



SPORTS & ENTERTAINMENT
EVALUATION & RESEARCH



DISCONNECTED

MISALIGNMENT IN SPORT'S MOST IMPORTANT RELATIONSHIP



THE SPORTS CONSULTANCY

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INTRODUCTION





FOREWORD

Robert Datnow and I founded The Sports Consultancy in 2006. Since then, we and our team have been fortunate enough to provide specialist management consultancy, commercial and legal services to the world's leading and most innovative major events in the sport and entertainment sector, as well as the governments, brands, retailers, venues, broadcasters, promoters and investors who form part of the sector's critical ecosystem and supply chain. During that time, we have advised on, negotiated and contracted well over \$1bn in rights.

Whilst much analysis has been done on three of the sector's most significant commercial relationships – namely, broadcasters, sponsors and licensees – very little analysis has been provided on what we believe is one of, if not the most important and most overlooked investor in sport: government.

Hosts are the most direct beneficiary of a major event coming to town with substantial numbers of event visitors spending significantly over prolonged periods, substantial destination promotion in international event media and the potential to stimulate positive societal and cultural change – including improving public health and cohesion.

For these benefits, hosts have been prepared to invest. In the first half of this decade alone, the largest 5 events in the world by visitor numbers/spectators (World Expo 2021, Winter Olympics 2022 and Summer Olympics 2021 and 2024, UEFA European Championships 2021 and 2024 and the FIFA World Cup 2022) will, by our estimates, invest over \$244bn in combined capital and operational expenditure. By comparison, those events will earn an estimated \$25bn in broadcast and sponsorship revenue in respect of the same period.

Similarly, before a large increase in broadcast revenues in 2019, the principle revenue source of the world's most valuable global sports series, Formula 1, was host government investment. In 2018, revenue from host investment was \$617m (34% of total revenue) as compared to broadcast revenues of \$604m (33%). In 2019/20, host investment still makes up 30% percent of the organisation's total revenue, double the revenues generated from sponsorship.

Our business was built during the last great recession as a result of the financial crisis more than a decade ago. We learned then how important public sector investment was in stimulating the economy (the sports and entertainment sector included) long after private sector investment had faded away. It was then that we decided to make the relationship between major event and government one of the specialisms of our business.

Now we face another global crisis caused by the COVID-19 virus and, in all likelihood, a deeper and more serious recession will confront us in the future months and years. The economic, political and cultural impacts are likely to be profound.

The central thesis of this report – surveyed before the COVID-19 crisis in 2020 – is unchanged. It is that:

- a. the relationship between rights holder and host is very, very important to the sports and entertainment sector; and that
- b. this relationship is not well enough analysed or understood.

It feels to us that if there is, now, a huge opportunity for the major events industry and host governments to reset their relationships as the market returns to a "new normal" post COVID-19.

To a greater extent than ever before, major events will have a huge role to play in our recovery in economic stimulation and boosting tourism, encouraging and

inspiring physical activity and improvements to health and, as sport and entertainment has always done, providing diversion. Or even, at its at its most basic level, providing the thing we miss most at our darkest moments of 'lockdown': social interaction on a mass scale.

Government investment will continue to play a crucial role in investing in major events. Restarting with a clearer idea of each other's needs and requirements as the world gets back to a degree of normality seems, to us, an urgent priority.

This report is the first output of our new research unit and think tank dedicated to the sport and entertainment sector: SEER.

We established SEER to provide commercial, public and charitable stakeholders data, insight and thoughtful analysis of the sport and entertainment sector to enable effective management, investment and decision making. As well as working on client instructions we will be publishing further research reports and white papers in the coming months.

ANGUS BUCHANAN
MANAGING DIRECTOR & CO-FOUNDER

METHODOLOGY

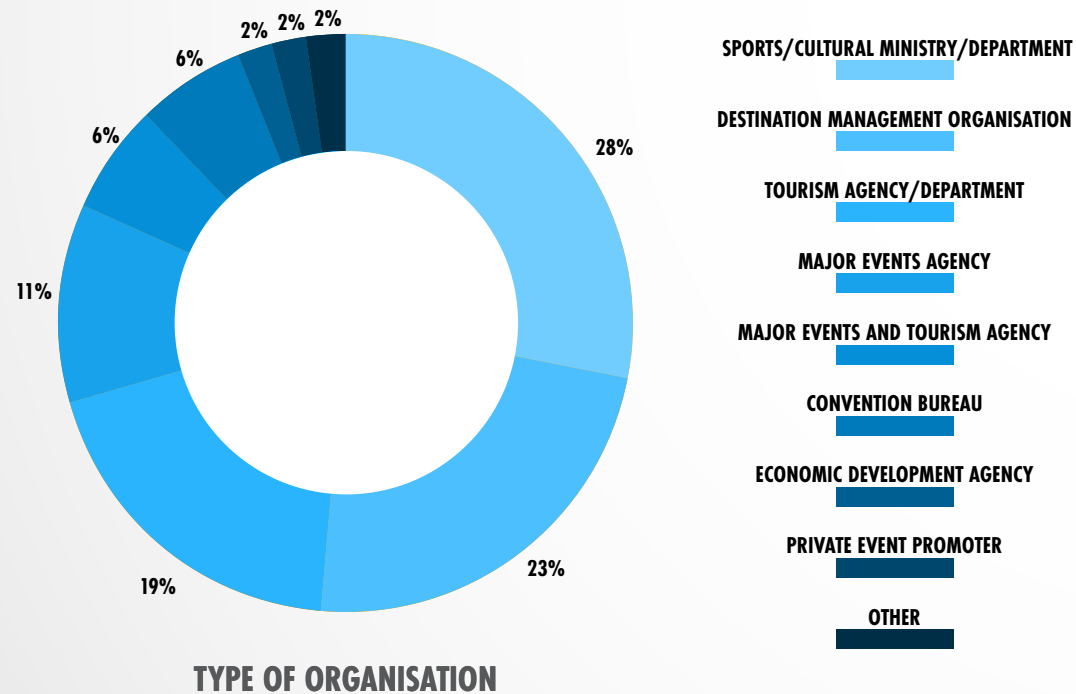
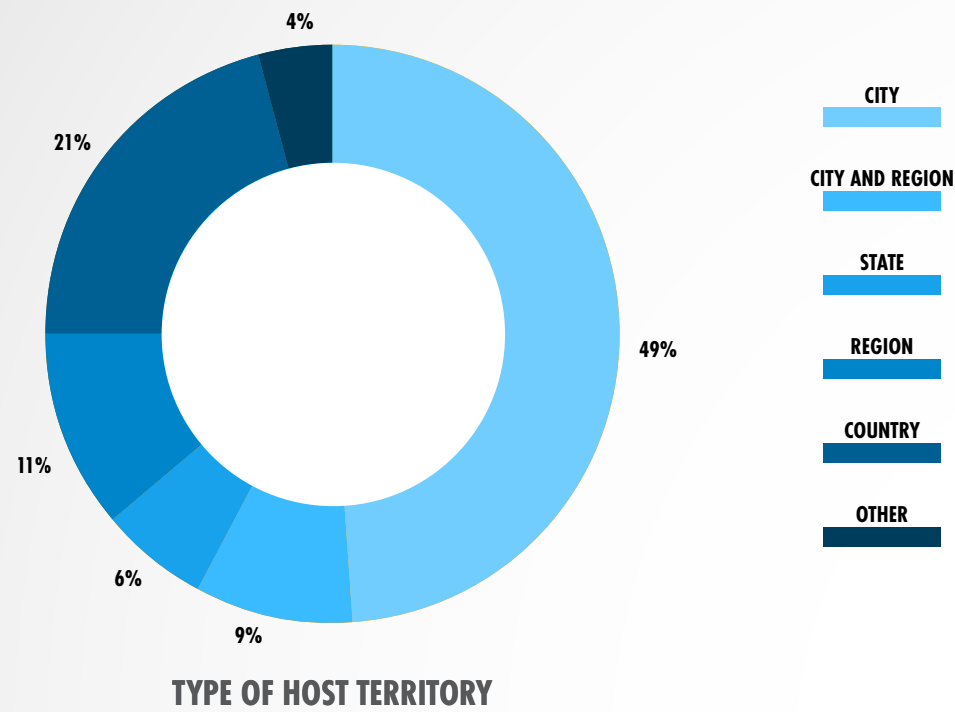
We surveyed a range of major event rights holders and major event hosts, including representatives from international federations, private event rights holders, and governmental / public sector hosting organisations around the world.

This analysis is based on 70 responses from major event rights holders and hosts from a broad range of geographical and sport contexts.

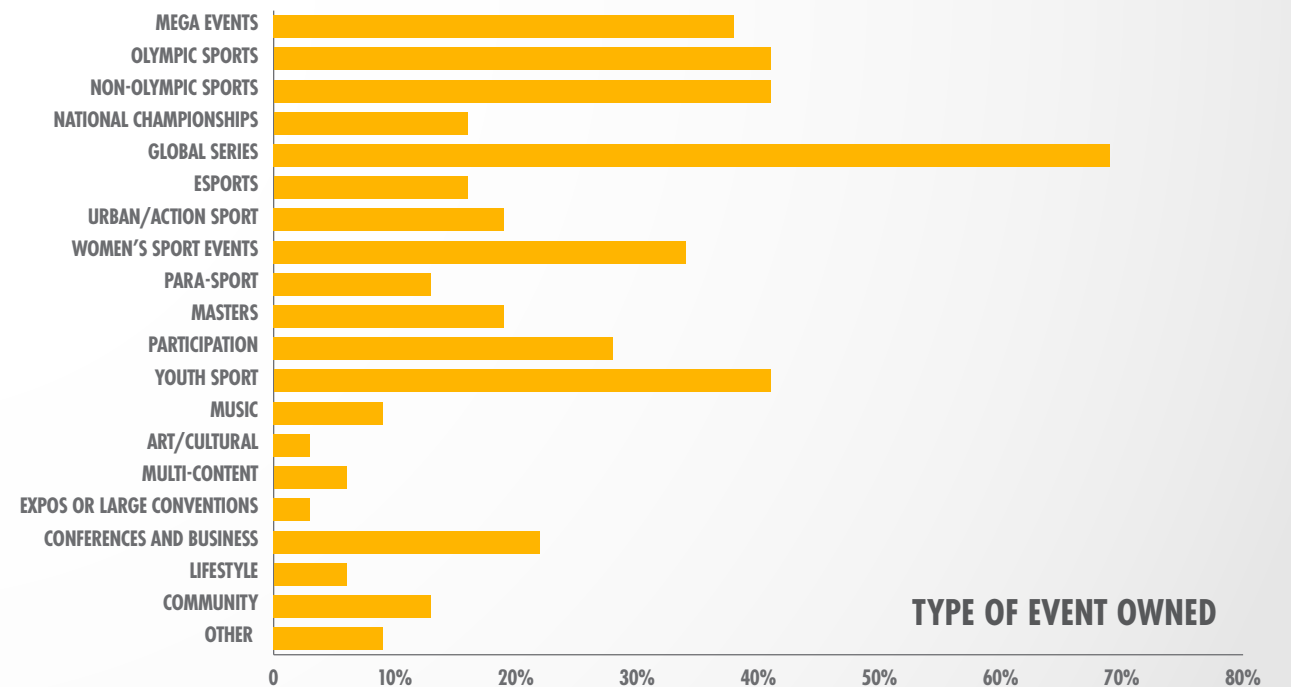
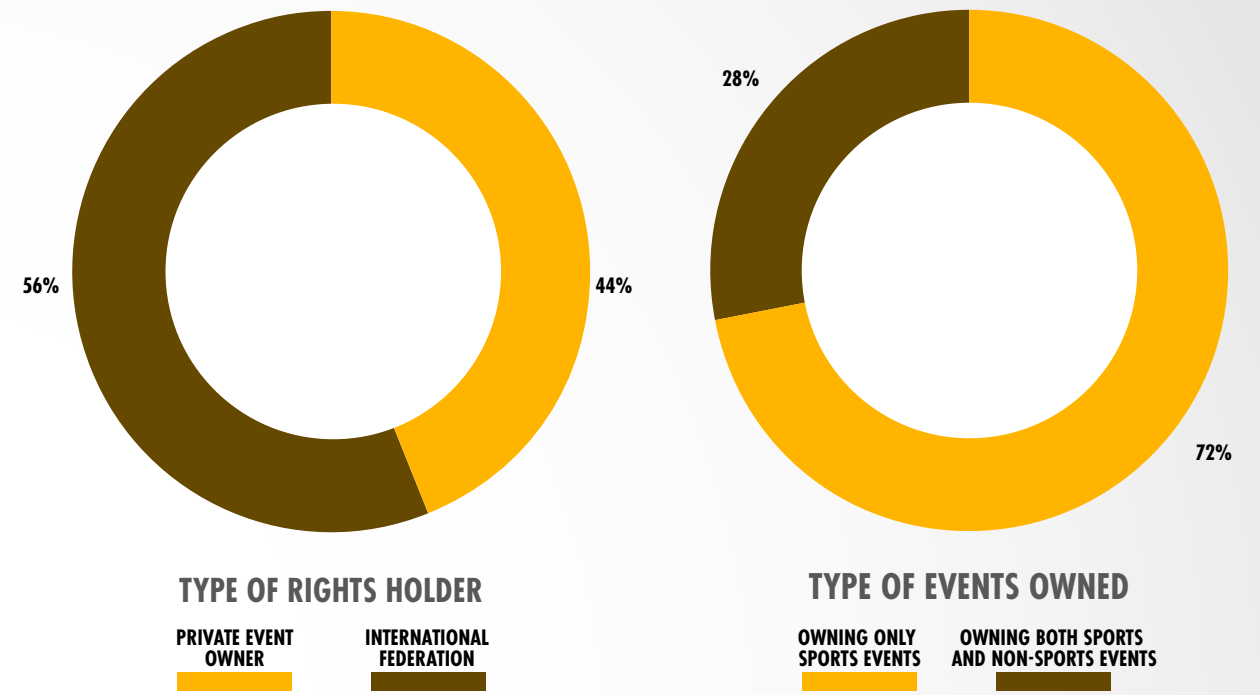
For the survey, we did not explicitly prescribe a definition of what was meant by a 'major event'. Hosts and rights holders were free, therefore, to answer the questions according to their own definition. Based on the responses received, this report defines major events as "an event that has significant impacts both within and outside of its own geography".



BREAKDOWN OF HOST RESPONDENTS



BREAKDOWN OF RIGHTS HOLDER / EVENT OWNER RESPONDENTS



IMPACTS OF MAJOR EVENTS



OVERVIEW

TRADITIONAL BASELINES AND NEW PRIORITIES

The past twenty years have seen an increasing sophistication in the realisation of a growing set of objectives and priorities for both rights holders and hosts in hosting of major events. Once taken for granted as a simple celebration of sport and culture, a point of national pride or a projection of enhanced status on the international stage, our research demonstrates that hosts now consistently expect and measure drivers of economic impact, destination marketing for tourism and inward investment as priority baseline objectives.

Rights holders, meanwhile, are still principally focussed on using the events as a bridgehead into major geographic markets for commercial and event/sports development. In addition to commercialising the relationship with their hosts, priorities remain the optimisation of their principle revenue streams across fan monetisation, sponsorship and broadcast. Our research shows that rights holders' appreciation of the significance of host investment in major events, and the potential for optimising their partnership with hosts, is still underdeveloped – not least because of some quite fundamental misunderstandings of the latter's objectives by the former.

