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2023 Global Sports Survey

Chapter 1: Changing Media Consumption

OCTOBER | **2023**

Changing media consumption

Welcome to Altman Solon's 2023 Global Sports Survey

Setting the Stage

The sports media industry is experiencing unprecedented changes. Decision-makers are confronted with increasingly complex choices while fans' habits continue to evolve rapidly, in line with the industry's shifting and fragmented structure. In this newly introduced format, we aim to encourage genuine dialogue among all market participants – fans, rights owners, media distributors, investors, and partners – affected by those market conditions. At a time when the cultural impact of sport is stronger than ever while being on the brink of disruption, we believe it is crucial for the sector to establish a collective viewpoint and push the boundaries of thinking about its near and distant future.

In this context, we are delighted to present the findings of Altman Solon's 2023 Global Sports Survey.

This report is the 1st of 5 publications and focuses on:

1	2	3	4	5
Changing media consumption	Key perspectives: Rights owners	Key perspectives: Media co.	Key perspectives: Investors	Key innovations
October 2023	November 2023	December 2023	January 2024	February 2024

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The Firm

- Altman Solon is the largest and leading worldwide strategy firm exclusively focused on telecommunications, media, and technology (TMT).
- Over 600 consultants across 13 offices worldwide and a trusted advisor to C-level executives from blue-chip companies operating in 100+ countries.
- We have completed demanding assignments for a wide range of high-profile sports businesses and their investors, developing a holistic view of the value chain and its key trends, and our focus on TMT can help sports accelerate its transformation.

Learn more at www.altmansolon.com

The Survey

Online survey of 150+ senior sports executives globally, including rights owners, media distributors, and investors, and ~2,500 consumers interested in sports in 8 countries: US, UK, Germany, France, Italy, Spain, Mexico, China; the survey was fielded in Aug.-Sept 2023 by our research partners IRIS and GWI.

Changing media consumption

Despite its enduring appeal, sports media faces multiple risks due to misalignments in its commercial and access models

Executive summary

Market Indicators

Rise of the Highlight-Reel Fan

- Media consumption among younger generations increasingly online (mobile, social, streaming); fewer watching linear TV and live games
- More fans watch sports highlights over live games on both linear TV (87% to 78%) and online (72% to 53%)
- More than half (56%) of global sports industry executives expect a gradual continued transition towards a more fluid and athlete-driven fandom

Engaging Tomorrow's Fan

- Average TV hours watched per week expected to drop 16% by 2040
- Fans of all ages are multitasking on other digital media while watching sports (57% browse the internet, 50% use social media, 43% use messaging)
- >70% of global sports industry says expanding content library beyond live, augmenting the live media experience, and personalizing content are key priorities to make the sports product more engaging for fans

Consolidation to Unlock Accessibility

- ~60% of fans have issues accessing/discovering games for one or more of their most essential leagues
- 56% of fans say they would watch more hours of sports if more sports were available on their platforms
- Executives are prioritizing content syndication via aggregators (71%) and improving content promotion strategies (64%) to boost engagement

Our Take

Sports media has reached peak fragmentation, strongly impacting fans' content access and consumption habits

Rights owners are struggling to achieve full-reach distribution, while media companies are facing profitability issues

Current industry structure may become unsustainable for all market participants

The sector is experimenting with various optimization mechanisms to tackle disaggregation, including new access models

Yet those are surface-level solutions only; deeper structural changes are underway

By 2030, reconsolidation may occur via audience aggregation or content democratization

