

2019 Edition

Where the Money is Going: The Future of Sports Entertainment

Taking a look under the hood of sports streaming.

In this report, you will learn how today's viewers prefer to watch sports, how much they're willing to pay, and what technology operators are prepared to invest to meet those expectations.

deltatre



massive
a deltatree company

Viewers are Going Digital - and Sports Operators are Doubling Down on OTT to Meet Them

Of all the innovations in sport, OTT streaming will arguably have the most significant impact. Millennials and Generation Z aren't watching less sport content, a commonly held view in the industry, but the mechanisms upon which they engage with that content is changing. As these types of fans demand more flexibility, more engagement and lower prices to access their favorite clubs and teams, operators of all sizes need to invest in the areas where their audiences see value in order to keep pace.

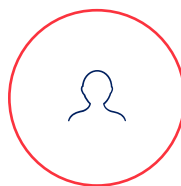
The next four years will be critical as global media rights for the world's most viewed sporting events become available to bid on. With the added pressure of non-traditional, digital-first entities like Facebook, Twitter and Amazon joining the fight, it is critical for operators to build or seek out from third-party vendors highly scalable, data-driven OTT platforms that give the flexibility to adapt with market trends. Only this will separate the winners from the losers in the battle for sports OTT.

In this report, we dive into the specifics of how consumer expectations are changing, where this is influencing strategy decision-making and spend from operators, why investment into the fan experience directly affects subscriber acquisition ROI and what will be the driving forces behind serious investment into OTT by sports content rights owners.

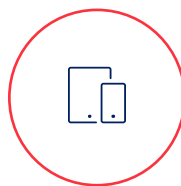
Our main findings conclude that:



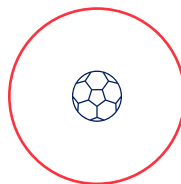
Global distributors of sports content (or 'operators') currently commit 15% of total budget to develop the OTT technology stack – **worth over \$6.8 billion by 2021 in the US.**



Operators that invest in functionality that maximizes fan engagement will see a **24% uplift in subscriber acquisition.**



Over two-thirds of consumers pay up to \$39 per month on sports content – with the remaining one-third willing to pay more - and the opportunity to capture and increase the lion's share of this exists for operators prepared to invest in the tech stack.



IP-delivered services from leagues, federations and operators are the future gateway for sports consumption – **with 'OTT 2.0' expected to emerge by 2021.**

Sources

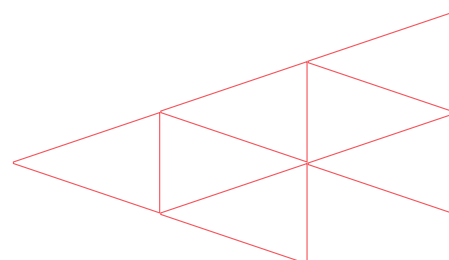
This research draws from:

1. Independently commissioned consumer research of US and UK self-described 'sports fans.'
2. Executive interviews from our international client base.
3. User data pulled directly from over 1.2 billion minutes of video streamed via live, Deltatre-powered OTT deployments.

Future trends were also gathered from a private Deltatre-sponsored Innovation Summit, hosted in Italy, that brought together leaders from eight of world's largest leagues and federations.



**If you have any questions about this report,
feel free to contact us at:
turin@deltatre.com**



Working with the World's Biggest Operators

A Bruin Sports Capital portfolio company, Deltatre is the international leader in sports media technology services. It powers an unmatched suite of leading-edge technologies for the full spectrum of media including OTT, CMS, and digital platform production, virtual broadcast studios featuring state-of-the-art VR and AR capabilities, broadcast graphics, content and data creation and real-time distribution.

It serves a blue-chip client roster of the most prominent and influential sports and media companies including FIFA, Premier League, DFL, IOC, EuropeanTour, NFL, UEFA, BBC, BT Sport, Discovery, ATP, Sony and hundreds of media companies worldwide.