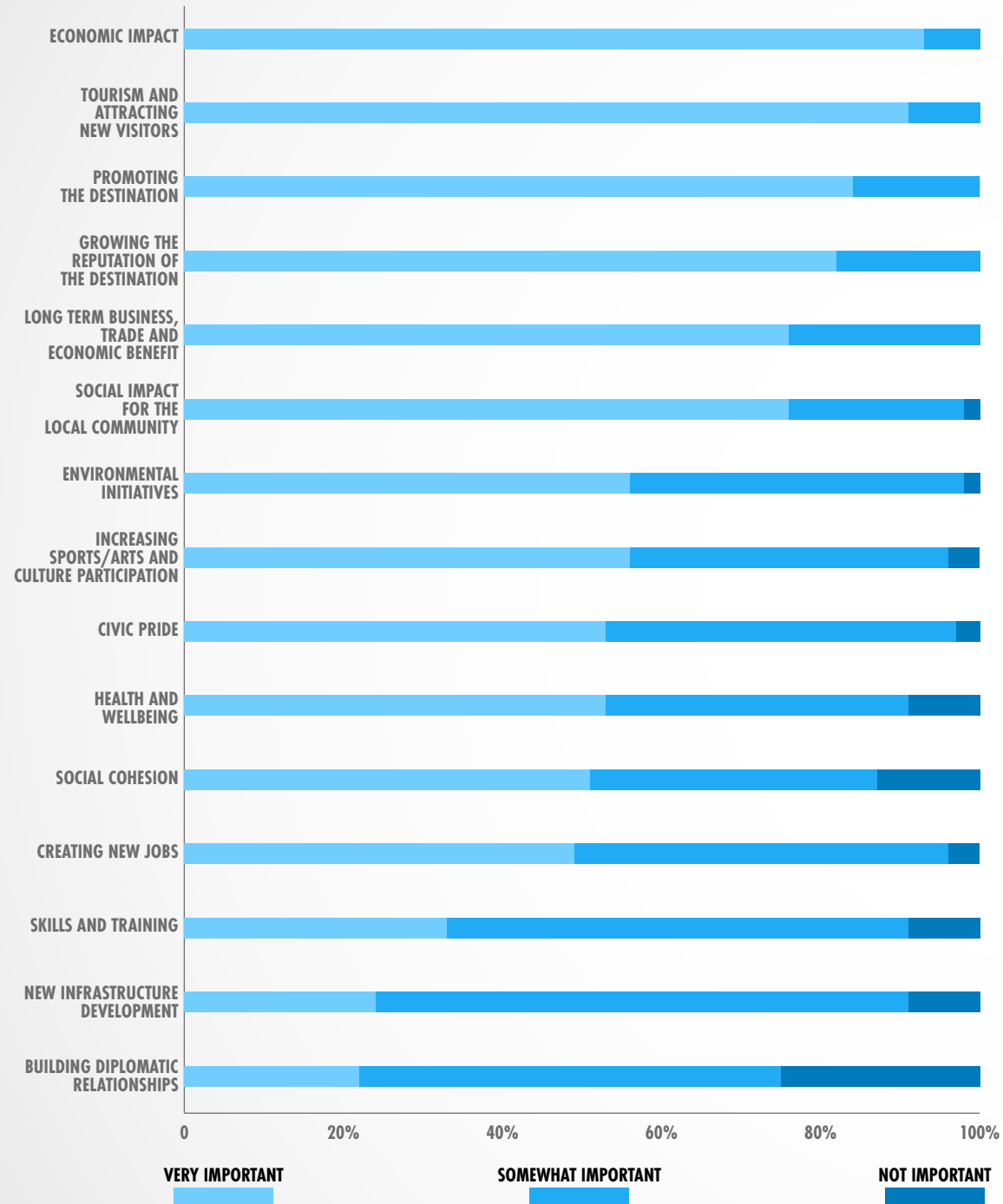
Changes in governmental priorities are moving certain issues up the public policy agenda – particularly public health, urbanisation, social inclusion and climate change. These changes are now being reflected in the emergence of some important new drivers of bidding and hosting strategy. Meanwhile, various cultural and attitudinal shifts amongst the citizens of many more developed countries have led to a reduction in hosts' willingness to make substantial capital investment in facilities, and instead have given rise to a greater focus on the social benefits of hosting major events and, more recently, mitigating the (actual and perceived) negative environmental impacts.

This changing set of priorities is contributing to a widening of the gap between hosts' objectives and an understanding of those objectives by rights holders.



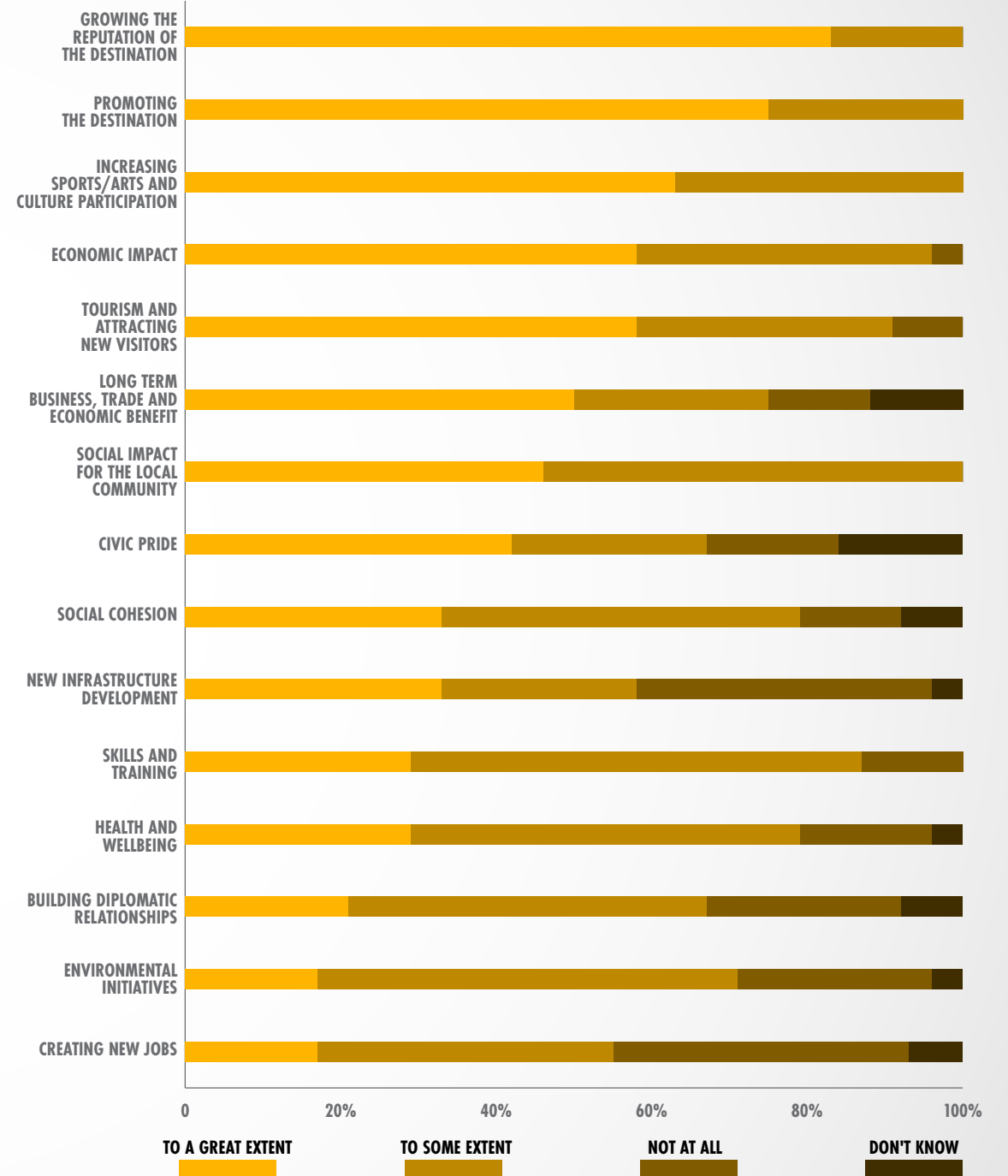
'When making decisions to support events, how important are each of the following impacts?'

KEY EVENT IMPACTS DRIVING HOST DECISION MAKING



'To what extent do you believe your events meet each of the following host objectives?'

ABILITY OF MAJOR EVENTS TO DELIVER ON HOST AMBITIONS



PRINCIPLE VALUE DRIVERS

Economic impact, tourism and destination marketing remain the principal impacts hosts seek from major events, with 93% of surveyed organisations rating economic impact as very important to their decision making.

The delivery of significant non-local visitation and corresponding spend from athletes, administrators, media, corporate sponsors and spectators, coupled with the national and international media exposure generated for the host, continue to be tangible, foundational and traditional value drivers, over decades, in the relationship between rights holder and host.

To that extent, host ambitions and rights holder delivery are well aligned around these objectives, albeit that event owners consider their events to be performing better as destination marketing tools than economic impact drivers. This is possibly because, of the two, rights holders retain more control of their media and marketing output and are more commercially invested in the outcome in respect of broadcast and sponsorship. They have less interest in and control over economic impact from visitation – seen as something which just ‘happens’ by virtue of the event having sizeable cohorts of traveling attendees, and which is therefore rarely seen as a KPI of rights holders.

Rights holders’ focus on partnering with hosts more proactively to deliver destination marketing, as the KPI they most immediately perceive they control, might be seen as a response to the growing pressure, evident in the survey data, on event owners to justify return on investment beyond economic impact alone. Rights holders have often given destination branding rights to hosts, such as on-court branding in tennis or destination showcase vignettes in Formula 1. Increasingly, we are seeing hosts committing to year-round destination partnerships through curated, bespoke short-form content, distributed through owned digital channels, co-produced with the host. Action sports properties such as Red Bull and Nitro Circus, with their in-house media capabilities and centrally contracted athletes, have stolen a march in this regard. As is discussed in Section 3 (Investment into Major Events) of this report, some tourist boards are even entering into ‘pure’ destination marketing sponsorship deals with rights holders, altogether bypassing the need to host events to achieve the destination promotion and reputational impacts they seek – highlighting the importance of this objective alone to hosts.

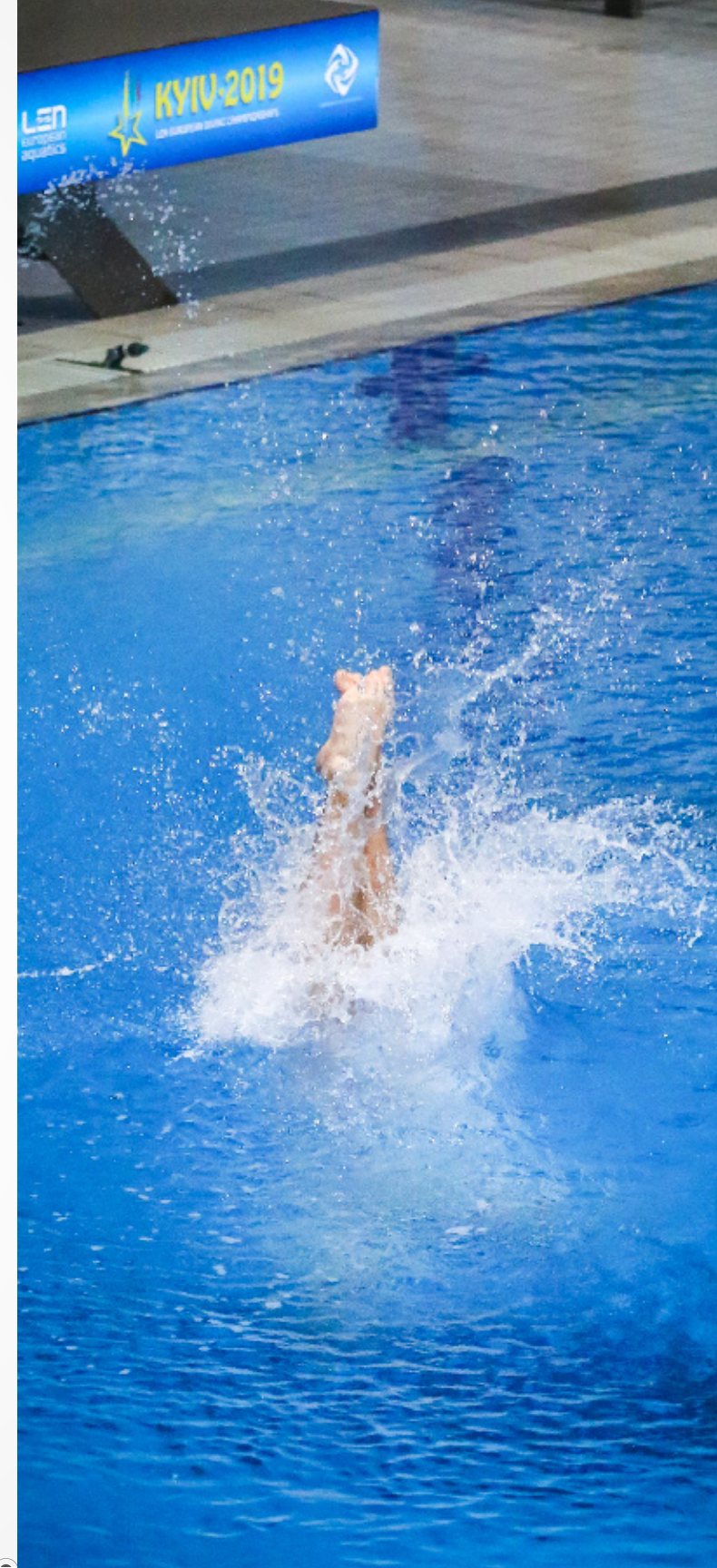
RIGHTS HOLDERS PLAYING CATCH-UP AS HOSTS’ PRIORITIES SHIFT

While rights holders appear to be keeping pace with the evolving headline ambitions of major event hosts at least, key points of divergence in the two parties’ survey responses also indicate that their recognition of and responsiveness to cities’ requirements could still be stronger.

71% of rights holders consider themselves very aware of their hosts’ objectives. In sharp contrast, only 2% of hosts believe rights holders are very understanding of their needs and 85% that they are only “somewhat aware” of them.

Whilst rights holders appear to have a grasp of the core deliverables that underpin the commercial relationship between host and rights holder, they appear to not be keeping pace with the changing priorities of hosts. Neither is it obvious from our research that either host or rights holder is adept at structuring relationships to deliver wider social, health and cultural objectives or measuring them consistently and accurately.

Hosts and rights holders are familiar with established return on investment methodologies and metrics around multiples of economic impact over investments in operational expenditure and, equally, advertising equivalent value of destination branding in event media. Whilst they have increased in priority as objectives, there are currently no such established metrics for social impacts and, in particular, public health benefits.



MAXIMISING AND MEASURING SOCIAL BENEFIT

The greatest change in the objectives that host governments seek from staging major events is the increased importance that they provide substantial social benefit. 76% of hosts surveyed believe an event's ability to drive social impact for the local community is 'very important' to their decision making, while increasing participation, civic pride, social cohesion and health and wellbeing were each also viewed as very important by over 50% of hosts. These key considerations look set to become the next supporting pillars rights holders will need to lean on to continue to unlock significant public sector investment.

Perhaps the most established of these social benefits is the ability of major events to inspire increased participation in physical activity, thereby improving public health and encouraging social inclusion with a focus on specific demographics, age groups and ethnic minorities. Countries such as the UK, New Zealand and Australia are marking a trend towards social and public health outcomes as specific objectives in their major event hosting strategies, with related KPIs as a condition of public funding for major event hosting. Whilst there have been some academic efforts to quantify the benefits, given some of the challenges of 'longitudinal' studies of this nature, these benefits have largely been regarded as anecdotal, especially

when compared to the 'harder' economic impacts of visitation.

There is an increasing desire on the part of hosts to find an effective means of measuring the economic impact of social benefits. Inactivity is the fourth leading risk factor for all global deaths. Increasing chances of developing type II diabetes, heart disease, cancer and other related health conditions, it has been estimated that inactivity imposes economic costs to EU-28 of over EUR 80bn per year, equivalent to 6.25% of all European health spending or half the annual GDP of Ireland or Portugal. By 2030, the annual economic cost could rise to over EUR 250bn – costs which could be avoided if all Europeans were to achieve just an average of 20 minutes a day of simple exercise such as walking.

Some rights holders and major events have recognised the shift in focus and have noticeably created hosting propositions that seek to build in grass roots and wider mass participation sports programmes. For example, the MLB who built a range of adult and children's baseball participation programmes in to the lead up and post-event legacy planning of their 2019 London Series – part of their goal of getting 3 million Europeans participating in the sport by 2030 – or UEFA who has donated football pitches to the host cities of their club competition finals since 2010.

However, beyond increasing participation, our research shows that there remains a disconnect between the ambitions of hosts to measure the perceived more 'intangible' social impacts and the ability of rights holders to provide effective solutions – something discussed more detail in the following subsection (Social Impacts).

MINIMISING NEGATIVE ENVIRONMENTAL IMPACT

Concern about global warming and our impact on the environment, particularly through single-use plastics, have continued to rise in the last decade. With the UN warning that 50% of this kind of waste ends up in the ocean, recent studies from YouGov have found that 46% of Britons now feel guilty about the amount of plastic they use and that 82% are actively trying to reduce the amount of plastic they throw away. Sport in no way escapes the growing pressure from the public for drastic intervention: almost 9 out of 10 UK football fans believe clubs should remove single-use plastics from stadiums altogether. As we have seen in our research, this concern extends to major event hosting in all forms.

Whilst minimising the environmental impact of events is a key priority for hosts, rights holders and event owners have not all kept pace with this attitudinal shift. 56% of hosts deemed environmental benefits or impacts to be very important considerations in their decisions to support events, but only 17% of rights holders felt able to deliver the initiatives hosts are looking for to a great extent – the second lowest figure recorded of all the objectives listed. Although not many rights holders would be able to take the extreme position of the band Coldplay, who have ceased touring to minimise their environmental impact, some event owners, such as Formula 1 and RFU to name two, have started to get ahead of the curve, developing strategies to minimise the environmental impact of their events. This is dealt with in more detail in the subsection Environmental Impacts at the end of Section 1.

ENDANGERING THE WHITE ELEPHANT

In the last decade (2010-2019), spending on the world's largest sports events - the Summer and Winter Olympics and the FIFA World Cup - has been at an estimated at almost \$105bn for capital expenditure, with an average for each tournament of over £13bn. The public's willingness to support high levels of capital spending on the facilities and infrastructure requirements for hosting major events has been in decline, as has been evidenced by the 10 referenda on Olympic bids that have been held by cities since 2009, with the people voting against a bid on all but one occasion. This in turn has led to a shift toward more sustainable events using, where possible, existing infrastructure, temporary overlay and streamlining of extensive service and logistical requirements.

Our research shows a corresponding decline in interest from hosts of major events in what has historically been the justification and narrative for this type of investment: using events as a catalyst for new infrastructure development, with fewer than 25% of surveyed hosts citing this opportunity as central to their strategy.