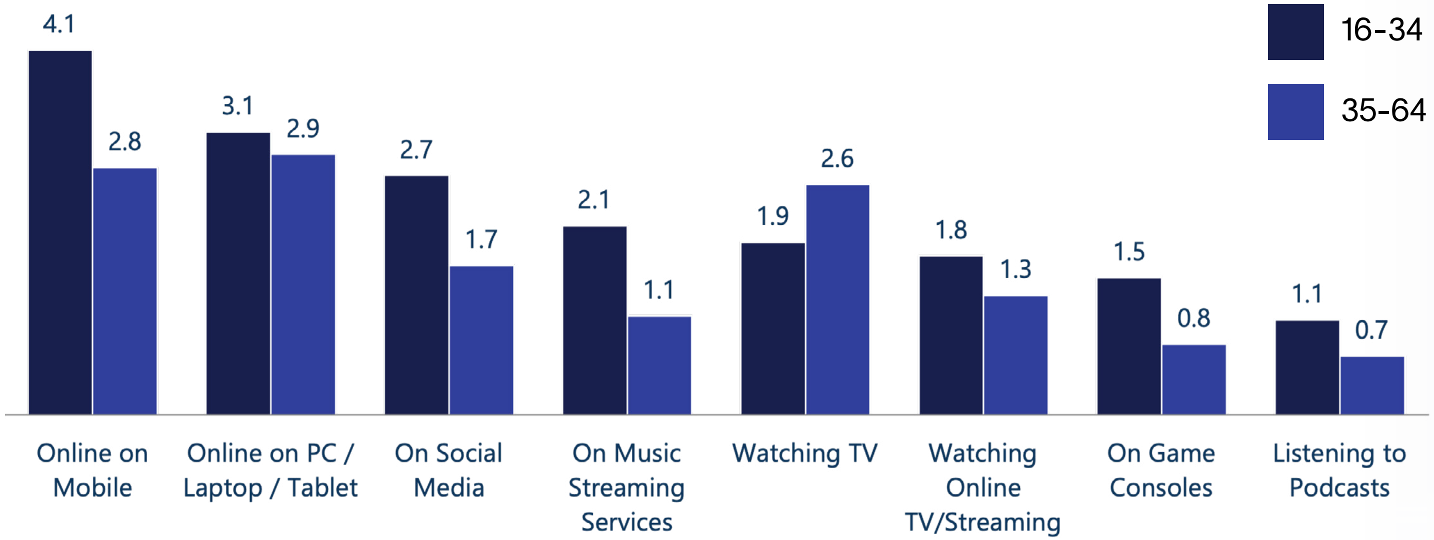
Changing media consumption

Media consumption among younger generations increasingly online (mobile, social, streaming); fewer watching live TV

Overall media consumption

by Age Group

On an average day, how long do you spend doing the following activities?
Average hours spent daily on the following activities among those interested in watching sports



Source: CAWI Consumer Survey N=2500, Powered by IRIS

Key insights:

- Entertainment and media preferences for younger audiences are more diversified compared to older cohorts.
- This contributes to fewer average hours of linear TV watched by younger generations (1.9 hours for ages 16-34 vs 2.6 hours for ages 35-64) .
- Younger cohorts average 1.5x more hours online compared to older generations, underscoring the imperative for sports media to provide multi-platform content experiences.

