Media Group)

But there is not, it would appear, a single sports property in a single market anywhere in the world which is business-critical for these global behemoths.

So what happens next?

SportBusiness Review talked to two highly-regarded sports-rights experts – Phil Lines and Peter Hutton – about the way the market is evolving and the future role of social media platforms.

Q&A

Phil Lines | Consultant, adviser in the last 18 months on rights sales to the Asian Football Confederation, English Football League and Scottish Professional Football League


(Charles McQuillan/Getty Images)

The FAANGs: are they in or out?

The FAANGs were always more of a newspaper idea than reality. At one stage seemingly the only people not talking about the 'Netflix of sport' were Netflix.

I have witnessed delivery platforms changing but no one has yet shown me a really new business model. If advertising can fund the acquisition of top sports rights, then I think companies like ITV know more about sport than the likes of Facebook.

In advising the English Football League and Scottish Professional Football League on their rights sales I have talked with all the potential newcomers over the last couple of years and in both cases concluded agreements with Sky. That tells you what you need to know about the FAANGs coming to push up rights fees.

It's the 'why' and 'how' I always look at. These guys are not just going to throw money at sport because the British press says they will. They are American companies who don't obsess over sport outside the US.

I think Amazon is the one that has a model that can work. If it's true that Amazon Prime subscribers spend substantially more on Amazon, then there's a premium in getting new subscribers that will help them afford to buy rights. That said, I'm not sure they need to, and I think the FAANGs are quite happy to wait and watch rights fees decline. An attractive global play might tempt them; otherwise don't hold your breath.

If DAZN is the 'Netflix of sport', what can we deduce about its prospects from the way legacy media companies are responding to Netflix?

The big boys were never going to roll over and make way for the new guys. In a way it's been great for them to watch someone else change the market and learn from it. As I keep saying, I see new forms of delivering content but I'm not seeing new business models that make sense for top sport.

There has been a huge proliferation of short-form content in recent years. Is there a potential tipping point when the live value gets diluted by everything else?

I don't see anything taking away the value of the live game. I watched fortunes ebbing and flowing in [a recent] Barcelona v Spurs [Uefa Champions League] match and nothing can replace that nerve-shredding excitement of not knowing the outcome.

"I think the era of the big agency may be over. A lot of governing bodies have taken rights sales in-house."

Phil Lines | Consultant and media-rights adviser

It doesn't matter how much is put out on social media, I believe the real value will remain with live football. In all the deals I've helped put together in the five years I've being helping rights-holders, live rights have always been the key to the sale.

Should the Premier League consider radical alternatives for its future rights sales, such as considering packages which include both UK and global rights?

Continuing to grow the international and domestic pots will be a real challenge and so the Premier League will listen hard and reflect what it hears in the packaging of its rights. Personally, I think if there are going to be radical changes, they are not going to involve global or domestic/international packages next time. One thing I have learned in advising rights owners is that every scenario is different and always changing. You have to design the right packaging for that moment if you want to maximise revenue.

How do you see the Qatar v Saudi Arabia situation playing out in sport?

During my time in football one of the biggest changes has been the involvement of states and state funds, both at club level and also in the international game. This has seen huge money come into the game but there is a price to pay and we are seeing what that might be in the Middle East. Football there has become a geopolitical issue involving world leaders.

I think what happens now may be out of the hands of football administrators. There are other issues that we all know about. Qatar and beIN have had a great run. How many people in Europe or America had ever heard of Qatar before all this? But it doesn't look like that run is going to continue unchallenged.

(Masashi Hara/Getty Images)

Time will tell what it all means for rights-holders, but I don't believe the next 10 years will resemble the last 10 years.

What can sports marketing agencies learn from the failure of MP & Silva?

Whenever a sports agency crashes it sends shock waves across the industry, so what happened with MP & Silva will make everyone think hard about what adds up and what doesn't.

All cases are unique and in this case I think what happened was an agency lost some of its top rights and best salespeople and was purchased for more than it was worth because of a feeding frenzy by Chinese companies.

I think a lot of us at the time felt they'd overpaid considerably and if there are lessons to be learned one is to understand the industry before you spend big money to acquire a company.

I think the era of the big agency may be over. A lot of governing bodies have taken rights sales in-house. That may also be difficult to justify if rights values continue to fall. What we may then see is the emergence of a number of smaller and leaner agencies.

There is an asymmetry in the global rights market between the wholesale (agency) level and retail (broadcast) level. Where is this heading?

