



HEALTH AND HEALTHCARE SYSTEMS

This is how COVID-19 is affecting the world of sports

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Stadiums all across have remained empty as coronavirus brings professional sports to a standstill.

Image: REUTERS/Willy Kurniawan

Stefan Brambilla Hall

Project Lead, Media, Entertainment and Sport, World Economic Forum Geneva

— The COVID-19 pandemic has upended all areas of life - and sports is no exception.

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- **Every aspect of sport has been affected, from the athletes themselves to media coverage.**
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The coronavirus pandemic has sent shockwaves around the world, leading to a public health emergency that has killed thousands and plunged the global economy into what [the International Monetary Fund warns](#) could be the sharpest downturn since the Great Depression.


Not surprisingly, COVID-19 has also upended the sporting calendar, with professional leagues everywhere suspending their activities to limit the spread of the virus. Even the Summer Olympics, typically one of the world's most-watched sporting broadcasts, has been pushed back a year.

Have you read?

- [Virtual world races to fill sporting void left by coronavirus](#)
 - [These sporting events have all been affected by coronavirus](#)
 - [Tokyo Olympics postponed to 2021 over coronavirus concerns](#)
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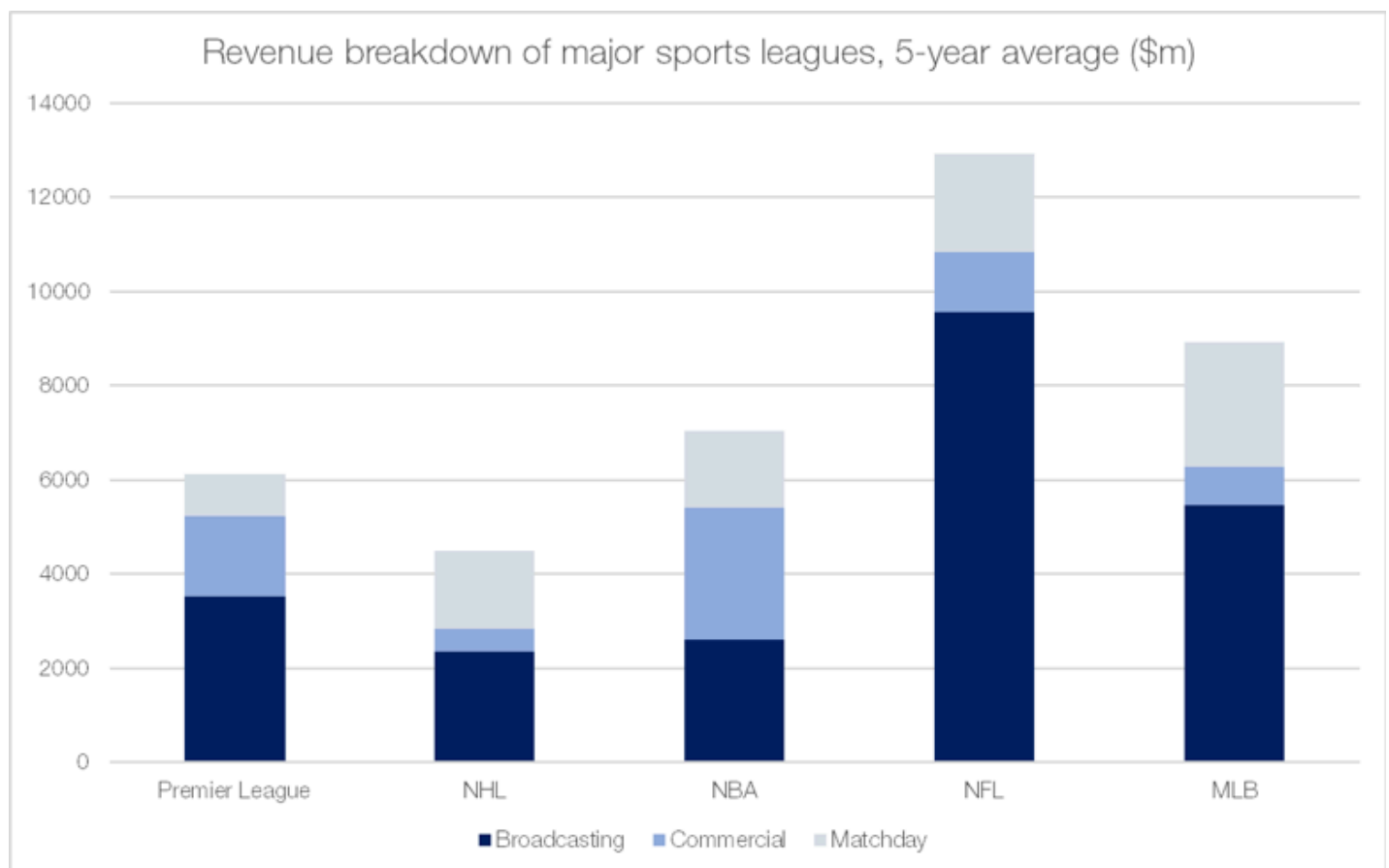
The global value of the sports industry was estimated to be \$471bn in 2018 – an increase of 45% since 2011 – and before coronavirus stopped play, the only trajectory seemed to be upwards. Now, every part of the sporting value chain has been affected, from athletes, teams and leagues, to the media that broadcast and cover games.

