



MediaKind

2021

SPORTS D2C
Forecast

REPORT

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Overview

The MediaKind 2021 Sports D2C Forecast is the most significant analysis ever undertaken of the direct-to-consumer (D2C) OTT platforms owned and operated directly by sports rights-holders.

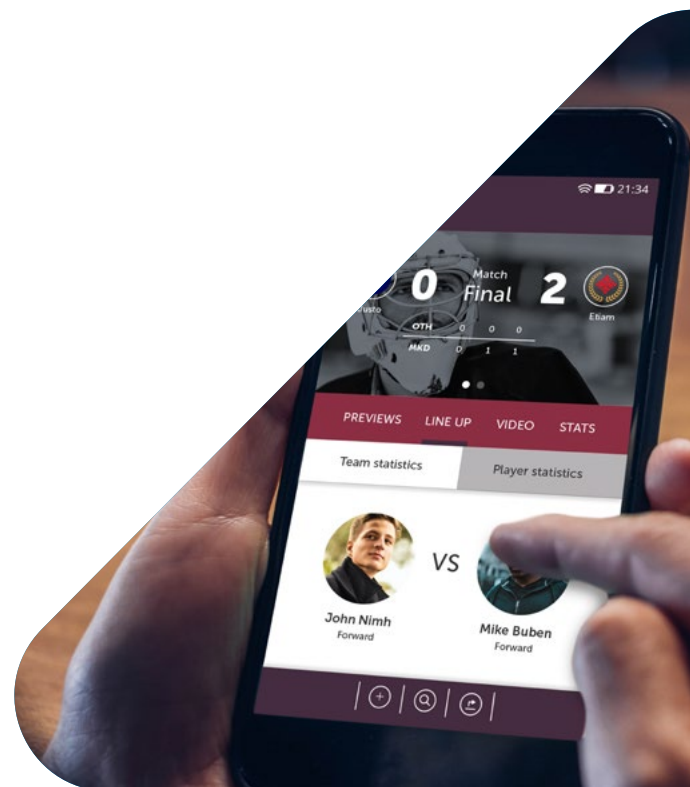
Although a handful of rights-holders, such as MLB and FIBA, have been operating D2C services for over a decade, D2C is an emerging market, reminiscent of pay-TV in the early 1990s. A sector marked by experimentation and exploration, trial and error, innovation, creativity, and risk-taking – with big rewards for those that get it right.

Media companies like Disney are now positioning themselves as streaming operators first and foremost; internet-based delivery is no longer the future of media content distribution - it is very much the present. This process is happening faster than anyone could have imagined even two years ago, no doubt accelerated by the COVID-19 pandemic.

Global sports media rights revenue hit \$51bn in 2019 and is projected to reach \$56.1bn by 2022, according to the Sport Business Global Media Report 2019. Traditional broadcast deals still drive the vast majority of that income. So the question facing sport is what role D2C should play in this new world? Will they evolve their business in the same direction that the rest of the media industry is going? What new businesses can they create? How will they harness the growth potential? The MediaKind 2021 Sports D2C Forecast provides a unique insight into industry thinking and practice to answer these questions.

Sports D2C Forecast

A global snapshot of the most exciting and rapidly evolving sports media industry developments



2020

The results are in...

The seven main conclusions based on the findings of the MediaKind 2021 Sports D2C Forecast are:

- 1. D2C: an increasingly important element in rights-holders' media strategies.** Most rights-holders now consider it essential to have a direct relationship with their base, beyond an official website, even though it will be a decade or more before a D2C service becomes the primary means of distribution. But many of those that do not currently have a platform operational are in the advanced stages of research and development into a possible launch. More sports rights markets will go dark, forcing more sports rights-holders to turn to D2C to claw back lost revenue. However, given the importance of linear media rights revenue in professional sports economics, it is likely to be a decade or more before the reaching inflection point at which a D2C service is used as the primary distribution platform by the majority of rights-holders.
- 2. Subscription model dominates.** The majority of rights-holders who operate a D2C OTT service make it available as a premium subscription service. Annual subscription passes represent a critical way to guarantee a return on investment on D2C platforms. Exceptions include governing bodies using the platform primarily for developmental purposes. Subscription is likely to be the dominant business model for years to come.
- 3. The UX bar is rising for fan engagement.** There is an even split between rights-holders who use their D2C platform as a content hub, focusing on quality video, ease of navigation, and an attractive user interface, and those who are exploring a whole range of fan engagement tools to exploit the full capabilities of an OTT medium.

4. Opportunity for secondary monetization is still mostly untapped. At present, very few rights-holders are embedding secondary monetization verticals – like betting, ticketing, and merchandising – within their D2C services, whether pay or free. Betting applications are set for rapid growth, but the dilemma for rights holders is whether to put these features on their main website or behind a paywall where the engaged hardcore fans will reside.

5. Stability at scale is crucial. Despite tremendous technological advances, there is still concern among many rights-holders about how a streaming service would stand up when faced with a high volume of concurrent live streams. For most rights-holders, the reality is that audiences are currently far smaller. But most of those analyzed said the stability and scalability of a platform were still fundamental. Low latency will be critical to the take-up of betting services.

6. Live content is king. All the rights-holders analyzed in this report provide live content. Each makes different strategic decisions about which of its events will be made available live and the degree of exclusivity offered vis-à-vis broadcast coverage. While most of the rights-holders interviewed still define their D2C platform as complementary to broadcast coverage (at least for now), all see it as an essential part of their distribution strategy for live sport.

7. Maximizing recurring revenues. Among those rights-holders that offer premium services, there is a wide variety of pricing structures and entry points. There is a clear need to generate guaranteed revenues in a subscription culture where immediate cancellation is made easy—as such, heavily discounted annual passes tie fans into the relationship long-term.



The research

Based on a combination of interviews with senior decision-makers at rights-holders and desk-based research, the MediaKind 2021 Sports D2C Forecast covers 40 sports rights-holders from across the world. Those analyzed include the four major US sports leagues, regional confederations, national associations, leagues, and clubs. It encompasses the wealthiest rights-holders in sport as well as niche sports and challenger events.

The rights-holders and properties covered are:

ATP Tour	NASCAR
America's Cup	National Basketball Association (NBA)
American Hockey League (AHL)	NCAA
Big Ten Conference	National Football League (NFL)
Champions Hockey League (CHL)	National Hockey League (NHL)
England and Wales Cricket Board (ECB)	PAC-12 Conference
English Football League (EFL)	PGA Tour
EuroLeague	Pro14
European Handball Federation (EHF)	Professional Squash Association (PSA)
European Rugby Champions Cup	SailGP
European Volleyball Confederation (CEV)	UEFA
Formula One	US Golf Association (USGA)
Gaelic Athletic Association (GAA)	USTA
International Basketball Federation (FIBA)	Ultimate Fighting Championship (UFC)
Italian Basketball League (LNP)	Women's National Basketball Association (WNBA)
International Swimming League (ISL)	Women's Tennis Association (WTA)
International Volleyball Federation (FIVB)	World Endurance Championship (WEC)
Liverpool FC	World Rally Championship (WRC)
MXGP	World Wrestling Entertainment (WWE)
Major League Baseball (MLB)	
Manchester United FC	

440

Sports rights-holders
from across the world

It encompasses the wealthiest rights-holders in sport as well as niche sports and challenger events.



1.

MEDIA STRATEGIES

D2C is an increasingly important element in rights-holders' media strategies

“ D2C OTT will be complementary for as far ahead as I can think. But we have to do it, to future-proof, to cover dark markets and as an outlet for all the additional content ”

Multiple objectives

The rights-holders surveyed for this report cited multiple strategic objectives for operating a D2C OTT service. Over and above these specific objectives, there was a common refrain among decision-makers at sports bodies: rights-holders have to consider having a direct-to-consumer content proposition.

For nearly all rights-holders contacted, their D2C platform is not their primary distribution platform for content. The exceptions to this are niche sports or challenger events, which do not have exposure on traditional broadcast platforms

The other main exception to the rule is when a D2C service is employed in a market where no acceptable broadcast deal has been secured. In such markets, the D2C platform becomes the de facto primary means of distribution.



As one rights-holder put it: "OTT has two functions for the foreseeable future: to plug dark markets and to offer a back-up solution in markets where the broadcast market does not produce a satisfactory offer."

D2C platforms complement broadcast coverage, providing a range of functions that are not mutually exclusive, including:

- **Capturing data on fans**, an asset which has eluded rights-holders who have no direct touchpoint under traditional rights distribution strategies
- **Providing additional revenues**
- **Providing an outlet in 'dark' markets**, where no broadcast exposure has been secured, which therefore serves as a 'stalking horse' in rights negotiations with broadcasters
- **Promoting grassroots events**, such as youth events, which struggle to secure broadcast exposure
- **As a vehicle for sharing large volumes of additional content** that would not otherwise be seen
- **Super-serving hardcore fans** with a richer experience and more extensive coverage
- **Expanding reach** by drawing in fans from a different, usually younger, demographic
- **Building a data set of user behavior** to serve customers with a better and more personalized experience and help drive other revenue streams, such as sponsorship.

Prioritizing going direct

When it comes to assessing how D2C strategies will evolve in response to the changes driven by the growth of streaming, it is necessary to distinguish between the technology and the business models around it. There is little doubt that an accelerated switch to streaming is underway and that this is probably happening more rapidly in the US than in any other market. The proportion of its content that any rights-holder makes available via streaming will continue to expand dramatically.