In all, Deltatre delivers hundreds of technologies and services backed up by a team of more than 1000 people operating worldwide from offices in Italy, France, Germany, Switzerland, the UK, the United States, India, Singapore, Japan, Sydney and more. Deltatre has over 30 years' experience at the highest level of international sport.

In November 2018, Deltatre acquired Massive Interactive, a multi-award-winning global OTT software company. Combined they have made Deltatre the largest independent OTT solution provider in the world, with billions of consumers experience sport through Deltatre technologies.

The combined entity of Deltatre and Massive now:

50+
years

Has 50+ years collective **experience in the sports and entertainment** sectors.

1m+

Powered 1,000,000+ **days of video in 2018**.

Billions of consumers

Reaches **billions of consumers** every single year across its vast product ecosystem.

5
most viewed
sporting
events

Enhanced 5 of the most viewed sporting events in history.

OTT Consumption Driven by Device Adoption and Unique Content Types

In 2018, Deltatre powered over 1.2 billion minutes of video across sports OTT services that reached every country in the world – from Argentina to Vietnam – and it is clear that consumption of IP-delivered video across devices is on the rise.

The numbers indicate that, as would be expected, more consumers are watching content online. But what is more interesting is the device breakdown during a sports season.



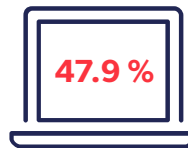
53% increase year-on-year of minutes streamed.



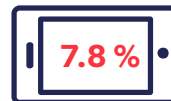
24% increase year-on-year in the number of paying subscribers to streaming services.



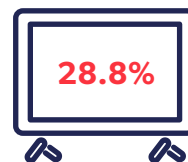
32% increase in the number of unique devices used to access OTT sports content.



During the regular season 'desktop' is the most used device type, serving almost half the total user base.



'Mobile' grows in the post-season (+7.8%), with a minor step back in the final weeks (-2.5%).



'Big Screen' progressively grows, going from 19.4% during the regular season to 28.8% during the final stages as viewers seek to watch major games on as large a screen as possible.

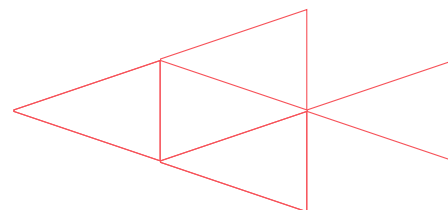
Similarly, there is a shift in the type of content that OTT sports viewers choose to watch. One sports league utilizing Deltatre-powered technology to deploy their international OTT service saw a 3% increase in the proportion of on-demand content consumed via its platform. This same provider also experienced 52% growth in the number of concurrent devices used to view content.

It can be assumed by these data points that not only are users watching more sports online, but that there is a growing desire from consumers to have an enhanced viewing experience that can only be offered in a digital environment – from streaming on demand clips on a mobile while on-the-move to tuning into a live final with multi-angle functionality on a smart TV.



One-to-many broadcasting has become many-to-one. But even with all that competition for consumer attention, sport remains a social engagement driver. Offering live is about creating that water-cooler moment the next day."

Jamie Hindhaugh, COO at BT Sport



\$39 is the Break Point for Sport Content Spend - Creating Opportunities for Operators in Freemium, Data and Original Content

Sport transcends age groups in building communities around teams or athletes - but there is a growing divide in which customers are willing to pay for content, as expectations set from entertainment video experiences cross over to sports. The 'aging dollar' is a big problem, with interviewed executives surveyed citing it as a concern for long-term growth.



Netflix has seen huge success because its pricing is widely affordable. But what the sports industry has seen is that a premium price product creates a barrier to entry – and also to fandom. Putting out highlights and original content as freemium is a great way to bring people into the product with something that can be enjoyed year-round, 24/7. From there, we can encourage them deeper into the ecosystem and ladder them to a fully paid-up subscriber over time."

Senior Industry Executive,
Major Sports League

Consumer **research conducted by Deltatre indicates that \$39 is the 'magic number' for spending on OTT-delivered sports** for two-thirds of consumers - driven by a desire to "cut the cord" and gain greater flexibility around the viewing experience. The remaining one-third are willing to spend more than this amount.