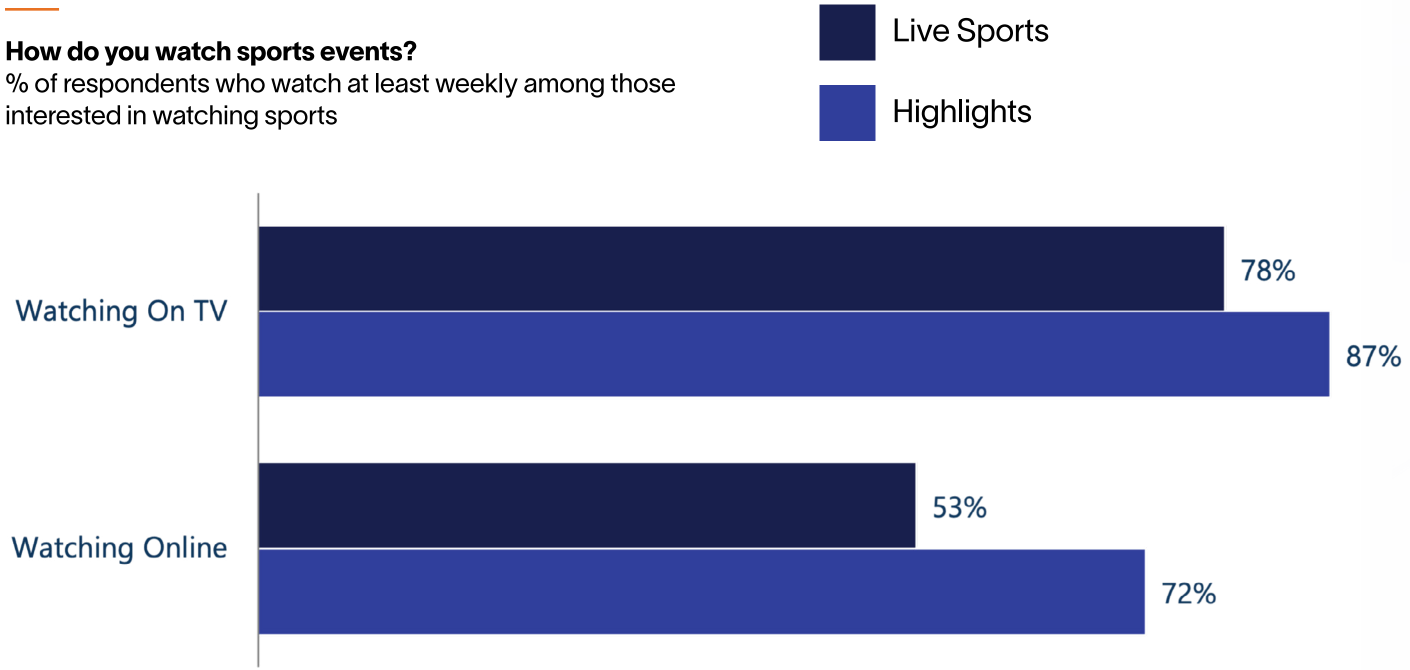
Changing media consumption

Fans prefer digital and shorter-form formats; a key risk as most sector's value is generated by a single format: live

Sports media consumption

by Format

How do you watch sports events?
% of respondents who watch at least weekly among those interested in watching sports



Source: CAWI Consumer Survey N=2500, Powered by IRIS

Key insights:

- While Pay TV will not fully erode in the mid-term, the rise of on-demand consumption habits among younger cohorts necessitates evolution of content distribution formats to meet preferences of younger fans.
- To counter the trend away from live game consumption, broadcasters and rights owners are experimenting with ways to monetize highlights and short-form content. Even if successful, it will be difficult to recreate value of traditional live sports viewer.
- Multi-platform formats can help sports content reach a global audience, as fans from different parts of the world can follow teams and athletes without the limitations of traditional broadcasting territories.

Changing media consumption

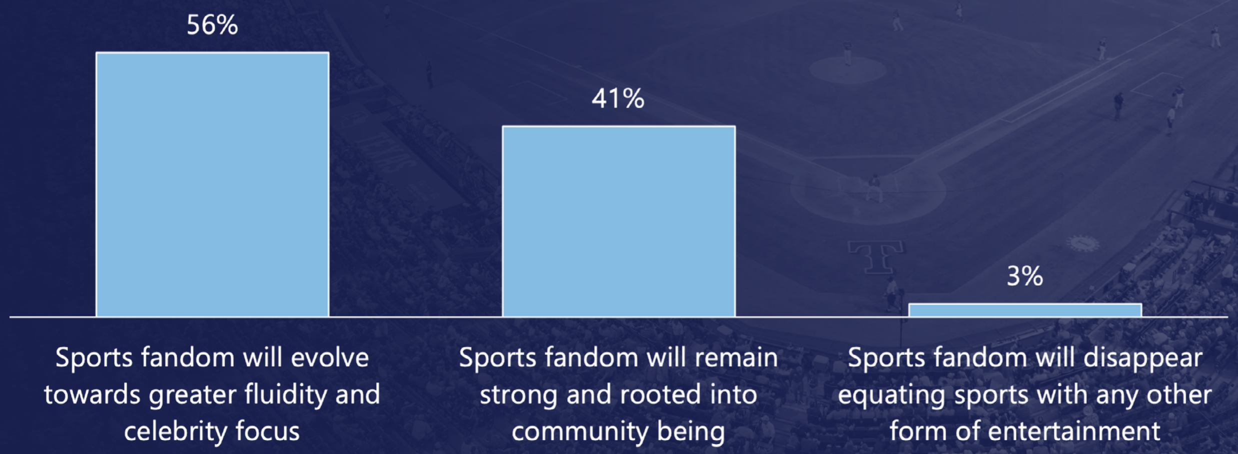
Sports fandom's shift to more transient models is a long-term sectoral risk, hinting at commoditization

Evolving Sports Fandom

Key insights:

- Executives are divided between resilience of community-based sports (41%) and a gradual transition towards a more fluid and athlete-driven fandom (56%).
- While changing format preferences can be tackled by realigning its commercial model, younger fans shifting towards more fluid and transient patterns is a more profound, long-term risk for the sector.
- As commercial initiatives are growing, it seems vital to continue to nurture a strong identity bond between a property and its fan base, to prevent sports being reduced to the level of any other entertainment franchise (i.e., commoditization).

How do you think sports fandom will evolve, especially considering younger generations' habits?



Source: CAWI Consumer Survey N=2500, Powered by IRIS

"The sports industry must adopt a growth mindset to continually attract new audience segments, adapt to the evolving creation-consumption models, and hyper-customize products and solutions for consumers-customers."