Mega events in particular are still being used to focus investment in transportation upgrades and urban renewal, but governments are now more wary of spending heavily on sports facilities that could join the ranks of under-used 'white elephant' venues that have been the highest-profile legacies of the likes of the Olympic Games in Athens in 2004 and the 2014 FIFA World Cup in Brazil, and which have contributed to growing public opposition to civic hosting ambitions.

SOCIAL IMPACTS

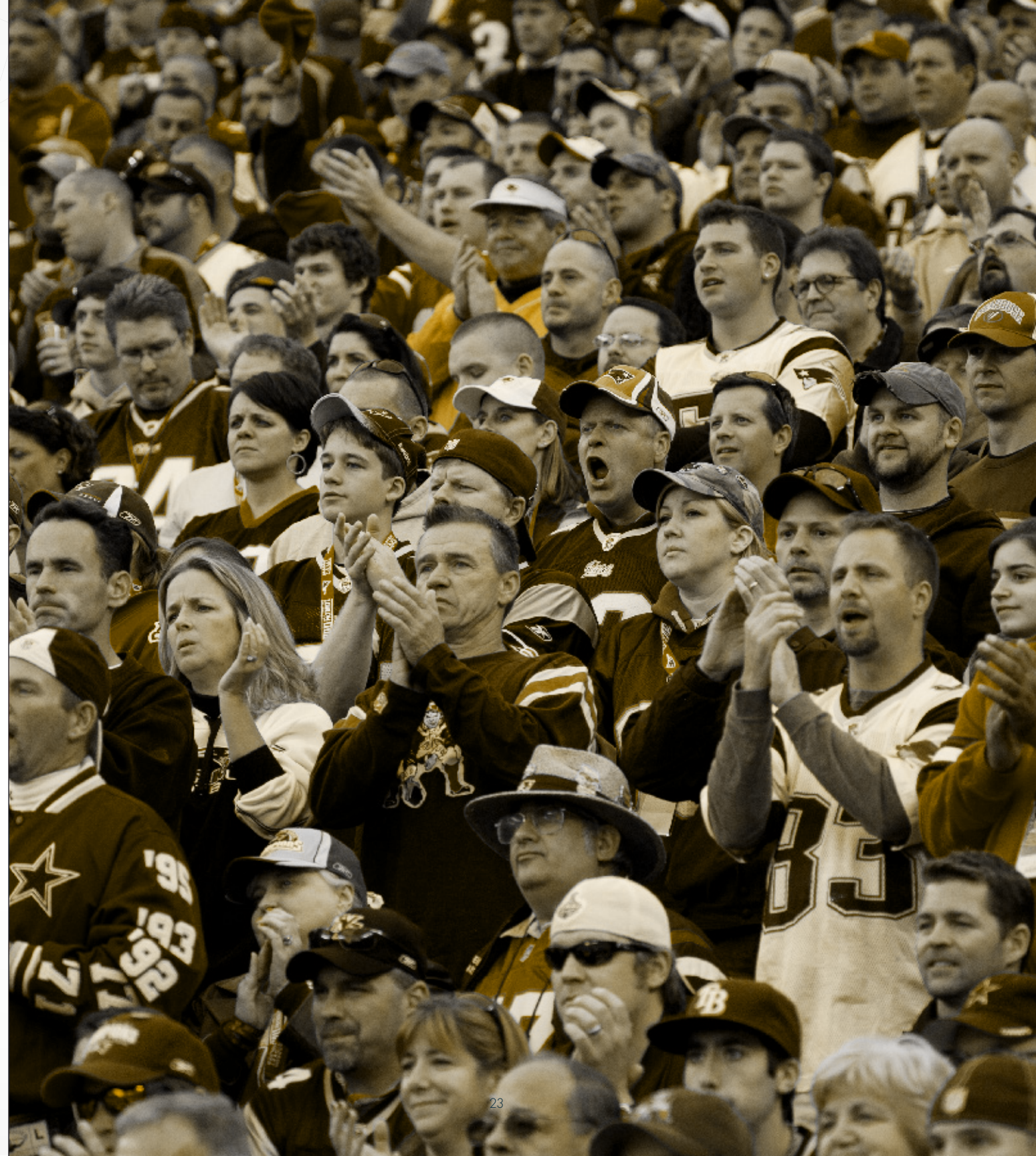
STILL MORE QUESTIONS THAN ANSWERS

OUR DATA: WHAT WE FOUND

Social impact is now a top-five driver of public sector support for major events, with 76% of hosts identifying it as a primary influence on their choice of properties to partner with.

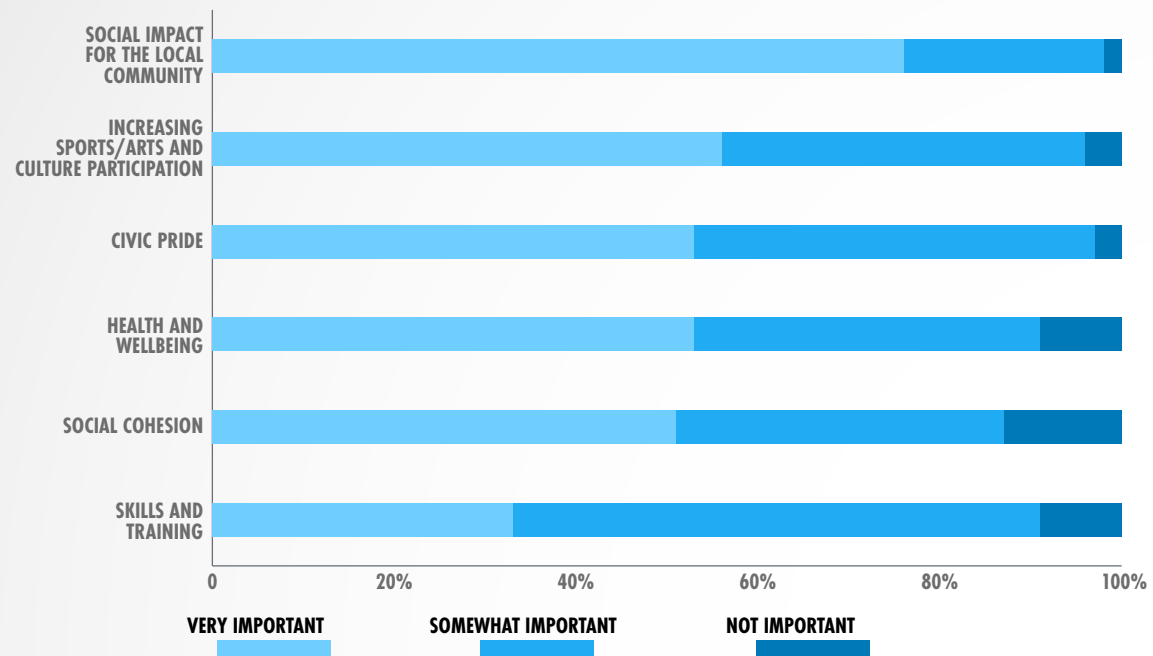
Rights holders are both aware of this movement and broadly confident they are responding to its demands: every one of those surveyed believed their events deliver some level of positive social impact for host communities.

This is particularly true of the ability of major events to increase participation. 56% of hosts say this is a very important to their investment decisions while 63% of rights holders believe their events contribute to increased participation to a great extent and 100% to at least some extent.



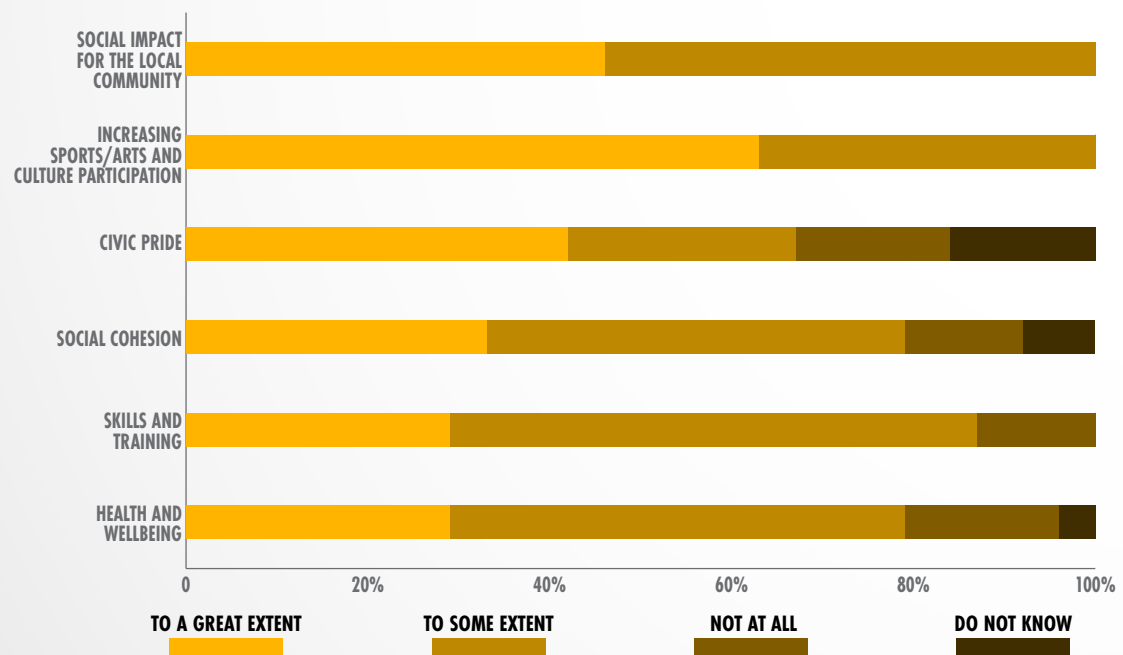
'When making decisions to support events, how important are each of the following impacts?'

SOCIAL IMPACTS SOUGHT BY HOSTS



'To what extent do you believe your events meet each of the following host objectives?'

ABILITY OF MAJOR EVENTS TO DELIVER SOCIAL IMPACTS



Behind those headlines, though, a more complex picture emerges.

In particular, the range of social challenges facing individual cities at both a macro and micro level means impact definitions and priorities vary from host to host, while the lack of a standard methodology for quantifying these effects is limiting rights holders' ability to demonstrate delivery against more specific targets in this realm.

So, among hosts there is no clear hierarchy of social impact, with the promotion of social cohesion, health and wellbeing, civic pride and participation in sport, arts and culture all rated as very important drivers of decision-making by around 50% of hosts.

Rights holders, meanwhile, are noticeably more cautious about the specific social impacts their events generate, with fewer than 50% saying they meet any of the individual elements surveyed to a great extent.



OUR ANALYSIS: WHAT WE THINK

SIAN JENKINS,
ASSOCIATE DIRECTOR,
CONSULTING



The power of major events as a driver of social impact is being limited by a strong disconnect between the ambitions of hosts and the extent to which rights holders understand and are able to articulate the ability of their properties to achieve them.

This is an inevitable consequence of the two parties' differing levels of experience and accumulated knowledge in the field.

Cities and governments around the world have a well-established policy focus on social development and clear priorities and objectives around it, so when they turn to major events as a means of progressing this agenda they arrive with a strong view of what they want to achieve through hosting.

Generic offers of relative intangibles such as increasing civic pride are therefore not what they seek, but are still all many rights holders are able to propose as a result of their long-running concentration on meeting host cities' historic priorities of, first, economic and, more latterly, media impact. As a result – and as our research shows – their social development offer is comparatively broad but relatively shallow.

Closing this gap and realising the full potential of major events as drivers of social impact requires rights holders to be able to demonstrate the extent to which the capabilities of their properties can align with the defined objectives of each prospective host. That in turn needs the development of an agreed methodology that can sit as an equal alongside the established

approaches through which economic and media impacts are assessed.

Existing frameworks such as the UN Sustainable Development Goals are a good starting point for this exercise, which must also take a longer-term view of measurement than that applied to the more immediate impacts of economic benefit and destination marketing. Social gains can begin accruing long before the event takes place and continue long after its conclusion, meaning responsibility for measurement must sit outside the remit of a local organising committee that may not be around for the full legacy period.

As well as a longitudinal element, new measurement methodologies must also have real depth if rights holders are to demonstrate the full value of their social impact capabilities. This means not only evidencing the impact itself but explaining the tangible long-term benefit this brings to the host. At a time when public sector budgets in many regions remain under pressure, making the economic case for social impact will be key.

Host cities and governments recognise this is not an easy task – only 51% of those surveyed said they measured social impact themselves – but the growing importance of this aspect of major event propositions means rights holders who fail to build a clear evidence base around it will find themselves being left behind.



OUR EXPERIENCE: WHAT WE'VE SEEN

RLWC 2021: MEASURING SOCIAL IMPACT

England's vision for the legacy benefits of the 2021 Rugby League World Cup is, in the words of the tournament's chief executive Jon Dutton, "about 10% economic and 90% social".

To define that ground-breaking promise, RLWC2021 began planning what would become its 'InspirationALL' legacy programme as early as 2015 with a broad ambition to create "positive, accessible and inclusive environments", address barriers to participation and generate wider benefits such as community cohesion, civic pride and social development. The programme's formal institution in 2018 was then quickly followed by the announcement of a series of more specific local, national and international initiatives to deliver these objectives.

However, and just as significantly, tournament organisers also made an early commitment to measuring social impact, appointing in 2019 a partnership between The Sports Consultancy and Substance to evaluate the legacy programme's effectiveness – before, during and after the event.

Early planning and action has been crucial not only in establishing clear objectives for the programme but also in identifying the measures on which its success will be judged, while the early appointment of impact assessors is in turn enabling a deeper and richer analysis of progress in real time that will leave its own legacy for other rights holders and hosts.

Dutton says: "Together with our partners, we are 100% committed to ensuring that RLWC2021 leaves a positive and long-lasting impact on communities. Our InspirationALL programme is not a traditional major event legacy programme and we are delighted to partner with The Sports Consultancy and Substance to develop an innovative approach to measuring success and sharing that knowledge with government, the rugby league community and future rights holders who are in a similar position to us."



KEY CONSIDERATIONS FOR SOCIAL IMPACTS

- Social impacts have become a fundamental part of the business case for investing in events – particularly around cost-saving public health benefits. Cities are no longer accepting generic 'cookie-cutter' offerings from rights holders.
- More needs to be done to meet the increasing demand from cities for more robust methodologies for measuring these impacts.
- Given the longitudinal nature of social impacts, measurement must begin long before the event starts and end long after its conclusion, meaning the responsibility should lie outside of the LOC.
- A partnership-led approach between host and rights holder, understanding wider policy objectives from outset, is mutually beneficial for both sides, ensuring impacts can be delivered and measured and consequently unlocking public sector funding.
- Rights holders must focus on proactively expanding their asset inventory to offer long-term, co-delivered social impact initiatives to supplement the event specific assets they currently offer.

ENVIRONMENTAL IMPACTS

THE BURNING PLATFORM

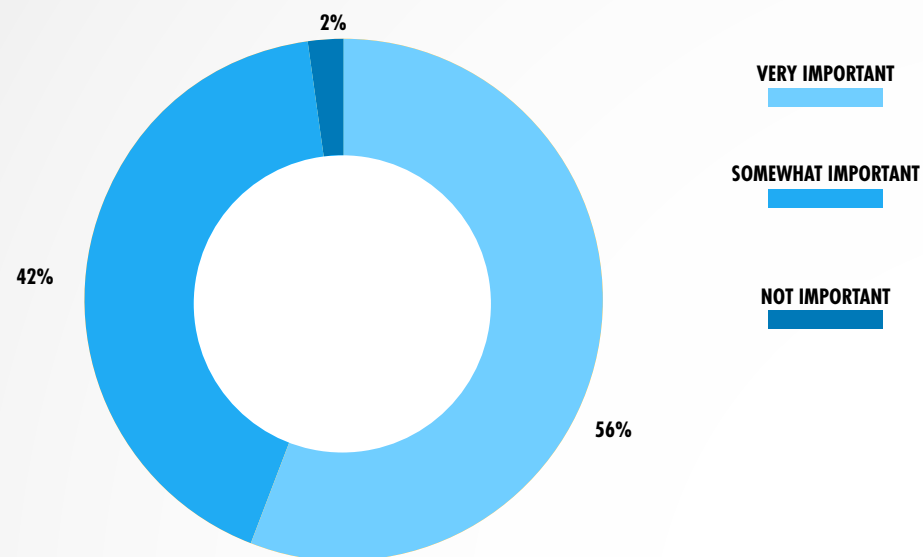
OUR DATA: WHAT WE FOUND

Analysis of rights holder and host attitudes towards major events and the environment suggests that this area is still considered less of an opportunity than a risk, with both parties preoccupied by their need to minimise the negative impacts of events rather than considering how best to use events as a platform for progress.



'When making decisions to support events, how important are each of the following impacts?'

