



2023

Global Sports Survey

Chapter 3:
Media Company
Perspectives

DECEMBER | 2023



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 3rd 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.

Key perspectives: Media companies

Streaming transition has strongly impacted media companies' economics; sports rights remain a unique asset to tackle this

Executive summary

Market Indicators

Value of Sports Rights

- **Fans spend over one-third of their TV and video budget on sports**, indicative of sports' distinctive ability to capture attention and spend
- **70% of fans claim they would switch TV providers to retain access** to one or more of their essential sports
- **Packaging and competitive intensity are instrumental in driving media rights value**, including airtime value and subscription value

Meeting (Casual) Fan Expectations

- **Over 35% of respondents interested in watching sports do not consume sports weekly** and are more casual / fluid sports fans
- **>70% of respondents working at media companies / broadcasters surveyed believe the industry should prioritize diversifying content libraries, augmenting live experiences, and providing personalized recommendations**

Need to Innovate Commercial Models

- Only **16% of global sports executives believe traditional broadcasters will be better positioned** to exploit live rights by 2030, compared to **>60% for tech aggregators and OTT streaming services**
- **65% of global sports executives believe a subscription-based monetization model** where sports are bundled with other services/content **will most contribute to refinancing sports rights in the future**

Our Take

The transition to streaming is challenging sports media as non-fans are more empowered to de-bundle sports content

Yet sports rights remain valuable for acquiring users and audience peaks, drawing interest from technology groups

Media firms need to rethink product and monetization models to match the success of legacy media's sports content

Applying **traditional monetization strategies to streaming is unlikely to match revenues of legacy media**, which enjoyed unrivalled penetration and stickiness

Broadcasters will need **clearly prioritized** rights buying strategy to **optimize portfolio, diversified distribution models** to reduce user acquisition and discoverability costs, and **new monetization approaches**



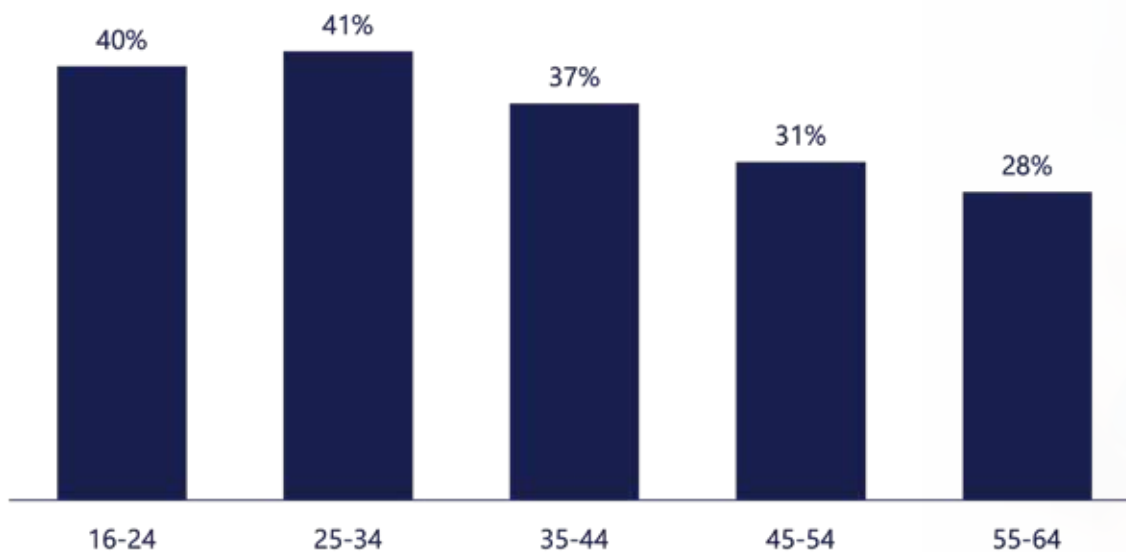
Key perspectives: Media companies

Given high level of fan interest and spending, sports content remains a unique audience driver for media companies

Share of budget spent on sports

What share of your TV and video budget do you spend on sports?

