

THAT MAKES CENTS



The game plan for growth in sports retail, featuring the NFL

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Bobby Stephens: Hey, everybody. Welcome back to That Makes Cents, Deloitte's consumer podcast. Now, you don't need me to tell you that us consumers have been impacted in all facets of life this year—how we shop, how we eat, how we learn, how we work out, and how we're entertained. One type of entertainment that's a mainstay for many is sports. And what is likely the most visible league in that arena is the NFL. So I'm excited to have joining me today, Joe Ruggiero, senior vice president and head of consumer products at the National Football League, along with the leader of Deloitte's US sports practice, Pete Giorgio.

These two really know the intersection of sports and business. So, we're going to explore this unique and interesting combination. Of course, we will also chat

about how this year has been different for sports—what have been the ripple effects on sports retailers, licensees, and what are some of the major lessons learned. We're going to dive into all of that. So, Joe, Pete, thank you so much for being here today. Could you first tell our listeners a little bit about yourselves?

Joe Ruggiero: Sure. Thanks, Bobby. And thank you to the team for having me join today. As Bobby said, my name's Joe Ruggiero. I lead the consumer products practice for the National Football League. Consumer products at the NFL encompasses everything that is related to the licensing of NFL trademarks. So, all of the products that you may see and hopefully own with respect to headwear, apparel, jerseys, video games, anything that might be in your home that shows your favorite NFL team.

I've been with the NFL for about 10 years now and in a variety of different roles, worked also in our sponsorship business for a while before moving into consumer products a little bit ago. Prior to the NFL, I actually was a management consultant for a long time with some time spent at McKinsey and Navigant Consulting. So, happy to be here and excited for the conversation.

Pete Giorgio: Excellent. Hey, Bobby, thanks again for having me too. My name's Pete Giorgio. I run the sports practice at Deloitte here in the United States, and it's the practice that serves professional leagues like the NFL and folks like Joe, as well as the college space, the club space, e-sports, a bunch of different verticals across everything that Deloitte sells, whether it be technology, accounting, tax, HR, all of those things, and super excited to be here today.

Bobby: Awesome. Well, it's great to have you both. This is the first time we've tackled the topic of sports on our show and a lot of people are probably interested in the NFL and love sports but aren't that familiar with sports retail—consumer products specifically. I think many are interested, would love to have a job in the area. So, Joe, maybe as a starter, and as one that does this at the absolute highest level, could you really break it down for our audience? What's it like running a retail business for a major sports league? What do you cover? You hit on it a little bit in your intro, but we'd love to hear a bit more about it.

Joe: Sure. So consumer products at the NFL has a couple of key portions to it. First is our licensing business, which is our relationships with all of our licensees to produce products with NFL trademarks on them. So again, think of hats, jerseys, knick-knacks, whatever may come to mind. Secondly is our relationship with different retail partners. So when we're working with Target, Walmart, or Dick's Sports, any of those partners, which are so important to how we sell today. Third piece is the operations of NFL shop, which is our premier online destination for buying NFL products. So that is our DTC (direct-to-consumer) platform. And as I'm sure we'll talk, DTC is such a key piece of where the world is going that it's been an investment that we've made in conjunction with our partner Fanatics, who helps to drive that business forward. So those are three pieces.

Two others that are also key to the business that our team works on is our on-field partnerships team. So on-field for us is supplying and supporting all of the different NFL clubs for all of their needs on game day. So making sure they've got the right jerseys, they've got the right products on the sideline, their helmets, and so forth. And working with clubs on all of those needs and innovations in that area. And the last piece, which is a real growing piece, is our gaming business. So historically that's meant our Madden football, which has been hopefully a game that a lot of people have played as they were growing up with the NFL and with their fandom. But that is our video game partnership with Electronic Arts, and then

we have some other areas that we're really leaning into with respect to video gaming broadly as that trend continues to accelerate going forward.

And just one other piece to add onto that. We work with all of our different clubs. So if you think of the rights that our team is working to monetize and to develop out those partnerships are in conjunction with all of the 32 clubs. So we'll do a partnership that allows a partner to use the trademarks of the Giants or the Jets or the Eagles or whoever. And then often we'll also work with our players' association if we want to have players' names, not likenesses, associated with those products. So hopefully that provides a very top line overview.