Sanjog Gupta, Head of Sport, Disney Star

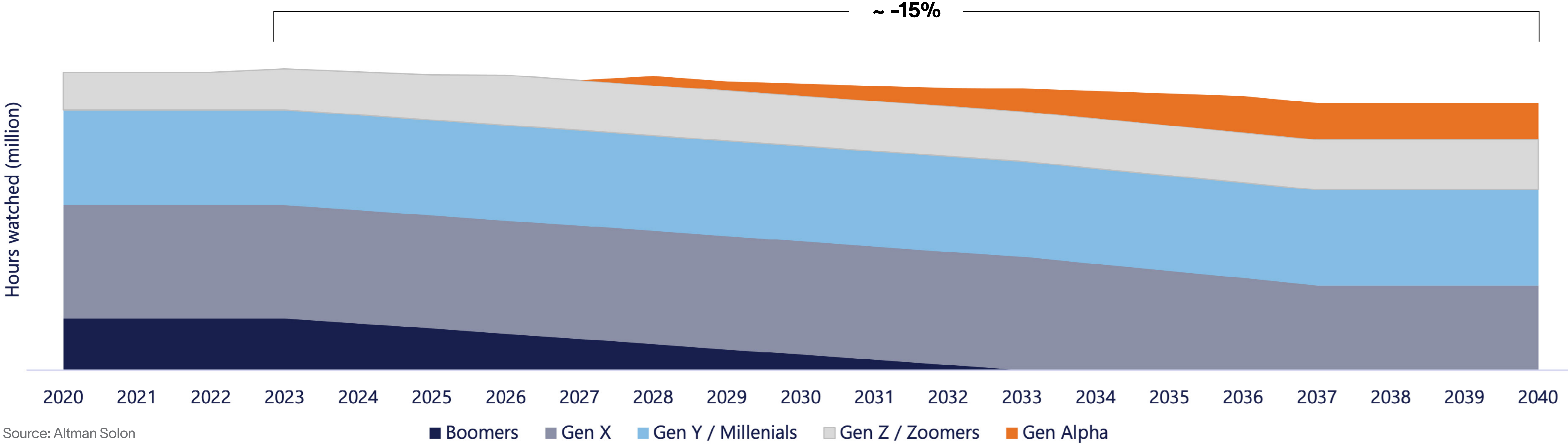
"Consumer habits are evolving faster than ever, and sports media needs to work very hard to get to the forefront of those changes and attract younger and broader audiences."

Alan Gilpin, CEO, World Rugby

Changing media consumption

Prerogative to rethink long-term engagement strategies is increasing, given that young fans are likely to hold current habits

Long-term TV Consumption Forecast (Illustrative)



Source: Altman Solon

Key insights:

Average hours watched per week are expected to drop ~15% by 2040 as Gen Z and Gen Alpha move into adulthood.

As they age, fans tend to have similar viewing behaviors as they do when they are young; 65% of Baby Boomers still watch linear TV weekly as of 2022, remaining their most preferred method of content consumption.