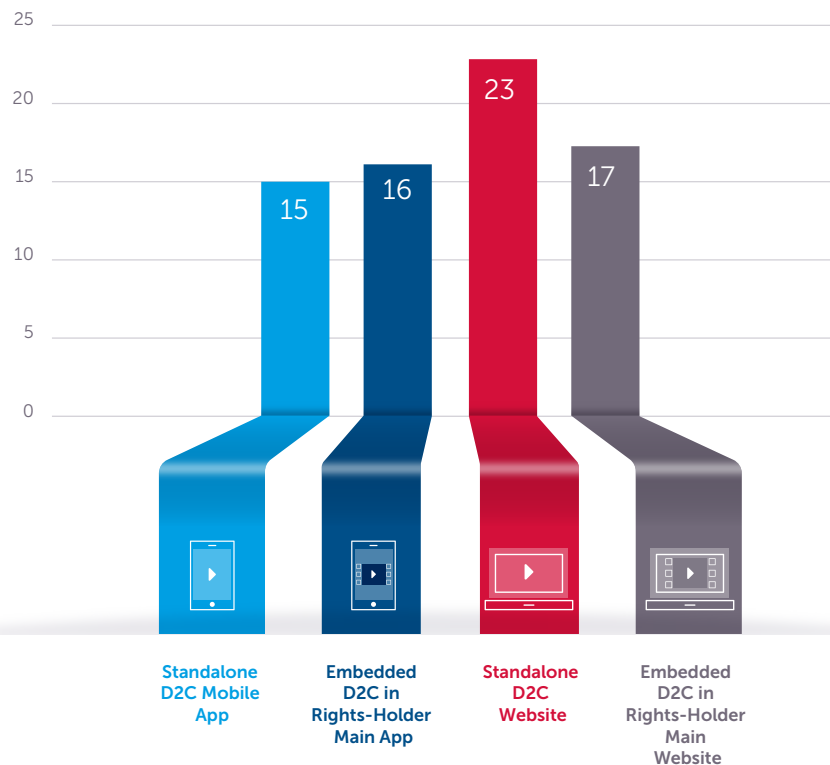
But this does not necessarily herald a shift to D2C from third-party distribution. Rights-holders will look to increase both revenue and reach. And because all sports bodies need to plan in advance, they will privilege business models that deliver guaranteed revenues for anything in the medium term. Until rights-holders come up with business models that provide certainty of income for the medium term, they will be reluctant to prioritize D2C over broadcast models that deliver it.

One thing seems inevitable: D2C platforms will soon be prevalent in sport. This report focuses on 40 rights-holders that have at least one direct-to-consumer content outlet. There are still many that don't. Some of the sporting world's most prominent and lucrative properties – from FIFA and the Premier League in soccer to World Athletics – currently do not have a D2C platform as an active part of their rich content distribution portfolio. Low-value content carried on official websites does not fall under the definition of D2C in this report.

However, all these bodies have been researching the viability of D2C and are at an advanced development stage. Germany's Bundesliga has the complete technical infrastructure in place and could launch a D2C service at any time. France's Ligue 1 is not far behind this.

“ Our D2C platform services the super fan; it's a premium product. It's the only place where you can see every match. But it remains complementary to broadcast coverage ”

How rights-holders distribute D2C services



15

The number of rights-holders analyzed which have a standalone mobile app for its D2C service

D2C Access

With few exceptions, rights-holders want the broadest possible distribution for their platform, which means they are device agnostic.

The desire to reach all fans on all screens has led to the near-ubiquitous distribution of streamed sports content across all available streaming platforms and devices. Those rights-holders who have created standalone D2C apps have done so for multiple platform including (but not limited to): iOS, Android, Roku, AppleTV, Android TV, Amazon Fire TV, Chromecast, Sony Playstation, Microsoft Xbox, smart TVs.

However, there is an apparent dilemma about the distribution strategy: to go with standalone apps and web platforms or integrate within rights-holders' existing main app and web platforms:

Stand alone OTT web platform

In total, of the 40, 58% have a standalone D2C web domain. The remainder have their D2C service as a sub-domain of their main website, usually reachable via a tab on the main menu or navigation bar.

Stand alone mobile apps

One of the more surprising takeaways of the research, perhaps, given the ubiquity of mobile devices and the increasing consumption of mobile content, is that less than a third of the rights-holders covered currently make their D2C service available as a standalone mobile app. However, this also may reflect the fact that consumption of live sport still takes place overwhelmingly on the largest screen available.

Just 33% offer a standalone D2C app for mobile devices with the same branding and content available on PCs.

Integrated access

For 40% of the rights-holders analyzed, the D2C service is reachable via the main rights-holder mobile app, meaning that there is a way of accessing a mobile-friendly service in 75% of instances.

Of the 15 with a pure mobile app, only five (13% of the total) don't have a standalone D2C web domain; instead, integrating it within the main rights-holder website.

Conclusion 1.

Streaming is a significant factor in the future of sports media distribution. Most rights-holders have already been tapping into that technology for the best part of a decade by distributing clips and other short-form content on third-party social media platforms such as YouTube, Facebook, and Twitter. The next five years will provide a better picture of the role D2C services will play within that future.

Rights-holders analyzed said no sports body could afford to be in a position where all the valuable data about its supporter base is in the hands of a third party were omitted and to which it may have little or no access.

However, for the premium sports and many of the sports properties analyzed, the traditional broadcast market continues to deliver substantial revenues – often their biggest revenue stream – and guaranteed for years in advance.

Developing D2C platforms also requires a cultural re-set: it takes sports bodies out of their comfort zones and into new areas, such as marketing to consumers and operating payment systems, where they have no expertise.

There are already signs that a hybrid model may develop, in which a rights-holder branded D2C service is carried as part of an aggregated service by a third party, such as a major media company with substantial resources. Such a model would remove many of the technical and consumer-facing demands from the rights-holder, but it would come at the cost of the forgone access to valuable user data of their own audience of fans.

US-based rights-holders, such as the big four US professional leagues, seem to be further advanced than their European counterparts in exploring the potential of D2C services.

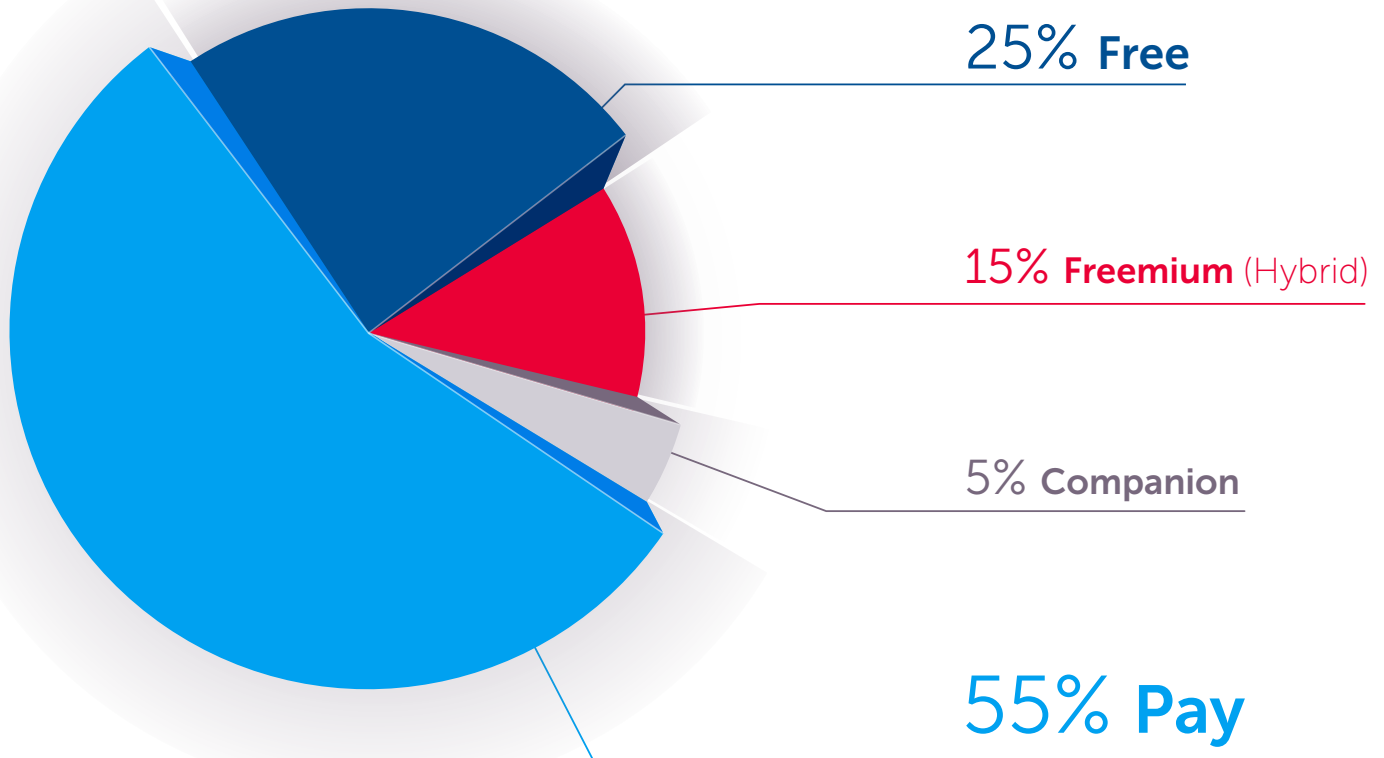
2.