I think we are seeing the markets readjust. You have to remember that in relative terms this is still a young industry. There has been a learning curve and following the land-grab for sports rights and subscribers we are now witnessing a correction.

At the end of the day the retailers will set the price of rights, and their data analysis on subscribers and churn is currently telling them they should be more selective and pay less for rights.

There are aspects that are unique to each market – such as the way the fight between Sky and BT for broadband subscribers inflated rights fees – but I think the correction is pretty common across most markets.

Q&A

Peter Hutton | Director, global live sports partnerships and programming, Facebook


(Charlie Crowhurst/Getty Images)

How would you evaluate Facebook's 2018 when it comes to integrating live sport into the platform?

I think we can look back on the year with a lot of satisfaction. We began 2018 with the intent to test a broad and diverse range of content on Facebook Watch — and I think we really delivered. From exclusive live Major League Baseball games, to live Uefa Champions League matches in Latin America, to a critically-acclaimed Tom Brady docuseries, we certainly have programmed some must-see content.

But it's not just the titles we've secured, it's the learnings we've gained from them. For example, with MLB, we had a partner invested in delivering a social-first broadcast tailored for our platform. As a result, the broadcasts ended up being highly interactive, which resonated with an online audience and delivered great results. The average age of viewers of these Facebook broadcasts was almost 20 years younger than MLB's average television audience.

We also provided the industry with a variety of different solutions to drive their businesses and have seen video continue to flourish on Instagram, especially within Stories and [video platform] IGTV. And of course, we're just scratching the surface with virtual reality. We had a great experiment with [Facebook-owned VR company] Oculus around the Fifa World Cup and look forward to helping our partners lean into VR even more in the coming year.

> *"...video on mobile is an unstoppable juggernaut for the content business."*
>
> **Peter Hutton** | Director, global live sports partnerships and programming, Facebook

What do you see as the major challenges and opportunities for Facebook in 2019?

We need to illustrate the potential of our platforms in the coming year and show our partners what they can do with us. In particular, we need to differentiate the range of solutions and opportunities we offer compared to traditional media companies. The media landscape is clearly changing fast, which can make for nervous rights-holders. We need to listen to their challenges and help create solutions that fit for them across Facebook, Instagram and Oculus.

Your job title contains the words 'live' and 'partnerships'. What is the importance of these two concepts in what you do at Facebook?

We see every deal we do as a partnership, which perhaps makes us a bit unique. When we sign a deal with a rights-holder, we fully expect to collaborate with it to grow its presence on Facebook and optimise its productions for a social and digital-first audience.

We also make sure the rights-holder maintains ownership of the content and the benefits that come from that. The broadcasts originate from the rights-holder's Facebook page, not from one we manage, so it can build its brand that way. And the collaboration doesn't just stop when the broadcast ends. We have the scale to create a wider range of solutions, including the ability to help rights-holders convert interest to income by marketing to a worldwide audience.

What are you learning from these initial deals?

Above all we're learning that change is not easy. We're learning that some rights-holders want tech companies to be an easy replacement for pay-TV, but that the world is not so simple.

We're also learning that exclusivity is not always going to be the right solution for us, that it's important to walk before you run and that video on mobile is an unstoppable juggernaut for the content business.

Would Facebook prefer to be doing deals for global rights than buying on a market-by-market basis?

Actually, I think the future of content is always about targeting demographics and geographies with relevant content in the right language, so the best solutions will continue to be local. However, the market can still benefit from the scale of delivery that global platforms such as ours provide, and I think, in particular, sports with global appeal but not necessarily high-profile broadcaster appeal, such as squash and surfing.

Around 2021 to 2022, the major US sports leagues (except the NBA) come to market again, and will offer rights which cover both North America and the rest of the globe. Could this be a watershed period

for the rights business in terms of the involvement of global tech and social media companies?

I think global solutions appeal in their simplicity, but the reality is much more complicated. It's important to listen to the expectations of audiences in markets that are often very diverse.

Regarding the next major rights cycle being a watershed moment, it's too early to say. I can't speak for other tech platforms, but we're certainly focused right now on experimenting with the rights we have and expect our learnings to inform our future approach.

Why are you selling on some of the rights you have acquired in certain territories? Doesn't that suggest that Facebook is not yet ready to monetise those rights on its own terms?