Average % of total content budget, among respondents interested in watching sports



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

Key insights:

- Across all age groups, sports comprise a key part of respondents' media budget, indicative of sports' distinctive ability to capture media users' attention and share of wallet
- Sports rights ensure the consistent delivery of high-value programming, achieving user acquisition and peak audience engagement in a repeatable and foreseeable manner
- As a result, prominent technology companies are increasingly committed to directly obtaining live sports content, in particular to differentiate their video services in a highly competitive and fragmented landscape

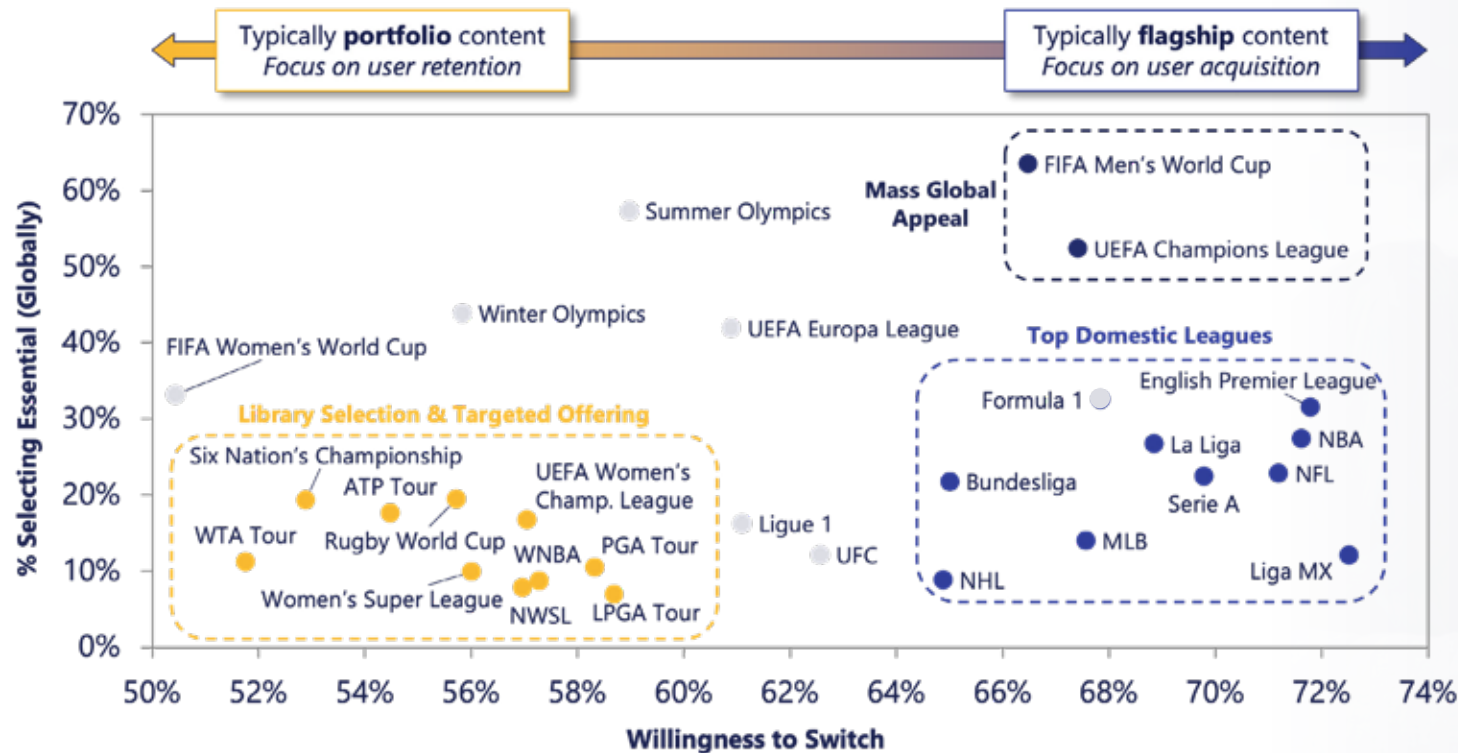


Key perspectives: Media companies

Top sports properties garnering mass-appeal to drive user acquisition, while longer tail primarily focuses on user retention

Fan willingness to switch providers for sports

If any of the following live sports/leagues/events were no longer available on your TV provider, how likely are you to switch your TV/video provider to gain access to them?
% selecting league, among global fans who consider league essential



Key insights:

- ~70% of fans are **willing to switch TV providers to retain access** to one or more of **their essential sports**
- Mass-appeal global events** (World Cup, UEFA Champions League) and **top tier domestic sports leagues** (EPL, NBA, NFL, La Liga, Serie A) are able to command **high interest** and drive **switching behavior**
- Those **flagship** properties are typically used as **user acquisition engines** for media companies
- Events and competitions **less likely** to drive switching behavior typically serve as **library content** and **retention drivers**, or to create **specialized offerings**