BUSINESS MODELS

Subscription
model
dominates



Overview of business models utilized by rights-holders



Four models, six ways to pay

It is often said that there are only two business models for media content – paid and free. The burgeoning D2C market suggests a more complex picture, with four underlying models and multiple variations emerging.

Across the 40 rights-holders analyzed, four distinct D2C business models can be identified:

- Free to access
- Freemium, with limited content as part of, or an alternative to, a premium service
- Free companion services – those provided as a free adjunct to someone subscribing to other payment services.
- Subscription

Among the services analyzed, some form of subscription – including those with freemium offerings – is by far the most popular model, accounting for 70%.

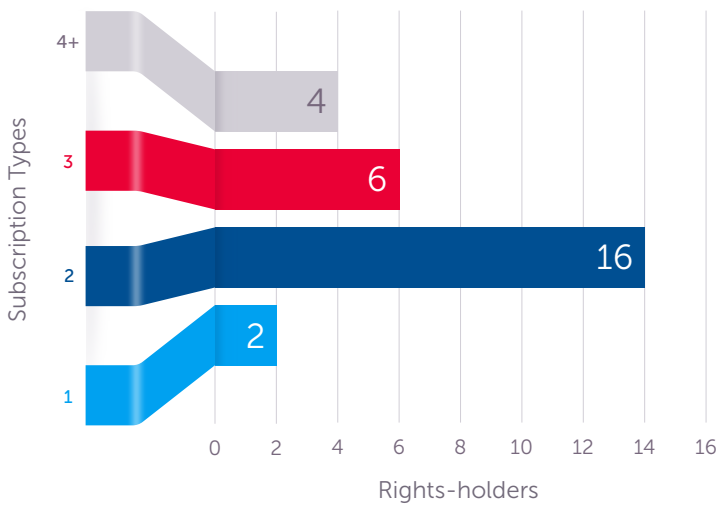
Of that 70%, there are seven different ways to pay for the content. Some rights-holders offer a wide range of these options, others just one or two. The options are:

- Annual subscription
- Monthly subscription
- Day/weekend subscription
- Pay-per-view for single events
- Archive only subscription
- Subscription to a particular team (monthly or annual)

Because some rights-holders offer multiple entry points, the following breakdown is not made up of mutually exclusive subsets. In addition, there are additional layers to the subscription: for example, the NBA offers a more expensive version of its monthly and annual passes so that advertising commercials are turned off.

70%
of rights-holders analyzed have a subscription D2C service

Number of subscription types offered to fans by rights-holders



Variations on subscription

An annual package is the most popular type of subscription. 60% of the 40 rights-holders analyzed make this option available although only 5% have an annual subscription as a single entry point.

58% of the rights-holders analyzed offer a monthly subscription, making it the second most popular package type. 48% of the rights-holders offer a monthly subscription in combination with an annual subscription. Only 5% make a monthly pass the only entry point.

PPV is offered by 18% of the rights-holders, but never as the only option but as one of several paid options. Similarly, the daily or weekend passes 8% of rights-holders offer are always presented as an alternative to either an annual or monthly pass.

5% of the rights-holders make it possible to access archive content only, with a specific subscription.

Outside of these type of subscriptions, the NBA has been incredibly innovative in exploring new price points, introducing quarter-by-quarter pricing in December 2018.

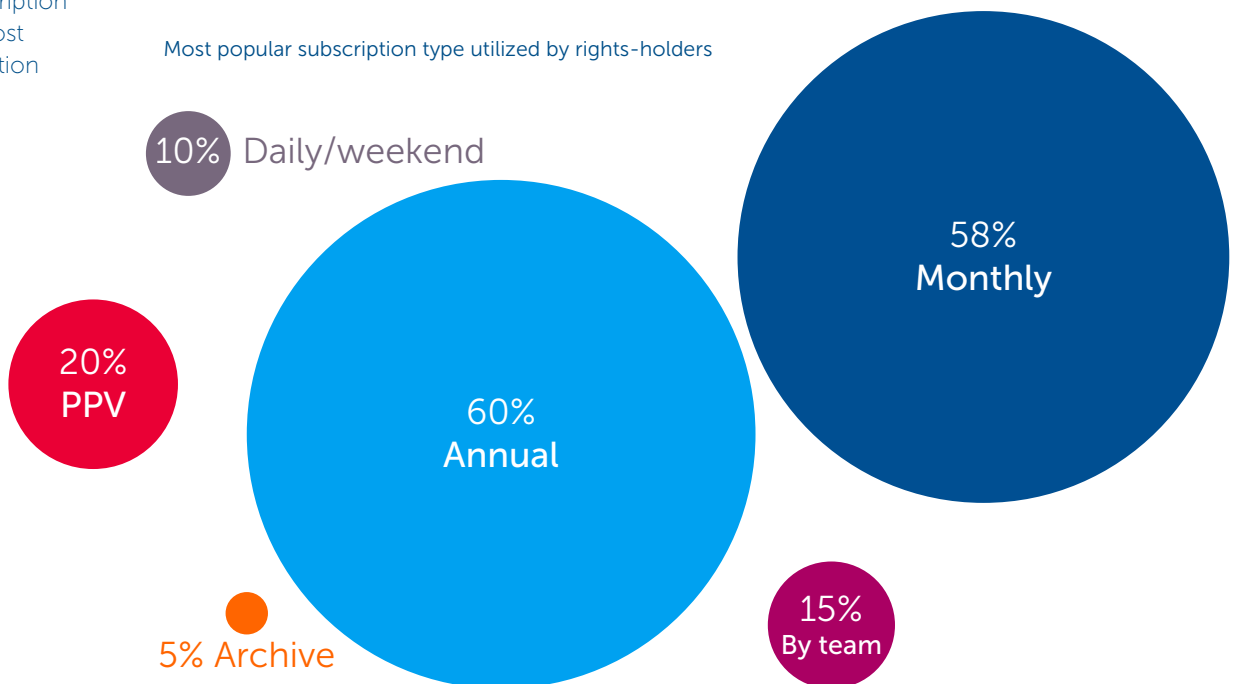
15% of the rights-holders allow fans to buy a subscription that focuses on a particular team, five of which are from the US, including the NBA, MLB, and NHL.

60%

of rights-holders offer an annual subscription package

A monthly subscription is the second most popular subscription package type

Most popular subscription type utilized by rights-holders



The free model

25% of the rights-holders analyzed offer a free service, which is the leading service, not a light version of a premium service. All these products carry live sport. Usually, the only requirement is a sign-up requiring customer data.

It might be anticipated that such free services are supported by third-party advertising, such as pre-roll video, banners, or branded portals and hence advertising-funded. This is not the case for any rights-holder offering a free service.

Instead several of those which carry no third-party advertising include the embedded

branding of a main sponsor or sponsors (e.g. video clips 'presented by...') to ensure maximum exposure for their official partners which they may be able to leverage for more sponsorship revenue.

There are also two services in the US that are not available as a standalone free option but are made available at no extra cost to subscribers to specific pay-TV platforms or channel bundles. Both are college sports properties: the NCAA's March Madness Live service and the PAC-12 Conference's app PAC-12 Plus.

25%

of rights-holders offer a free service which is the leading service, not a light version of a premium service.

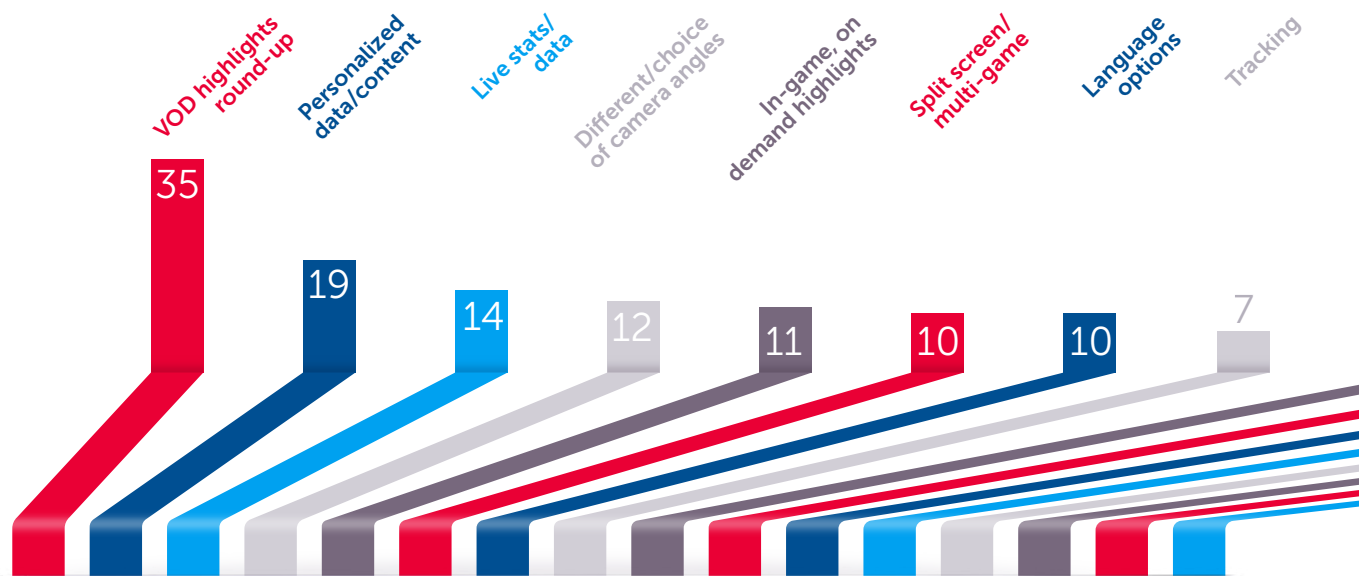
Conclusion 2.