We're looking at solutions that work for our partners. Our collaborations with Sony and LaLiga in India are good examples of building on two strong, existing relationships to grow the audience for Spanish league football in a key development market and cultivate our audience on Facebook Watch. Also, we recognise the transition from linear to digital isn't always smooth for fans. But we hope partnerships like these can make things easier by giving people the option to watch on the devices or networks they most prefer.

Have rights-holders raised issues about Facebook's use of personal data or the existence of fake and duplicate accounts?

We continue to have great relationships with our partners built around trust and transparency. We're confident those guiding principles will strengthen our existing relationships and help us build new ones in 2019.

Do you think that Facebook shares enough valuable data with rights-holders, compared to say, YouTube?

We're confident the insights we share with our partners help them better understand their audiences and drive meaningful business results, while also protecting the privacy of the people who use our platform.

How committed is Facebook to keep live sport free in all territories?

We're committed to our free model that allows as many people as possible to touch and feel sporting action and develop their heroes. It's important we don't lose sight of that.

Will you buy sports content providers, such as broadcasters or other OTT services, as well as going after rights?

Sports content producers still need to acquire the rights to footage to be truly relevant, so I'm not sure that's true. In any case, we don't have plans to acquire any sports content producers.

What can sports fans do on Facebook that they can't do on other digital/social platforms?

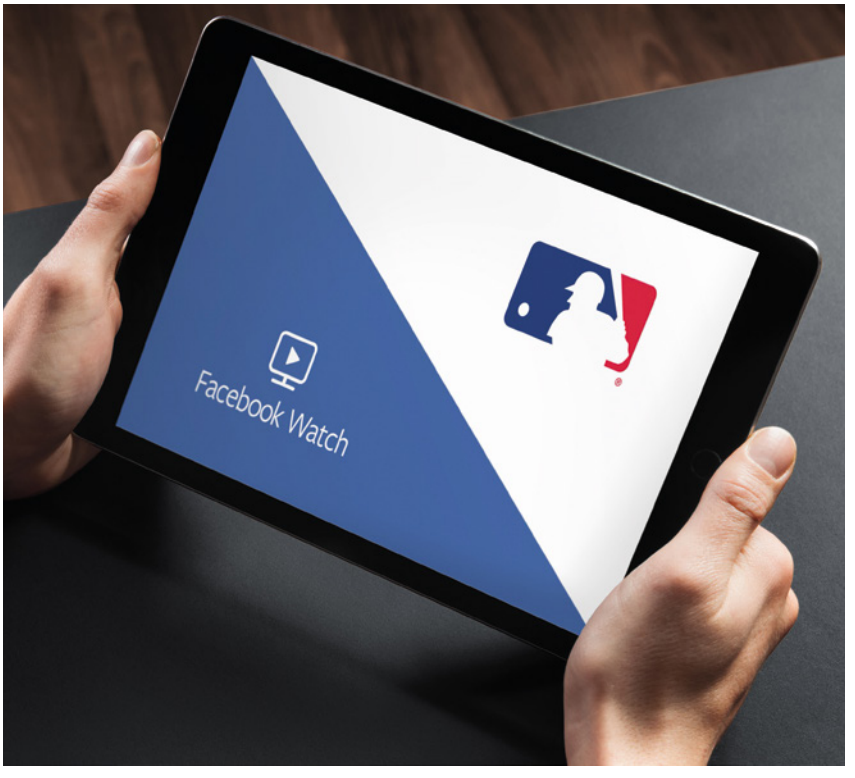
Facebook Watch is our new video platform that brings community and conversation together around content. We rolled it out globally a few months ago and have seen great traction since then. Every month, more than 400 million people spend at least one minute on Watch, and every day, more than 75 million people spend at least one minute there.

We see sports content being an especially great fit for the platform because it inherently drives conversation and builds community. But we can't take that for granted. We're working hard to make sports videos on Facebook Watch more interactive, with the potential for fans to participate in what they're watching.

This can manifest in products we're building. For example, our polling feature enables fans to vote on different topics while watching in real-time. [Boxing's] Golden Boy Promotions has used polling in its live boxing broadcasts, enabling viewers to vote on the winners from each round.

We're also seeing partners deliver viewing experiences that are highly participatory. The Major League Baseball games we had exclusively on Facebook Watch this past season featured interactive elements such as the ability for viewers to ask managers, players and commentators questions during the broadcast. The broadcasts also featured images and videos submitted by fans.

Ultimately, Facebook Watch can't just be a place to watch sports. It needs to be a better place to watch them — and our commitment to that remains resolute as we head into 2019.




