

COVID-19 outlook for the US sports industry

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Positioning industries for a stronger future

The continuing COVID-19 crisis is creating enormous uncertainty and change—and questions with no obvious answers: Which changes will persist? What will the new world look like? How will people and firms adapt?

Even as US technology, media, and telecommunications companies focus on responding to the global pandemic and its immediate repercussions, they hopefully will soon need to pivot toward recovering from the crisis and setting themselves up to thrive in the next era. Sudden change can loosen old foundations, creating opportunities for greater progress. Companies should reassess what and how they sell, how they operate, and how they can forge stronger and more direct relationships with customers.

About this series

This series will frame a discussion and explore what's changing, what strategic issues to consider, their impacts, key actions to take, and questions to ask. There are many different scenarios, and we may not have all the answers yet, but we can act with foresight to better position ourselves for a stronger and more resilient future.

Key takeaways

There are three key strategic opportunities that sports organizations should consider to recover from the crisis while making a bold play for a thriving future:

- **How to help fans feel safe returning to live events**
- **How to leverage digital tools to support year-round fan engagement**
- **How these tools support a holistic, data-driven strategy for their business**

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The shifting landscape for sports

When US sports leagues began suspending their seasons in early March 2020, it underscored the seriousness of COVID-19. Mandatory social distancing radically affected the US sports industry right away. Live sports have taken the largest hit, shutting down games and ending broadcasts for millions of fans. Live game revenues—media, sponsorships, ticket sales, and in-venue sales—are gone, and staff are taking pay cuts or being laid off.

It is unclear when and how they will return. Not only may players and fans likely be hesitant to congregate again on courts and fields and in bleachers in the near term—the economic shutdown may also bring lingering financial challenges to teams and fans alike. Deloitte's US Economic Forecast¹ sees a 50 percent probability of a recession and a 30 percent chance of a financial crisis, depending on how quickly the virus is contained. A severe downturn will likely disrupt the sports value chain, from fans to investors.

To respond and recover, the sports industry faces three key concerns:

- When can teams and players return to games?
- When can live audiences return to the stands?
- Without ongoing matches, how can teams keep fans engaged during and after the crisis?

The way back to live sports

The first concern—restarting suspended seasons—is new and beyond sports organizations' direct control. And there's no obvious fallback plan, since nothing can replace the drama and excitement of live sports played in front of fans.² Even if leagues look to restart play with empty bleachers, athletes may not feel safe being in close contact with teammates and opponents. And what about workers, whether in front offices or courtside? Assessing this will be a shifting calculus based on public health, legislators, and trust.

Live games for remote audiences might reengage fans, broadcasters, and advertisers in the near term, but establishing trust for fans hoping to return to arenas and stadiums will likely take longer. Venues will likely take confidence-building measures to support public health and enforce possible distancing requirements. And as the crisis pushes

sports organizations to evaluate their income and expenses, there is an opportunity to experiment with pricing and incentives, potentially making the stadium experience more affordable for more people.

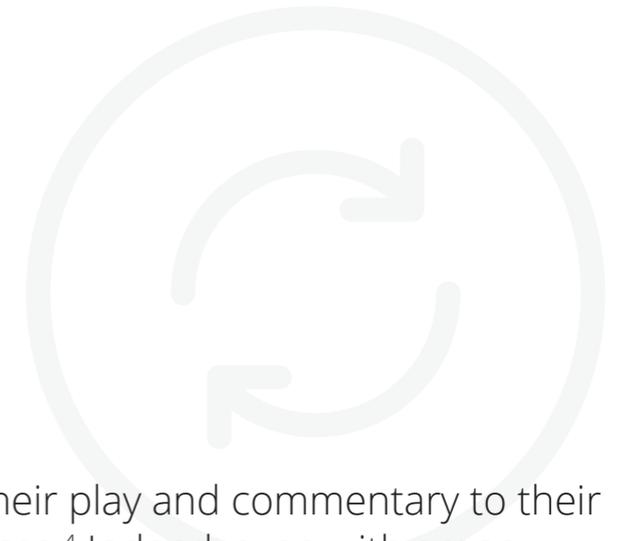
Keep in mind that policy makers have a stake in seeing live sports back in stadiums and on TV: When fans finally do return to the stands, it will be a striking visual signal that the crisis may have passed.