The desire for cheaper, more flexible access to sports content is not only applicable to millennials or Gen Z, of which almost 80% of under 24-year-olds indicate they currently pay less than \$39 per month for sports content. Even older generations, which it could be assumed would be more accustomed and able to pay higher prices for sports, express an unwillingness to pay hefty price tags. Only 27% of consumers over the age of 25 pay more than \$39 per month for sports.

However, it's important to look at this figure in the context of total media spend. It can be supposed that many consumers will supplement their sports consumption with entertainment-focussed OTT services, such as Netflix and Amazon, which command a price point roughly one-third of that cited as what viewers are willing to pay for sports – demonstrative of the opportunity for operators to capitalize on the premium content type.

This 'cap' on spending also presents an opportunity for operators prepared to invest in new distribution models. OTT creates a way to better engage fans at a tolerable price point throughout the year, opens new avenues for cross-sell and upsell, and, importantly, gives operators access to much richer data to guide decision-making.



Younger generations want to see untold stories about their favorite sports just as much as older fans, even if they're watching in different ways. Offering a look behind the scenes will always be an engagement driver and we've seen huge success with our 'No Filter' series. Original content keeps fans on the hook during the off-season."

Jamie Hindhaugh, COO at BT Sport



One-Third of Consumers Expect 5G to Have 'Greatest Impact' on Sports Viewing Experience

We asked thousands of self-described 'sports fans' to indicate the technology they felt would have the most significant impact on how they consumed content by 2025 and over one-third reported they believed it to be 5G, suggesting that consumers see a faster, more reliable data connection to be a fundamental building block to the future of sports consumption.

With nearly two-thirds¹ of the world's largest network operators planning to provide the technology, 5G opens up new viewing and revenue opportunities for sports OTT providers in VR and AR, real-time data capture and distribution, live betting, and, most importantly, to-the-second synchronized content across mobile devices and the live game.



The main difference [in 2025] will be the platforms. Younger generations will start to be in charge and so TV screens won't be relevant anymore. Everything will be centered around the smartphone with more possibilities to buy short content PPV – like 'last quarter' or 'last innings'."

Senior Industry Executive

Today, mobile is one of the primary devices used to consume sports content, where 39% of users watch four hours or more of sports programming outside of the home. Over 40% expect their consumption to