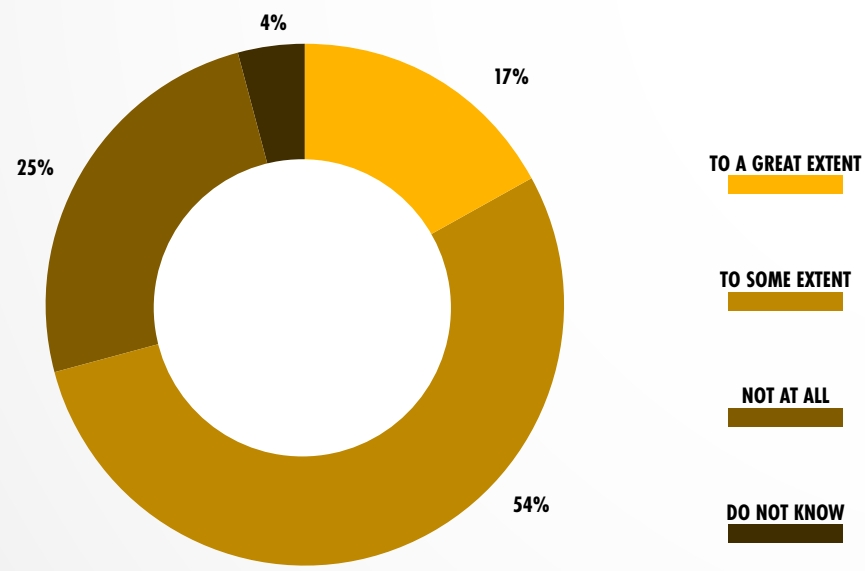
IMPORTANCE TO HOSTS OF EVENTS
DELIVERING ENVIRONMENTAL INITIATIVES



ENVIRONMENTAL INITIATIVES - HOSTS

'To what extent do you believe your events meet each of the following host objectives?'

ABILITY OF MAJOR EVENTS TO DELIVER
ENVIRONMENTAL INITIATIVES



ENVIRONMENTAL INITIATIVES - RIGHTS HOLDERS

Only 2% of hosts do not consider environmental initiatives as having any influence on their decision making around event support, but in priority terms these still rank below economic, media and social goals.

On the other side of the fence, only 17% of rights holders feel their events are meeting hosts' environmental objectives to a great extent, with 25% saying either that they do not meet these ambitions at all or that they do not know how effective they are in this regard.



OUR ANALYSIS: WHAT WE THINK



SUSIE TOMSON,
SUSTAINABILITY DIRECTOR,
EARTH TO OCEAN

The relationship between sport and the climate crisis is a deeply contradictory one – our industry is both part of the problem and part of the solution.

On the positive side of the ledger, the ability of sport to bring people together in support of efforts to tackle this emergency has been recognised by the United Nations in the setting up of its Sports for Climate Action initiative, which is also assisting rights holders and federations in reducing their own environmental impacts.

But, at the same time, staging any major event has an inherently negative impact on its host environment, through everything from travelling fan bases, power usage and infrastructure development to the shipping of equipment and the generation of waste. And in a further dichotomy, the worst offenders are very often the events that have the greatest positive impact in economic terms.

Our survey results reflect the strategic paralysis this situation has created, uncovering the full extent to which hosts and rights holders are struggling to strike the right balance in eliminating the environment's losses while sustaining their own developmental gains.

These findings are a wake-up call for both parties – neither are as yet doing enough or investing enough in finding the solutions that will enable major sporting events not just to eliminate their own negative impacts but to enhance their value by becoming a direct driver of improvement in environmental standards and conditions.

This is a huge challenge but there are a number of areas in which hosts and rights holders can work together to unlock some immediate major gains:

- **Reducing event impacts** is a non-negotiable: we are already seeing host cities turning down opportunities to bid for events they see as insufficiently green or sustainable.
- **Improving alignment between policy makers and event delivery agencies** to address the disconnect between them that is limiting events' ability to maximise positive environmental impacts.
- **Moving beyond tick-box contracts** that set low ambitions for environmental benefits and take a cookie cutter approach to setting sustainability goals and looking instead to international benchmarks for sustainability to raise minimum standards.
- **Looking to co-create environmental solutions** rather than expecting rights holders to understand hosts' specific priorities instinctively and be able to build nuanced responses to them alone.
- **Leveraging the interest of commercial partners** in finding platforms that can actually drive their own sustainability agenda, rather than merely advertise it.

These opportunities are both real and accessible, but the window in which they can be harnessed is small and closing. Without prompt action, there is a danger that major sporting events will be among the first commercial victims of climate change.



OUR EXPERIENCE: WHAT WE'VE SEEN

PARIS 2024: FASTER, HIGHER, GREENER

Rights holders and hosts looking not just to minimise the environmental impact of their major events but also to maximise the positive effect they can have in halting climate change have a growing set of role models they can turn to for inspiration.

In sailing, for example, both The Ocean Race and SailGP are using the platform of their events to promote awareness of (and action on) the issues facing the natural environments in which their participants compete: the dangers of marine plastic for the former and achieving carbon neutrality by 2025 for the latter.

Elsewhere, while motorsport at large is widely perceived as environmentally-unfriendly, Formula E has played an important role in normalising electric car use and spotlighting the ability of these vehicles to reduce carbon emissions and improve air quality in cities.

However, the biggest near-term source of learning for events of all sizes is expected to be the Paris Olympic Games of 2024, which are committed to a 55% reduction in carbon footprint as part of their alignment with the Paris Agreement on climate change and the UN's Sustainable Development Goals.

As well as identifying ways in which other events can attain these standards, Paris 2024 will also offer more specific lessons in using sustainable and certified food sources, green energy, clean transport and bio-based materials, all of which it has made a 100% commitment to, while also leaving a legacy of more than 26 hectares of biodiversity created on Olympic sites within Seine-Saint-Denis.



KEY CONSIDERATIONS FOR ENVIRONMENTAL IMPACTS

Environment is the single biggest gap between host objectives and the ability of rights holders to meet them – the event's sustainability is becoming a "pass/fail" criteria for many hosts

- This doesn't have to be a burning platform for the industry. Rights holders must devise creative solutions for mitigating the negative environmental footprint of their event and, where relevant, using the platform of the event to promote awareness and action.
- Working with appropriate experts in the space is money well invested. There are a number of standards for events which rights holders can work to, including ISO20121.

DEMAND
FOR
MAJOR EVENTS



OVERVIEW

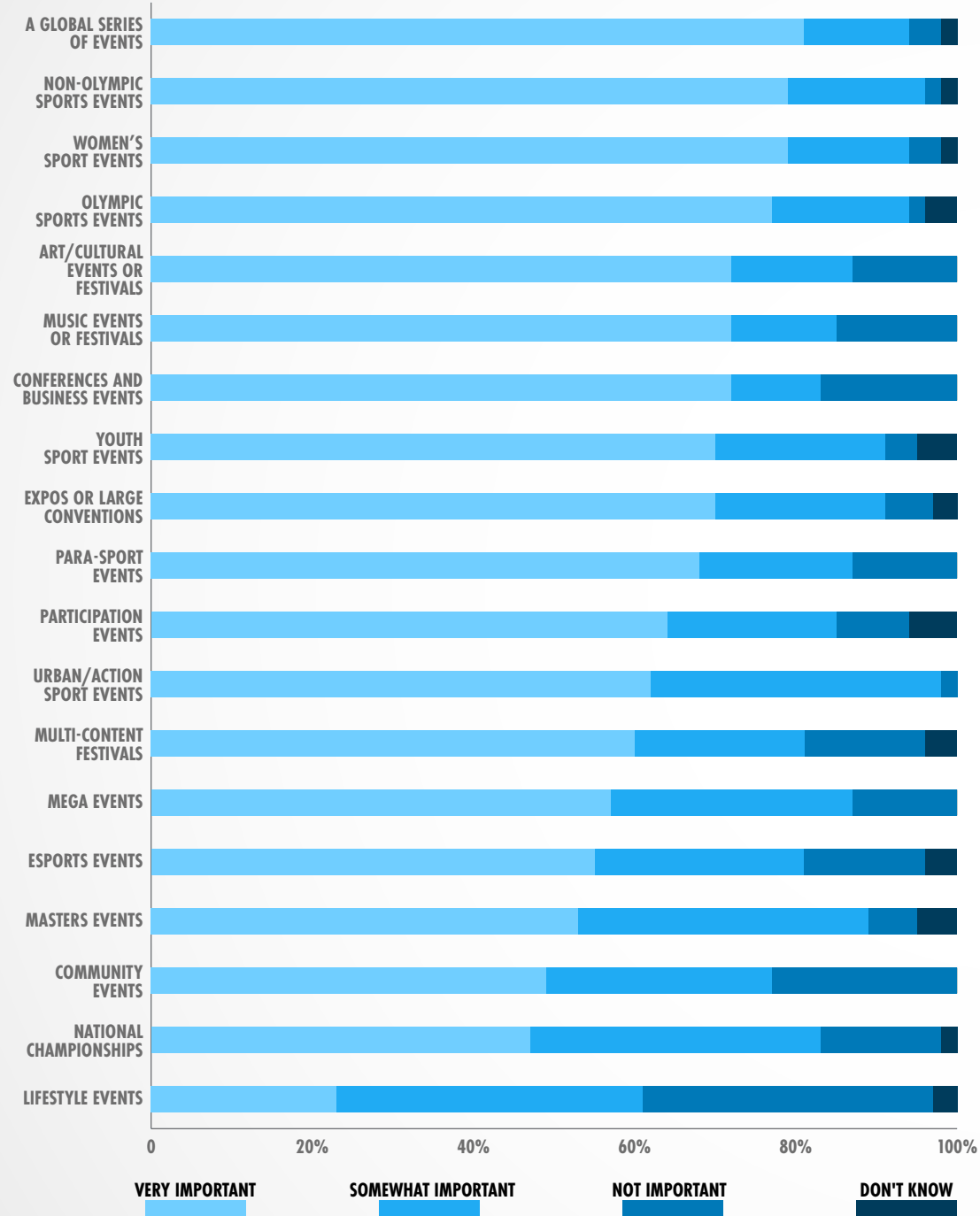
DIVERSITY MATTERS

Event hosts are increasingly building broad event portfolios across a wide range of sports, arts, cultural and business events in the future, with a preference for annually repeating events over “one-offs” with conflicting opinions, in particular, evident when it comes to the very largest of “one-offs” – the mega event. Our data shows an increasing premium on events that are part of a global series, greater interest in non-Olympic sports and a marked increase in women’s competitions topping their wish list. Broadly, there is alignment between what hosts have identified should be part of their future portfolio and what rights holders think will become more prevalent, but there is a gap to be bridged between the two sides’ expectations around esports and mega events.



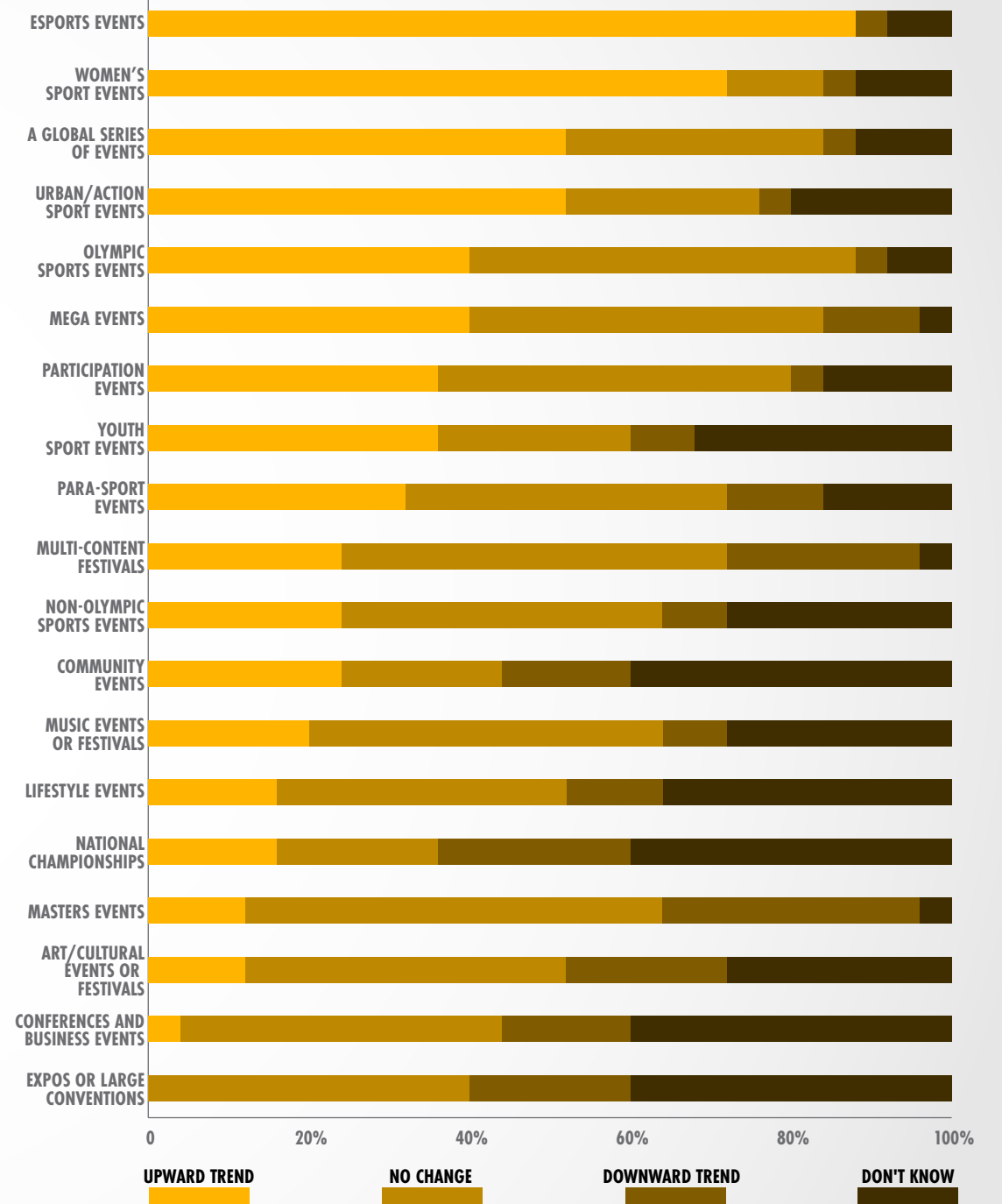
'How important do you think each of the following events will be to your portfolio in the future?'

HOST PERCEPTIONS OF FUTURE IMPORTANCE OF EVENT CATEGORIES



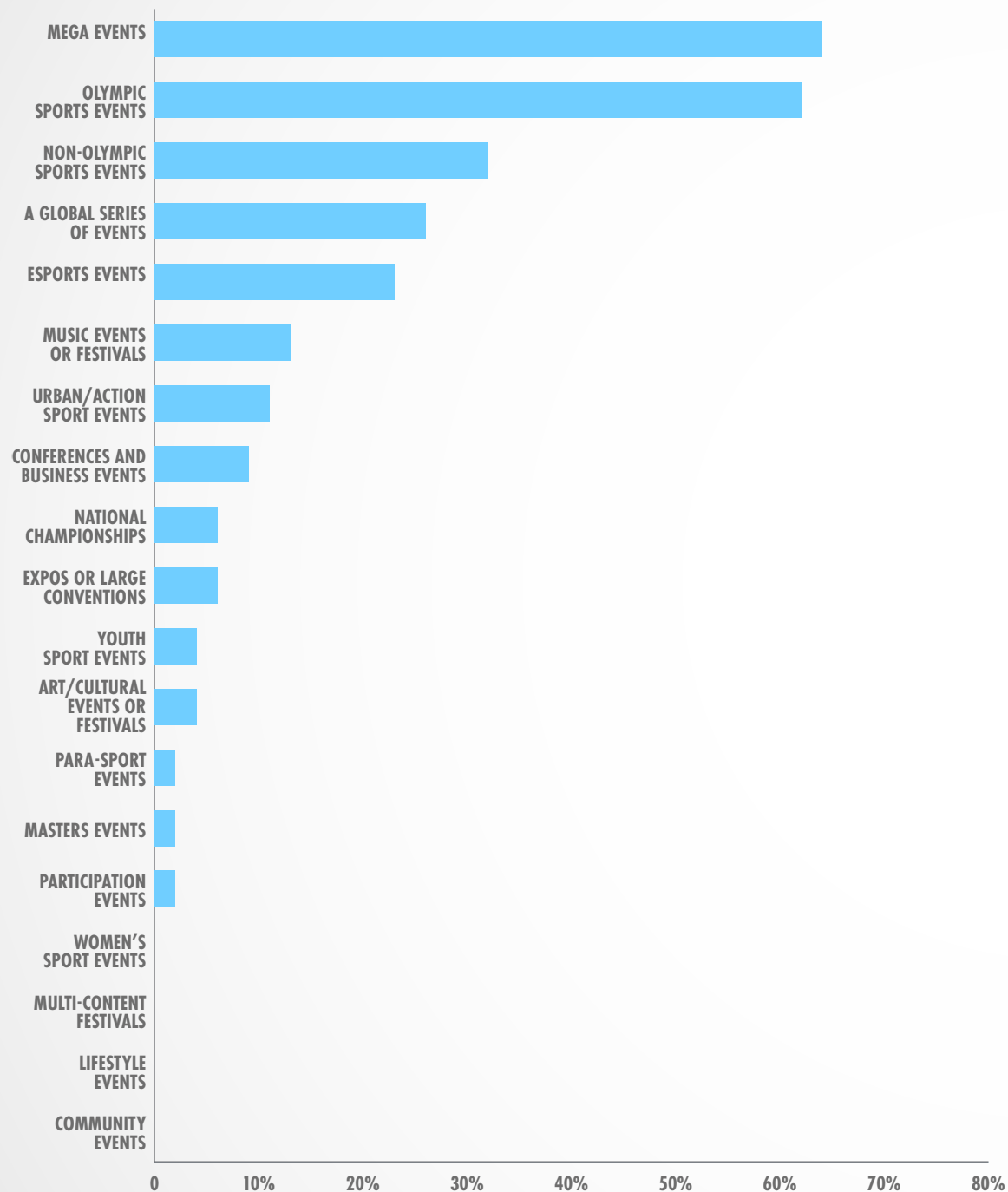
'In your view, are the following events on an upward or downward trend in general?'