The business model of sports

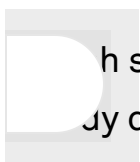
 Begin, the basics. In the simplest terms, there are three main income streams for sports leagues: broadcasting (sales of media rights), commercial (sponsorship and

Professional sports leagues are analogous to entertainment companies, where each team in a league is like a different channel. The teams have their own identities, employees and fan bases, but the overall ‘programming schedule’ (the rules of the game and the fixture list) are set by the leagues. This comparison may not please the purists, but the reality in both sports and entertainment is that the more eyeballs on the product, the more valuable it is.

The major sports are all reliant on broadcasting income, as demonstrated by revenue data from the biggest leagues over the last five years. The global value of sports media rights is around \$50bn – but 60% of that is accounted for by just 10 sports leagues.



NFL has the highest revenue of all all major sports leagues. Image: WEF / Statista



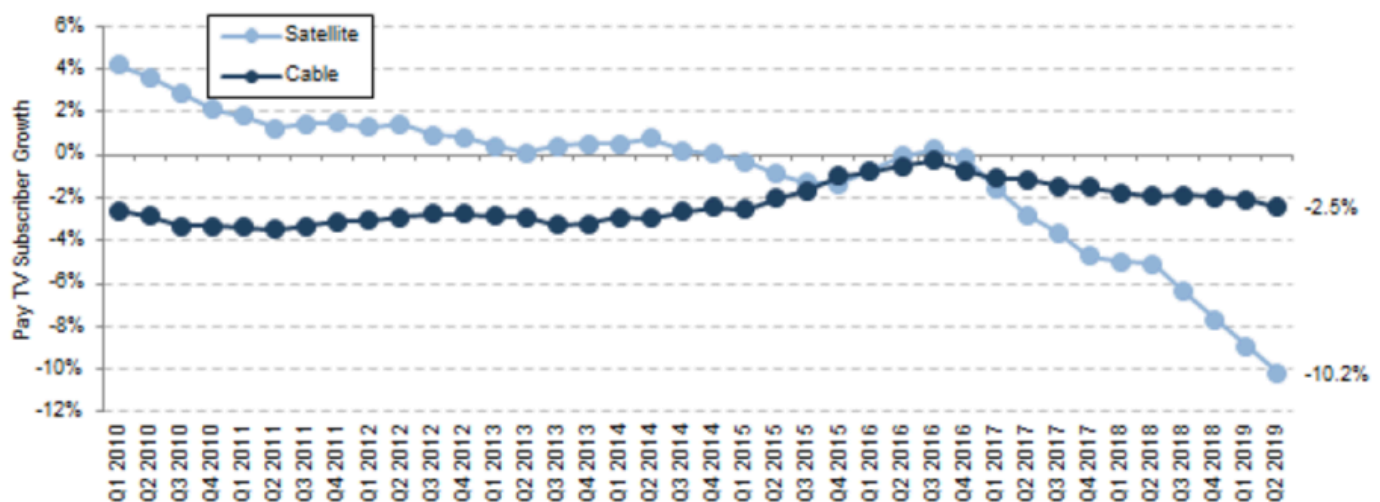
h sport monetizes differently, but the general principle is that the organizing
y distributes its total income between its participating clubs. This is usually

income, by competing in other tournaments, signing their own sponsorship agreements or developing their own direct-to-consumer (D2C) media subscriptions. But fundamentally, the financial success of any individual club relies on its involvement in an overarching league.

The collective power of these leagues to sell media rights is incredible. The [NBA's current TV deal is worth \\$24 billion](#) over nine years. The English Premier League agreed a new contract with broadcasters last year [equivalent to \\$12 billion](#) over three years. Major League Baseball has a seven-year media arrangement [worth over \\$5 billion](#).

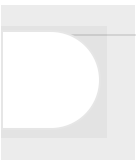
Some have [questioned the sustainability of these deals](#), considering the [acceleration in "cord-cutting"](#) as media consumption increasingly moves online. But they underline the importance of sports rights as a ["linchpin"](#) holding many traditional television bundles together.

Traditional Pay TV Subscriber Growth by Provider Type, Q1 2010 to Present



Source: Company reports, MoffettNathanson estimates and analysis

Watching sports by traditional satellite television has fallen in the past 10 years. Image: MoffettNathanson



the clubs. The impact on the industry would be dramatic: no games mean no TV deals and no matchday income; no income means no clubs.