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



Key perspectives: Media companies

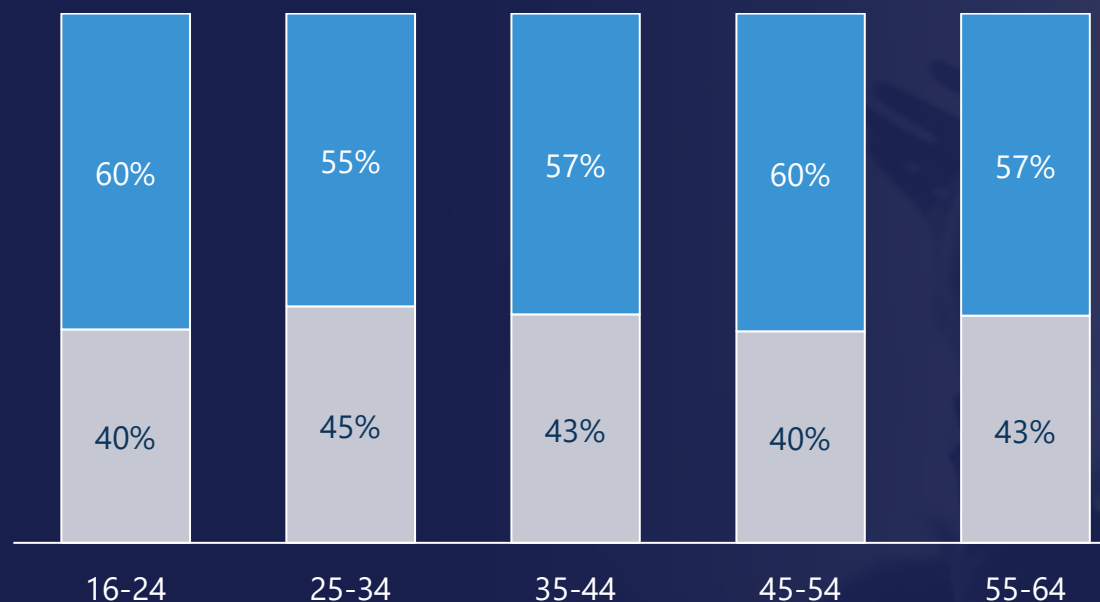
Beyond avid fans , opportunity for media companies to increase engagement & monetization of casual fans as a larger segment

Frequency of watching sports

How frequently do you watch sports matches / activities on TV or online?

Among respondents interested in watching sports

■ Watch multiple times per week – avid viewers
■ Watch weekly or less – casual viewers



Key insights:

Across all age cohorts tested, over **55-60%** of people who claim to be generally **interested in watching sports** consume sports **weekly or less**

Specifically targeting and **engaging this group of casual fans** is a **key opportunity for media companies** to extend the monetizable fan base

This is all the more relevant considering the **unbundling** of content offerings in the streaming era, which makes **access to non-core audiences more difficult**

“Media companies must adopt a growth mindset to... adapt to evolving creation-consumption models and hyper-customize products/solutions for consumers-customers.”