Pete: It's interesting, because I think the experience that Joe has at the NFL and has had is pretty indicative of what you see in a lot of the major leagues, not just here in the US but actually globally too. Joe makes it sound so simple and easy, but what he's managing on a day-to-day basis, and all these organizations are, is an astoundingly complex web of licensees and partners and distribution channels. And in a world where a lot of consumer products companies, they don't necessarily have the control that I'm sure Joe would like to have over the day-to-day and things like that. And so where and how do you build the influence to sort of manage things, make sure the brand is protected as you do all those things.

And I do think the same disruptions, and I'm sure Joe spends a ton of his time on this, the disruptions that are happening across the consumer products in the retail industry around, Joe mentioned direct to consumer. Sports is not immune from this idea of how do you build more of a one-to-one relationship with your customers or with your fans? The NFL particularly has a huge, a giant worldwide television audience that is one or two or three steps removed from Joe and from the league, and those fans and those people buy a lot of this merchandise and things like that that Joe's talking about, but we don't really know who they are. Joe knows who some of them are, and how do you sort of continue to think about the role of technology,

the role of marketing to sort of make those connections. It just creates a really interesting kind of puzzle for Joe to sort of unravel moving forward. I'm curious, Joe. I mean, I guess, I'm assuming some of that resonates with you because it is a complicated system that you have to oversee.

Joe: Oh, it completely does because we look at it and, as Pete, you said, there's a degree that we control and a degree that we don't. And that's why the importance of partnership I couldn't stress enough here. We work with our partners to reach those end consumers, and those partners have to make a business for themselves, and also have to be smart about how they're looking at distribution, looking at consumer behaviors as well, really in conjunction with the NFL, to push the broader ecosystem forward. And there may be times where something that we do from driving e-comm may not necessarily be ideal for something at brick-and-mortar, or something at brick-and-mortar may not be ideal for e-comm. So navigating those dynamics across all those relationships is definitely a lot of the challenge, but it's part of the fun that comes along with this too.

Pete: I love it.

Bobby: Yeah. I mean, that was a lot that we just got to in that first little chunk there. I think what we can use this discussion to do, and Pete, you mentioned a puzzle, is to kind of put the puzzle together maybe a piece at a time. And we may not pick all the perfect pieces, but I think the place to start, Joe, might be with some concepts that are more familiar to the listeners who are in kind of retail and wholesale, and kind of the more traditional consumer industry. For instance, how do you manage seasonality to make the NFL a 365-day a year business, given you've got a season and sort of an off-season. So what challenges are presented by being always on for rollouts across regular season, maybe big off-season events like we have coming up soon at the NFL draft, special causes like breast cancer awareness or supporting our troops. Give us an idea of how you kind of manage and the trade-offs between those.

Joe: Yeah. Happy to. So it is one of the pieces that makes the sports license world a bit different, right? That you have such seasonality. We are at our highest from September to February. And so much of our business ends up being tied to the performance of the team that's on the field. So if the Jets are terrible, Target is a lot less likely to want to put Jets product in the front of store. If the Jets are great, they can't get enough product. So that element of tying business performance to the team's performance on the field is something that makes our world different. And then that seasonality piece. So we really strive at the NFL to push past the seasonality component to be as much 24/7, 365 as we can. So we've spent a lot of effort on how do you grow the draft, which comes up at the end of April and becomes that moment where new players are finding out their future, fans are excited about the future of where their team's going to go.

So we built a tent pole there to help smooth some of the seasonality. And then from that tent pole, now we've tried to stretch that out further. So now we have our scouting combine, which comes up earlier in the springtime to build on that story of, here's the players who are now working their way to be drafted. And what an important moment that is, introducing some of those player concepts earlier in the year, so that there's reasons for our fans to be engaged with the NFL throughout the year, and for all of our retail partners to also have a compelling story to say, come to my store because I've got great draft product or I've got training camp, or the list goes on.

Pete: I also love, Joe, what you guys do with thinking even in season about things like throwback jerseys, right? The idea that you can create even new categories and new types of products. I'm also just impressed that you get the Steelers to wear the Bumblebee uniforms every once in a while too. But that's a whole other question too, but that idea that you can create those different sort of buy moments or reasons to buy even in the season, I think is fascinating.