Subscription services will continue to be the norm among D2C services for years to come. Rights-holders need revenues, and the pressure to increase media-rights income has never been more significant due to the financial crisis faced by sport following the COVID-19 pandemic.

Increasingly creative subscription offers are likely to be employed to capture as much of the addressable market as possible. The NBA is utilizing over ten different packaging strategies in the US for its League Pass service. And where the NBA goes today, other sports bodies follow tomorrow.

There will always be exceptions to this norm. In general, these will continue to be non-profit organizations such as governing bodies using D2C to secure reach ahead of revenue and showcase minor and youth events that would not otherwise be televised.

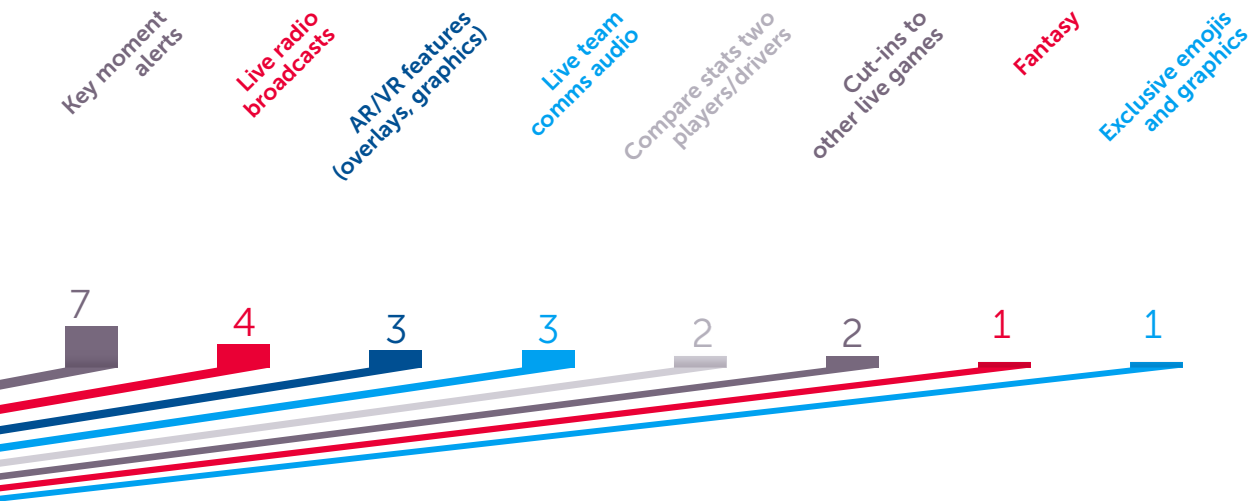
Advertising on free services is currently undeveloped as a revenue stream, but this will change as they begin to draw a critical mass of viewers. At that point, rights-holders' official sponsors will also look for sponsorship opportunities on D2C services.



3

FAN ENGAGEMENT

The UX bar is rising for fan engagement



Interactive experience

Compared to traditional linear broadcasts, one of the big advantages offered by streaming technology is the ability to create more of a two-way experience between the viewer and the content: a 'sit forward' (active) rather than 'sit back' (passive) viewing experience. Rights-holders are increasingly looking for ways to exploit the rich possibilities thrown up by internet delivery.

Across the D2C services of the 40 rights-holders analyzed, 16 different fan engagement features are utilized alongside, or enhancing, the live feed of the sports property. The average number of features used is four per rights-holder. Not all properties use these features. In some cases, their events do not lend themselves to them.

Many rights-holders use their D2C services purely as an additional content platform, believing that an interactive or immersive experience beyond the content will not provide a significant return on investment

The most popular feature used by rights-holders is video-on-demand (VOD) – creating a hub of highlights, replays, and/or archives. This was utilized by 88% of the rights-holders analyzed.

Personalization was the next most popular feature, used by 50% of the rights-holders, allowing the user to select their favorite team or athlete, with relevant content being served up to the viewer ahead of all other content.

The third most popular feature is data, whether telemetry, athlete statistics, or real-time leaderboards. 35% of the rights-holders analyzed use this as a tool that is exclusive to their D2C service.

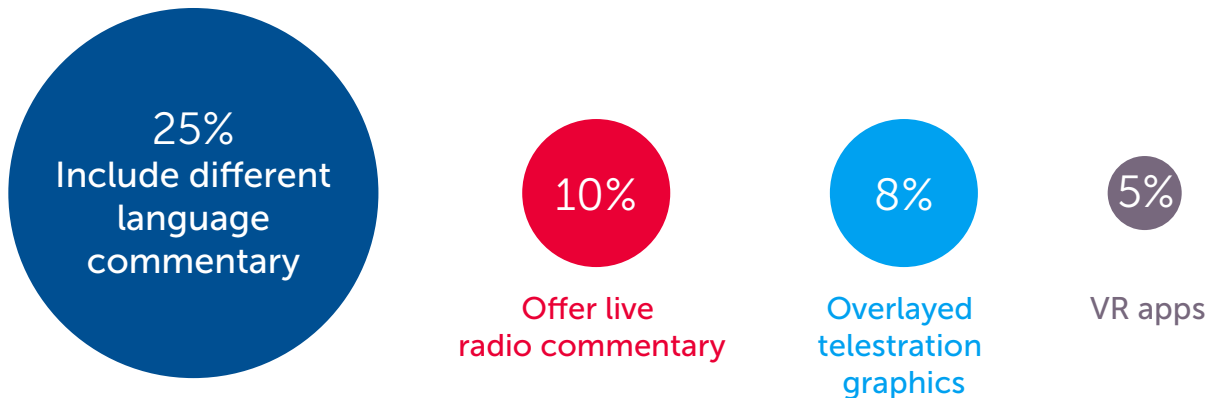
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The average number of fan engagement features used is four per rights-holder

VOD

The most popular feature used by 88% of rights-holders

Utilization of non content-led fan engagement features



48%

Almost half of the rights-holders analyzed use their D2C service purely as a content platform

Content vs engagement features

Almost half of the rights-holders analyzed (48%) use their D2C service purely as a content platform, utilizing either one or two content-led enhancements. For example:

- 8% of the rights-holders stream live events with no features
- An additional 10% of the rights-holders supplement the live feed with VOD content
- A further 23% layer personalization on top of the live and VOD
- 5% of the rights-holders allow split-screen functionality for multiple simultaneous games in addition to VOD

Overall, 28% of the rights-holders use in-game highlights of the live games which are being shown on the D2C service. The England and Wales Cricket Board is different however: it offers in-game highlights of games that are being shown live by a broadcast partner but not on the D2C platform. This unique

approach demonstrates a creative blend where both the broadcaster and the rights-holder can provide value to fans.

Other engagement features used include audio, graphics, and Virtual Reality (VR) applications.

Audio features include different language commentary (used by 25% of the rights-holders) or live team communications used in the three largest motorsport properties analyzed: F1, NASCAR, and the World Rally Championship. 10% of the rights-holders offer live radio commentary.

Overlaid telestration graphics include tracing the pitch during an MLB game, charting competitors during a SailGP race, or tracing the shots taken in a March Madness basketball contest.

Both the NBA and the NCAA's March Madness basketball coverage offer supplementary VR apps as part of their D2C subscription proposition.

Conclusion 3.

As it stands, the market appears to be split down the middle between rights-holders who use their D2C service purely as a supplementary content hub, with little in the way of fan engagement features, and those rights-holders who are exploring the full interactive possibilities of the OTT medium.

The latter includes many subscription services. Even though the subscription secures the revenue, rights-holders still want to keep their fans on their platform for as long as possible and lower churn rate. D2C services will need to have more creative and immersive elements to ensure they are the stickiest. The fight for people's attention will only become more intense.

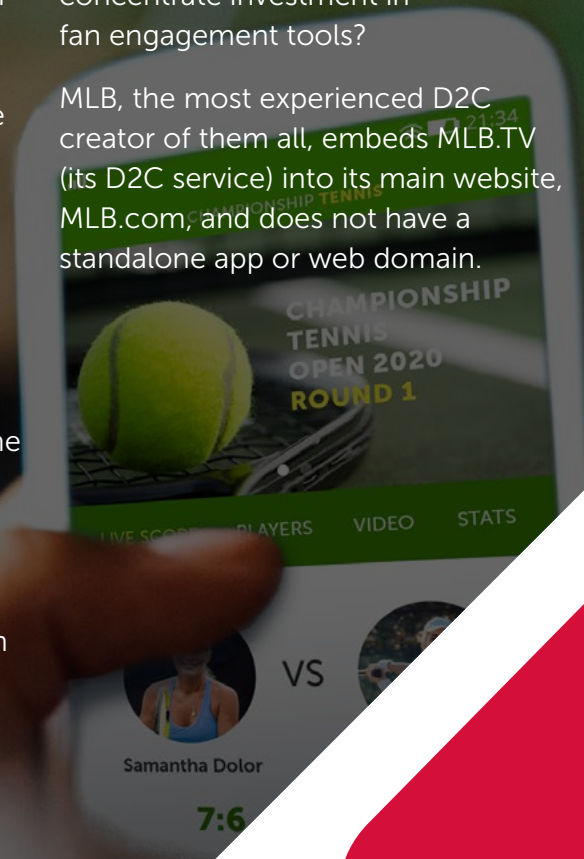
But rights-holders have to strike a delicate balance on two fronts.