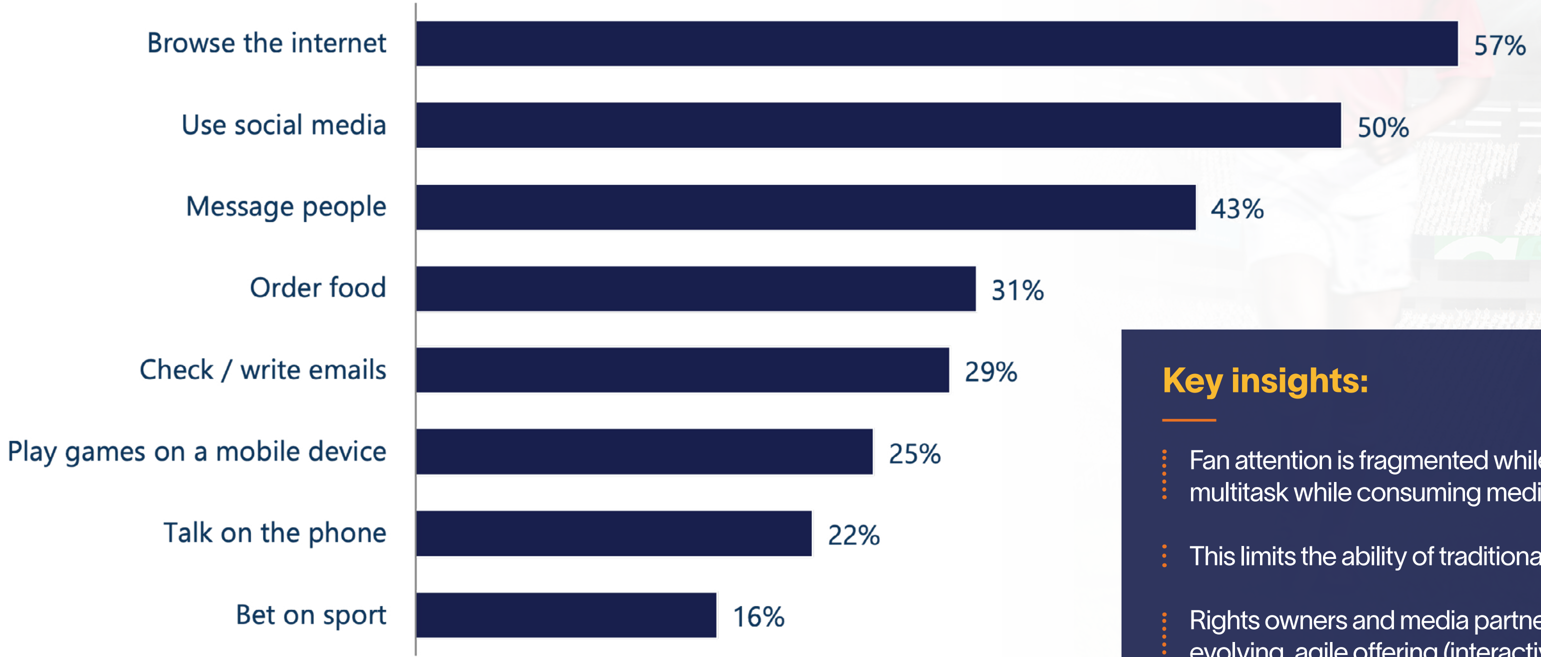
- As older generations have, it is likely Gen Z and Gen Alpha will hold their viewing behaviors into adulthood.

Changing media consumption

Going forward, we expect to continue seeing fans multitask on other digital media while watching sports

Fan Behavior during Games

While watching sports, do you do any of the following?
% of respondents selecting the following behaviors among those interested in watching sports



Source: CAWI Consumer Survey N=2500, Powered by IRIS

Key insights:

- Fan attention is fragmented while watching sports, resulting in shorter attention spans and a tendency to multitask while consuming media.
- This limits the ability of traditional live sports programs to engage younger viewers for extended periods.
- Rights owners and media partners need to put technology and new partnerships at the center of an evolving, agile offering (interactive feed, micro-betting, gaming/esports integrations, social engagement).

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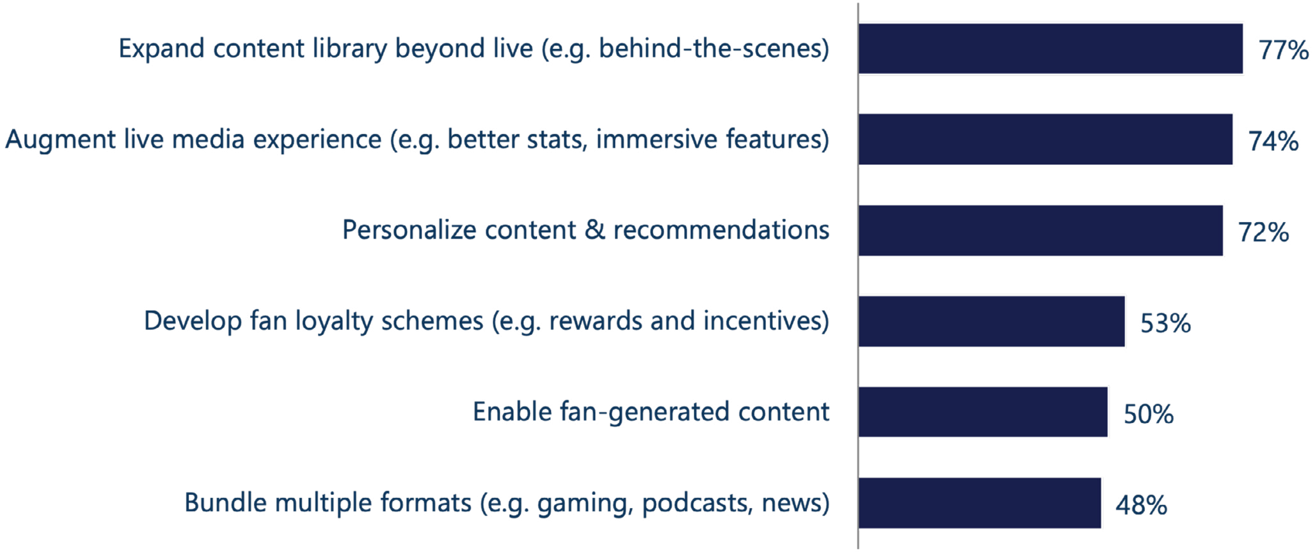
Changing media consumption