Joe: Yeah. And look, it really comes down to, it's all driven by what the fans want and

how does it create new opportunities for our fans to engage. If that manifests itself into a business opportunity, that's great. But the NFL means so much to all of our fans over so many periods of time that, while you may have people who love or just don't love the Bumblebee uniforms, there are some people who that means something to. And having another reason for those fans to engage and be excited about their fandom really helps to unlock different engagement opportunities, and then at some point down the road, unlock business opportunities.

Pete: And different segments too, right? I mean, there is a very probably well-defined segment of people who liked the Bumblebee uniforms, right?

Joe: Yes.

Pete: And they're as important to cater to as the ones who only know the more recent versions.

Joe: Yeah. And you see different segments clearly engaging with different kinds of products. The kinds of products that sell well to our youngest fans are very different than the ones that sell to our oldest fans.

Bobby: Let's build on that a little bit, specifically with kind of products and licensing, maybe not as much the jerseys or sort of the replica of the on-field equipment, but some of the licensing around products and other extensions. How do you think differently about that when you're talking about different consumer segments—age, gender, geography—both here in the US and globally? Are there any specific examples that stick out to you, Joe, as maybe an interesting segment that you wouldn't think of the NFL targeting with a particular product, or just things that you always make sure that you're considering when you're thinking about your different fan or customer segments?

Joe: Sure. Again, it does tie back to a lot of research that we're always doing constantly on our fan base—what they want, how they're buying, what their interests are. So, you take something like actually the female segment that has different components to

it as well. But historically in sports, there was—this is going back a little bit of time—there was this phrase that was out there that was, "You pink it and shrink it." And do that, and the female customer will buy. We've gone so much deeper than that to say that really doesn't make any sense. That's not addressing how the female consumer wants to buy and how a younger female consumer buys differently than an older female consumer. So as we've done different apparel deals and so forth, targeting different segments of the female population, it's just so much more focused on working with the right designers, working with the right sort of collaborations and so forth to really match up with the desires of the fan base, rather than sort of looking at it as let's take one product and be one to many.

Bobby: Got it. Let's do a quick break here. Let's do a fun question. We talked about the Steelers throwback uniform. As a Colts fan, I do like that my Colts Jersey, my Reggie Wayne jersey from back 10, 12 years ago, it still works. It still looks like it's today's jersey to some extent. So I like that, but maybe for you, Joe, to start, with all the merch you worked on and inevitably probably brought home to the family, what's been a favorite either for the family or for some kind of memorable reason for you as you've kind of gotten the chance to get your hands on a lot of this stuff that others may not have ever seen.

Joe: Sure. So I do have four kids at home. I've got four little ones under the age of 10, and they will gladly take any piece of product that comes home. And they're asking for things left and right. But funny enough, I usually end up getting a decent amount of Super Bowl products for kids, and I'll come home after and now, probably unfortunately, they expect to see a bag that comes along with it and their Super Bowl product now turns into probably all of their pajamas. So the entirety of their pajamas are probably Super Bowl from five years ago, four years ago, three years ago. And they're running around with a lot of Super Bowl memorabilia on it. So only because I see those products pretty much every night now, those ones rise to the top of mind.

Bobby: It's good that they're always sleeping in a winner's outfit or is it probably more the Superbowl logo for each of the different actual Super Bowls, but either way, those are pretty cool. Pete, I'm coming to you next. What is your favorite licensed product? Even if it's not from the NFL, but maybe you need to do one from the NFL. And then if there's something else you add that to it.

Pete: Well, it's funny. So unlike Joe, I'm allowed to have a favorite NFL team, and I apologize for this, Bobby, because I think I'm about to alienate 85% of your listeners, but I am from Boston and I am a Patriots fan. I have a Gronk Patriots jersey that I still wear, even though he's not on the Patriots anymore. And I still celebrate. That's probably my favorite, although I will tell you, just going back to what Joe said, I'm quite tall. I'm six, five. And I do have a set of Team USA onesie pajamas that I wear when it gets quite cold here in New England as well, so that might be my coziest.

Joe: It's strange that you are a Pats fan. Funny enough, as we looked at how sales have performed over the past season, the Tampa Bay product, Boston's our number-two market for it right now.

Pete: I bet.

Joe: Interesting to see all of the Patriots fans who now have become Brady fans and Gronk fans. And it's great to see.