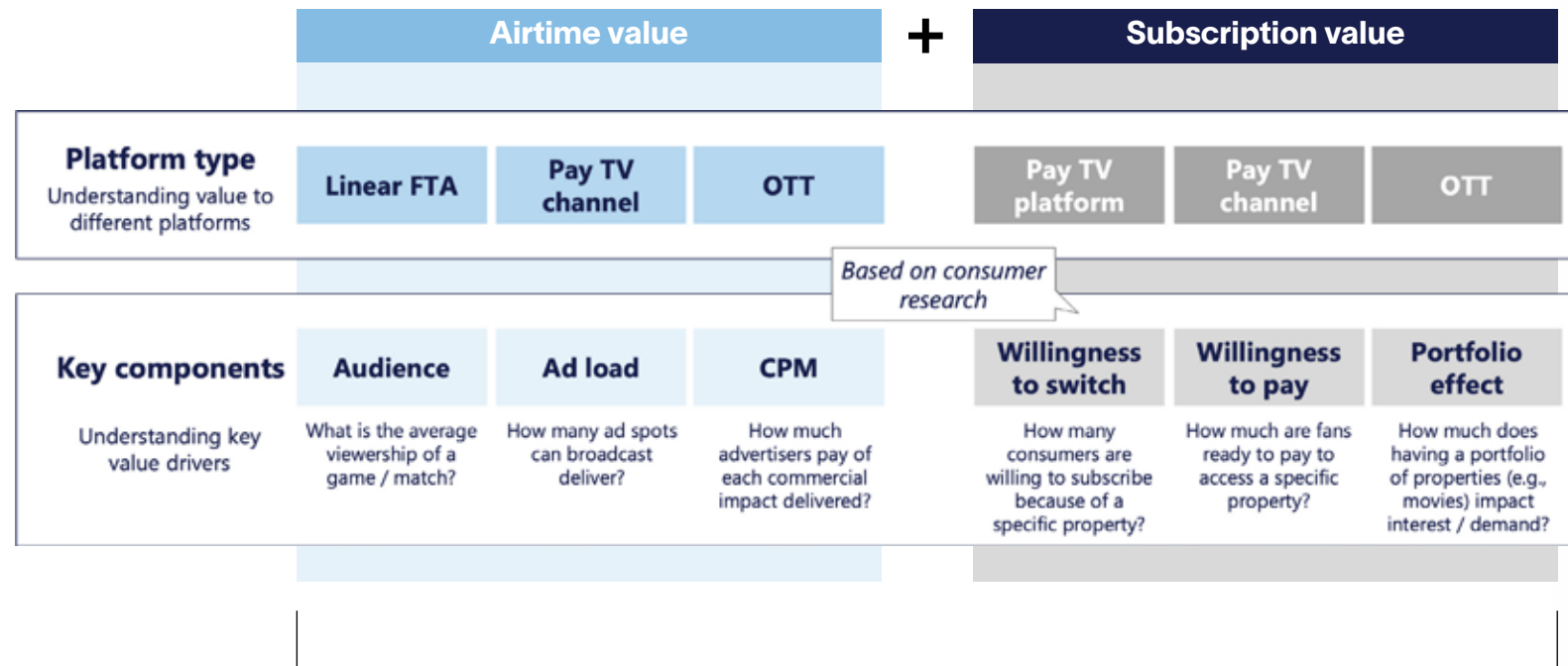
Sanjog Gupta,
Head of Sport, Disney Star

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

Key perspectives: Media companies

Media rights value can be determined by assessing each key component driving advertising and subscription revenues

Media rights value components



Packaging and competitive intensity are instrumental in driving media rights value

Key insights:

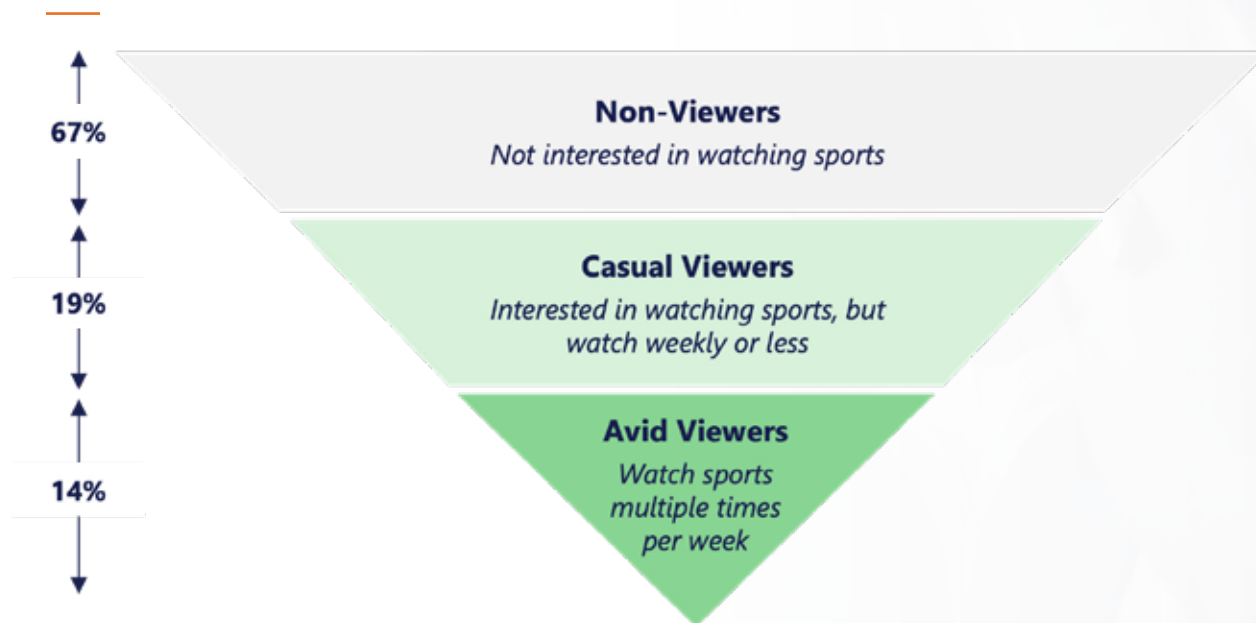
- Our (bottom-up) methodology to **valuing media rights** is based on a specific assessment of **each value driver**
- User data** to be used to determine fans' willingness to switch, subscribe and pay under **different exploitation scenarios**
- For subscription value, **inertia** plays a critical role, whereby consumer research would typically **overstate the willingness to switch** of potential subscribers
- Bottom-up results **to be validated top-down** based on valuation benchmarks, KPIs and historical trends of comparable assets