Multichannel fan engagement

Sports organizations have been trying to address the second concern—fan engagement beyond game day—for some time. But the crisis has greatly exacerbated the urgency for teams trying to stay connected with fans who have now dispersed onto alternative media. In the absence of broadcast games, athletes are using social media to stay connected with fans.³ More athletes are also playing esports and

streaming their play and commentary to their own audiences.⁴ Indeed, even with arena competitions canceled, esports have shown very strong engagement and have smoothly pivoted to remote play.⁵ Leagues could benefit from embracing sports' increasingly virtual nature.

The crisis is an opportunity to shift—or continue a shift—toward a multichannel approach to fan engagement, leveraging popular digital platforms, such as social streaming services, while creating a more balanced portfolio that is less dependent on broadcast. If teams become more responsible for a catalog of media generated by games, franchises, athletes, and sponsors, would that change how they approach their own media production, rights management, and distribution?

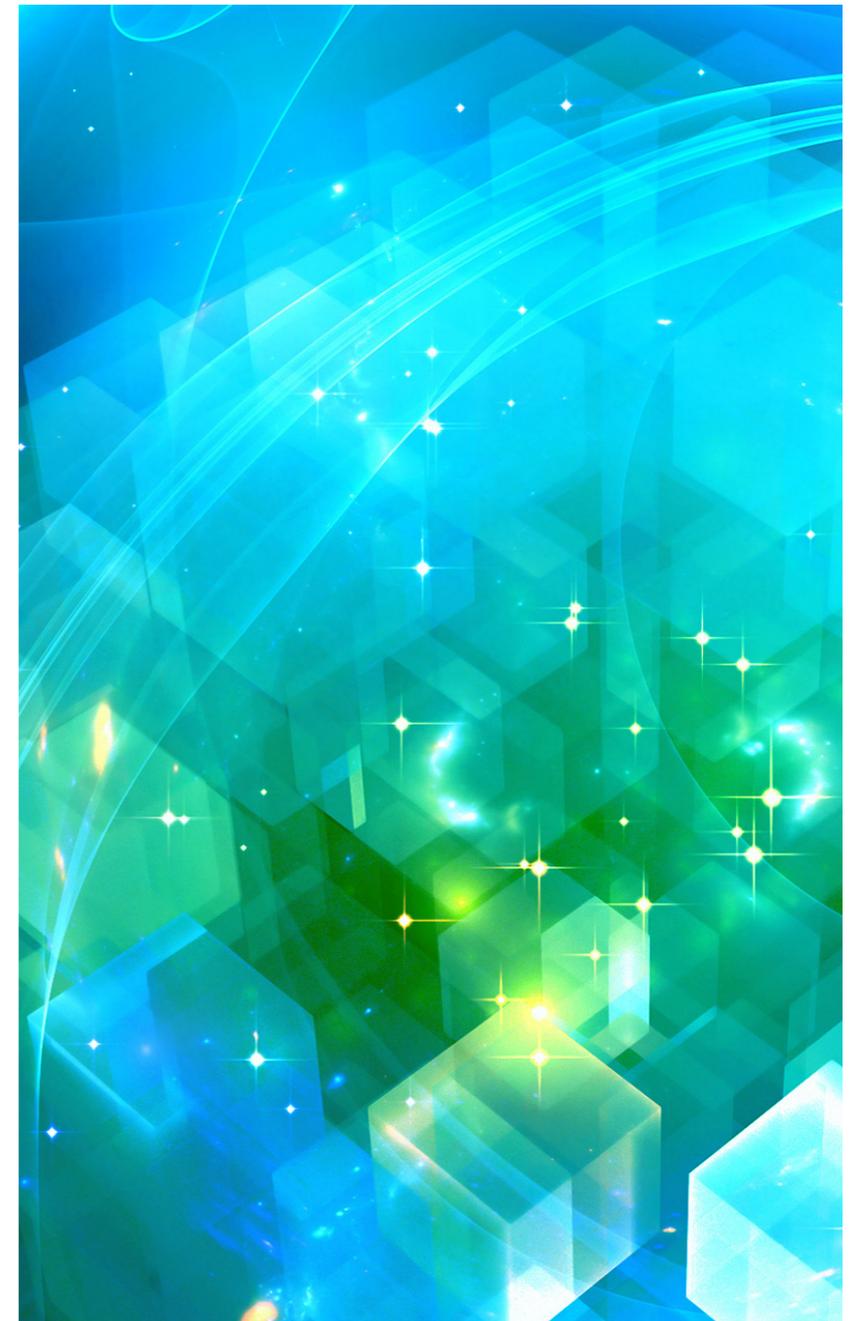


The data-driven franchise

The COVID-19 crisis also underlines the value of a more comprehensive, data-driven strategy for fan engagement. If fans aren't in the stands or watching game-day broadcasts, how effectively can sports franchises connect with them? Do they know where their most loyal fans are and how they are—or are not—engaging with the franchise? Can teams and leagues determine personalized incentives that would get certain segments more engaged and into stadiums? A holistic, data-driven strategy and a portfolio of digital channels can reinforce fan engagement throughout the year while building more resilience against future disruptions.

The COVID-19 crisis has been sad, frightening, and hugely disruptive, and sports organizations are fighting to cope alongside many other sectors.⁶ But it is shaking loose old foundations that may have

been challenged to evolve with the pace of change. Within this disruption, there is tremendous opportunity to create a stronger sports industry that delivers greater value to stakeholders, fans, and society. As response begins to shift into the recovery phase, leaders should look ahead to tactics and strategies that can shift the industry firmly into the 21st century.



How to recover stronger than ever

A thoughtful recovery can expand on existing strategic opportunities that may not have been previously prioritized, but are now essential to stay connected with fans no longer brought together by league calendars and tournament brackets. Franchises can leverage modern media services that reach more people, and they can innovate on content and fan engagement while live sports are suspended. All of these can help guide sports organizations into a thriving and durable future.