With all this in mind, what strategies is the industry adopting in response to the disruption?

The industry is trying to capitalize on the [spike in media consumption](#) by finding **new ways to engage consumers**. In the absence of live games, this means deepening the pool of content available to fans. For example, sports broadcasters such as ESPN and Fox Sports are [showing classic games, archived content, documentaries, esports and niche competitions](#) in a bid to keep consumers watching. Individual leagues are doing the same. The NFL is [making every game since 2009 available for streaming](#) on its direct-to-consumer channel Game Pass, a strategy which led to a 500-fold increase in daily sign-ups for the service.

Mark Tatum, Deputy Commissioner and Chief Operating Officer of the NBA described the league's strategy to the World Economic Forum: "We've launched an NBA 2K competition [an esports form of the game] with players streaming from their homes. We've expedited production to bring forward the release of a Michael Jordan documentary. We're hosting live quarantine parties on social media with current and former players, and we're showing classic games every night – all things to continue to engage our fans during this time."

You can listen to our full interview with the NBA's Mark Tatum, here:



Another approach is to **increase flexibility of payment options for consumers** seeking sports content. The NBA and Turner Sports have removed the paywall for their joint streaming subscription service, League Pass. Major League Baseball is [doing the same](#), offering its archive of games for free on MLB.TV and YouTube. The Premier League is probably wishing that its streaming channel, [planned for 2022](#), was already available.

Discussions are taking place between sports bodies and TV network partners to **find mutual solutions** to “force majeure” clauses that work for both sides. These include leagues [paying broadcasters compensation, granting them additional rights and extending agreements](#). The issues are replicated further down the value chain: in the Premier League, [commercial agreements at the club level are likely to need tweaking](#)

Some sports associations are already affected by shortfalls: collegiate men's

According to Tatum, “Our broadcasting partners are really understanding and we’re working with them on different forms of content. It’s not just the NBA, it’s all live sports – millions of fans around the world are looking for content. We’re working closely with our broadcasting, digital and marketing partners to find ways to engage at this time.”

The TV revenue imperative is why many leagues are **developing contingency plans for games without live audiences**. The western leagues will be looking to Asia, the region first affected by the crisis, to see how it responded. Japan’s baseball teams [played in empty stadiums](#) for weeks. China’s professional basketball league delayed the start of its season, while Korea’s cancelled their entirely. Options also include playing matches in areas less affected by COVID-19 and moving training facilities – and even isolating entire teams and their management staff to a single area, as the [MLB](#) and [NRL](#) are rumoured to be doing. [There is precedent](#) for physical moves like this: MLB teams have previously temporarily relocated operations in the wake of hurricane damage in the US.

Long-term transformation

Looking to the long-term, the basic operating model of sports leagues should remain unchanged. The leagues will still organise the same way – via a competitive season of pre-defined length, with every team playing each other. However, the coronavirus pandemic underlines how dependent this model is on TV broadcasting and live audiences.

Here are three transformational trends we should expect to see in the sports industry:

The increase in media consumption caused by coronavirus does not align with traditional broadcast television, which structures its main programming around an evening prime time window. This is likely to **accelerate adoption of D2C services to distribute sports content**. These services are more appealing now because they have

pandemic subsidies – accelerating the existing decline in cable television.

This in turn will [reduce broadcasters' advertising income and their power to purchase sports rights](#). For the sports industry, the likely knock-on effect is that leagues will increasingly look to their in-house services to sell content, as well as potentially making more, smaller deals with other digital players. Amazon has shown proof of concept: subscribers to its Prime Video service in the UK [increased by 35% in the Q4 of 2019](#), coinciding with its first ever live streaming of Premier League games.

The reliance of sports leagues on broadcasters, and of broadcasters on advertising revenue is laid bare by the coronavirus crises. It underscores the imperative to **explore more diverse income streams**. These could include live monetization models, such as [gamified viewership](#) (e.g. live payments for digital items, new camera angles, fan commentary and statistical analysis) and gambling.

The absence of “real” sport presents an **opportunity for virtual technologies to grow**. Already, [sports leagues across the world are using esports](#) to maintain interest and a sense of competition during shutdowns. Esports have [grown massively in recent years](#) and present a new way to engage fans and bring in revenue. Furthermore, [immersive technologies could enable fans to experience games live](#), without having to be physically present – an idea that once may have been counterintuitive but now seems logical.

In these difficult times, the ability of sports to bring people together is missed more than ever. The industry itself may be in new territory, but with the right strategies can emerge from the crisis stronger and more popular than ever. As Tatum puts it: “Ours is a global game: a quarter of NBA players were born outside of the United States; we have offices in different countries and cities around the world. This pandemic may change the protocols we have to live by, but not our focus on expanding basketball around the world.”



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