Bobby: I remember seeing Broncos jerseys in Indy after Peyton made his trip out West for a couple of years with Denver. So that speaks true to me as well, but let's get back to business. So in our discussions, both here and as we were prepping for the show, you both really mentioned that many of the things that other businesses are grappling with are also impacting sports—the shift to digital, competing with and/or entering into the DTC space, mobile app, how do we use that overall availability of data—all kinds of elements around just kind of the modernization of business. What are each of you seeing around these trends? And anything specific to sports that you think are really key to call out?

Joe: Pete, I'm happy to start off. And then obviously we'd love to get your input as well. So, Bobby, as you said, I think the trends that are broadly macro occurring are impacting sports as well. And the pace of COVID is going to just accelerate those changes. So we are looking at a world where the number of retail partners continues to shrink and it's that much more important to really develop out those strong retail relationships because the arrow on retail is challenged in places. And you see on the other side is there continues to be more e-commerce, probably more so in sports than in other areas, because you have a lot of, actually, as you were saying with your Broncos and Colts fans, you have a lot of fans who are what we call displaced fans that live outside of the team's home market for which e-comm is that much more important.

And what we talk with our partners about is servicing e-comm, servicing a DTC business requires a very different set of capabilities that need to be built out that much more so from more of a traditional wholesale-focused model, so speed to market, closeness to the customer, flexibility. Those are just going to become that much more important. So as we work with our partners, that's an area that we're all constantly working together on.

Pete: Again, I think, Bobby, data is going to be huge, just in terms of where and how. We talked a little bit earlier about building relationships and how important that's going to be and the role of data in that. But actually, I'm going to go in a slightly separate direction. One of my favorite apparel things that I've seen, and I'm assuming, Joe, this was you, in the past couple of years are the skins in Fortnite, right? So I think maybe your listeners maybe don't play Fortnite, but I'm guessing just about everybody had a kid come to them sometime in the last two years and say, "I want to buy the Jets skin in Fortnite. Can I have some money to do that?"

And I do think this idea of digital merch, digital apparel, as we start to get into places like blockchain and some of the startups we're seeing around digital trading cards and things like that, I do think as some of those things are a kind of aspect of this shift

to digital, which I think are really cool to sort of think about. I'm guessing, there's a bunch of things Joe is doing and conversations he's having that he's not allowed to talk about in some of those spaces that all of us would like to hear about.

Joe: One hundred percent. That is an area that is just so ripe for growth, to be able to express your fandom through the digital side of things that you're doing for fun. If this was 20 years ago, you'd buy your Madden football video game and you'd play as your favorite team, and only you knew. Now today you fast forward, and if you are playing on Fortnite, you can express yourself, express your fandom. And that's a pretty powerful evolution. So I think as digital gaming continues to grow and change into a lot of different formats, there's going to be a lot of opportunity that's created for sports, that's created for entertainment. You're seeing it already in—you see it in Fortnite, you see it in Roblox where you have brands interacting in more interesting ways there. And it's a place that I think is really ripe for innovation.

Pete: Then I'm guessing it also, Joe, puts a lot of stress on you and the risk, right? Those associated with some of these new channels where we all kind of know what the supply chain for apparel is in the United States and how it's going to work and what's going to happen. And with your different partners, how these things end up getting used in some of these new channels, I think it creates all sorts of interesting sort of conundrums I'm guessing in your space, especially as you try to convince the league to sort of push these.

Joe: It's one where sports properties, and actually entertainment as well, have for a long time been very methodical in terms of how they look at different decisions. And as the world's changing now much quicker on this, and you have new platforms, emerging new opportunities to engage with your fans, you've got to be that much more approaching it with a test-and-learn kind of mentality. A mentality that's—we're going to try something out here and it may not completely work. We don't have to sign ourselves up for doing this for the next 10 years, but we're going to try it to make sure that we're meeting the fans.

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It's that concept of being where our fans are and engaging with them how they want to engage is really core to the NFL. And that is not something that's unique to the seat that I sit in. My colleagues who are thinking about our media strategy or thinking about our marketing partnerships, they are all building different partnerships to meet the fan where the fan is. So if it's our TV business and 30 years ago, we're focused primarily on TV. We're now so much deeper into all different digital platforms and how we're engaging on Amazon or Facebook or YouTube, et cetera.