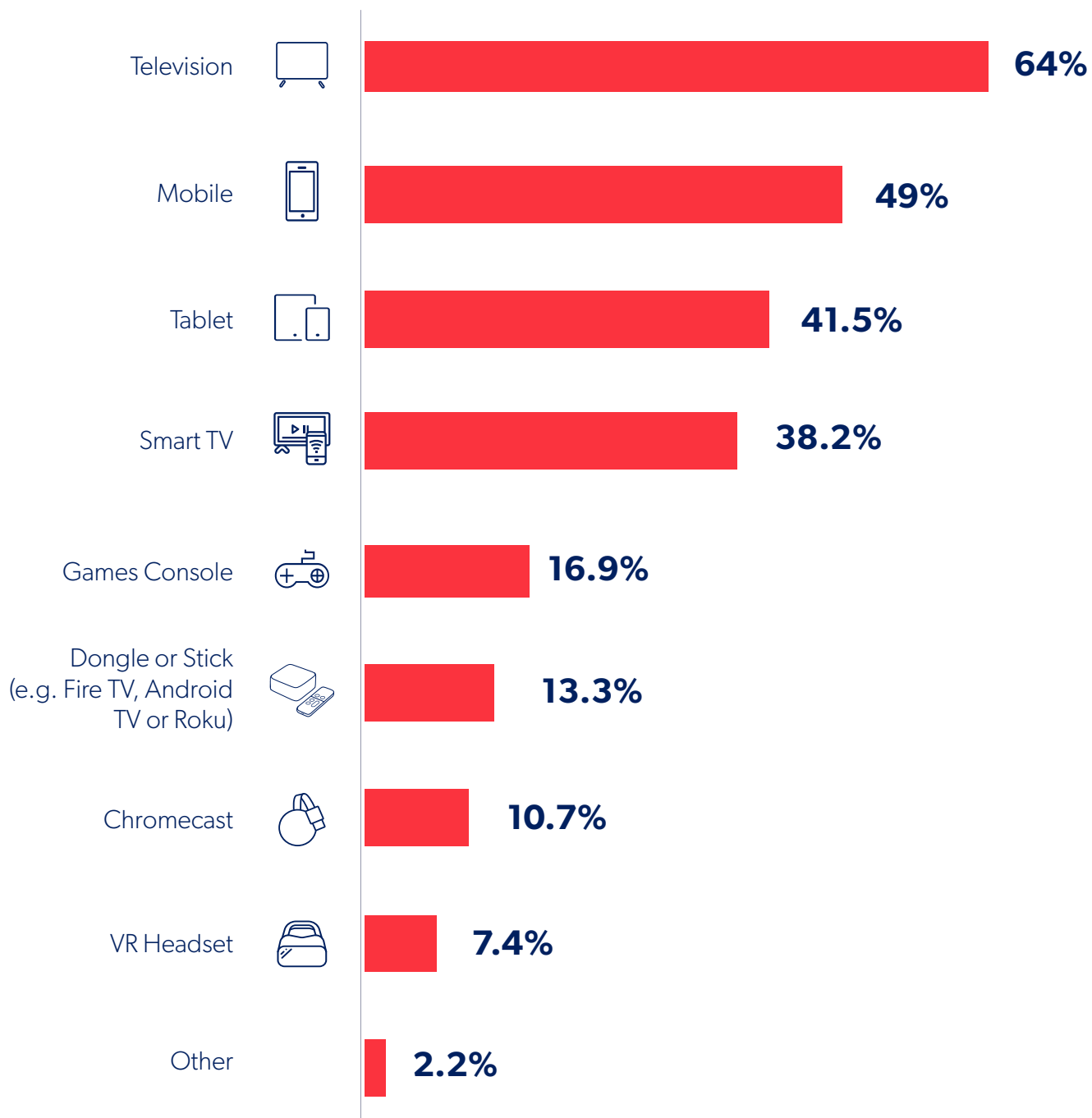
increase in the near future. This is particularly true for Generation Z, who currently account for 32% of the global population².

¹ <http://www.technologyrecord.com/Article/5g-to-improve-the-sports-viewing-experience-first-says-ovum-78110>

² <https://www.independent.co.uk/life-style/millennials-gen-z-outnumbered-2019-global-population-demographic-bloomberg-a8502251.html>

EVOLVING CONSUMER EXPECTATIONS

Primary Devices Used to Consume Sports Content, According to Deltatre 2019 Survey (Top 3 Selected).



One-Fifth of Consumers Pay Nothing for Sports Content – Indicative of Rampant Account Sharing

20% of self-described ‘sports fans’ who regularly watch sports content pay nothing for access in any given month. Almost half of this number cite ‘sharing accounts with family members and friends’ as their means of consumption – presenting an opportunity for operators to drive additional revenue and capture rich user data.

By offering tiered ‘Family Packages’ akin to those marketed by Netflix and Spotify, where multiple devices and content access are capped to the account

type, it is possible for rights holders to monetize users otherwise unprepared or unable to pay for a single account – an unachievable feat for pay-TV packages.

Research from Deltatre-powered OTT platforms indicates that the average number of devices linked to an individual account is 8.6.

This approach also opens the doors to creating an enriched data pool on individual users through dedicated ‘sign-ins’ or profiles which can be used to drive upsell and cross-sell opportunities.



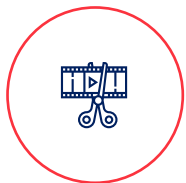
This past year we’ve seen a ton of success coming from a freemium model... Netflix has become successful because their pricing is widely affordable from market to market. What you’ve seen with rights holders like ourselves, is we have a premium price product and often, it creates a barrier. Not only to the product, but also fandom. If you’re a casual fan your thought may be, “I like it, but I don’t like it for \$200 a year.”