RIGHTS HOLDER PERCEPTIONS OF CHANGING IMPORTANCE OF EVENT CATEGORIES



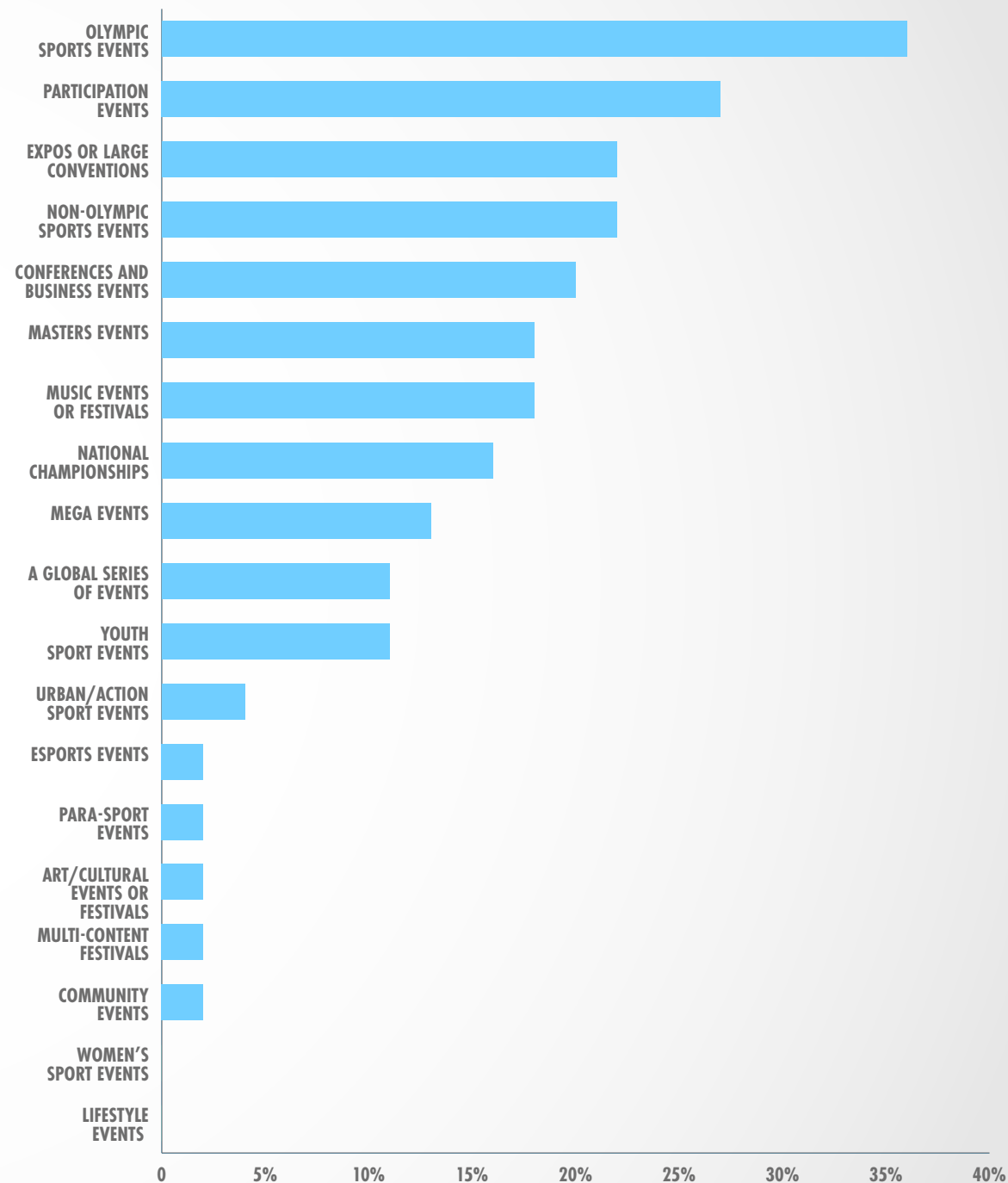
'Which events are seeing the biggest growth in investment required by hosts in fees or other costs?' [Hosts were able to choose a maximum of 3 event types]

HOST PERCEPTIONS OF GROWTH IN REQUIRED HOST INVESTMENT FOR DIFFERENT EVENT CATEGORIES



'Which events represent the best return on investment?' [Hosts were able to choose a maximum of 3 event types]

HOST PERCEPTIONS OF EVENT CATEGORIES REPRESENTING THE BEST ROI



HOSTS READY TO TAKE A BROADER VIEW

Our survey results reflect the experience of The Sports Consultancy – namely that event hosts are increasingly valuing diversity in their multi-year event calendars. Seven different categories were considered very important to their future portfolios by more than 70% of respondents, three of which were non-sport genres (despite the bias in the sample towards sport-focused hosts).

Hosts focused on attracting visitation around events and building their destination brand in key markets are increasingly using data from key tourism markets and analysing the event and lifestyle preferences of their target markets when making decisions on the types of events they wish to attract. This strategic (as opposed to opportunity-led) approach is contributing to the increasing diversity of event portfolios.

Topping the list are sports events that form part of a global series, which are rated as very important by 81% of hosts. Interest in the traditional one-off championships that characterise the Olympic sports category is still robust (77%), but hosts are being drawn more to the benefits of featuring in an annual worldwide tour or series, led by the potential of repeat staging to build profile and hosting expertise, enable continuity in place marketing and offer entry to a global ‘club’ of like-minded destinations.

This search for diversification, added to perceived over valuation of traditional Olympic sport events, is also contributing to an increase in non-Olympic sports and women’s events, both of which are considered very important by 79% of respondents. The increase in interest in non-Olympic and women’s sports also reflects social and cultural changes in the last two decades particularly in line with the changing priorities explored in the previous section. Women’s sport is seen as increasingly important and reaching something of a tipping point as society finally moves conclusively to much greater gender equality.

Hosts are also reflecting a shift of younger audiences as they turn away from traditional sports towards lifestyle and urban sports which are emerging as another priority. These are rated as very important by 62% of hosts, but off the agenda for just 2% – suggesting this category has strong potential to sustain event calendars between their showpiece occasions.

RIGHTS HOLDERS ON BOARD WITH HOSTS’ NEW DIRECTION

In this area, hosts and rights holders are well aligned in much of their thinking, with the non-Olympic sports, women’s events and urban/action sports valued by the former also recognised as on the up by a majority of the latter too.

Much of the appeal of these categories for both parties lies in their ability to connect with new audiences, but (as is discussed in more detail below) it is women’s events that are seen as having the greatest potential, with rights holders identifying significant headroom for growth in hosting fees and commercial revenue, and hosts keen to deploy them in support of the broader range of policy objectives that is now driving their hosting strategy, as mentioned in Section 1 (Impacts of Major Events) of this report.

OPINIONS DIVIDE ON ESPORTS AND MEGA EVENTS

Whether they see esports as an opportunity to reach the next generation of fans or as a dangerous rival for their attention, rights holders are united in their recognition of competitive gaming as a coming force in the events business, with the 88% who consider it on an upward trend making it the No.1 category for expected future growth.

Hosts, however, are far less enthusiastic about the prospect of staging more esports events and consider only four other categories less important to their future strategy, a level of indifference that suggests rights holders will explore the potential of these competitions in the media and sponsorship markets before they do so in the hosting space.

The full impact of the esports phenomenon is considered in more detail below, as is the other main point of divergence between hosts and rights holders: the future of mega events.

While 40% of rights holders believe mega events were on an upward trend, 56% feel they were either static or in decline. On the hosts’ side of the fence, these properties are rated as very important to their future portfolios by 57% but ranked only 14th overall. That in part reflects the fact that not all cities have the capacity to host mega events, but – as is discussed below – it also highlights a potential challenge for these rights holders and an opportunity for disruptor challengers.



WOMEN'S SPORTS EVENTS

GREAT OPPORTUNITIES – BUT NO OPEN GOALS

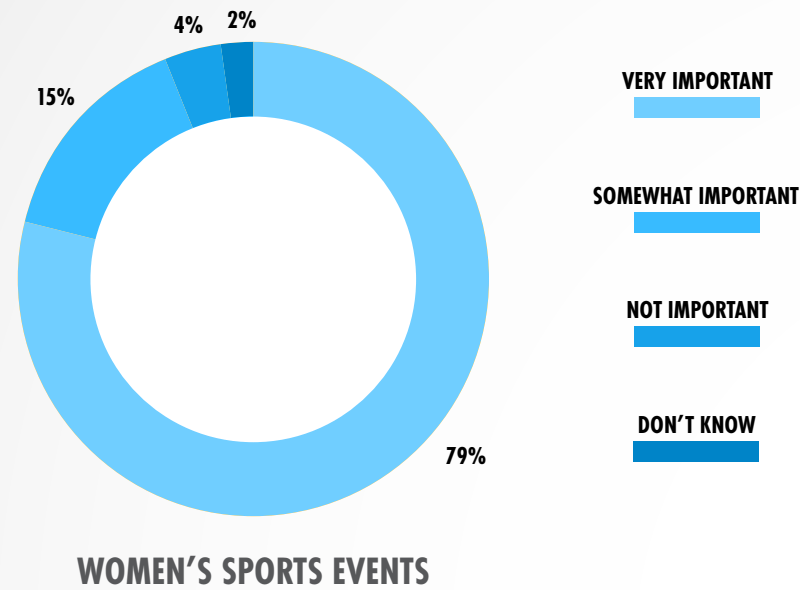
OUR DATA: WHAT WE FOUND

Women's sport is seen as a key growth sector of the global events market by hosts and rights holders alike, with both sets of stakeholders keen to ride its current wave for commercial and strategic gain.



'How important do you think [women's sports events] will be to your portfolio in the future?'

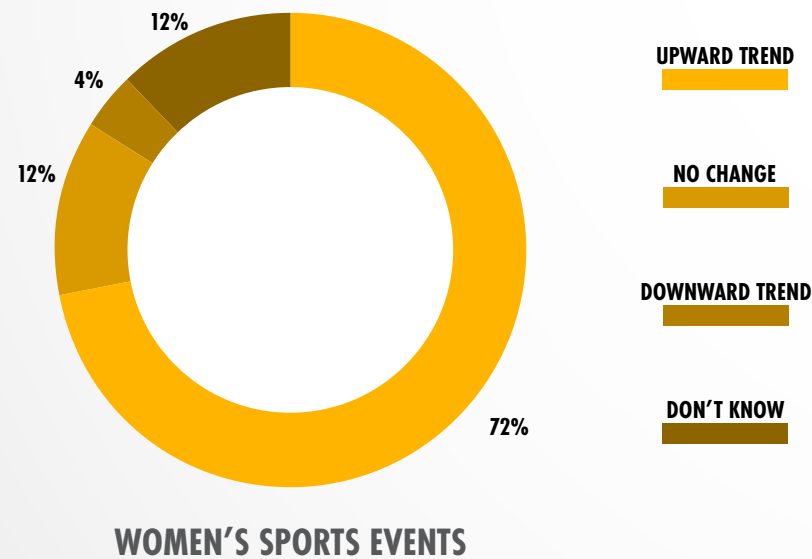
HOST PERCEPTIONS OF FUTURE IMPORTANCE OF WOMEN'S SPORTS EVENTS



WOMEN'S SPORTS EVENTS

'In your view, are [women's sports events] on an upward or downward trend in general?'

RIGHTS HOLDER PERCEPTIONS OF CHANGING IMPORTANCE OF WOMEN'S SPORTS EVENTS



WOMEN'S SPORTS EVENTS

The policy case for hosting women's sport is led by its ability to contribute to the social agenda discussed in Section 1 (Impacts of Major Events) of this report, particularly around gender equality, participation and healthy living. However, the challenges of definition, measurement and rights holder alignment in this area of the public policy agenda suggest initial impetus will come instead primarily from its commercial possibilities, the cheerleaders for which will be rights holders rather than hosts.

The optimism of property owners is underlined by the fact that 42% of those we surveyed identify women's sport as one of the event categories that will experience the greatest growth in hosting fees over the next 5-10 years, a figure bettered only by esports. **A further 40% single out women's sport as having significant potential to improve its media rights valuations and 32% see similar headroom in commercial revenue.**

Rights holders are already beginning to support that growth through some major increases in investment, with FIFA, for example, having pledged to double its financial commitment to women's football to \$1 billion over the 2019-22 cycle.

Others will need to follow suit, though, as hosts are still far less convinced by the financial case for women's sport: not one of those we questioned included women's events among the three categories that generate the best ROI for them.

This further substantiates our hypotheses that:

1. rights holders need to do more to diversify the impact of their events; and
2. our collective definition of "return on investment" needs to become far more nuanced and sophisticated.



OUR ANALYSIS: WHAT WE THINK



KIRSTEN SIBBIT,
ASSOCIATE DIRECTOR,
CONSULTING

The potential of women's sport, and especially major women's sports events, is now universally recognised. The most recent editions of the FIFA World Cup and T20 Cricket World Cup in 2019 and 2020 respectively have demonstrated that growth is both a reality and occurring at a rapid – and accelerating – pace.

That trend is set to continue. Rising public demand for these events has set in motion a virtuous circle of growth - new precedents set in the levels of investment in turn attracting more commercial and media investment. This enables the production of more content, which raises the profile of female athletes and competition again, which in turn attracts more public interest and expands audiences further still.

This is especially important because the tangible outcomes that women-only events have delivered historically have not been significant enough to generate the investment women's sport needs to grow. However, it also means that hosting fees will rise in step with interest and media coverage – the rights holders we surveyed anticipate women's sports events will see some of the biggest growth across the entire industry.

This means the opportunity is knocking right now – while events are still affordable in comparison to men's sports events, but when outcomes for hosts are on the same upward trajectory as consumer demand.

In capitalising, though, the priorities of hosts and rights holders are likely to differ, with the former needing to make up ground in ROI and make progress on social

impact objectives, and the latter looking to grow their events' status to enable their future earning power to match their perceived potential.

For hosts, two key areas of focus around ROI should be:

- **Riding the global wave:** The relative cost of investing in women's sport is low compared with other growing events, while media coverage, audience awareness and commercial interest are increasing rapidly. By investing on the basis of past and likely future performance, hosts can get a bargain and achieve outcomes which outstrip the event's previous ROI.
- **Building women's events into a wider narrative:** Investment in women's sport is still challenging to unlock due to the lower returns it has generated historically and currently by comparison with men's events. The key to changing that is positioning women's events as part of a wider narrative with a greater purpose. This allows their value to be judged on their return against wider objectives and can also generate greater interest from spectators, media audiences and commercial partners, boosting the outcomes further again.

For rights holders, opportunities to build women's event stature and value lie in:

- **Creative packaging** that allows women's events to differentiate themselves from male counterparts while still benefiting from common delivery models. The T20 Cricket World Cups in Australia in 2020 are a great example of this, with the same host delivering both female and male tournaments but at different times of year. This enables the events to benefit from the same organising committee, commercial support and venues (where sensible), while still being afforded a distinct space and media presence.

- **Partnering with hosts for mutual benefit:** With hosts and rights holders both now seeing the potential of women's sport, the right hosting relationship can enhance a property's growth. With host and owner investing together, both stand to benefit in the short and long term from bigger events with more outward investment and global exposure.

Investing in women's sport remains something of a leap of faith for many hosts made wary by a track record of limited ROI. But buying low is as good a strategy for growth as it ever was and the current moment feels like a good time to get on board before stocks start to rise



OUR EXPERIENCE: WHAT WE'VE SEEN

NEW ZEALAND DOUBLES UP FOR MAXIMUM IMPACT

One host that has bought in to the potential of major women's sports events to support government social objectives is New Zealand, which will stage both the Cricket and Rugby World Cups in 2021 with the aim of using the combined impact of the two properties to help progress its commitment to the UN Gender Equality Sustainable Development Goal and support its ground-breaking Wellbeing Budget.

New Zealand is ranked 11th in the world in gender equality terms but is seeking to accelerate progress towards the commitment to achieving full parity by 2030 made by the 193 nations that signed up to the UN targets five years ago. It is also the first western country to design its national budget around wellbeing priorities such as supporting mental health, eliminating child poverty and tackling family violence.

The Cricket and Rugby World Cups are being staged alongside a number of other high-profile events focused on women and gender equality, including the APEC (Asia-Pacific Economic Cooperation) Conference and the International Working Group (IWG) on Women and Sport in 2022.

This is a deliberate strategy to maximise impact through hosting multiple events aligned around a core theme, and one that could become more widespread as more cities and nations begin to see women's sport as a valuable means of achieving policy goals beyond the traditional staples of economic growth, tourism and destination marketing.



KEY CONSIDERATIONS FOR WOMEN'S SPORTS EVENTS

- Currently, hosting costs are relatively low, but increases in hosting fees will likely follow the increasing demand for women's sports events.
- Hosts can make up for the historically lower returns on investment by positioning women's sports as a fundamental part of a wider gender equality narrative.
- Value for hosts should be measured on the 'return on objective' rather than traditional economic or destination promotion impacts from hosting. This value can be maximised by staging other gender equality related conferences in tandem.
- Partnering with like-minded hosts who are committed to driving these policy objectives will help rights holders optimise the commercial value and long-term attractiveness of their events.