Bobby: It's really fascinating. I think, Pete, you mentioned some of the complexity with it, but to some extent, it also isn't nice, it's a bit of a hedge around some of the things that we've seen in retail in the last year with traditional supply chains being disrupted and things of that nature, because you're able to virtualize some of your products and there's less of a reliance on a traditional supply chain as factories and availability come and go. And there's not as much of a cap on the demand as well, because it's not a physical product necessarily.

Let's do one more final fun question and then we'll wrap it up. I don't know, Joe, if you can share, but either what's the bestselling jersey of all time or what is the most interesting physical item that you've ever actually licensed, helicopter or hovercraft or something crazy like that. Anything like that you could share?

Joe: That's great. So the jersey piece, I don't know off the top of my head the top-selling all time, but over the past course of now, when you have one player who has now won seven Super Bowls—

Bobby: I can guess.

Joe: —and has been strong in the league for over 20 years. His jersey does really well. He's great. Brady's a fantastic player and has been arguably our bestseller for quite some time now.

Bobby: Got it.

Pete: I'll refrain from commenting on that, other than I think Joe is astoundingly smart and astute.

Bobby: Okay. My final question, and this is kind of fun, but kind of business. So I like to combine that to the end and it's for both of you. Let's fast forward, say five to seven years. What are the two to three key things that you think will be vastly different about consumer products, both physical and virtual, in the context of sports and the business. What will the experience be like? How is that going to change dramatically from what we're experiencing today?

Joe: Sure. So the two I'd point to that are most ripe for change. It's going to be e-comm and it's going to be gaming. So on the e-comm side, the acceleration is going to continue, but it's not just going to be acceleration of the sort of platforms that we're going to see. We're going to see so much in the way of social commerce and e-comm being integrated across everywhere where consumers are. So that piece absolutely I think happens. On the gaming side of it, I really do think that we're in the very early innings of what the next generation of gaming is going to become. We have new gaming consoles that have just launched that are dramatically increasing the processing power of the games themselves.

So the games are going to be that much deeper, more immersive and so forth. But the convergence between gaming and content and social is going to happen, and we're going to be talking that much more around fully interactive experiences that aren't just about "how do I score the most points in Madden." It's going to whatever destination I'm going to, and I'm going to see my friends and I'm going to talk about NFL stuff, and I'm going to probably watch some content and play a game and who knows what else I'm going to do. But that acceleration of gaming I highly bet on over the course of the next five years.

Pete: Yeah, and I couldn't agree more with Joe on I think this idea that we have today around commerce being something you go do versus—and you have to go to a specific place and know where that place is—to commerce as something that just exists everywhere that you are. And you can just sort of pull the trigger on a Bumblebee jersey when you're ready and interested in it, whether you're watching a game or

hanging out with friends. I think that's going to be a big part of it. I'm fascinated, Bobby, to see what happens with some of the sort of technology advancements that I think are going to come. Things like augmented reality and virtual reality, which I know are going to have a huge impact on where and how we consume sports and engage with sports and connect with sports.

And my guess is folks like Joe and others will be playing a huge role to figure out where and how the partners and merchandise and things like that, play a role in that as well, whether directly or virtually or otherwise. And I still can't wait for the world where I'm watching an NFL game and love the hat that—I'm trying to think of a player other than Tom Brady right now—but the hat that Gronk puts on when he comes off the field and for me to literally sort of touch that hat and buy it right then and there, and it's in my house that afternoon, that world is coming. And I think it's going to fundamentally change the way we sort of think about these things.

Bobby: Awesome. So, Joe, Pete, thank you. Thank you so much for joining. This is a really cool conversation. I think, Joe, in our prep, you said a lot of people will be interested in this just because of sports and the NFL, but I loved being able to click a little bit deeper into the kind of the products and business side of it and how you guys think about really bringing that experience and bringing that fandom to different parts of a fan's life. And I think that's a really great way to extend the sort of affection and love for a team that a fan or a supporter might have.

So, thank you both for joining us. For all our listeners, if you want to learn a bit more, you can see our [2021 sports outlook](#) or [retail industry outlook](#), just go search on deloitte.com. And as always, we'd love to hear from you. So make sure you download our episodes on your favorite podcatcher. Tell us what you think of the show by leaving us a rating or even better a review on Apple podcasts or Stitcher. And, of course, if there's a topic you'd like us to cover on a future episode, feel free to shoot me a message on Twitter or LinkedIn. It's @BobbyStevens. Thanks so much for tuning into That Makes Cents and see you next time.

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