Senior Industry Executive, Major Sports League

Sports Fans Ditching Long-Term Contracts as Cord-Cutting Becomes Widespread

Cord-cutting is a global trend, particularly in western markets, with consumers craving the flexibility that 'buy now, cancel maybe' contracts provide. This has been driven by the penetration of on-demand, subscription services across many aspects of day-to-day life – from entertainment consumption to meal delivery or vehicle hire.

And while North American pay-TV subscriptions have been reported to be in decline for a number of years, the first worldwide decline of pay-TV subscribers was reported in Q3 2018, with satellite suffering the most significant losses at 0.11 million³.



79% want to be able to cancel their contract at any time.

77% of sports fans want the freedom to watch their favorite teams or players at their own pace based on our research, with whatever device they have to hand, and, importantly, the freedom to cancel at any time (79%). Except for an uninterrupted viewing experience, which 85% of consumers cite as the most important component of consuming sports online, this is the most critical factor in driving purchase decision-making.



Part of what is forcing people to go OTT is that consumers have PTSD from being tied to lengthy contracts. Netflix has cracked the code on reducing that concern, and sports players need to take note."

Senior Industry Executive,
Major Sports League

3 <http://www.streamingmediaglobal.com/Articles/News/Featured-News/Worldwide-Pay-TV-Subscribers-in-Decline-for-First-Time-Ever-129280.aspx>

EVOLVING CONSUMER EXPECTATIONS

Even in the age of Netflix, sports providers are entrenched in the status quo. 38.6% of operators believe cloud-based services will completely transform their business⁴, yet they have been slow to react when it comes to sports. This is recognized by Mark Carubia at Olympic Channel Services who said the company is “investing in new tech resources to help them better understand fans and better satisfy their needs.” OTT makes it not only easier to attract local and global audiences, but creates a greater pool of fandom that spans “casual-committed” to “diehard fanatics.”

Operators that don’t use the technology at their disposal to offer a broader range of options to consumers, across payment model, content offering, and platform, stand to miss out on converting 20% of the total available market, who currently pay nothing for sports content every month.



4 <https://www.digitaltveurope.com/intelligence/digital-tv-europe-industry-survey-2019-2/>

Rights Owner Attention Shifting to OTT

Many rights owners, whether leagues, federations, telcos or broadcasters, have recognized the value of OTT streaming platforms as a revenue driver – particularly by looking to the entertainment sector, where the growth of pure-play subscription services has overtaken ‘traditional’ pay-TV services in the UK, which saw revenue decline by 2.7% for the first time in 2017⁵.

Advantages of leveraging the latest technologies to drive additional revenue were cited as:



Reach younger audiences.



Facilitate new partnerships.



Exploit different types of content (live, documentary, archive).



Promote year-round engagement.



**[On how to engage fans]
Offer OTT. Exploit possibilities around 'free rights' without damaging commercial value. Apps across all platforms. 360-degree video, live chat and, most importantly, inspiring stories."**

Senior Industry Executive,
German Sport Federation

5 <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2018/streaming-overtakes-pay-tv>

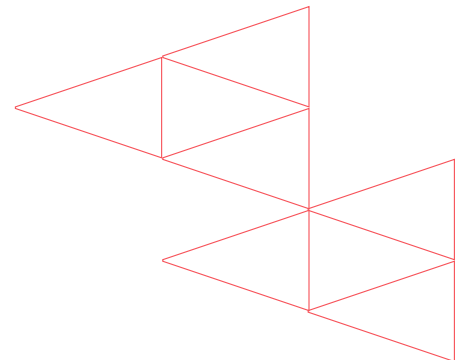
One major draw is the ability to offer flexibility around payment, content offering, platform and personalization to get new fans into the funnel and, more importantly, keep them there.