Embrace digital to stay connected to fans

Sports franchises have been working to engage younger generations with shifting media and entertainment behaviors, but with the suspension of live sports, fans have dispersed onto numerous other channels and services. Many are connecting with athletes on social media,⁷ playing more video games,⁸ or streaming video entertainment.⁹

Actions to take:

To help recover, sports organizations should carefully observe ways in which athletes and fans manage to stay connected during the crisis. The more successful interactions and relationships can be models for new lines of business that offer resilience against future disruptions.

Questions to ask:

- Without new games on TV or streaming services,¹⁰ where are athletes and fans connecting, and which channels are most effective at fan engagement?
- What are some strong uses of social streaming platforms and esports?
- How can organizations best coordinate with those ecosystems to reach fans during these game suspensions while laying the foundation for a future of successful year-round fan engagement?

Develop premium mobile experiences

Mobile apps for sports franchises face steep competition to engage and stay connected with fans during—and after—the crisis. Sports apps that are geared towards game-day engagement are challenged by game suspensions.

Actions to take:

Franchises should use this time to redevelop their mobile apps with a greater emphasis on delivering unique and added value to fans now and after recovery by tying into ticketing and logistics, content exclusives, and personalized rewards programs. Leagues and franchises should carefully evaluate what they can offer through their mobile solutions that fans cannot get elsewhere.

Questions to ask:

- How can franchise apps bring teams, athletes, and fans closer together with exclusive content year-round?
- How can apps integrate and leverage rewards programs to personalize experiences, offer discounts, and deliver strong incentives to engagement?
- How does a franchise mobile app support a holistic, data-driven strategy across the business? How does it leverage data to deliver premium experiences to fans?

Become a multichannel media producer

It seems likely that teams may return to live competition before venues reopen to the public. And without fans in the stands, teams and franchises may be challenged to produce compelling experiences for audiences watching at home or on mobile devices.