First, enhancements to content come at a cost that has to be covered so the D2C service can secure the incremental revenue the rights-holder seeks. If a rights-holder believes its content is strong enough

on its own merits, it may struggle to justify additional costs beyond creating an attractive user interface.

Second, fan attention and loyalty could be divided between the sports body's official website and its D2C service. The official website will always be free and aimed at the broadest audience. A D2C service behind a paywall will always have a far more limited audience. On which of the two should a rights-holder concentrate investment in fan engagement tools?

MLB, the most experienced D2C creator of them all, embeds MLB.TV (its D2C service) into its main website, MLB.com, and does not have a standalone app or web domain.





March Madness Live: A Market-Leading Immersive D2C Experience

Fan engagement tools on the NCAA's March Madness Live D2C service

March Madness is the name given to the Division 1 Men's Basketball Tournament, run every spring by the NCAA and featuring colleges from across the US. Predicting the outcome of games in the tournament, through the creation of 'brackets' of predictions, has become an obsession among US sports fans.

The March Madness Live D2C service, operated by Turner Sports and CBS Sports along with the NCAA, employs many engagement tools to tap into this and other fan behaviors, creating one of the most richly enhanced D2C experiences available. Every year March Madness Live adds new features to further capture fan attention.

The NCAA March Madness **Bracket Challenge** is a predictive gaming feature that viewers can play with friends or family while chatting in or around live video in private groups. The feature allows viewers to get personalized bracket alerts and compare their brackets with those of celebrities.

The **Path to Championship** feature provides data streams that allow viewers to see the best-case scenario for their bracket. This includes evaluating all possible bracket outcomes after each game and using the results to highlight the games that will have the biggest impact on their Bracket Challenge groups.

The **Bracket Integrations** feature allows fans to stay continuously informed about the outcomes of their bracket predictions, whether browsing live game action on the Watch Page, viewing a live game in the GameCenter, or through push notifications.

Fast Break, a live, whip-around feature, also offers quick turnaround highlights, real-time analysis, social reaction, and commentary for all 67 games. Fast Break is available when multiple games are being played during the first two rounds of March Madness.

Other features include **close game alerts for big moments, live game scoring, real-time editorial content, and live radio** broadcasts for all games.



Some **device-specific** features have been created for Apple Watch, personalized alerts and quick access to live scores and schedules are available. For iOS devices, there is an exclusive March Madness sticker pack.

A multi-game viewing option, allowing fans to watch two live games simultaneously during certain stages of the tournament, was extended for the 2020 season (which was canceled due to the pandemic) to cover Amazon Fire TV and Android TV devices, as well as Apple TV.

From 2018, a **VR application** allowed viewers with VR headsets to watch live coverage of selected games from a virtual courtside seat. Fans can watch their favorite team by selecting the camera they want to watch from or via fully produced VR coverage incorporating multiple courtside cameras and sounds from inside the arena.

VOD features offer a comprehensive choice of highlights of past games and memorable moments (which can be personalized to a specific team) and provide options for in-depth analysis, behind-the-scenes features, and interviews. The catch-up video feature allows viewers to tune into a live game already underway and view catch-up highlights of the game before that point and explore stats and news related to the live action. Feeds provide live blogs from recognized news sources and the teams. Player and team statistics are available for every game.

The strategic and commercial reasoning for the NCAA and assorted broadcast partners to invest in this market-leading service is two-fold: NCAA benefits because it ensures fans of the property keep returning, which will sustain future rights fees. In contrast, the broadcasters will maintain ratings and can, therefore, sustain ad revenue.

4.

MONETIZATION

Opportunity for secondary monetization is still largely untapped



All major US sports bodies developing betting services

following the legalization of sports betting in the US in 2018

Monetization options

The key takeaway of this report is that standalone sports D2C services today rarely utilize additional monetization features. This applies regardless of whether the service is delivered in a mobile app or via a desktop web version.

Once sports rights-holders have settled upon the business model for their D2C OTT service, they need to consider whether they can build additional revenue streams into the service and, if so, which services they should be.

Additional revenues can be driven by features like:

- Ticketing
- Merchandising
- Betting
- Fantasy/gaming
- Advertising

Among the 40 services analyzed in this report, only three of the above five monetization tools are used:

- 8% of the rights-holders use advertising
- 5% of the D2C services provide merchandise sales
- Just one D2C service offers ticketing options

The last two monetization tools are not available to all rights-holders. Some leagues, for example, do not have the rights to sell merchandise or ticketing. The clubs which participate in the leagues do this instead.

For many of the rights-holders who do hold rights to merchandising and ticketing, today, it is more common for them to commercialize these features on their official websites.

Betting set to explode

None of the 40 rights-holders currently has an integrated betting service within its D2C service. This is likely to change dramatically in the coming years. Following the legalization of sports betting in the US in 2018, all major sports bodies in the country are currently developing services that will enable fans to place bets around the live content they are streaming on their internet platforms. There will always be a ceiling on this option; however, as many sports governing bodies still refuse to embrace betting services for reasons of integrity and because of social concerns about gambling.

This limited use of secondary monetization features maybe because many of the services are still in their infancy. Rights-holders are prioritizing, delivering the best possible content experience and user interface.

Rights-holders offering premium subscription services also need to be careful not to overload their services with revenue drivers and run the risk of appearing overly aggressive in their commercialization of the platform. However, all three of the rights-holders which carry third-party advertising are subscription services.

Conclusion 4.

Like considerations about inclusion of fan engagement features, rights-holders face the same dilemma when it comes to secondary monetization streams. Most rights-holders will look to use their digital platforms to drive revenues through areas such as merchandising, ticketing, and betting applications. But which digital outlet is likely to drive more significant revenues in these verticals? Its main website? A standalone D2C service? Or a hybrid of the two?

Due to the US Supreme Court Decision (Murphy v. National Collegiate Athletic Association), the stage is set for a remarkable growth of betting services in the US. There is little doubt that the coming years will see an explosion in the revenues from sports betting. But it is far from clear whether the US major leagues will look to build these around live data on free sites or live streaming on subscription sites.

Fantasy and gaming applications are among the fastest-growing segments of the media industry and will increasingly be integrated into sports content platforms. The March Madness Live service provides an attractive template for how something like predictor games can become integral to a D2C service, and arguably its main attraction.

STABILITY

Stability at scale is crucial



Reliability at scale

Delivering a reliable platform at scale remains a significant priority for rights-holders rolling out D2C services, and it remains a challenge despite recent improvements in global connectivity.

As the head of media at one major European sports body put it: "Stability is still absolutely the number one factor in delivering a successful OTT service. If your stream is not getting to the fan, all the other things you can build around it are irrelevant."

Only a small handful of the 40 sports bodies covered in this report say they have experienced high-profile glitches in the streaming technology's performance in their D2C OTT service. However, many admit to experiencing 'teething problems' in the early months of the service.

To some extent, this reflects the fact that for most of those covered by the report, their D2C service is still not their primary content distribution platform. Volumes of concurrent live streams for most rights-holders remain in the thousands or tens of thousands. Only a small handful of the bigger sports bodies with long-established D2C services, like MLB, are experiencing much higher volumes.

However, with the accelerated move underway from traditional linear broadcast technologies to streaming services, and the increase in the number of sports rights-holders offering live events online, these volumes will increase exponentially in the coming years. When looking for streaming providers, rights-holders are looking for providers that can guarantee stability and scalability – the capacity to deliver multiple streams and to 'spin up or spin down' the service related to consumption patterns without impacting the viewer experience.

“ Stability is still absolutely the number one factor in delivering a successful OTT service. If your stream is not getting to the fan, all the other things you can build around it are irrelevant ”

Table stakes

To attract and retain subscribers and to keep viewers on screen for the longest time possible, D2C OTT platforms must be able to satisfy the requirements of an increasingly demanding audience.

The 'table stakes' for sports fans is that the images they are watching must be at least as good as those they are used to seeing from on their linear broadcast channels, which are increasingly likely to be in ultra-high definition.

Further, the proliferation of devices on which streamed content can be watched requires platform operators to support multiple video formats across a complex array of device platforms, increasing the cost to build and maintain a streaming service.

One of the reasons that some of the world's largest sporting bodies have been slow to launch D2C OTT services stems from streaming performance concerns. High-profile glitches during major events do not only cause dissatisfaction among fans: they can damage the brand image of the sports body itself.

And as betting services are increasingly integrated into D2C services, the need to simultaneously improve quality while reducing latency will become business-critical to protecting that revenue stream.

As one executive explained: "Reliability of the stream is critical. For betting operators dealing with their customers, they can't afford to get that wrong."

“Our events go out live to about 200 countries. They reach huge audiences. Reliability at scale is absolutely vital”

Conclusion 5.

With a handful of exceptions, most sports D2C services are still dealing with a low number of simultaneous live streams, but this is set to change. D2C services will become more central to fans' media consumption as more rights-holders carve out content from traditional linear broadcast agreements or use them to light up dark markets. More fans will consume live video streams simultaneously, and rights-holders need to be prepared.

Given the low volume of concurrent streams, most rights-holders have not suffered major technical glitches. However, there have been occasions when mega-events have been screened

on D2C and the service has toppled, with subsequent negative brand implications that any rights-holder wants to avoid.