OTT can do what linear cannot, which is to deliver a highly personalized experience. It is not just about what team you follow. It's about letting consumers be part of the sports entertainment process... and bridging the gap between the online and offline worlds to create a more engaging experience overall."

Senior Industry Executive,
Major Sports League

Opinion from leading industry execs was mixed on what the future of OTT sport broadcast will look like in 2025 and beyond, particularly regarding content fragmentation and the aggregation of content via next-gen streaming services – DAZN and Kayo being notable examples. *"Fragmented platforms, with content owners going direct-to-consumer, and an aggregator platform selling wholesale services,"* was cited as one possible outcome, while another claimed *"huge consolidation in the marketplace, similar to what has happened in the entertainment space."*



Operators See 24% Increase in Subscriptions Following Investment into UX

OTT is growing - external research pegs a 49% increase in live streaming 'plays' of sports content year-on-year in 2018⁶. Indeed, Deltatre-powered streaming services experienced a similar level of growth over the past 12 months, with one operator reporting 53% growth in the number of minutes streamed.



53% growth in minutes streamed following UX investment.

Why? Investment in the fan experience.

At a minimum this means operating a platform that offers a "lag-free" video stream in sync with the live game. Without this, consumers will be quick to churn and seek the content elsewhere. But OTT offers an opportunity for operators to experiment with next-generation features that bring consumers "closer to the game" and improve retention – features like multi-angle viewing, contextual data overlays, social media integration, real-time targeted promotions and voice control.



Netflix is an industry staple for how to acquire new customers and create a frictionless funnel for keeping them on the hook. It's not hard to look to them as the gold standard of what is possible with OTT, given their success and penetration. We have learned a lot from Netflix about consumer engagement. But with sports, we have the potential to do much more with interactivity in a way that goes beyond what Netflix is capable of when it comes to creating immersion."

**Senior Industry Executive,
Major Sports League**

6 <https://www.conviva.com/press-releases/new-conviva-data-measures-54-yoy-growth-global-live-tv-streaming-nfl-83-viewing-hours-2/>

SHIFTING PRIORITIES FOR OPERATORS

Operators that build out streaming platforms beyond simple video hosting and categorization see an uplift across all key success metrics. On average, sports streaming platforms can expect to see a 24% increase in active subscribers following investment

into enhanced features and functionality that bring consumers 'closer to the action', such as automatic removal of ads in on-demand content and picture-in-picture during multi-sport events.



If a content or distribution company wants to be relevant to the new generation of consumers, it has to be on the front end of the OTT movement and the time is now with a significant amount of sports rights in play over the next four years.

The investment in OTT will drive innovation that fuels growth businesses informed by deep levels of data and insights derived from a highly-engaged, rapidly growing audience.

Those that ignore this opportunity will pay a real penalty because they'll miss out on a highly-valuable consumer base which nobody can afford to do."

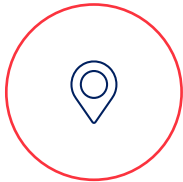
George Pyne, CEO of Bruin Sports Capital



Operators Looking Outside the Box to Grab Eyeballs

Feedback from attendees to Deltatre's private 'Innovation Summit', which saw eight of the world's largest leagues and federations convene to discuss the future of sports media, provided interesting

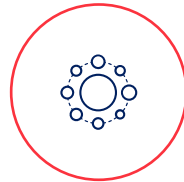
insights into the next generation of planned OTT experiences, with the following technologies cited as potential avenues for investment:



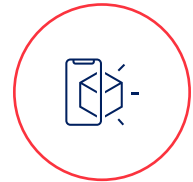
Local and Branded Content



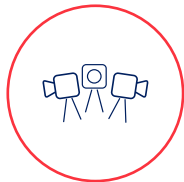
Fantasy and Betting



Data Visualization



Augmented and Virtual Reality



Multi-Camera



Voice Control



Gamification

There is matching consumer demand for these types of features – 6 out of 10 users surveyed claimed to want access to “real-time information” about the content they consume live through in-player statistics and social media integrations, while one-third believe VR to be commonplace and integral to the viewing experience by 2025.