Key perspectives: Media companies

To achieve this, media companies must develop a funnel view to understand and act on challenges throughout the fan journey

Fandom by funnel stage



Monetization Strategy

Cross-subsidization & bundling; advertising

Pay-per-view (especially for top events); advertising

Monthly / yearly subscriptions, advertising

Preferred Engagement

Limited; news about major sporting events relevant to society

Short-form highlights, live games (top events)

Live games, long-form highlights, behind the scenes, archive

Motivation to Consume Sport

Social activity, especially around major events

Entertainment & celebrity-athletes

Community belonging & identity

To capture more casual viewers and fans, broadcasters must be able to **tap into sports' broader cultural and social appeal** and offer a diversified range of **access / monetization models** (e.g., pay-per-view), as well as **content formats**

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



“Engage end users and understand what they want and when they want it: not all consumers want the whole menu - some just want live sport, others highlights, others behind the scenes documentaries.”

Senior Executive,
Sports Federation/Governing Body

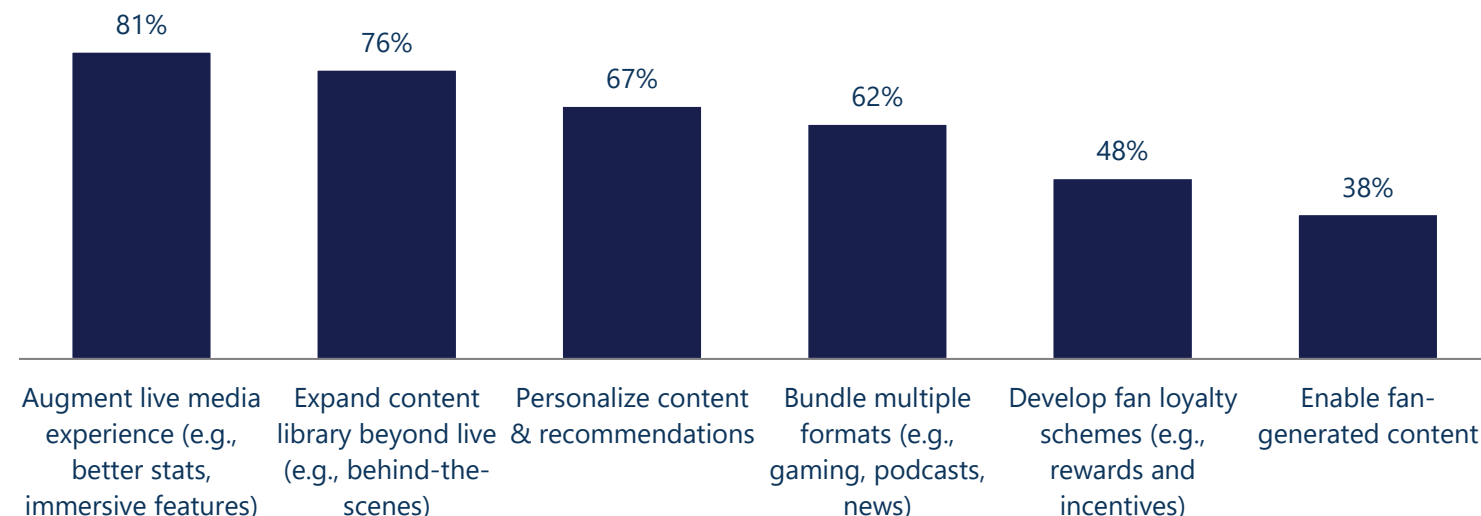
Key perspectives: Media companies

To engage more fans, media companies should personalize and diversify content libraries as well as augment viewing experiences

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?