MEET
THE
ELITE
Meet the Elite

After Paysandu leads the way, Brazil's smaller clubs reap dividends of white-label kit deals

Paysandu grew revenues by abandoning big brand partners and taking kit supply in-house

Since 2015 at least 16 other Brazilian clubs have struck 'white-label' kit supply deals

Arrangement seems to suit small- and mid-size clubs but the top sides are watching

(Bomache)

Fernando Duarte

After missing out on promotion to Brazilian football's top-tier Série A in 2015, directors at Paysandu Sport Club set about for ways to grow revenue and push again in 2016.

Their solution was an unusual one. In January 2016, club president Alberto Maia decided kit suppliers Puma had to go. He had other plans: Paysandu would make their own uniform.

The club believed it could significantly increase revenues by bypassing the established apparel manufacturers directly, and its belief was borne out.

"In [2015] we received $127,000 (€112,000) in royalties from the kit suppliers. That figure rose to $825,000 in our first year as our own suppliers," says Maia, who adds that 111,000 units were sold in 2016.

Like many relative minnows in Brazil, Paysandu didn't enjoy the pampering from major manufacturers reserved for their bigger competitors – many clubs actually buy their uniforms from established suppliers and do not receive money from them as sponsorship.

It's a similar story for Série B side Juventude. "We are a small team for the big sportswear companies and in the past, we actually lost money in contracts with them," says Matheus Antunes, the club's business director. The club cancelled a two-year contract with Italian brand Kappa in 2016 after a series of delivery problems affected the supply to athletes and retail outlets.

Under its Puma deal, Paysandu received a 10-per-cent share of each shirt sold. Their white-label deal with garment maker Bomache Material Esportivo is more generous, ranging from 20-35 per cent, according to Bomache's commercial director, Alexandre Dalla.

This white-label partnership model has spread among small- and medium-sized clubs around the country. Three years later, at least 16 other Brazilian teams have become their own kit suppliers.

Most are lower-league sides, but top-flight Bahia launched its own brand in August 2018, and two members of 'Own Brand FC' – Fortaleza and CSA – were promoted to Série A this year. Bahia announced in November that new shirt sales had generated $270,000 in the first month of release, surpassing an entire year of royalties under its previous supplier, Umbro.

Methodology & flexibility

Most Brazilian clubs are member-owned non-profit entities with limited cash stores, which makes it difficult for them to take the entire kit supply chain – including distribution and sales – in-house, and explains why white-label deals with manufacturers like Bomache have become the go-to for Brazilian clubs following this model. These companies will provide services from simple kit production to distribution and 360-degree contracts that include marketing consultancy.

Bomache now works with eight other Brazilian clubs, including 1985 Brazilian champion Coritiba, which created the brand 1909, named after the year of its foundation.

Dalla claims that these deals "unshackle" the clubs, pointing to Paysandu's decision to launch a special kit to celebrate the 2018 World Cup that sold out its 10,000-unit limited batch in 20 days.

Similarly, Juventude made headlines in October for launching a kit celebrating International Breast Cancer Awareness Month.

"With our own brand we are able to come up with special commemorative shirts in only three weeks, something really not feasible under a traditional contract,"Antunes explains.

Last December Bahia used the flexibility of its new arrangement to launch a more affordable version of its kit for fans with less disposable income: at about BRL 100 (€23/$27 in 2018 prices), it is considerably cheaper than the average BRL 249 for replica shirts in Brazil.

The north-eastern club also found a creative way to tackle counterfeit material: supporters could trade in fake kits while purchasing the new Esquadrão brand material.

One for all?

Dalla says the advantages of the own-brand model have not gone unnoticed by Brazil's bigger clubs, and claims Bomache has been in negotiations with "five big teams" whose shirt deals expire in the next few months.

"I don't see why a big team would not like to make more money with shirt sales, especially the ones in Brazil that have more national appeal, such as Flamengo and Palmeiras," he said.

These sides are in a different place *vis-à-vis* kit deals: Série A champions Palmeiras will this year begin a two-year deal with Puma worth about $7m per season; and Flamengo, the best-supported club in Brazil, has a deal with adidas worth just under $10m per season.

Amir Somoggi, managing director at Brazilian sports marketing company Sports Value, thinks it is premature to imagine a big migration to club-owned brands, but that the model is perfect for small- and medium-sized teams in a scenario where big sportswear companies "are not throwing money at clubs like before".