Making sport “daily bread” is a core consideration for sports operators, particularly ones that depend on seasonal action, and finding ways to keep customers engaged year-round is critical.

”

Experiences outside of the sport or sporting event – for example, Fantasy and eSports – that amplify interest and conversation are great ways to help fans grow their fandom and spread their enthusiasm to their friends.”

Mark Carubia, Head of Product at Olympic Channel Services



15% of Budget Spent on OTT Technology Stack – Representing \$6.8 Billion by 2021

Rights holders are under immense pressure to demonstrate ROI – especially as North American sport media rights alone are expected to cost \$23 billion by 2021, an 18% increase from 2018⁷.

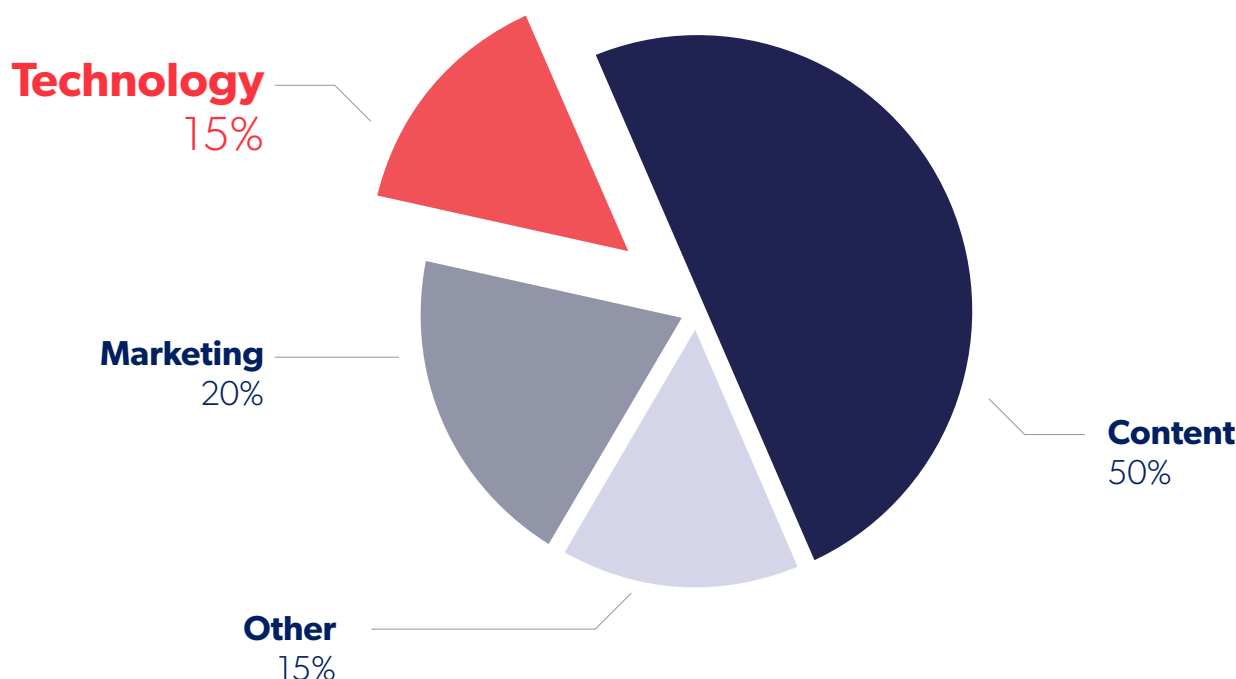
This, we anticipate, will force a surge in video streaming investment as rights owners seek to monetize fan engagement through the user experience – a trend that has already begun to manifest. We expect the current status quo of video delivery to adjust significantly by 2022, when the majority of global sports rights have gone through the next bidding cycle.

Interviews with leading sports federations, operators and external market research suggest that OTT technology investment accounts for, on average, 15% of their total budget – and it only looks set to increase and represent a total spend of \$6.8 billion by 2021 in the US.

“We’re only seeing our OTT investment grow year-on-year.”