Media Company / Broadcasters only



Source: CAWI Executive Survey N=150

Key insights:

Targeted content acquisition and technology integration are key for broadcasters to complement live games with innovative formats and viewing experiences

Capturing fan data and building fan profiles can not only enable personalization, but also loyalty schemes as user activation and retention engines

The latter may represent a potential future area of partnership with right owners

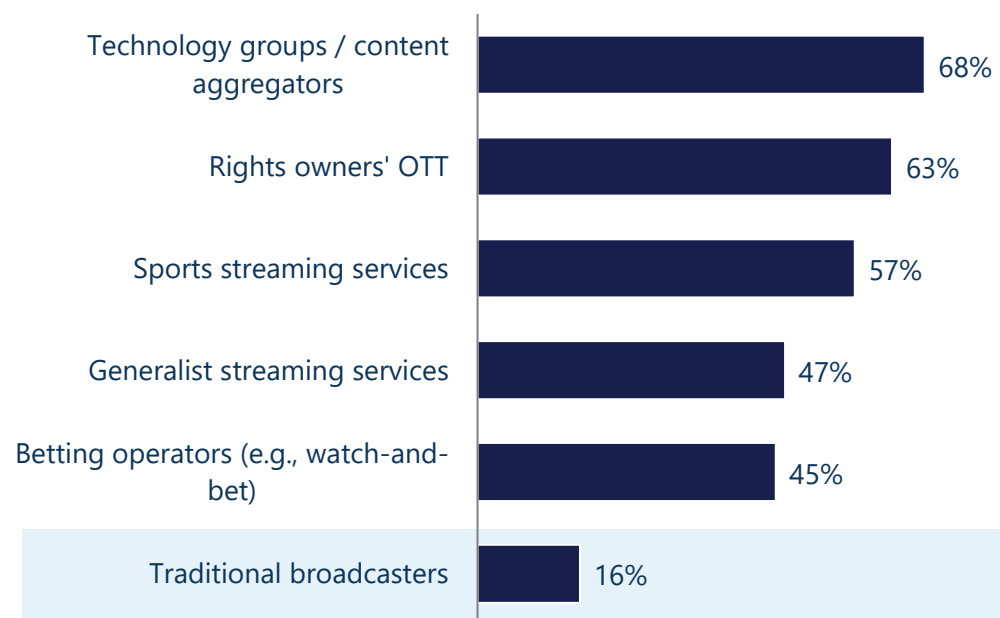


Key perspectives: Media companies

Broadcasters are under pressure from technology aggregators & streaming services, which could be well placed to exploit live sports

Platforms best placed to exploit live sports

By 2030, which platforms will be better placed than they are today to exploit the potential of live sports media rights?



Source: CAWI Executive Survey N=150

“If the tech giants increase the trend of investing in content, that could shift the dynamics significantly. They bring not just financial resources but also technological capabilities like advanced analytics, AI, and a global distribution network... that traditional media companies may find challenging to match.”

Chair,
International Sports Federation

Key insights:

- Executives perceive **major technology groups** as **best positioned** to exploit sports rights given their **structural advantages**, including product leadership as well as large-scale service and user aggregation
- While successful cases are yet to materialize, and despite a **clear risk** of operating at **sub-scale** compared with global aggregators and major broadcasters, executives believe **rights owners** are **well suited** to **disintermediate broadcasters** with **DTC offerings**

