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2022 sports
industry outlook

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About outlooks
 Deloitte's 2022 sports industry outlook seeks to identify the strategic issues sports organizations should consider in the coming year and their impact, as well as critical questions to ask and key actions to take. The goal is to equip US sports organizations with the information they need to position themselves for a strong, resilient future.

Executive summary

By the end of 2021, we saw most professional sports leagues and college athletics return to a relative sense of normalcy, with full seasons and live fans. We even got to experience the Tokyo Olympic and Paralympic Games. Hopefully, we are heading toward a future where empty stands, “bubbles,” and shortened seasons are no longer challenges.

It has taken an enormous amount of planning and effort to get to this point, with the return to smooth operations dominating the efforts of many leagues, owners, teams, and athletes. When pandemic-era adversities fade, we can bring their lessons and innovations forward into a new future.

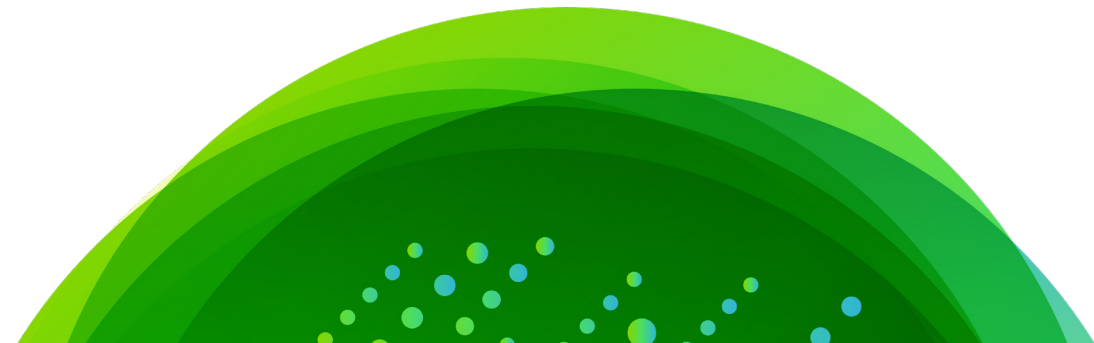
Our 2021 outlook highlighted the need for sports organizations to seek new and varied revenue streams and ways to forge deeper fan connections amid the pandemic. We also underscored the need for greater focus and action on equity and justice issues regarding race, gender, and LGBT+. We have seen some progress in this space, with increased financial commitments from major sports leagues and governing bodies, formal investigations into inequalities at the collegiate level, and growing accountability in women's professional leagues, but there is more to do.

We also see trends and opportunities that had been somewhat dormant during the pandemic emerging over the next few years. They have the potential to shift centers of power in the sports business, create massive new possibilities for growth, and cross-pollinate each other.

Our 2022 outlook in brief:

- We will see the blending of the real and digital worlds accelerate, with growing markets for data capture and analytics, esports, non-fungible tokens (NFTs), and immersive technologies.
- College athletics will see some of its biggest changes ever, with student-athletes exercising more self-determination.
- Blockchain-enabled innovations have a chance to open entirely new markets and options for fans beyond simple collectibles.
- Sports betting has entered the mainstream, and companies will continue their relentless pursuit of new customers.
- The role and duty of sports in society will continue to receive increased attention, with a focus on sustainability and mental health.

There are more ways to consume sports content than ever before, and these new and emerging areas will further diversify the market. With so many options, fragmentation and overload could become more significant near-term challenges. Amid this evolution, it is important to remember that the fundamentals of sports remain the same, with fan experiences at their center.



The accelerated merging of the physical and virtual

The digitization of sports is ongoing and transformative, spurred by growth in athlete data capture and analysis, augmented reality (AR) and virtual reality (VR) technologies, sports gaming and betting platforms, and more recently, the rise of NFTs. Sports organizations and media players are looking to combine the best of both the physical and virtual worlds. To do it, they're adding digital enhancements to live events, including using the power of social media to engage. They are also trying to bring the energy, immediacy, and excitement of in-person experiences to the digital realm. In the next year, this blending will likely accelerate as emerging technologies gain wider adoption.

The use of VR and AR in sports has been increasing over the past few years, with new applications for training and simulation, broadcasting, and in-venue experiences. With the greater deployment of 5G and its low-latency benefits, AR applications are multiplying. For example, Deloitte and the USGA have collaborated on an AR app to enhance the fan experience, with near-real-time shot tracking and 3D course models.¹ AT&T and the WNBA have partnered on the Game View app to visualize game statistics in AR.² At the stadium, you can take pictures with your favorite players in a real-world setting.³ The NHL, together with Verizon and Immersiv.io, is bringing together player- and puck-tracking, along with new ways to consume real-time statistics for a more immersive in-game experience.⁴ This experimentation will continue and gather momentum.