Expanding/personalizing content and augmenting live media experiences are key to capturing and holding fans' attention

Priorities to Make the Sports Product More Engaging

Where should the sports industry set priorities to make the sports product more engaging during & beyond live sports?



Source: CAWI Executive Survey N=150

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Engaging Tomorrow's Fan

What leaders are saying

"Tell great stories about athletes and their sport. Also, embrace bundling, as single sport offers destroy value and are ultimately not valued by most consumers."

EVP, European Sports Broadcaster

"Rights owners need to partner with suppliers of innovative business models and technical enhancements while not forgetting the core elements, strengths and traditions of their own sports formats."

Bruno Marty, SVP, Infront Sports & Media

Key insights:

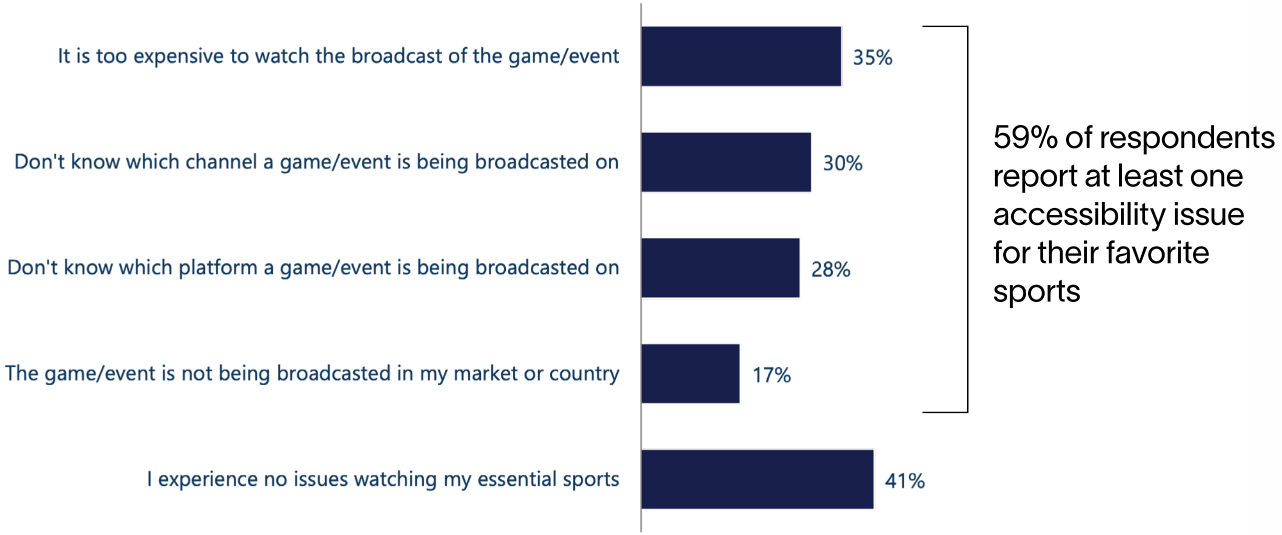
- Executives believe new content strategies are paramount to building engagement, including expanding available content beyond live games (77%) and delivering personalized content (72%).
- Reflecting various initiatives taken in this direction (e.g., LaLiga and PlayAnywhere), augmenting the sports product in-stream is seen as key priority for the sector (74%).
- Leveraging new technologies such as Web3, could open new opportunities to build cross-stakeholder initiatives that tie rights owners, broadcasters, and sponsors together.

Changing media consumption

Fans report difficulty accessing games, compounding issues with engagement and limiting ability to convert fans into live viewers

Fan Discovery and Access Challenges

Which of the following pain points do you experience while trying to discover and watch live broadcasts of your favorite sports?
% respondents selecting answer for any league/property they consider essential



Source: CAWI Consumer Survey N=2500, Powered by IRIS

Key insights:

While older cohorts (35+) are more likely to report having no issues (43% vs. 30% for younger fans), the cost of watching games and knowing which channel to tune into are the top accessibility issues across all age groups, with an average of 59% fans reporting accessibility issues.