MEGA EVENTS

RISKS OUTWEIGHING REWARDS

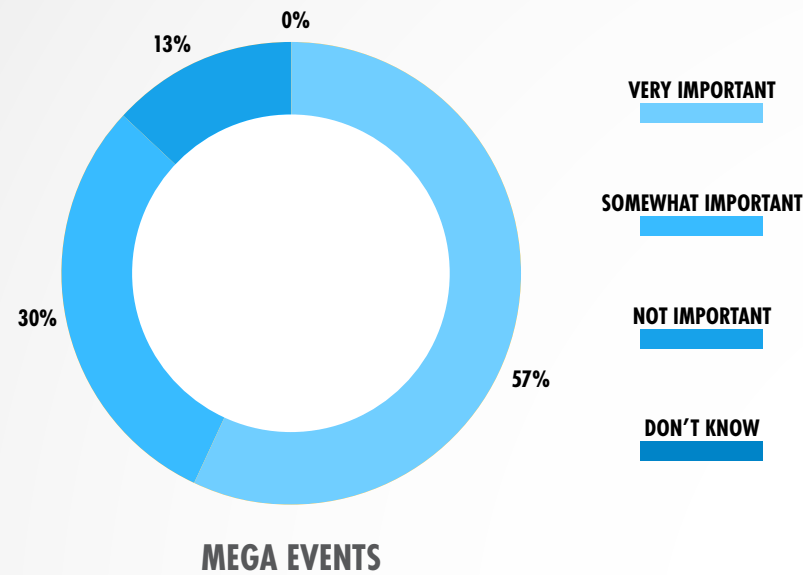
OUR DATA: WHAT WE FOUND

The picture painted of our survey respondents on the future of mega events is currently a conflicting one. Both rights holders and hosts fail to find a consensus view of their long-term value and prospects. Rights holders are divided over whether the sector is on an upward trajectory (40%) or whether it is stagnating or declining (56%) and, although 57% of hosts consider these properties very important to their future portfolio, that ranks them only 14th out of 19 categories overall.



'How important do you think [mega events] will be to your portfolio in the future?'

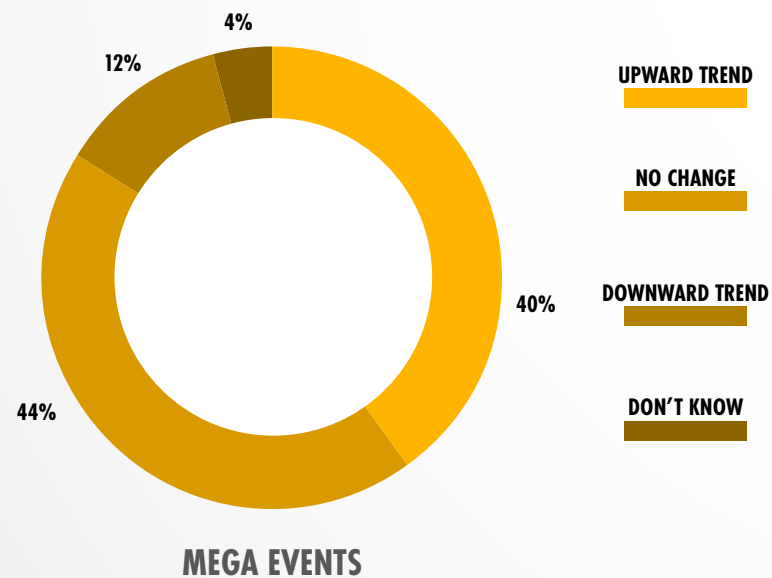
HOST PERCEPTIONS OF FUTURE IMPORTANCE OF MEGA EVENTS



MEGA EVENTS

'In your view, are [mega events] on an upward or downward trend in general?'

RIGHTS HOLDER PERCEPTIONS OF CHANGING IMPORTANCE OF MEGA EVENTS

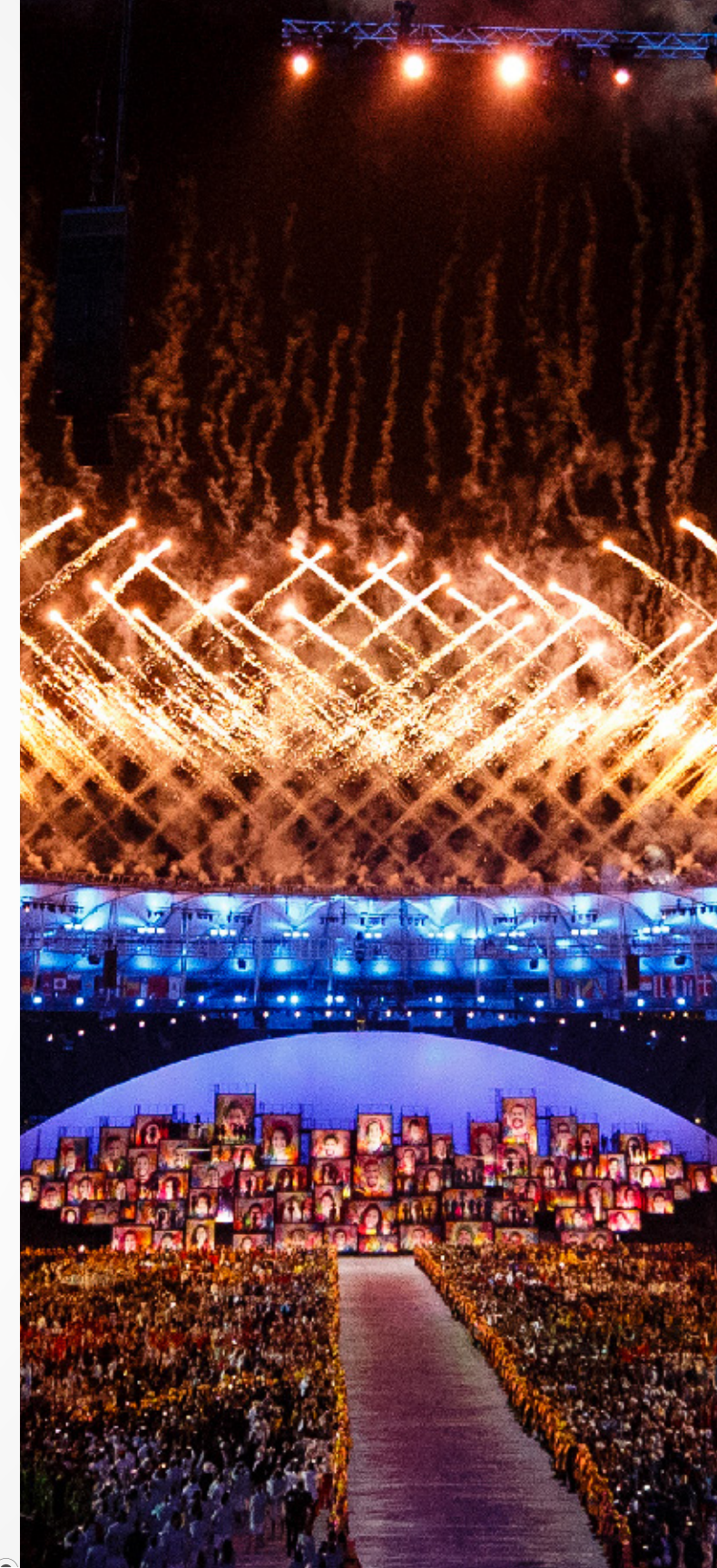


MEGA EVENTS

The number of hosts considering themselves to have the capacity to stage a mega event (or be willing to develop it) is a strong positive for the sector, but the big issue rights holders face is around perceptions of the imbalance between costs and benefits of hosting. Hosts seem to be expressing an obvious truth: they recognise and want the potentially substantial benefits and impacts of hosting major one-off events without the corresponding substantial investment. The risk profile of hosting these events is perceived to be high given the potential investment of financial and political capital.

Mega events are perhaps unsurprisingly identified as the properties that require the greatest degree of investment, with 65% of hosts including them in their top three on this measure. However, only 11% of respondents rank them among the top three in terms of ROI. Taken together, these findings paint a picture of mega events as a desirable but high-risk, proportionately lower-return proposition for hosts that should concern rights holders looking to attract quality bidders for their blue riband properties. Steps have been taken to reduce the investment to host major events, such as the IOC's Agenda 2020, but more work clearly needs to be done in this area.

Mega events are much better placed commercially, however, **with rights holders believing their potential for sponsorship revenue growth with these traditional mainstays is second only to that of the newer esports formats.** Finding more collaborative partnership models, reducing levels of investment in capital and operating expenditure and potentially sharing more of that upside with hosts could be key to rebalancing the cost-benefit equation in a way that makes mega events more attractive to more cities, regions and states.



OUR ANALYSIS: WHAT WE THINK

STUART TURNER,
ASSOCIATE



Rights holders are strong believers in the commercial potential of mega events but far less bullish about their future overall. This is likely informed by their interactions with a hosting community whose concerns over mega events' track record on ROI has created a relative coolness towards them. So, if rights holders are to unlock the future commercial value they see in these events, they need to make them more valuable and accessible to more destinations.

From the value perspective, there are three key areas on which rights holders should focus:

- **Reduced costs:** Rationalising both the capital investment in new infrastructure and the costs of delivering the organisational and technical requirements of hosting is an obvious way of increasing the ROI, assuming the media and economic benefits remain the same.
- **Shared risk:** New models that share the risks (and by extension the rewards) of staging a mega event in an appropriate and balanced way would allow rights holders to demonstrate clear partnership with hosts and provide the greater budget certainty that can make investment more attractive.
- **Benefits appraisal:** Rights holders are increasingly looking to gather data on the social and environmental impacts of mega event hosting alongside their traditional measurement of economic and media values. More of this broader benefit assessment will help hosts understand the ways in which these properties can support the shift

in policy focus identified in Section 1 (Impacts of Major Events) of this report.

And to improve accessibility, rights holders could become more flexible in their hosting models and in the shape and format of their events:

- **Multiple hosts:** Rights holders need to be more welcoming towards multi-city/nation bids, which hosts see as bringing mega events within the reach of a much wider set of destinations but which is **a model that only 27% of rights holders surveyed have used. However, 86% of these said the experience had been a success**, indicating that it could be another useful means of tackling current issues around minimising risk and maximising reward.
- **Sport selection:** More flexibility is needed around event composition to enable hosts to tailor a programme that best supports their strategic ambitions. The disaggregation of the component events of the FEI's World Equestrian Games and the shrinking of the core sports list at the Commonwealth Games are two examples of the way in which more mega events will move away from their traditional templated, cookie-cutter approach.
- **New events:** The natural progression of this trend is towards the full co-creation of new mega events that are driven even more fully by the host city's agenda. The new multi-sport European Championships and the UCI's all-discipline World Championships in cycling are the first in what should be a growing line of this type of mega event.

The common thread running through all these opportunities is a greater degree of cooperation and collaboration between rights holders and prospective hosts in everything from how mega events are funded to the ways in which they are staged, measured and sold. Getting on this same page is the absolute prerequisite for beginning to unlock the potential rights holders see.



OUR EXPERIENCE: WHAT WE'VE SEEN

SCALING UP AND BREAKING DOWN

The days of the prescriptive, one-size-fits-all approach to mega event staging are over: rights holders can no longer dictate terms to a shrinking pool of potential hosts and must adapt instead to their changing individual needs.

In the case of cycling's UCI World Championships and both the FEI World Equestrian and Commonwealth Games, that has meant allowing hosts to choose the events they want to include, whether it is a single one or the whole job lot.

The UCI has worked with EventScotland and other partners to create a new World Championships that every four years will bring together the sport's 13 individual championships in a single nine-day showcase featuring 2,600 elite athletes, beginning in Glasgow in 2023 and including a mass participation sportive open to more than 8,000 amateurs.

This is a new 'mega' event that will benefit both the rights holder (ensuring maximum exposure of their event around the world) and host (achieving strategic objectives and tailoring the event to their needs from the outset). All the component events are currently in existence but, by bringing them together, there is an opportunity to create greater media impact, attract higher levels of commercial involvement, raise the levels of delivery and interest in the smaller properties, and use the events to deliver specific social objectives.

Moving in other directions, though, are the FEI's World Equestrian Games and the Commonwealth Games.

The World Equestrian Games was created in 1990 to combine the world championships of the sport's 10 individual disciplines, but found the cost and complexity of staging so many events in the space of a fortnight was deterring potential hosts from putting themselves forward. So, for the 2022 edition, the FEI allowed interested parties to bid for any combination of disciplines as well as the entire event and has found it is gaining much greater traction from prospective hosts as a result. FEI President Ingmar de Vos told us: *"The sport is growing, and we will now get access to new hosts in countries where it was not possible before."*

The Commonwealth Games has a long history of what de Vos describes as "optionality" around programming according to the popularity – or strategic importance – of particular sports in particular territories. The Kuala Lumpur Games of 1998, for example, saw ten-pin bowling make its only appearance on the roster, while Manchester and Glasgow both added judo in 2002 and 2014 respectively. When the Games go to Birmingham in 2022, the core sports list will be down to just 10, giving the host more scope than ever to frame the occasion to suit its narrative, in this case allowing the UK's second city to make the strategic statement of offering, for the first time, more women's medals than men's.



KEY CONSIDERATIONS FOR MEGA EVENTS

- Greater collaboration on event design is needed to alter perceptions that mega events are expensive and difficult to host
- The industry would benefit from a detailed study of the strengths and weaknesses of the multiple-destination model that appears popular with hosts
- Flexibility in delivery models, content and formats can attract more interest in hosting mega events and raise their rights value over the longer term
- New properties created in partnership by rights holders and hosts can balance the priorities of each and bring simplicity and focus to their sporting calendars.

OUR DATA: WHAT WE FOUND

The rise of esports has been impossible to miss. Media audiences for competitive gaming trebled to an estimated 443 million annually between 2012 and 2019, giving them a larger following than American football and rugby union combined. Global revenues passed \$1 billion last year - up 54% from 2018 - and total prize money topped \$170 million and are predicted to exceed \$3bn by 2022

Regardless of whether they see esports as an opportunity or a threat, rights holders are near-unanimous in their view of the category as the event market's leader for future growth.

ESPORTS EVENTS

WHY DON'T HOSTS BELIEVE THE HYPE?

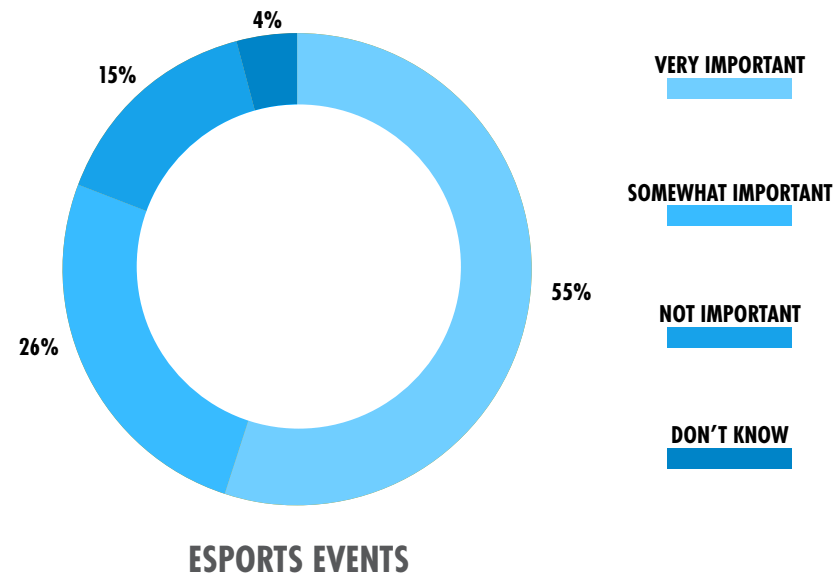
Some 88% of rights holders consider esports events to be on an upward trend, while 76% believe it will be among the segments experiencing the greatest growth in media rights and sponsorship revenues over the next 5-10 years, again making it the No.1 on this measure. Not one of those we spoke to expect these income streams to decline.

Among hosts, however, the picture is very different, with only 55% naming esports events as very important to their future events strategy, ranking it 15th out of 19 on their priority list. This lack of enthusiasm could be driven by the comparative immaturity of the live events segment of the competitive esports market, which is leaving many hosts waiting for more evidence of value before getting on board. Only 2% of surveyed hosts name esports among their top three event categories in terms of ROI - making them the joint third worst-performing on this measure. By comparison, mass participation events are placed among their top performers by 27% of hosts.



'How important do you think [esports events] will be to your portfolio in the future?'