> ***"This own-brand model could be perfect for medium-sized clubs because it gives them... more control over sales."***
>
> **Amir Somoggi** | Managing director, Sports Value

"These companies have noticed that their investment was not generating sales returns. A shirt sponsor might be happy with image return but for a kit supplier, sales are quite important," Somoggi explains.

"This own-brand model could be perfect for medium-sized clubs because it gives them a higher profit margin and more control over sales. But this is not the core business of a football club and involves logistics challenges in terms of retail and distribution that are proportional to the club's size.

"There is a reason why Manchester United and Real Madrid are not doing it. They want to be big global brands and they need the distribution channels and the expertise of partners like adidas and Nike."

Paysandu is a well-supported club – in 2015 their average attendance of 14,000 was the 18th highest in the country – but that fanbase (and thus customer base) is concentrated in its home state of Pará. Somoggi believes the more powerful Brazilian clubs would kill their chances of internationalisation if they followed the own-brand model.

"I do not think it's a mistake if a club decides to do it and I can see some top-level sides with a smaller number of supporters adopting the system. But it would be not ideal for the most supported sides, especially at a time in which TV and the internet have already given European sides a lot of penetration among Brazilian fans and they are competing for attention."

Jorge Avancini, Bahia's former marketing director, believes the club will be the biggest test case for the own-brand model.

"They have a broader appeal in comparison with the other clubs. I do believe the model has advantages in terms of financial gains and more agility in development of models. But you still depend on factors such as the financial muscle of your supplier. And retail distribution outside the regional area is a bigger challenge," he wrote in a blog.

Nonetheless, Brazil's football giants will be paying unusual attention to the performance of the minnows in 2019, albeit off the pitch.

(Bomache)

Unilever activations target shared territory between fans' passion and product identities

Unilever targets "passion partnerships", working closely with rights-holders

Sponsorships and their activations used to differentiate same-sector brands

Activation strategies are quickly tweaked and adjusted to reflect changes in brand purpose

(Steve Bardens/Getty Images for Sure)

Adam Nelson

Passion is a key word at Unilever, the British-Dutch FMGC conglomerate that owns over 400 of the world's biggest food, beverage and personal care brands.

Long one of the world's biggest spenders when it comes to marketing and advertising – according to *Business Insider*, only the $10bn (€9bn) outlay of American rival Procter & Gamble exceeded Unilever's global marketing spend of over $9bn in 2017 – Unilever has begun to shift the way it looks at sports sponsorship as it attempts to engage consumers through their passions, and use partnerships to create and reinforce distinct brand identities for each product line.

Willem Dinger, Unilever's global sponsorship director, says all the company's partnerships and campaigns begin with an assessment of an individual brand's "purpose" – encompassing its market placement, target demographic, and a multitude of other factors – to decide what sponsorship strategy is right.

"I think the most important thing is that every Unilever brand has its own distinct and unique sponsorship vision and passion territory that they occupy," he says.

With brands such as Axe, Rexona and Dove all supplying products in the personal care space, sponsorship can be a perfect space in which to differentiate their brand identities. Once each brand's purpose is defined, Unilever then looks for the "passion territory" in which it will attempt to engage consumers.

"The role each brand plays within each sponsorship and the way that we communicate with our consumers is very much driven and directed by the individual brand purpose, because the purpose really allows us to craft the authentic role and build that creative ownership within each of the platforms," says Dinger. "If we're talking about Rexona, it's very much football. If it's Axe, we're focusing very much on music and gaming. With Dove, we're very much focusing on rugby in terms of what the UK and the Australia scenes are doing. We're very careful to ensure that we're avoiding any cannibalisation, and we're making sure that each brand occupies its own unique territory."

Under pressure

The shift in Unilever's sponsorship strategy over recent years has been a case study in the direction of travel inside the industry. While branding opportunities and visible assets like LED hoarding and logo placements continue to play a vital role in any partnership, Unilever has taken a more proactive approach to ensuring that its partnerships "drive mutual beneficial value to our target consumer".

With a roster of partners that includes LaLiga, Cristiano Ronaldo, the All Blacks and the Williams Formula One team, Unilever has access to a huge audience of passionately engaged fans from across multiple demographics globally. Its partnerships are still chosen "to build those deeper and more meaningful connections with audiences" but, Dinger says, the current strategy reflects a desire "to change our advertising model from interruption and display to high-quality and authentic engagement through passion partnerships and passion content".