Actions to take:

With empty venues, franchises should experiment more with content and storytelling to create strong programming around teams and athletes; innovate with telepresence and virtual experiences to digitally reassemble crowds; and build content pipelines around TV, streaming, social networks, social streaming, and mobile applications.

Questions to ask:

- What ways can franchises create additional content engagement around the games and beyond?
- How can teams leverage their most popular athletes to create more stories and fan touchpoints?
- Are there innovative technology solutions that could approximate a live audience, either virtually in the stands or over remote meeting channels? Could such innovations drive future business models?

How to thrive in the next era

The recovery phase presents an opportunity to reconstruct the sports industry—not just to rebuild it as it was, but also to design the next phase of the industry that can help it thrive for decades to come.

Reestablish trust and safety at venues

A recent poll found that 72 percent of respondents would not attend a sporting event before a coronavirus vaccine was available.¹¹ This sentiment could relax with falling cases, but franchises could be under pressure to get fans back in the stands while building resiliency against future disruptions.

Actions to take:

Leagues and teams should develop robust planning for venue security and health that delivers trust without overburdening fans while creating fast and flexible capabilities in preparation for future disruptions. Such capabilities could leverage and support more data-driven operations, experiences, and fan engagement.

Questions to ask:

- What combination of process and incentives can deliver trust and motivate fans to return to the stands?
- What is the role of sensing, predictive analytics, and artificial intelligence in creating crowd awareness and responsive venues?
- How can venues tie into broader threat-sensing networks in order to better anticipate and mitigate disruptions?

Use data to develop deeper fan relationships

The disruption created by COVID-19 has highlighted how sports leagues and franchises could be closer to their fans. When the lights went out, fans scattered to a variety of entertainment alternatives, leaving franchises challenged to locate them and regain their attention. Prioritizing a robust fan database can nurture and deepen fan relationships.

Actions to take:

Develop a robust strategy to become a digital-first and data-driven business optimized for the next 20 years of technological change rather than for the last 75. Leagues should prioritize fan data for the industry. Franchises should consider a portfolio approach to events, products, and services that meet different needs across different touchpoints throughout the year. Some of these might be primary revenue streams, others could aim to cultivate fan engagement and community services, and a few could potentially become strong lines of business. But all of them together would create greater flexibility and resiliency, with more options at hand to respond to sudden change.

Questions to ask:

- For a sports franchise, what does a modern portfolio of physical and digital services look like?
- How could these services holistically generate greater visibility across operations, events, and fans?
- What could the industry do if there were a safe and shared data exchange that wasn't centralized or owned by any single entity?
- How can fans receive greater value from sharing their data? How can that data be secured and validated?

Transform the industry

Being forced to step out of the seasonal broadcast cycle has allowed franchises to reconsider what it means to be a sports business in the 21st century. The shock of this crisis has shaken the foundations of most industries, challenging attachments while creating great opportunities for real change.

Actions to take:

Now is the time to confront the industry's orthodoxies and assumptions. Change is unavoidable. Embrace it. Reconsider everything from workforce composition and business structures to player development and media strategies.

Questions to ask:

- What is the role of a modern sports league? How would priorities fall across operations, events, media, and capabilities?
- What is it about the sport that truly delights fans? What annoys and alienates them? Are priorities aligned with these sentiments?
- Are technologies being fully embraced to support the fan experience and the health of the business?