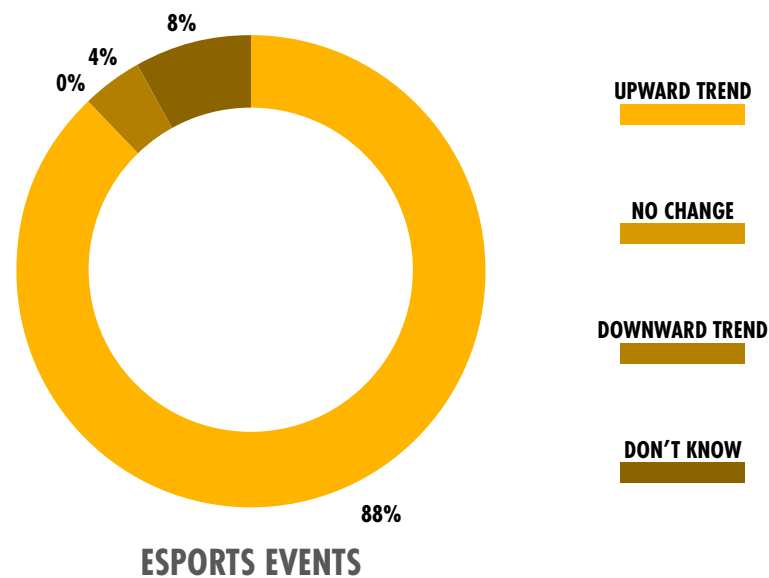
HOST PERCEPTIONS OF FUTURE IMPORTANCE OF ESPORTS EVENTS



ESPORTS EVENTS

'In your view, are [esports events] on an upward or downward trend in general?'

RIGHTS HOLDER PERCEPTIONS OF CHANGING IMPORTANCE OF ESPORTS EVENTS



ESPORTS EVENTS

Rights holders in mainstream sports such as F1 and FIFA are already using esports for commercial purposes, ranging from attracting new fans and building new sponsorship assets to monetising new media platforms, driving crossover sales (e.g. for PPV services and merchandise) and even creating new participation pathways (e.g. as in motorsport). In fact, **39% of rights holders told us that engaging fans through esports was one of the three most important considerations for their event strategy** – a higher proportion than are focused on either building more entertainment into their offer or developing shorter formats.

For esports to generate similar levels of excitement among hosts, however, their benefits will firstly need to be better communicated but also to be better aligned with event destination strategies. For example, the indoor nature of esports events means they may be seen as having only limited potential to contribute to the destination marketing objectives prioritised by 51% of surveyed hosts. Similarly, the economic yield identified as very important to event strategy decisions by 93% of hosts may be considered lower for the younger demographics esports attract than the older, more affluent crowds drawn to more mainstream properties.



OUR ANALYSIS: WHAT WE THINK



MATT WILSON,
DIRECTOR,
CONSULTING

The attributes of esports are all well-aligned with the objectives of a typical destination marketing strategy: engaging new and existing audiences with new content and formats that offer global scale at an accessible level of investment, and which are uniquely attuned to the preferences of difficult-to-engage Gen Z through short-form media, customisable experience and social interaction.

So why do so few hosts see them as an investment opportunity? Throughout our event strategy advisory engagements to public sector clients across the globe, the recurrent theme is clear. It is not that they do not understand the benefits of hosting esports events, just that they do not yet see sufficient value in doing so, particularly in comparison to other options available. Hosts would rather invest in attracting a cardiovascular surgeons' conference – whose delegates will dwell in market, spend on top-class hotels, showcase thought leadership and seed repeat visitation – than engage an esports demographic perceived to have less disposable income and be predominantly day-trip or budget accommodation visitors. Even the media opportunity fails to warm them up: esports viewing figures may be in the millions, but very few events have been able to showcase their host as effectively as their apparel or hardware partner.

As a result, both sides are missing out. Esports events can be genuinely differentiated hosting propositions, offering unique benefits at relatively low cost, but

rights holders need to be better able to evidence that value proposition and create formats that offer event hosts the same platform their sponsors enjoy. Some key opportunities to improve that alignment – and unlock public sector investment as a result – include:

- **Raising the host's profile** by swapping the 'black box' arena model for an iconic location backdrop and taking the talent out into the city to supercharge media impact.
- **Diversifying the experience to extend dwell time**, offering content beyond the screen of play – e.g. a music event or B2C expo – that gives visitors and hosts more than a two-hour tournament.
- **Looking past the fans alone** to connect host cities with the designers, publishers, technologists and sponsors behind the esports business, wrapping a B2B industry occasion around a showcase event that gives invaluable access to the tech industry's brightest minds.
- **Getting the host in the game** by using the value of esports as destination marketing platforms in their own right to put the city literally on the map the players are competing on.
- **Evidencing audience response** through the unique digital nature that lets esports drive and track engagement with host partnerships across the year, not solely around the event.
- **Going direct** in guaranteeing access to the rising stars of esports and helping hosts align themselves with a new set of influencers they know little about.
- **Building the homes of esports** through legacy programmes that create valuable sustained connections with hosts through team presence, media functions or tech incubation hubs.

So, hosts and rights holders can reconcile their investment differences – they just need to be more creative about the propositions they present.



OUR EXPERIENCE: WHAT WE'VE SEEN

STOCKHOLM

Stockholm is one established host city that is seeking to promote its digital and technology credentials by investing in esports events. The Swedish capital is building Europe's largest permanent esports venue, which will open in 2021 as part of a seven-storey gaming, music and digital culture hub called Space Stockholm.

The city is also stepping up its esports activity before the new facility opens. This summer, Stockholm was set to become the first European host of The International, the concluding tournament of this year's Dota 2 Pro Circuit, at the 16,000-capacity Ericsson Globe arena before developer Valve indefinitely postponed the event amidst the coronavirus pandemic. As well as supporting what the city's mayor, Anna König Jerlmyr, describes as its ambition to be "the smartest city in the world" by 2040, Stockholm's move into esports should leave it well placed to benefit economically as well, as event impacts become more tangible and opportunities increase to partner with blue chip brands.

League of Legends, for example, counts Louis Vuitton, Mastercard, Red Bull, Kia and State Farm among its sponsors, while Rotterdam's hosting of its 2019 European Championship (LEC) Spring Finals was estimated by developer Riot Games to have generated more than €2.3 million in economic impact.



KEY CONSIDERATIONS FOR ESPORTS:

- Embed your host's brand into your creative as you would any other commercial partner
- Create tools that allow your host to evidence the attributable impact of your partnership
- Be more than just an event, by offering authentic, year-round content and talent opportunities
- Go beyond the fan by unlocking access to industry thought leaders and brands that have ongoing value to the host's strategic industries

INVESTMENT INTO MAJOR EVENTS



OVERVIEW

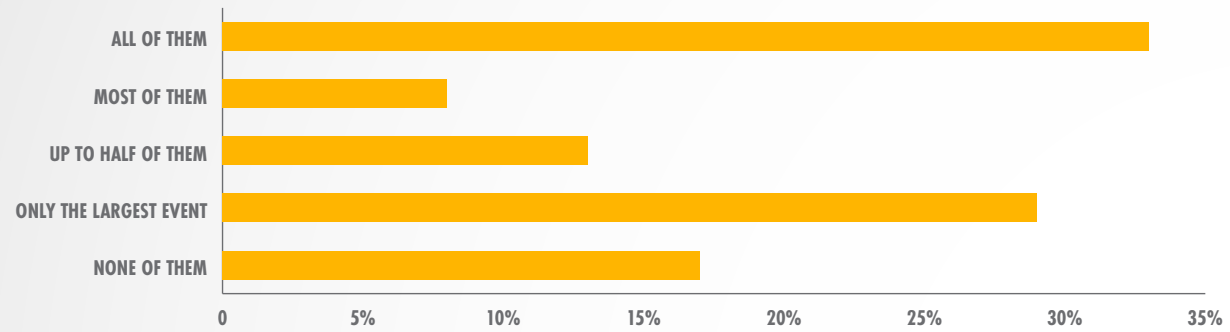
WILL THE BUCKS STOP HERE?

Few in the major events industry expect something for nothing: the vast majority of rights holders levy hosting fees and the vast majority of hosts pay them. However, the two sides look to be on a collision course over the issue, with rights holders expecting (and needing) fees to rise, and hosts – particularly in Europe – unhappy with current value for money and either unwilling or unable to fuel further inflation.



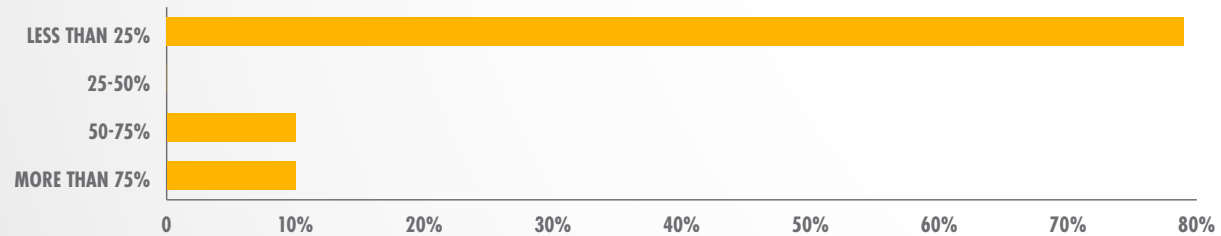
'For how many of the events that you own do you receive hosting fees?'

PROPORTION OF EVENTS RECEIVING HOSTING FEES



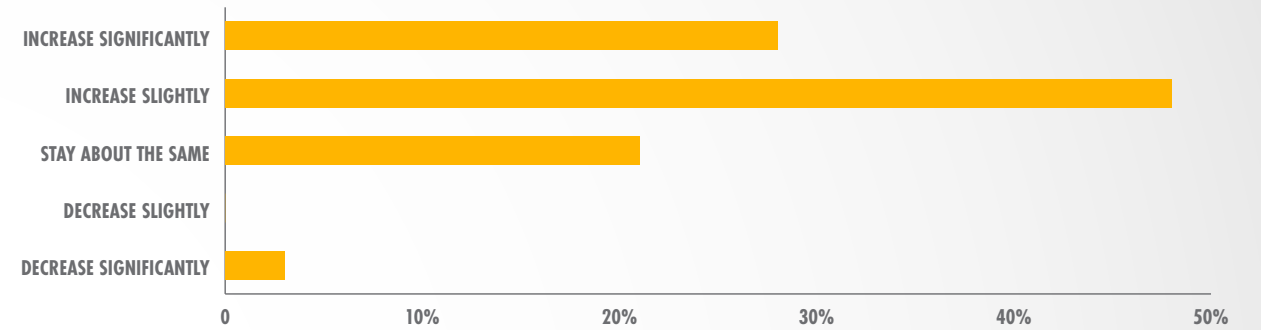
'Approximately what percentage of your annual revenues comes from hosting fees?'

CONTRIBUTION OF HOSTING FEES TO RIGHTS HOLDER REVENUES



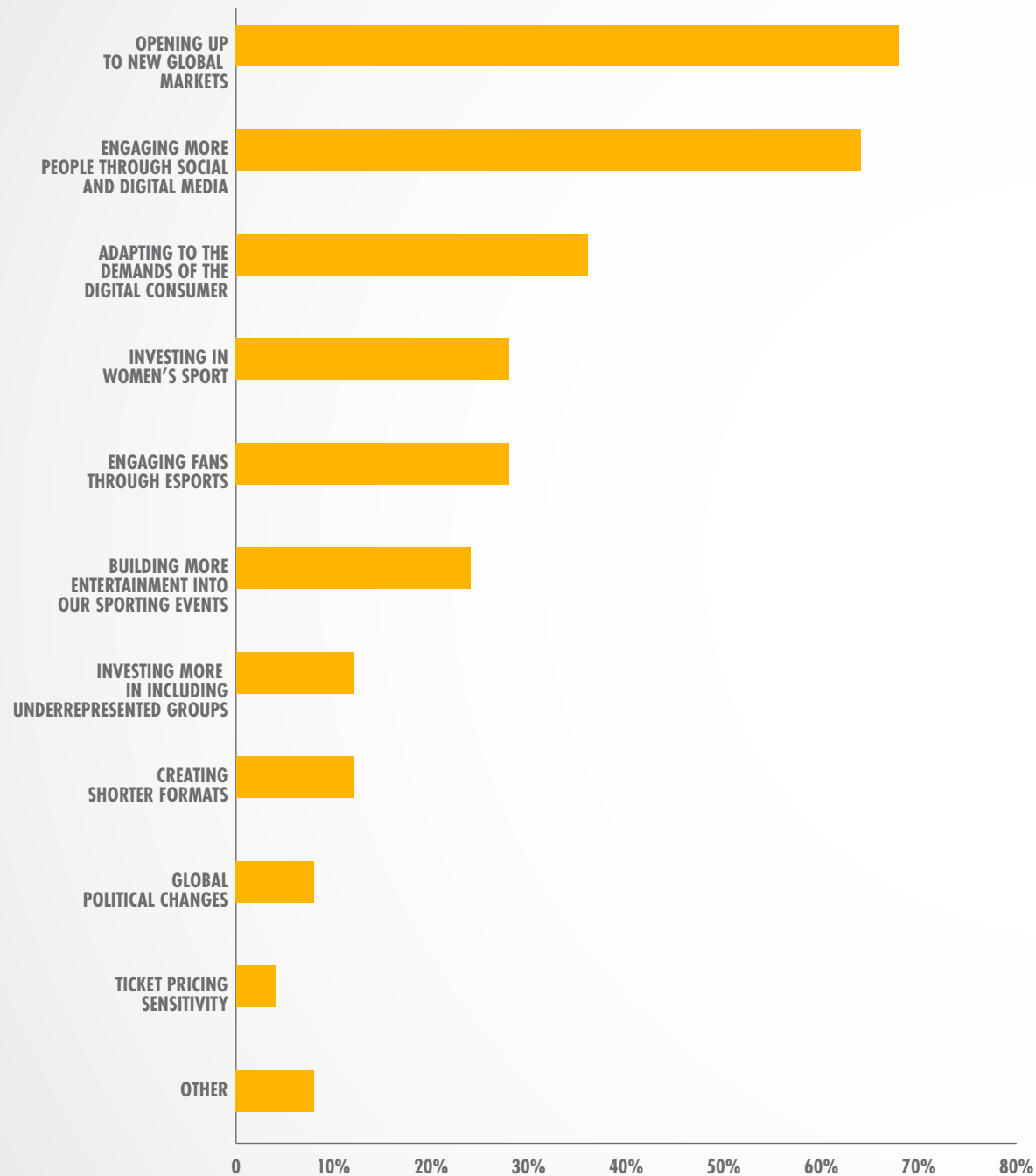
'Overall, how do you expect your hosting fees to change in the future?'

RIGHTS HOLDERS PERCEPTIONS OF HOW HOSTING FEES WILL CHANGE IN THE FUTURE



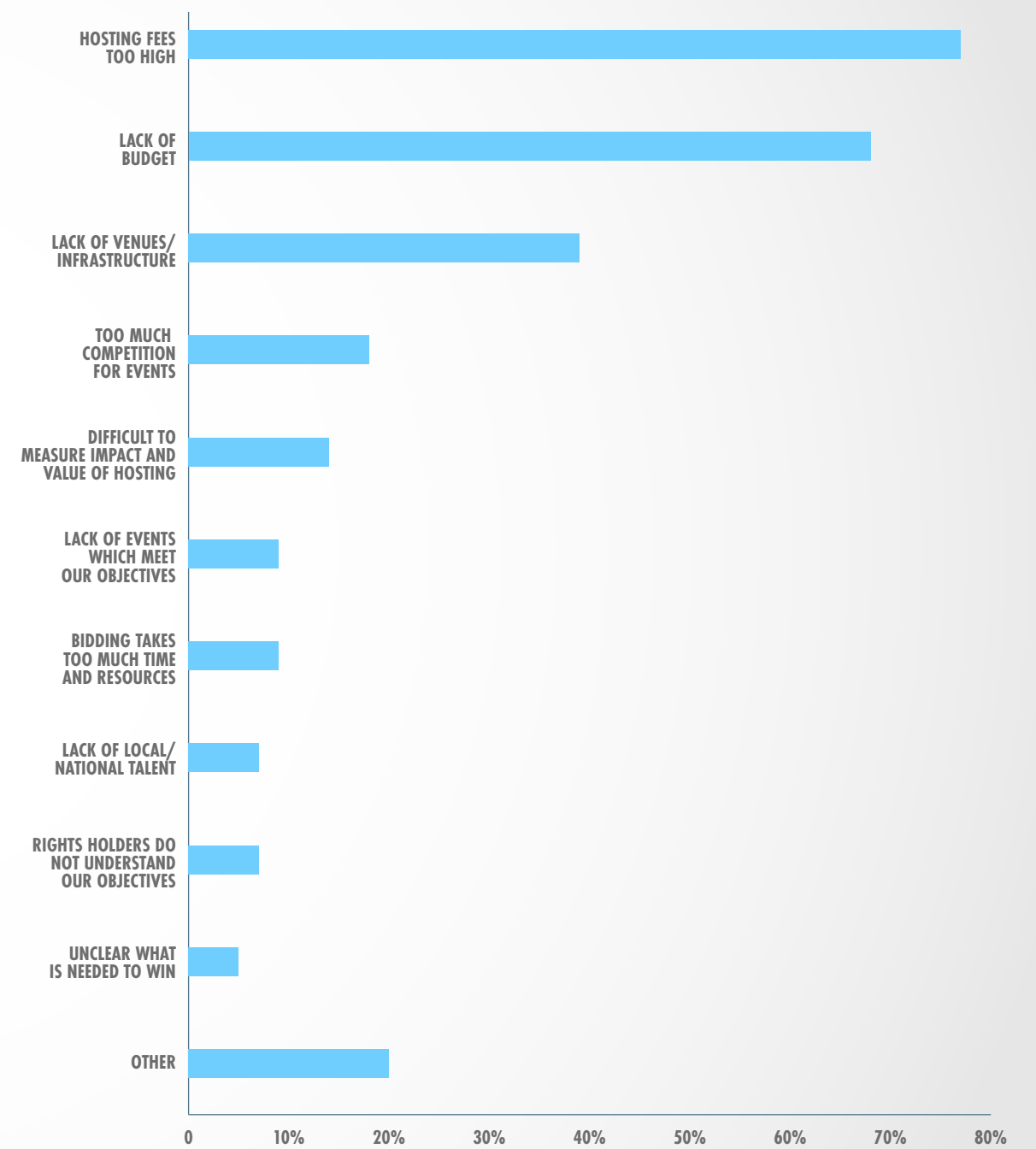
'Which of the following issues and trends are the most important to you in your considerations about your events now and in the future?' [Respondents were able to select a maximum of 3 issues/trends]

RIGHTS HOLDERS' KEY CONSIDERATIONS OF THEIR EVENTS



'What do you consider to be the biggest challenges to hosting events in your territory and delivering on your objectives?' [Respondents were able to select a maximum of 3 challenges]

HOST KEY CHALLENGES TO HOSTING EVENTS



HOSTING FEES: A FACT OF LIFE

Hosting fees are one of the major events industry's facts of life: 83% of rights holders demand them for at least one of their properties; **79% of hosts pay them and understand the need to do so**, in return for the significant economic, media and social benefits and in order to fund delivery requirements and supporting development of the sport.