Finding a streaming partner that can guarantee stability at scale is likely to become even more critical in the decision-making process when rights-holders appoint a streaming provider.



Seconds count...

Streaming challenges

OTT delivery has some specific challenges around live sport because of how content is delivered over the internet. These include:

- 1.** Buffering, reduction in picture quality and outages during surges in internet traffic
- 2.** Variations in quality in different parts of the world
- 3.** Being able to process a large volume of last-minute sign-ups to paid services online
- 4.** Delays in the start-up time for video content.
- 5.** Latency – delays of six to 30 seconds between the event in real-time and the viewer seeing the stream, leading to ‘spoiler’ events such as alerts, messages, or neighbors celebrating. Latency also creates inequality in the betting market.



6.

CONTENT

Live content
is king





Live is universal

All 40 D2C OTT services analyzed in this report carry live events. The range of events covered and the degree of exclusivity that D2C platforms enjoy are impacted by various factors.

To understand the decision-making process, it is necessary to make two distinctions. The first distinction is between primary and secondary content. Primary content is the most important competition or competitions run by the rights-holder. Secondary content covers events such as youth games and minor leagues.

The second useful distinction is between two types of sports rights-holder:

- 1. A domestic rights-holder:** owns a sports property that is endemic to a particular geographic market and where the majority of its fanbase resides
- 2. A global rights-holder:** owns a sports property with no "home" market and a multi-territory footprint.

16 of the 40 rights-holders analyzed were "domestic" rights-holders. In their domestic "home" markets, no rights-holder shows its primary events live exclusively on its D2C

service. In other words, none of these rights-holders have switched to a pure D2C content strategy.

There is one exception of sorts. On GAA GO, the D2C service of Ireland's Gaelic Athletic Association, where key events are not shown live by the GAA's linear TV partners, the D2C service allows fans in Ireland to buy these matches on a pay-per-view basis.

Of the nine US domestic rights-holders in the survey, eight show non-exclusive live coverage of primary events on their D2C services alongside their linear TV partners' live coverage. Outside of the GAA, the European domestic rights-holders surveyed do not provide live coverage of their flagship events, even for non-exclusive coverage. Their linear TV partners have full exclusivity to the primary live content.

If any of the 16 domestic rights-holders in the survey has a secondary property, any games that are not shown live by their linear TV partner are shown on their D2C service. This includes the English Cricket Board's county T20 tournament, the Italian Basketball League's second division, and Big Ten Conference games outside American football and basketball.

1

Number of domestic rights-holders who show exclusive live coverage of their primary events on their D2C service.

Varying content strategies

While most domestic rights-holders' fanbases reside in their home market, they are also becoming popular in international markets. In general, they make their D2C service available where there is not a linear TV partner in that market. They still prioritize selling media rights to broadcasters. But there are some notable exceptions.

For example, the NFL's international media strategy is to make NFL Game Pass available in all markets, regardless of the existence of broadcast rights partnerships. The league carves digital rights out of all media-rights agreements. The English Football League's iFollow service allows fans to buy live matches not shown by its broadcast partners in international markets.

Of the 40 rights-holders analyzed, half had no domestic market. Of these, the 15 rights-holders which charge a subscription for their D2C services only make the service available in markets where the rights-holder has been unable to secure a broadcast rights deal, what would otherwise be a 'dark' market.

Three of the rights-holders – tennis's ATP, World Rally and WWE – make their D2C service available regardless of whether there is a broadcast rights deal for live coverage of their events. Formula 1 makes its F1 TV D2C service available irrespective of its broadcast partnerships. However, F1 TV Pro (which shows live race coverage) is only made available where no live rights deal has been agreed.

Conclusion 6.

Rights-holders are getting more sophisticated when negotiating with linear broadcasters. Few savvy rights-holders will now sell content to a broadcast partner for it to be warehoused and never seen by fans. It will become the norm that many will seek to carve out specific categories of rights to populate D2C services.

Bold rights-holders will decide to turn down some – but not all – revenue to obtain that elusive direct touchpoint with fans. At the very least, there will be a growth of parallel exploitation of live coverage by both the rights-holder on D2C and the linear broadcast partner.

But resisting the broadcaster dollar is one thing. There is another dilemma: rights-holders might also seek the broadcast partner's marketing clout to support D2C service sales and maximize access to the paying customer. That dilutes off the direct touchpoint with the fan.

While live content is king, for many rights-holders, exploiting archive content is a simple feature to provide using an easy search mechanism. But increasingly D2C services will drive more value by using archives to create original programming. Original programming is exclusive and fresh and, if not a subscription driver, can be a useful retention tool.



7

PRICING

Maximizing recurring revenues

\$96

the average cost
of an annual D2C
subscription pass

of total rights-holders
analyzed which operate
a subscription-based
D2C service

Getting the price right

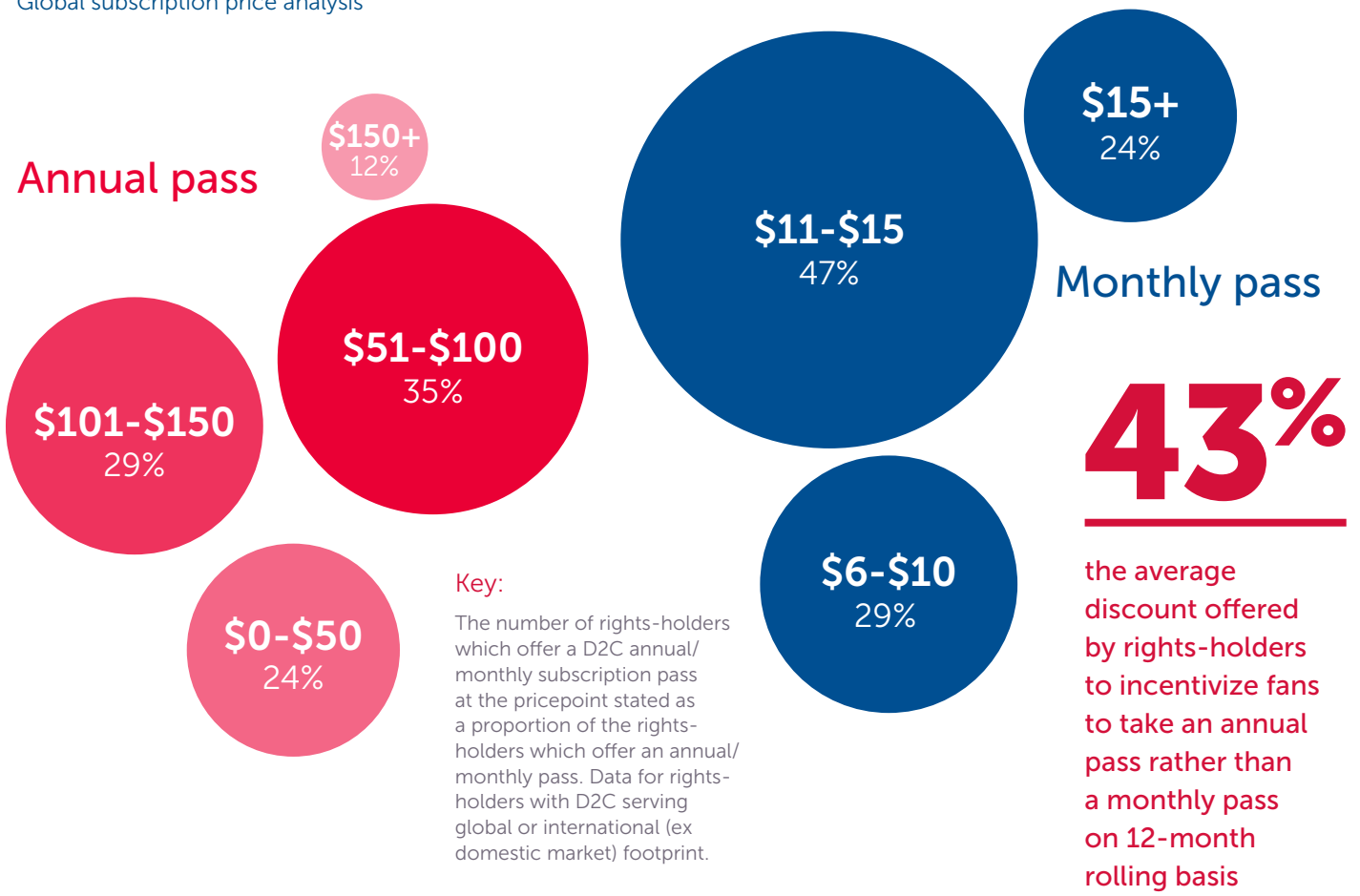
One of the critical challenges facing any rights-holder launching a premium D2C service is getting the price point, or price points, right. A considerable amount of research can go into these decisions, especially as every one of the world's 200+ markets has some unique characteristics.

Of the 28 rights-holders analyzed that have a subscription D2C service, the average cost for an annual fan pass (among those who offer one) is \$96. The average cost of a monthly pass is \$15. The average discount to incentivize subscribers to take an annual pass vs. the 12-month monthly pass - which a subscriber can cancel in the large majority of cases - is 43%. The most commonly used number of subscription packages made available by rights-holders is two.