Another major trend accelerating the merging of physical and virtual worlds is the rapid growth of sports-related NFTs. Leagues, individual athletes, and their partners are making digital collectibles, video clips, and enhancements to physical collectibles available for sale and trade. Deloitte Global predicts that there will be more than US\$2 billion in sports-related NFT transactions in 2022.⁵ Leaders in this field are raising hundreds of millions of dollars in investment, and all the major leagues now have NFT partners.⁶ Among them are the NBA and WNBA with Dapper Labs and their Top Shot platform.⁷ The NFL recently announced a partnership with Dapper Labs (NFL All Day), and the MLB is working with Candy Digital.⁸ We have also seen a rise in the popularity of virtual/fantasy sports games like Sorare, that blend fantasy sports, NFTs, and real-world soccer into a completely new way for fans to engage.⁹ As the market gets more crowded, what approach will see the most success?



Strategic questions to consider:

- What is the long-term sustainability of the sports NFT market? What can be done to drive more demand and engage as many fans as possible?
- Will AR move beyond simply fun and interesting fan experiences to something more pervasive and essential?
- How will these technologies shape other notable emerging business areas, such as ticketing and sports betting?
- What new sports experiences blending the physical and virtual, sport and esports, will emerge?

Shifting power in college athletics

Several events occurred in 2021 portending dramatic shifts in power in college athletics that will play out over the coming decade. The NCAA expanded the one-time transfer exception to all Division I sports, meaning student-athletes in more popular sports now don't have to sit out a season if they transfer schools.¹⁰ After some states passed legislation allowing college athletes to profit from their name, image, and likeness (NIL), the NCAA released interim policies so all student-athletes can take advantage of the opportunities that result.¹¹ Finally, multiple schools announced they would be changing athletic conferences over the next few years.¹²

With many states enacting or proposing NIL-related legislation and the NCAA permitting college athletes to benefit from NIL opportunities no matter what school they attend, the market is now wide open. Student-athletes are free to pursue financial opportunities across social and traditional media, physical and digital merchandise, endorsements, and many other areas. Ecosystems of agents, consultants, and digital services are quickly building around the opportunity, and schools are providing support and educational resources to student-athletes. Some athletes are already seeing more than US\$1 million in opportunities for their efforts.¹³ As such, we are likely to see a redistribution of power between student-athletes, coaches, teams, and schools. While agreements are still in their early days, there could be both positive and negative consequences: potential recruiting advantages, changes in gender disparity, newfound attention to niche sports, and more empowered student-athletes.

The second major power shift that will continue to unfold in 2022 is the significant realignment of conferences, with schools looking to boost their status and revenue. Some see this as a further concentration of power for teams that are already highly successful. To wit, Texas and Oklahoma announced their move from the Big 12 to the SEC occurring in 2025, and the Big 12 is adding teams from the American Athletic Conference, who, in turn, found replacements.¹⁴ This reshuffling has led to the announcement of a new collaboration between the ACC, Big Ten, and Pac-12 conferences.¹⁵ There will be more changes in the next year as the ramifications of realignment continue to spread. The question is, how quickly will they occur? These structural changes will shift the balance of power, creating new opportunities and challenges for student-athletes, schools, conferences, the NCAA, and college sports fans. How will the rapidly growing NIL market, realignment, and other changes ultimately shift the balance, especially with the backdrop of a transforming NCAA?



Strategic questions to consider:

- Will federal action take place regarding NIL? If it happens, will it be narrowly focused or a broader change to student-athlete rights?
- Will these changes exacerbate or improve gender disparity issues in college athletics?
- How will the proposed changes to the NCAA constitution, which gives more power to the divisions, impact these issues?¹⁶
- What will be the implications of these issues to smaller schools and the vitality of their sports programs?

Moving beyond NFTs

Sports-related NFTs have seen a lot of attention and investment over the past year, opening the door to additional blockchain-enabled innovations. With the rising use and involvement of cryptocurrency and associated exchange platforms, a nexus will form around sports collectibles, ticketing, betting, and gaming. We are just beginning to see its potential, as well as the new markets it could lead to.

Cryptocurrency has been playing at the margins of the sports business for a few years now. We've seen players paid in crypto, and some teams in the MLB, NBA, and NHL are accepting it for season tickets and other merchandise.¹⁷ In their quest for greater brand awareness, legitimacy, and customer acquisition, crypto players have been investing heavily in sports sponsorships. The crypto exchange FTX signed a five-year deal with MLB and bought the naming rights to the arena for the NBA's Miami Heat.¹⁸ Coinbase has partnered with the NBA and WNBA in the hopes of better educating fans.¹⁹ The Staples Center will be renamed Crypto.com Arena in a massive US\$700 million, 20-year naming rights deal.²⁰ These sponsors may be looking to leverage their burgeoning relationships with sports organizations to develop for future offerings together.