But they are also one of the key sources of tension between the two parties and, our survey findings suggest, likely to remain so for some time to come.

RIGHTS HOLDERS' REDUCING RELIANCE

The first potential bone of contention is the gap that exists between this large majority of rights holders who levy hosting fees and the far smaller proportion who depend on them financially.

Only 21% of rights holders rely on hosting fees for more than half their overall annual revenue, with just 11% depending on them for 75% or more. And fewer than three in 10 use the fees attracted by their largest events to subsidise the operation of their smaller competitions.

In contrast, although a third of rights holders receive hosting payments for all their properties, 79% of them generate less than 25% of all annual revenue through these fees. 76% expect their hosting fees to increase at least slightly in the future and 28% predict the rise will be a substantial one.

This divide reflects variations in event portfolios and strength of demand between sports and properties, but it also highlights the emergence of new commercial models that have reduced the reliance of the large majority of rights holders on hosting fees as media rights values and sponsorship revenues in particular have increased.

However, pre-survey interviews with a range of rights holders indicate that alternative revenue streams are now either flat or beginning to decline (with media income particularly threatened by OTT-led fragmentation in the broadcast market), to the extent that the funding balance is starting to swing back towards hosting fees.

HAVE HOSTS HAD ENOUGH?

Hosting fees are in essence a pooling of risk – a minimum guarantee to reduce rights holders' exposure to event revenues failing to exceed their staging costs. But there is a rising sense that as growth of other revenue streams has eased that risk, hosts are not sharing in its upside through reductions in hosting fees.

On the contrary, **71% of hosts believe that all or some fees are too high**, and their two main challenges to staging events are the cost of hosting rights (cited by 77%) and their ability to cover them (68%).

Against a backdrop of sustained pressure on public sector finances and widespread questioning of value for money among prospective host communities, there is a risk that hosting fees could soon reach unsustainable levels, particularly as rights holders show little inclination to apply the brake: not only do 76% of this cohort acknowledge that hosting fees have risen over the last decade, but the same proportion expect them to continue to do so in the future.

ALTERNATIVES ARE AVAILABLE

If hosting fees continue to rise, rights holders are likely to find the pool of cities willing to pay them becomes ever-more shallow, especially if they are unable to demonstrate – through robust data across multiple editions, territories and touchpoints – a corresponding increase in the value their properties create, particularly against the emerging social and environmental objectives discussed in Section 1 (Impacts of Major Events) of this report.

The risks of failing to do so are already visible, as hosts look at alternative, lower-cost options for staging events or consider promoting themselves through other associated means.

So, brand-owned events and arts/cultural properties are becoming increasingly attractive for the lower levels of hosting fees they typically require, while interest in 'official destination' partnerships with events staged elsewhere is also becoming more common. While some hosts specifically exclude the promotion of other destinations in their contractual agreements with rights holders, this is an option where scope for competitive overlap is less. In tennis, for example, Canary Islands Tourism has been the official tourism destination of the Nitto ATP Finals in London, while Bermuda Tourism Authority partners the US Open in the same category.

Clearly, destination partnerships are not as impactful or effective as actually hosting events – particularly in their absence of direct economic and social benefits – but their rising profile is a warning to rights holders that prospective hosts are willing to look at other options should event fees become too rich.

GLOBALISATION AND HOSTING FEES

NEW MARKETS, NEW INVESTMENT, NEW CHALLENGES

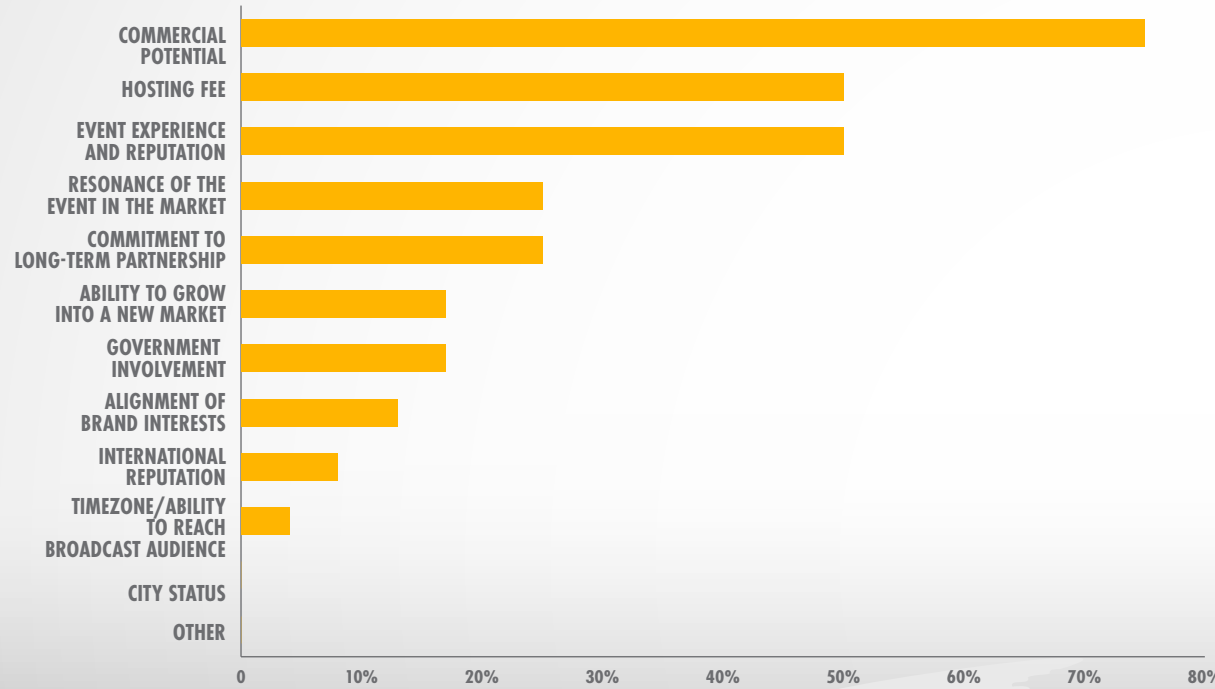
OUR DATA: WHAT WE FOUND

Globalisation is now a major influence on investment in major sporting events and the hosting fees they can attract, with rights holders especially keen to expand the market of potential hosts to whom they can sell: opening up new global markets is now the most common focus of rights holders, with 68% including this among their top three priorities.



'What are the most important traits in selecting your ideal host?' [Respondents were able to select a maximum of 3 traits]

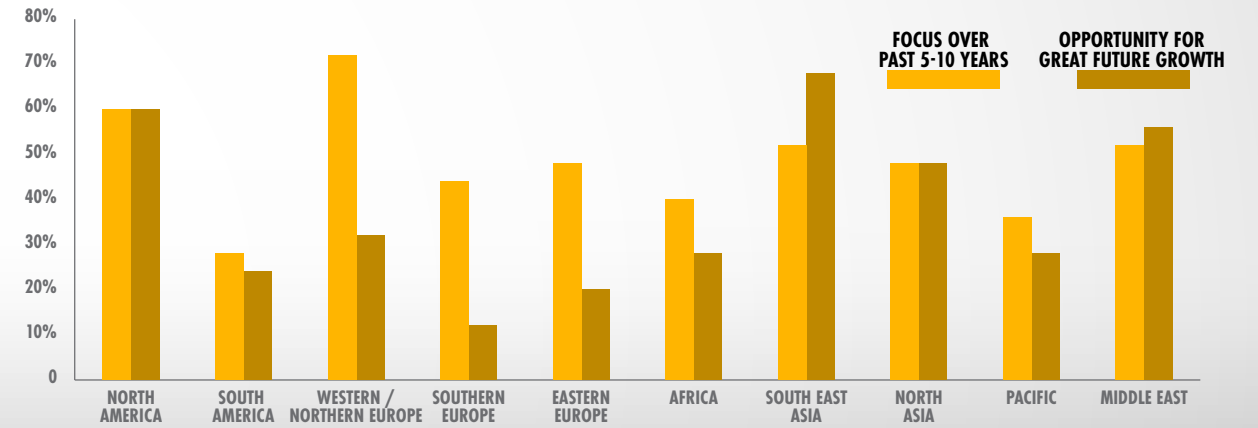
THE MOST IMPORTANT TRAITS OF A HOST ACCORDING TO RIGHTS HOLDERS



- a. 'Which of the following regions have been your focus over the past 5 to 10 years when taking your events to market?'
- b. 'Which of the following regions do you think represent opportunity for great growth in the future?'

[For both questions a. and b., respondents were able to select as many regions as they liked]

CHANGING ATTRACTIVENESS OF MARKETS TO RIGHTS HOLDERS



In particular, rights holders are looking to extend their footprint beyond the Western European and North American regions that are their traditional strongholds, with South East Asia, the Middle East and North Asia identified as offering the greatest opportunity for growth.

Event owners also believe North America still has potential to unlock (60%) but are much less positive about all European markets, which trail alongside the perceived higher-risk regions of South America and Africa as their lowest-priority targets.

This interest in cultivating new markets has both push and pull factors behind it.

On the push side, the pressure other revenue streams are now under (see above) presents a growing imperative to find new hosts willing and able to pay higher hosting fees to compensate, while the sense that a value ceiling has been reached in traditional European heartlands – underlined by the belief of every European host surveyed that at least some of the event fees they pay are now too high for the benefits they bring – is creating an additional need to look further afield too.

In pull terms, rights holders are being drawn to the new wave of governments in other regions placing sporting events at the centre of their strategies for economic diversification and building status and profile on the international stage, and their willingness to pay a premium to do so.

For example:

- **Saudi Arabia:** WWE (2019); Formula E Diriyah ePrix (2018, 2019); Italian Supercoppa (2019-22); Dakar Rally (2020)
- **Qatar:** World Athletics Championships (2019); FIFA World Cup (2022); UCI Road World Championships (2016); FIFA Club World Cup (2019)
- **UAE:** Dubai World Expo (2021); F1 Abu Dhabi Grand Prix (since 2009); FIFA Club World Cup (Abu Dhabi, 2018); Counter Strike ESL ESEA Pro League Invitations [Esports] (Dubai, 2015)
- **China:** Pre-season NBA Global Series (various years, Shanghai, Shenzhen); FIBA Basketball World Cup (2019); Dota 2 The International (Shanghai, 2019); WTA Finals (Shenzhen, 2019-2028)
- Rights holders are therefore facing a delicate balancing act in trying to maximise the value of new markets without alienating established ones. To pull it off, they are increasingly assessing (and presenting) their opportunities in the round. So although 48% of property owners rank ability to pay rights fees among their top three considerations when appointing hosts, the most common priority is the overall commercial potential of the host (75%), indicating a growing awareness that the higher broadcast, ticketing and sponsorship revenues an established destination can still generate could outweigh the higher hosting fees cities and states in emerging markets are willing to offer.



OUR ANALYSIS: WHAT WE THINK



ROBERT DATNOW,
CO-FOUNDER AND
MANAGING DIRECTOR

The new wave of ambitious, emerging hosts willing and able to support rights fee inflation is presenting a number of new challenges on both the supply and demand sides of the major events market.

For rights holders, the temptation to chase large hosting fees in new territories is strong, and comes with additional opportunities to reach new audiences and grow participation. However, in exiting traditional markets, they can be putting ticketing, media and commercial revenues at risk and potentially alienate their core fan base too. Add in the reputational dangers associated with media scrutiny of some aspiring host governments' human rights records and it is clear that the developing market option is not always the safe choice.

One means of mitigating these risks is alternating between established and emerging markets (as the Rugby World Cup has done over the last decade), or moving from continent to continent on a rotational basis (e.g. World Athletics Championships), balancing out revenues over the course of a multiple-event cycle. The challenges around interest and reputation, meanwhile, can best be addressed by long lead-in times that allow the host and rights holder to work together on 'co-creating' around building fan, spectator and participation bases well ahead of the event.

On the host side of the equation, future success is likely to be determined by the ability of new destinations to close the gap on established locations in the fundamentals of attendance, media audiences and revenues beyond the hosting fee, and the extent to which more established event cities can stay ahead of the game by continuing to develop their expertise in areas such as access, safety and spectator experience to compensate for lesser contributions through hosting fees.

Rights holders' strengthening focus on overall commercial value, community impact and fan development in host selection means both existing and developing market destinations can still line up with an even chance of winning the race.



OUR EXPERIENCE: WHAT WE'VE SEEN

EUROPE MOVES IN A MAJOR NEW DIRECTION

A combination of rights holders' interest in attracting new hosts and European countries' unwillingness to sustain current rates of rights fee growth may be shifting the axis of the major events market eastwards, but there are no signs that this historic hosting powerhouse is leaving the game.

Instead, we are seeing the European hosting sector move into a new and more sophisticated stage of its development that can maintain its status at the cutting edge of the industry's growth.

While the biggest quadrennial competitions are looking beyond the old world – with the World Cups of basketball and rugby union heading for China and Japan in 2019 and Qatar preparing to stage the FIFA World Cup of 2022, for example – a different set of properties are building a new transatlantic trade in hosting opportunities.

The major leagues of Europe and North America are developing stronger links between the two continents, beginning with the export of exhibition matches and developing through regular season play towards the ultimate goal of basing permanent teams on both sides of the ocean.

Travelling from east to west, we have seen European football clubs playing pre-season friendlies and Premiership Rugby matches staged in the US, rugby league's Super League put down roots in Canada and Spain's La Liga pursue a competitive game in Miami.

Heading in the other direction, the NHL has a long-time presence in the ice hockey-playing markets of Scandinavia, Central and Eastern Europe; the NFL has been an increasingly frequent visitor to London since 2007; and the NBA staged a regular season game in the UK capital between 2011 and 2019, before moving on to Paris in 2020.

MLB also stepped up its own European presence in 2019, bringing its marquee names the New York Yankees and Boston Red Sox for a London double-header that sold over 118,000 tickets and generated more merchandise revenue than any other game the league has played outside the US.

It may no longer be the first choice destination of all global sports event rights holders from a hosting fee perspective but Europe's continuing ability to generate ticketing, media and commercial revenues makes it a place that many of the game's biggest players still want to be.



KEY CONSIDERATIONS FOR GLOBALISATION

- In taking an event to a non-traditional territory, the narrative is important. Core market fans will naturally be cynical, and it essential to be able to describe a clear rationale for the decision, backed up by a three-dimensional plan that goes beyond the event itself and includes multi-year commitments to game growth, community inclusion, education and new fan-engagement.
- New territories require a crisis management approach to communications. Expect the media to focus on institutional and constitutional issues before positive opportunities, and have a mitigation strategy from the outset.
- Traditional host markets should play to their strengths. By virtue of their experience and history, established and sophisticated markets can be far more effectively de-risk a rightsholder than an inexperienced growth market can. A low-risk hosting option will be a welcome solution to many rights holders in the forthcoming years.
- Events cannot be standalone – they need to be part of a portfolio. A pinnacle marquee event in isolation will always be considered a vanity project. But set amongst a portfolio of events that build capability, fan following and social legacy, the pinnacle event can be re-positioned as a catalyst for long term strategic outcomes.

CONCLUSION



FOCUSING ON THE FUTURE OF THE SPORT AND ENTERTAINMENT INDUSTRY

Whether it is the impact of technology and innovation, changes to the consumption of content, major shifts in geographic markets or the rise and fall of specific sports and entertainment formats, we believe that the sector was facing profound changes coming into the global COVID-19 crisis and that these will be amplified as we return to a new normal.

SEER has been established to take a data and insight led approach to the examination of these issues and combine that with The Sports Consultancy's insight and best practice and experience of leading players in the industry. We greatly welcome your ideas and suggestions on the priority themes that require analysis and invite you to get in touch with the team.



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Thank you to everyone who contributed to this research. We value your input and your insights into our industry. We look forward to re-engaging with you on subsequent SEER reports in the future.



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