Of the rights-holders analyzed, there are two distinct groups:

- US domestic rights-holders with a D2C service serving the US market
- Rights-holders that market a D2C service across either an international or global footprint

Global subscription price analysis



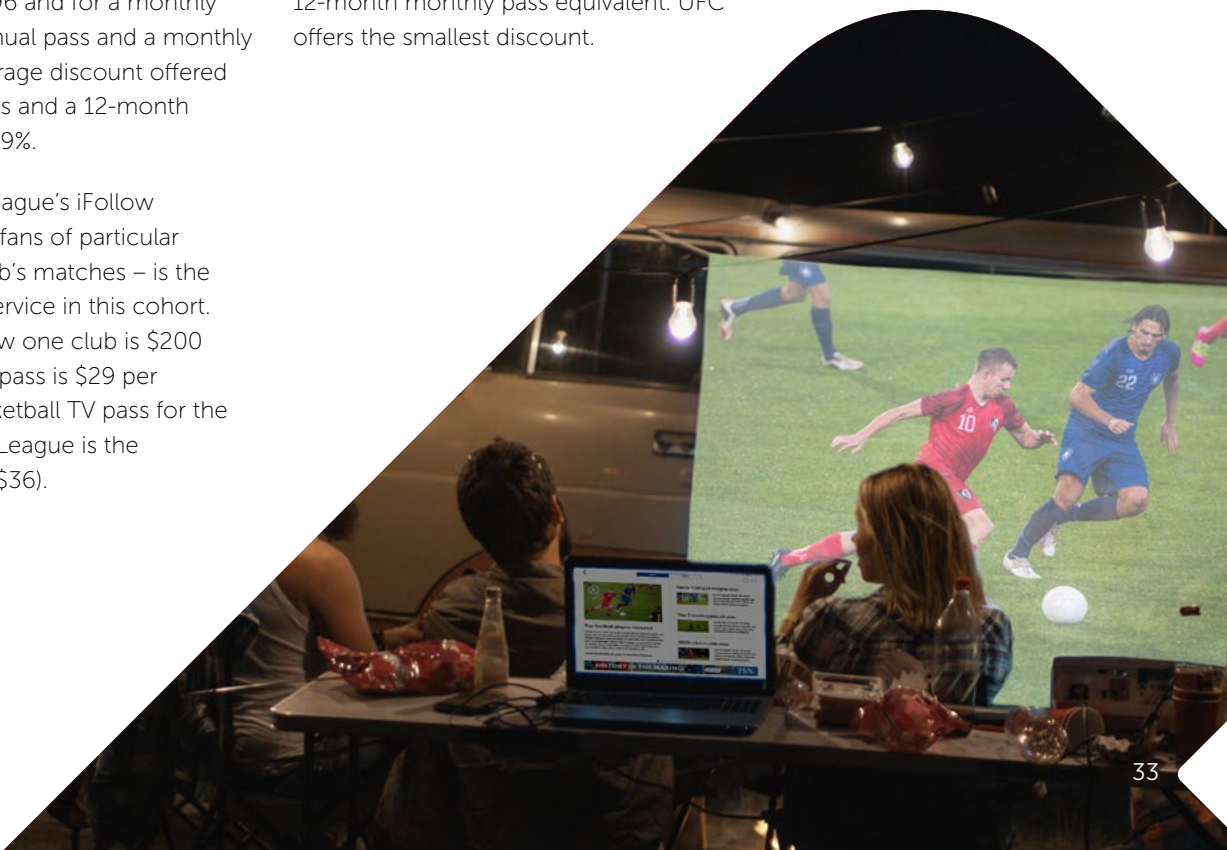
Global market

The 19 rights-holders in this category most commonly market two subscription packages: annual and monthly. The average price point for an annual pass is \$96 and for a monthly pass \$13. Where an annual pass and a monthly pass is offered, the average discount offered between an annual pass and a 12-month monthly equivalent is 39%.

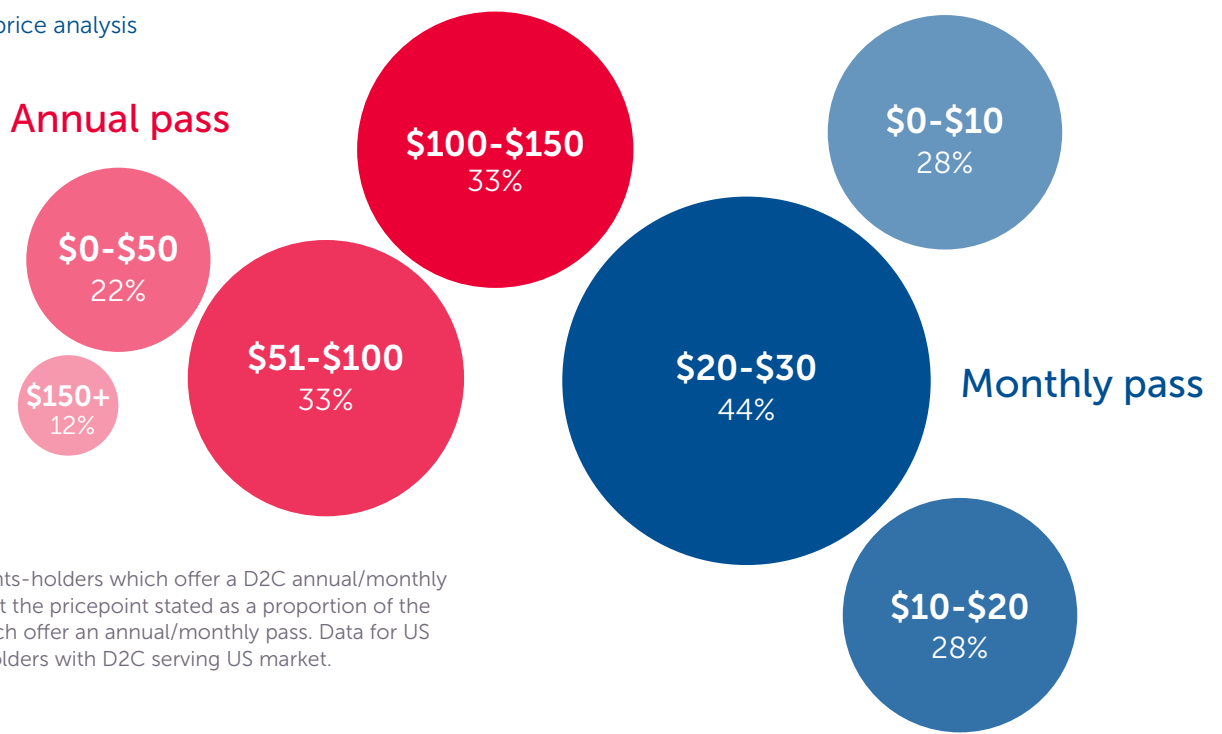
The English Football League’s iFollow service – which allows fans of particular clubs to watch that club’s matches – is the most expensive D2C service in this cohort. An annual pass to follow one club is \$200 per season. A monthly pass is \$29 per month. FIBA’s Live Basketball TV pass for the Basketball Champions League is the cheapest annual pass (\$36).

The biggest discounter was Manchester United. Its MUTV D2C service is \$41 for an annual pass, a 69% discount on the 12-month monthly pass equivalent. UFC offers the smallest discount.

of total rights-holders analyzed which operate a subscription-based D2C service



US subscription price analysis



Key:

The number of rights-holders which offer a D2C annual/monthly subscription pass at the pricepoint stated as a proportion of the rights-holders which offer an annual/monthly pass. Data for US domestic rights-holders with D2C serving US market.

US domestic rights-holders

The nine US domestic rights-holders analyzed require deeper analysis. They offer a D2C package domestically (in their home market, which is analyzed here) and internationally (in other markets outside the US) which highlights their significant point of difference: US major rights-holders have managed to carve out a D2C proposition in their home market. Their European counterparts have not.

The NBA is, by some distance, the most expensive. The subscription price for its NBA League Pass D2C service in terms of an all-team annual and monthly subscription pass is \$199.99 and \$28.99, respectively. Both options have premium versions to exclude commercials, at \$249.99 and \$39.99 respectively. The average price of the annual

pass of the nine US domestic rights-holders is \$97. The average price of the monthly pass is \$18.

However, the NBA also has the greatest number of price points for subscribers. Excluding special discounted promotions for post-season or mid-season packages, it has at least 11 standard pricing offerings. By contrast, the NFL has one – a full-season, all-team NFL Game Pass. Excluding the NBA, the average number offered is two.

Across the nine US domestic rights-holders, the average discount used to incentivize subscribers to take an annual pass is 50% on the equivalent 12-month monthly pass cost.

11

Minimum number of in-season subscription packages offered by the NBA

Conclusion 7.

There are no hard and fast rules about pricing a D2C platform. And third-party benchmarks are of little value: one rights-holder’s pricing levels and packages will not make sense for another.

Rights-holders will do their market research on the willingness of fans to pay, but in the early years of a new D2C service, there will be an element of trial and error to understand fan behavior. However, tying in subscribers for a year at a time will remain a critical objective in pricing.





Final Analysis

The rights-holders who collaborated with this research project stated that having a direct relationship with their fans will be critical to their business medium to long term. This goes beyond the creation of an official website. It means offering fans live content and in a medium that opens up a two-way relationship to provide a richer experience for the viewer and essential fan data and potential revenue for the sports body.

Consequently, the number of D2C OTT services in sport looks set to grow exponentially in 2021 and beyond.