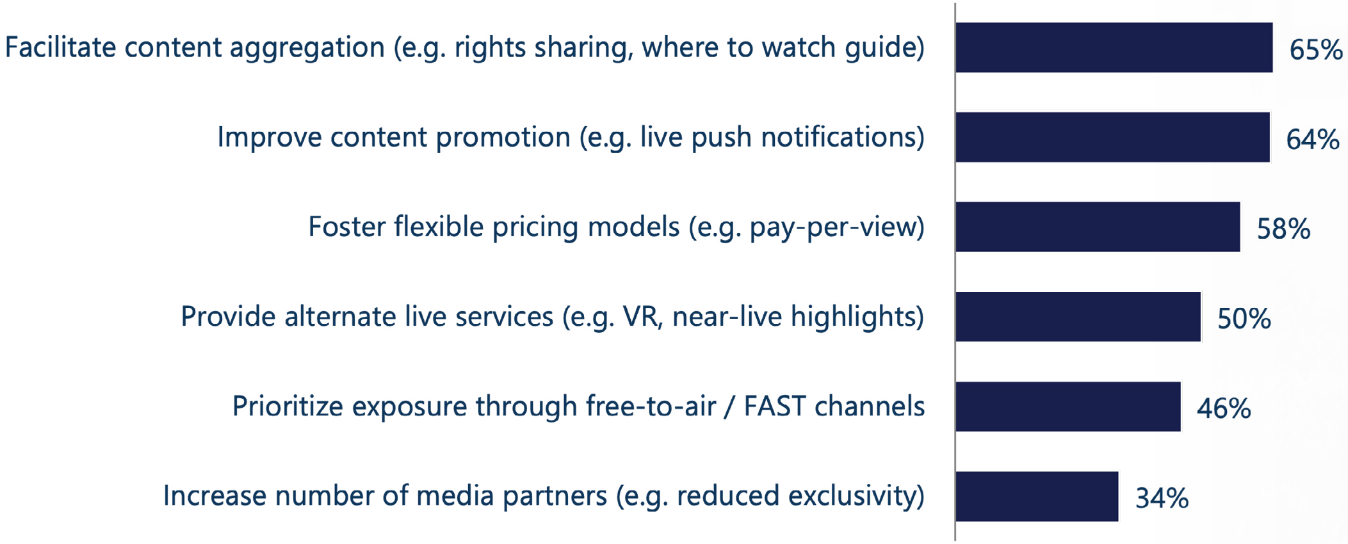
56% of fans say they would spend more or significantly more hours watching sports if more sports were available on their main sports content platform, underscoring the impact accessibility has on viewership

Changing media consumption

Democratizing sport content across major audience hubs will be a key priority, but likely requires industry restructuring

Priorities to Make Live Sports More Accessible

Where should the sports industry set priorities to make live sports more accessible to fans?



Source: CAWI Executive Survey N=150

"Sports media companies must innovate presentation, build engaging promotional campaigns, and maximize reach through distribution partnerships and more comprehensive live & packaged content."

**Founder,
Sports Media Company**

"Rights owners need to better exploit underleveraged digital assets and improved distribution on new streaming platforms and direct to consumer OTT to make sports more accessible for fans."

**Managing Director,
Sports Media Agency**

Key insights:

- Executives believe that a key strategy to better attract fans to live sports is to improve the presence and discoverability of sports content within existing audience hubs.
- Main approaches to achieve this include enabling content syndication through aggregators (a top priority for 65% of respondents) and improving content promotion strategies (64%).
- It is worth noting the resurgence of free-to-air and FAST channels; the challenges faced by pay TV broadcasters have lowered the opportunity costs for free offerings, putting a greater emphasis on reach in the classic money vs. exposure trade-off.

Changing media consumption

Landscape reconsolidation can take various scenarios, depending on the structure of the value chain

Scenarios for Reconsolidation in Content Access (Illustrative)

End-state scenarios

Everything in one or few platforms (closed market)	Everything, anywhere (open market)
1 Audience aggregation	**2 Content democratization**
(Live) sports content and audiences are aggregated by one or a few platforms having unrivalled adoption and scale	(Live) sports content is consolidated and offered on a non-exclusive basis by multiple media outlets, each exploiting its own audience