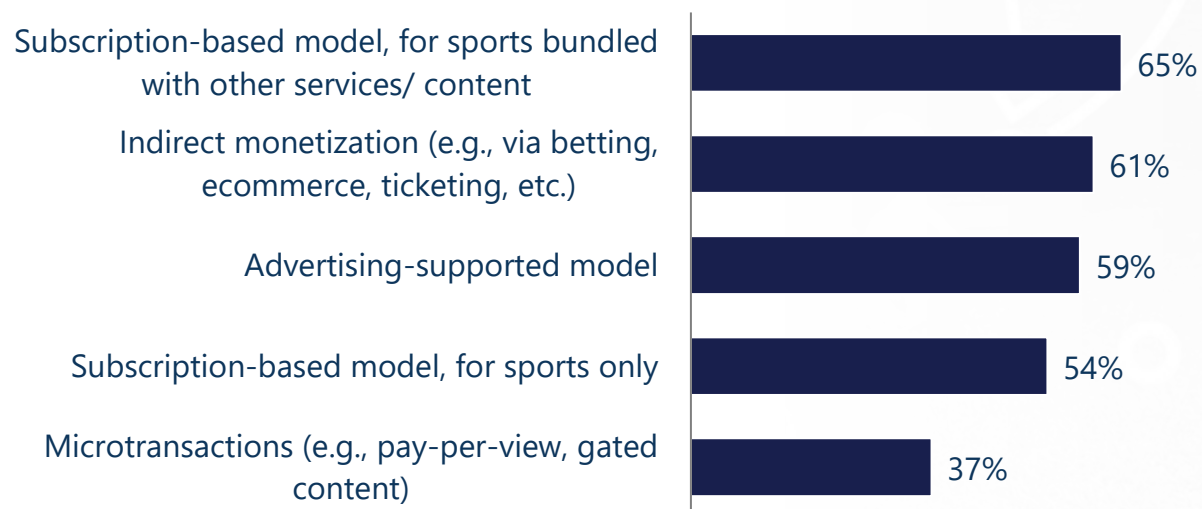


Key perspectives: Media companies

To refinance future media rights, priorities include subscription-based bundles mixing up various services, indirect monetization, and ads

Monetization strategy to finance sports rights

Which of the following monetization strategies will contribute the most to refinance sports rights in the next 5-7 years?



Source: CAWI Executive Survey N=150

“Media companies should break away from the limitations of pay TV monetization and embrace the trial of multiple sources of income.”

Peter Hutton,
Sports Media Executive

“The is managing the transition from traditional TV models to digital and streaming channels, in a way that makes financial sense for all the stakeholders and retains the high interest of large clusters of audiences.”

Alberto Ramon,
COO of JS3 Sports

Key insights:

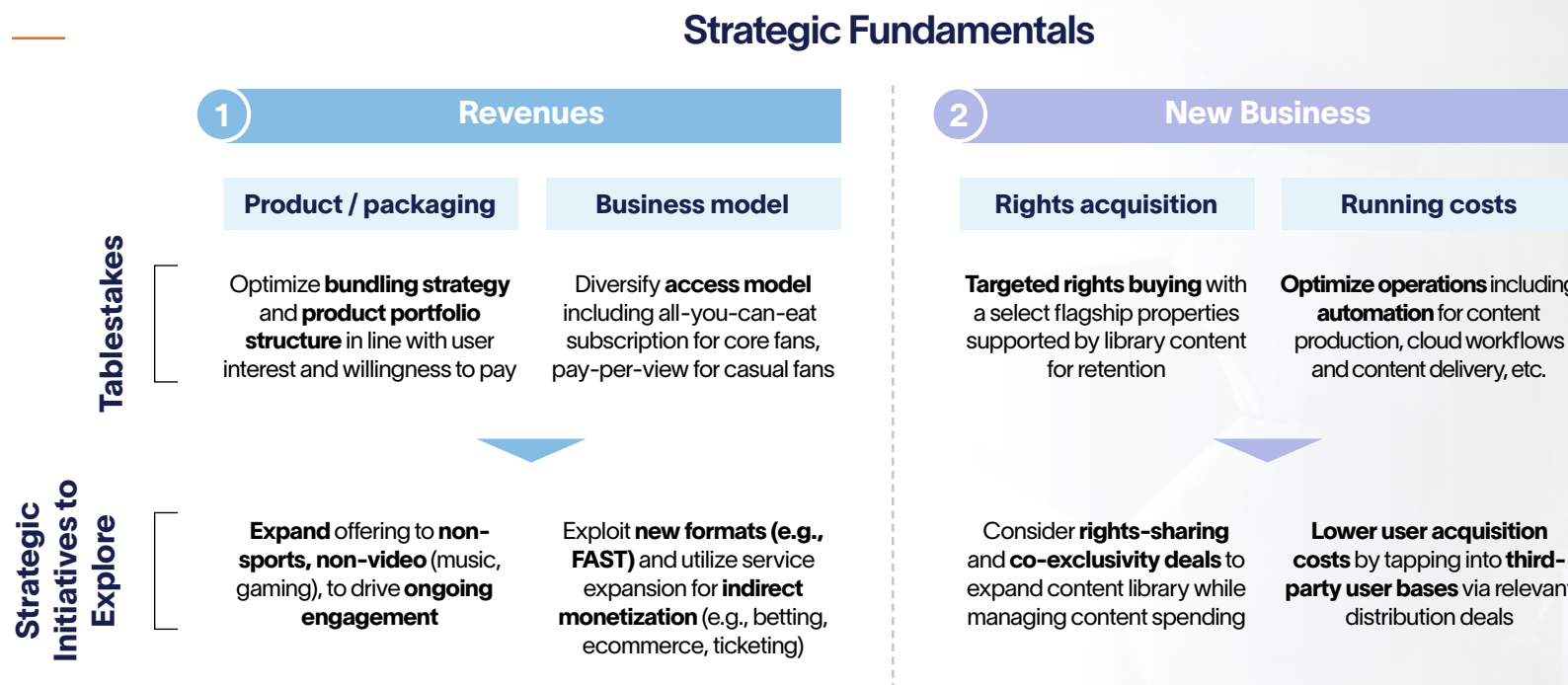
- Consistent with engagement priorities, executives are betting that **subscription-based** offerings mixing a variety of **sports and other content** will **best monetize users**, who continue to shift away from legacy linear TV
- This may herald an **era of re-bundling**, with the emergence of **packaged streaming offerings**, potentially including **other services** as well (e.g., music, gym subscriptions)
- Broadcasters are exploring **ad supported models** as a gateway to **discriminate prices** and **better address more casual audiences**