The proportion of the hundreds of clubs, leagues, federations, confederations, and private promoters currently operating a D2C OTT service with rich content remains small. But

all rights-holders, even those currently without their own platform, are exploring the commercial opportunities which D2C OTT throws up. The sector looks certain to be the biggest growth area in sports media in the coming decade. New launches are announced every week, and new models and strategic relationships are being studied to ensure a return on investment for sport.

However, it is likely to be a decade or more before D2C becomes the primary distribution method for premium rights-holders. Further, this research suggests, the pivot could be a two-speed process, with the US leading the way and Europe following.

Most of the rights-holders interviewed define their D2C platform as complementary to broadcast coverage,

but all see it as an essential part of their live sports distribution strategy. All the rights-holders in this report provide live content, although not always exclusively.

The type of content and degree of exclusivity is determined by each sports body's specific strategic objectives, which are increasingly market-specific. D2C OTT platforms fulfill a range of these objectives.

They provide coverage in territories where there is no broadcast coverage. As such, they become a valuable alternative tool. They super-serve the hardcore fan who wants more than what's on offer from linear broadcasters and is prepared to pay for it. They provide an outlet for archives and other content that would not otherwise be seen. They become a platform for governing bodies to promote youth and women's events, which otherwise would struggle for visibility.

Overall, they help sports bodies in the search for the Holy Grail: the perfect blend of reach, engagement, and revenue.

The revenue possibilities are already evident. Most rights-holders in this study make their D2C platform available as a premium subscription service, and this is likely to be the dominant business model for D2C for years to come. Rights-holders with subscription products offer a wide variety of pricing structures and entry points, but the heavy discounting of annual passes points to a clear need to generate guaranteed revenues in an environment where cancellations are made easy.

One dilemma for rights-holders looking to monetize their D2C platform is whether to integrate secondary

monetization verticals – like betting, ticketing, and merchandising – on their D2C service, reaching the engaged hardcore fans behind a paywall, or to the wider audiences on their main website. For the moment, this research shows, very few rights-holders are embedding these features within their D2C services.

The two-way nature of internet delivery allows for a far richer and more immersive experience for fans than is possible with linear broadcast coverage. At the same time, it allows rights-holders to gather valuable insights into the behavior of their fans. One interesting 50:50 split that emerged was between rights-holders who embed a range of fan engagement tools in their service and those who use their D2C platform purely as a content hub. The latter group focuses on high-quality video, ease of navigation, and building an attractive user interface.

For all the advances in internet technology, increased broadband penetration, and the strengthening of the backbone infrastructure which supports OTT delivery, there is still concern among many rights-holders about how a streaming service would stand up when faced with a high volume of concurrent live streams. Nearly all those decision-makers interviewed in this study said the stability and scalability of a D2C platform were still fundamental.

10+ Years

It is likely to be a decade or more before D2C becomes the primary distribution method for premium rights-holders

Further, this research suggests, the pivot could be a two-speed process, with the US leading the way and Europe following



Methodology

The 40 rights-holders in this study represent the United States and EMEA (Europe, Middle East, and Africa), representing about three-quarters of the global value of the sports media market and where the vast bulk of D2C services are concentrated. This selection provides perspectives from a wide range of different sports and includes properties ranging from major leagues to niche sports (in media revenue terms).

The research combines interviews with senior executives from some of the rights-holders analyzed with desk-based research conducted between May and October 2020.

Any interviews were provided on a confidential basis, so there is no attribution of any information to specific sources. The quotes included are drawn from these interviews and are not attributed to specific individuals.

The information collated on each D2C service covered the following: business model, access/distribution, pricing, content, fan engagement tools used, and other monetization streams employed. Where information is provided, which is specific to a rights-holder, such as details of pricing or fan engagement tools, this information is in the public domain. If the D2C service is a subscription service, information is taken from rights-holders' promotional material and official channels (such as the Apple App Store, where a D2C service is available).

The specific breakdown for each of these subsets of data was as follows:

Business model

The following categories were identified: subscription; free; free, ad-funded; and free 'companion' service for subscribers to other services. Subscription models were then broken down further to include: annual subscriptions (one team/all teams); monthly subscriptions (one team/all teams); weekly subscriptions; daily or weekend subscriptions; single event pay-per-view; and standalone archive subscriptions.

Access distribution

How consumers can access the D2C services was broken down into the following categories: standalone mobile apps, available as a service within the official mobile app, standalone websites, and sub-domains of the main website.

Pricing

Services were subdivided into those primarily serving a US audience and those targeting a global audience. Prices for US-facing services are those quoted in US Dollars. For many of the global-facing services, prices can vary by market. In this report, the prices taken are those published in the UK on the rights-holder's website.

All prices are quoted in dollars. Conversions from prices quoted in pounds sterling or euros were made on November 16, 2020. The rates used were: \$1 = £0.74; \$1 = €0.83.

THE SPORTS PLAYMAKER

MediaKind commissioned its advisors The Sports Playmaker to conduct the analysis for the MediaKind 2021 Sports D2C Forecast. The Sports Playmaker is an agency providing sales, marketing, consulting and investment services to companies delivering change to the sports industry through technology.

www.thesportsplaymaker.com

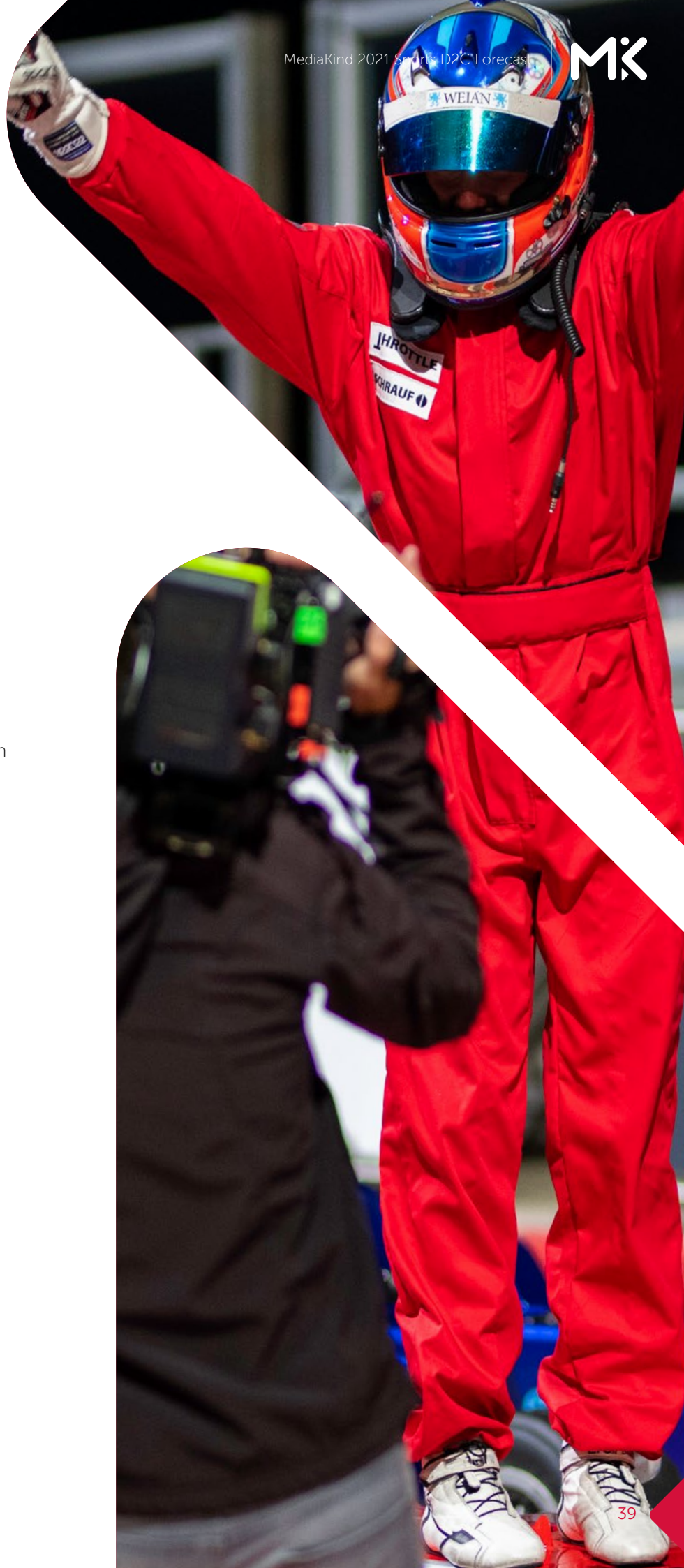
Content

The focus of this research was live content carried by all 40 rights-holders. This was divided into four categories: live, exclusive primary events; live, non-exclusive primary events; live exclusive secondary events; live events available only outside the main domestic market (where applicable). Primary events are those identified as being the most important competition or competitions offered by rights-holders.

Fan engagement tools

The following categories were identified: VOD highlights round-ups; in-game, on-demand highlights; personalized data or content; split-screen/multi-game capability; different camera angle (to main feed) or choice of camera angle; live stats/data; fantasy/gaming applications; tracking technology; language options; comparison of stats of two competing players/drivers/athletes; AR/VR features, such as overlays and graphics; exclusive emojis and graphics; key moment alerts; cut-ins to other live games; live radio coverage; live audio from team communications; original programming.

Features were included only where they were found on the D2C service. Features were included where they were present on any version of the D2C service, whether mobile app only, website only, or premium version only. Features were included even if they were identified on a limited number of devices. Where they existed as part of an official website but were not specific to the D2C stream, they were omitted.





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dynamic.



Experience
extraordinary.



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