> *"It's about changing our advertising model from interruption and display to high-quality and authentic engagement through passion partnerships."*
>
> **Willem Dinger** | Global sponsorship director, Unilever

The Pressure Series, launched by Rexona [known as Sure in the UK and Ireland] in 2016, exemplifies the "passion content" concept. Using data from Perform Group-owned statistics provider Opta, the Pressure Series measured how footballers performed in high-pressure situations, with Rexona creating content featuring players from its partner Premier League football clubs such as Everton and Chelsea. By integrating real-game statistics into the campaign, Unilever was able to tap directly into fans' passion for football while tying the activation back to Rexona's core use as an anti-perspirant.

"It came from us looking at football and thinking, 'where is the white space where we're not operating?'," Dinger explains. "And then understanding how we could maintain work in that space but still make sure the campaign has relevance to the brand."

The campaign, Dinger says, is a great example of what Unilever wishes to achieve across all of its brand activations because it "drove value in offering added experience to football fans around the world".

"I think from a concept perspective, it was very important for us to bring a fresh lens or new level of conversation into the football community and I think that partnership with Opta allowed us to have that."

Nimble and flexible

The Pressure Series ran for two years and was replaced in 2018 by Rexona's latest campaign, the Movement Series. The change was down to the fact that Unilever sponsorships now need to be "more nimble, more flexible" to maintain the attention of consumers in a rapidly-evolving media landscape.

"We changed our communication proposition from being around pressure to movement, and we slightly tweaked the brand purpose," Dinger explains. Rexona's brand proposition was moved from being around helping people cope under pressure to getting more people

(Steve Bardens/Getty Images for Sure)

moving and involved in sport, and the way Unilever activated its football partnerships was modified to reflect that evolution.

Dinger notes that brands are now working harder than ever with partners "to see how we can evolve or fine-tune that relationship for the benefit of everyone". As he puts it: "If we win, then the partner wins, and the consumer wins too."

The fragmentation of the media marketplace "in terms of how fans are consuming media and consuming sports" has led to challenges but also opportunities. The Pressure Series' success was made possible by football fans consuming media in new ways, and showing a willingness to engage with content that came from a brand rather than a broadcaster or a rights-holder, especially where clubs are able to make players available for use in activations.

The three videos in the 'Make Your Move' series – part of the Movement Series campaign – made in collaboration with Unilever's Premier League partners Chelsea, Everton and Manchester City, have attracted a cumulative 30,000 views on YouTube since its launch in October last year. The City episode – which showed the skills of young English midfielder Phil Foden – drew particular attention.

"That got a lot coverage, especially in the *Daily Mail*," says Dinger. "Again, we were providing added value to fans, an extra experience and interaction with their favourite players, all while sticking to what our brand purpose is and keeping the focus on the Rexona brand."

Inventive activations that use players to engage with fans, and which generate media interest of their own, are a way that Unilever has managed to "cut through" the "extremely cluttered environment" of football sponsorship, says Dinger.

(Steve Bardens/Getty Images for Sure)

Maintaining relevance

"There is massively increased demand for personalisation," he adds. "We need to be able to provide tailored content for consumers in the right contextual environment. So that might mean that something that's right for social media isn't right for broadcast, or something that fits into football isn't right for rugby, because of the different ways that those fans engage emotionally with those sports.

"Our mission is to build immersive experiences for consumers and really add value to how they are experiencing or viewing sports – or any passion territories that they're very interested in, and then find ways to connect that back to our brand purposes."

In partnership with World Rugby, for instance, Unilever has begun to sponsor the Spirit of Rugby Award through its Dove Men+Care brand. While Dove Men+Care and Rexona are competing in similar markets, the activations can differentiate the two brands and pitch them at separate demographics. The involvement with the Spirit of Rugby Award, which recognises 'an individual moment of outstanding sportsmanship or care at a grassroots or elite level', reinforces the Dove brand's position around wider social issues, while Rexona maintains its focus on athlete performance.

Ultimately, Dinger says, the focus is on "giving the consumers a reason to keep reengaging with us and keep understanding how we can emotionally connect with them" in order to "maintain a competitive edge against our market rivals".

"If we're not seeing that growth, or that engagement with our campaigns, we need to be nimble enough to realise that and correct it to bring the consumer back on board."

While each partnership is assessed on its own terms, Unilever is always looking for "business growth and brand impact", says Dinger. "That's obviously the key driver for us. Throughout any communication, we're looking at authentically engaging with consumers, really to drive the emotional connection with our consumers that will increase brand advocacy and brand loyalty."