Key perspectives: Media companies

More of the same does not work with streaming; broadcasters are to rethink strategy holistically, both cost and revenue side

Opportunities framework



Key strategic questions

Revenue Drivers

- **Monetization:** How do we introduce AVOD & TVOD/PPV without cannibalizing SVOD? How do we translate adjacent services into revenues?
- **Bundling:** How do we optimize product structure and packaging considering user demands and segmentation?

Cost Drivers

- **Target portfolio:** What is our ideal set of rights given users' willingness to switch, portfolio effect, and market availability?
- **Distribution:** How to optimize our distribution network to maximize reach while lowering discoverability and user acquisition costs?
- **Efficiency:** What (new) tech use cases (e.g., content automation) should be prioritized?

Source: Altman Solon

Key perspectives: Media companies

What will the future hold? We believe media companies need to adopt radically new models to thrive in the streaming era

Our take

Despite the recurring pressure to acquire, re-finance, and reacquire them, **premium sports rights remain valuable to media companies**. They guarantee high-value programming that delivers user acquisition and audience peaks on a repeatable and predictable basis (this is why technology groups have gotten serious about acquiring live sports). The question remains as to **how media companies can exploit sports within a streaming ecosystem at a similar level to legacy media**, as rights costs per subscriber are increasing.

Media companies are adopting a **hybrid strategy**, combining defensive initiatives to retain resilient audience segments in legacy offerings, and offensive ones to migrate cord-cutters, where sports plays a driving role in acquisition.

This difficult exercise is compounded by the fact that **each environment commands a different model**. We believe that applying traditional monetization strategies to streaming is unlikely to **match revenue level of legacy media**, which enjoyed unrivalled penetration and stickiness.

Source: Altman Solon

Navigating these challenging market conditions require **clearer, stronger design principles** across the value chain:

- 1. Content acquisition:** optimize portfolio of rights, each of which should constitute a **strategic driver for the overall offering**, informing the acquisition strategy in terms of investment level and exclusivity (e.g., exclusive for acquisition, non-exclusive for retention)
- 2. Content distribution:** while production and distribution costs are decreasing, **focus on tackling growing discoverability costs**, positioning itself as a content wholesaler, or as a retailer, balancing guaranteed fees versus user data rights and direct billing access
- 3. Content monetization:** complement traditional/ new monetization strategies to upsell core fans with **initiatives to reach and convert** casual fans (e.g., pay-per-view offerings)

“We are still watching sports content in the same boring way we have done the past 30 years. We need to enhance the experience and micro transaction models to fit every type of fan, from the casual to the hard core.”

**SVP,
Media Company**

“Expand monetization beyond pure ad and/or subscription models. Create a diversified ecosystem to wide the audience base and foster new and complementary business models.”

**COO,
Media Company**

“Extend the media product offering and give fans the option to create their own game experience around live and fully extend the non-live/always on content consumption, keeping fans on their network/platform.”

**CEO,
Digital Media Company**

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



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



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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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