Senior Industry Executive,
Major Sports League

The investment in technology will be spent on reducing latency (including 5G investment), creating unique ways for users to engage with the different sports they watch, deploying tools that enable operator flexibility in defining experiences and monetization capabilities.



7 <https://adage.com/article/media/pwc-report-sports-m/311578/>



The sports OTT KPIs have changed. It's no longer just about streaming the match. Encouraging viewers to come back day after day is the gold standard, even when there's not a live match taking place. And that means maximizing engagement on the shoulders of the game itself. Tailoring video and editorial content to different types of fans and reconfiguring the UI and UX based on time of day, user insights, or the latest developments in the sports world that week, is how brands create a better ecosystem around a sport."

Giampiero Rinaudo, CEO of Deltatre



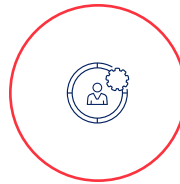
Foundations Aren't Enough – 7 out of 10 Users Want to Feel Closer to the Action

Finally, and in what should come as no surprise, broadcast-like quality, free from lag or buffering, flexibility around contract length, and being able to watch content anywhere, anytime are cited as the most critical aspects of an OTT sport streaming service by consumers. However, this alone is no longer enough – investment into the UX, targeted personalization and next-generation viewing technologies to enhance the overall experience are now demanded by consumers.

This insight comes direct from the consumers mouth. According to our survey, only 15% of consumers believe the status quo of sports broadcast will remain the same over the next three years, with personalization cited as an important feature of the next generation of OTT services (72%). Almost the same number of consumers crave deeper immersion (71%) and a desire to feel closer to the action through advanced functionality.

But despite wanting deeper immersion, over half cite the ability to access real-time information on the game on a second screen as important, demonstrating the importance of having a cross-device platform when it comes to OTT.

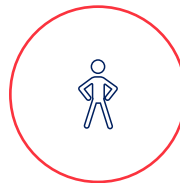
While the live streaming experience has improved in recent years, it's important to remember that matching broadcast quality with streaming video isn't a trivial exercise. Getting it wrong means disappointing consumers, lost revenues, and immediate public shaming on social media.



72% of sports fans view personalization as 'important'.



15% of consumers believe sports status quo will stay the same.



71% of sports fans crave 'deeper immersion' when watching live games.

The Future of Sports Entertainment

Consumption of sports content in major western markets is changing. Driven by the proliferation of over-the-top (“OTT”) subscription services like Netflix, Spotify and Amazon Prime, buyers demand more for less and the flexibility to change or dump products that don’t suit them at a moment’s notice.

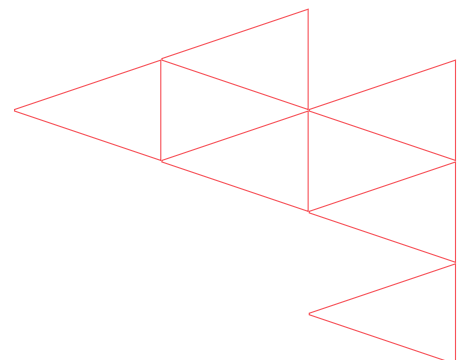
Estimations peg the global sports market – from infrastructure, events, training, and sports goods – at being worth between \$600-700 billion per year⁸, driven by massive, year-on-year increases in the cost of televised sporting events.

But after years of an almost exclusive focus on the trading of sports media rights to television operators, and then the subsequent marketing of those rights to audiences en masse, the sports media industry has begun to recognize the critical importance of leveraging technology to deliver targeted, one-to-one experiences as a means to capture audience share, drive monetization and reduce churn.

As sports content owners see growing demand for OTT products, driven by the continued investment in premium content, rights holders will find it increasingly important to work with trusted partners that have proven records in deploying large-scale digital services that put the fan at the heart of the experience.



If you have any questions about this report, feel free to contact us at: turin@deltatre.com



⁸ <https://www.lexology.com/library/detail.aspx?g=18a78c6e-4ee9-444c-8889-a039583c54a7>