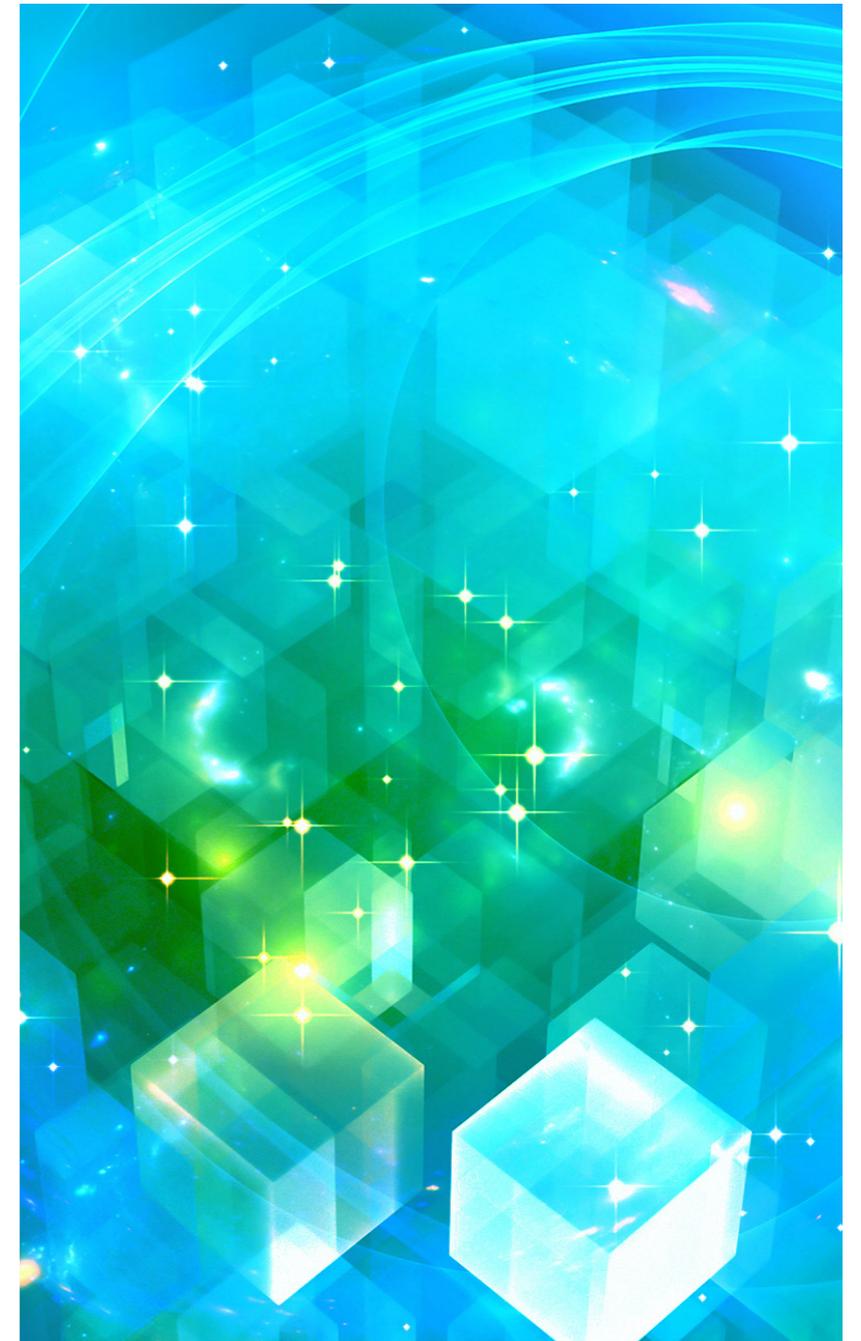


Sports can help us heal

The COVID-19 crisis is unprecedented. Many things will likely change, and uncertainties are mounting each day. As sports organizations respond and recover, they have an unprecedented opportunity to reevaluate the way things have been done and to build a new future in which they can grow and thrive.

To do so, leaders should be bold, willing to experiment with ideas previously considered too difficult. This disruption offers a chance to get back to business while changing the business for the better; to build organizations with the competencies and mindsets to push forward; and to rebuild portfolios and processes that move the industry forward while enabling sports businesses to absorb failures, weather changes, and roll with the next black swans.

When sports venues reopen and crowds return, it will likely be a big signal to the world that the crisis has passed and we can come together again. But until then, under the shadow of COVID-19, it will be a different world, one beset by continuous change even before the pandemic confined fans to their homes and canceled entire tournaments. Such a world may be best met by businesses that have strong connections with their customers, robust sensing and modeling capabilities, and the ability to keep reinventing how they think and operate.



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