Scenario execution paths and **Key features**

	1A Harmonized value chain	1B Dominance of the giants	2A Multi-platform licensing	2B DTC empowerment
Scenario execution paths	IP owners ▶ Editors ▶ Aggregators/ retailers	IP owners ▶ Integrated editors & retailers (one/few)	IP owners ▶ Integrated editors & retailers (many)	IP owners editing and retailing their own content in-house
	Broadcasters acquire and edit content but leave user relationship and monetization to one/few aggregators	One/few integrated players win over user demand – rights owners directly license (all) their content to them	Rights owners license their entire content catalogue to multiple platforms, who cater for their own users	IP owners to broadcast all their content DTC, building retail capabilities incl. payment rails and client services
Key features	Market signals incl. broadcasters giving away direct user relationship against affiliate fees. Roles in the value chain are highly verticalized. Risk of content commoditization mitigated by editor competition.	Market signals incl. tech. groups directly acquiring sports rights. New market order (i.e., winners take it all, providers with sub-scale operations are out). High risk of rights/content commoditization for rights owners.	Market signals incl. increasing content sharing and carriage agreements (e.g., Netflix and HBO). Rights owners to play more on volume than value (no exclusivity) . Fan segments to co-exist in similar yet separate distribution systems.	Market signals incl. rights owners switching to DTC in case of sub-optimal exploitation by partners (e.g., regional sports networks in US). Consolidation at rights owner/ property level only; remains fragmented and, above all, inefficient to address casual fans.

Source: Altman Solon 2023 Global Sports Survey

Changing media consumption

What will the future hold? We believe the sector will reconsolidate, either through high-scale aggregators, or by making content widely available

Our take

The sports media landscape is on the verge of reaching peak fragmentation. Media disaggregation has created significant obstacles in discovering and affording sports content (60% of fans find it difficult to access live matches), as it is typically divided across multiple subscription platforms. This has several consequences:

- For rights owners, content discoverability, particularly for live events, is hindered, making it increasingly difficult to organically reach all audience segments and sustain engagement.
- Media companies are facing profitability issues due to lower Average Revenue per User (ARPU) and growing Customer Acquisition Costs (CAC).

The sector is presently in an optimization phase, exploring various approaches such as ad-supported and pay-per-view offerings, authenticated streaming, and universal where to watch guides to improve discoverability and reduce access costs for fans. In fact, most sports executives think that facilitating aggregation (65%), real-time promotion such as push marketing (64%), and flexible pricing models (58%) should be a top priority for the industry. Yet these efforts only address surface-level challenges; sports media is poised for a significant reconsolidation in content access by 2030, driven by structural changes.

We believe that this can happen through one of the following scenarios :

1. Audience aggregation:
Rise to power of aggregators that control demand and consolidate supply, bringing the market together around one/ few end user touchpoints

2. Content democratization:
Enabled by reduced exclusivity and rights sharing, each player in the market would offer a consolidated library of sports content and sustain its own audience – this scenario can also include rights owners switching fully to direct-to-consumer, retailing their entire content catalogue by themselves

Source: Altman Solon 2023 Global Sports Survey

"Content aggregation/subscriber models will develop to lower the cost and simplify access to sports to deal with the current unsustainable cost/complexity of accessing multiple sports by sports fans globally."

CEO,
Broadcast Services Provider

"Rights owners need to work ever-harder with media partners to invest in growth in both core markets and emerging markets. The opportunities can only be exploited by working closer together."

CEO,
Global Sports League

"Expand monetization beyond pure advertising and/or subscription models. Create a diversified ecosystem to widen the audience base and foster new and complementary business models."

COO,
Global Sports Media Group

Altman Solon is the largest and leading worldwide strategy firm fully focused on telecommunications, media and technology

Our services in the sports industry:

- Strategy
- Target operating model
- Organizational design
- Go-to-market
- Financial planning
- Transaction support
- Feasibility assessments

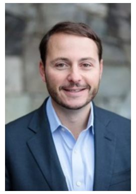
Specific strategy services in sports media:

- Rights packaging and auctioning
- Media rights servicing
- DTC, OTT and Web3
- Content features and pricing
- Fan behavior research
- Remote/ virtual production

Changing media consumption

At Altman Solon, we have built an impressive team of strategy professionals working at the crossroads of sports and media


David Dellea
Zurich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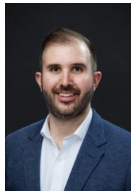
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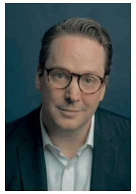
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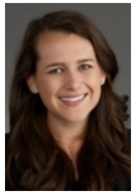
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The consumer research included in this publication was collected by our partners IRIS and GWI as part of an online survey fielded between August and September 2023

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