A practice where we are likely to see more experimentation in the next few years is that of linking individual and season tickets to blockchains—turning what was once a simple piece of paper into a more dynamic product or investment vehicle. At first, we could see the bundling of tickets with NFTs to reward fans.²¹ In the future, with proper smart contract capabilities, we could see fractional ownership of season tickets and suites and a reinvention of the ticket resale process. This activity could increase the use of dynamic ticket pricing and portions of ticket resales going back to teams or leagues, creating a new revenue source. Before this becomes widespread, which could take many years, standards should be established, robust consumer protections enacted, fans educated, and compliance and tax implications considered. It begs the question, what will it mean to buy and own a ticket to the game in the future?

The use of NFTs, crypto, fan tokens, and ticket innovations will grow and evolve. Will we see a significant increase in fan engagement? What new business models will emerge?



Strategic questions to consider:

- What ultimate role will crypto play in sports betting?
- Will potential US regulation of the crypto market have a significant impact on its growing connections with sports?
- Will we eventually see universal wallets that will work across sports so that fans can have a simple and easy user experience?

A tipping point in the sports betting market

This past year has seen sports betting enter the mainstream. As of November 2021, it is currently legal and active in 29 states plus the District of Columbia, and legal in another three states, with more to come.²² The sports betting market had about US\$1.5 billion in revenue in 2020 and will grow to almost US\$6 billion by 2023.²³ Online betting dominates the overall market, with billions in monthly bets placed, led by three major players: DraftKings, BetMGM, and FanDuel.²⁴ All three are jockeying for national dominance in the rapidly growing space.

The main players are in a frenzy for customer acquisition, and are spending enormous amounts on advertising and sponsorships, as they assume that sports betting will eventually become legal nationally and are working to build brand awareness and expand their traditional base.²⁵ This effort runs the risk of overwhelming the nascent market or alienating fans. Aware of this, the NFL has limits on the number of TV spots they will sell to sports betting companies, and the NBA isn't allowing sportsbooks to advertise on jerseys, although the NHL does.²⁶ As a potential warning, there is now more pushback in the United Kingdom and European Union around sports betting advertising.²⁷

This tipping point in the market has started a wave of acquisitions, partnerships, and joint ventures. In the coming year, we are likely to see an acceleration of market consolidation. In building out their infrastructure and portfolios, companies are looking to acquire strategic technologies to bring in-house and expand their user base. They are also looking to integrate fantasy sports, sports betting, and iGaming. For example, 2021 saw the acquisition of William Hill by Caesars Entertainment for US\$4 billion, Bally's merger with Gamesys Group for US\$2.7 billion, and the failed mega-merger of DraftKings and Entain for US\$20 billion.²⁸

There is still uncertainty around where the market will settle. It will be important to watch the fringes for where betting touches other emerging trends—including the influence on college athletics, the use of crypto for betting, and new digital betting experiences.²⁹



Strategic questions to consider:

- Will the sports betting spending boom on advertising convert to new customers, and will it lead to sustainable growth?
- How much regulatory and fan pushback will we see, especially with regards to problem and underage gambling?
- What innovations will we see as sports betting blends into the overall fan experience, including in-venue, broadcasting, and streaming?
- As the market consolidates, what common attributes will the most successful sports betting operators have?

More than sports: Well-being for athletes, society, and the planet

Sports have always been able to transcend “the game,” serving as a way to reflect on who we are as a society and offering a chance to see both our progress and shortcomings. Sports organizations, teams, and players have embraced this role and have influenced and improved their communities as a result. In 2022 and beyond, we will see the sports business continue to make progress, focusing more on the welfare of athletes, society, and the planet. Programs around these areas will increasingly be seen as not just something to enhance brand value, but as a necessary step to protect the long-term viability of the industry.

Mental health in sports has continued to gain attention in the past few years as more Olympic and professional athletes have spoken publicly about their struggles.³⁰ Competitive pressure, impacts from injuries, personal and family issues, and social media scrutiny are some of the issues that can affect the mental health of athletes. In coming forward, athletes help to reduce the stigma around these issues, as well as encourage open conversations with their fans and teammates. The good news is that all major professional leagues have dedicated mental health professionals on staff among their available resources. For example, the NBA mandated that its teams have mental health staff starting in their 2019–2020 season.³¹ But, while many conferences require mental health services be provided to athletes, more attention is needed at the college level.³² The nonprofit Athletes for Hope organization has estimated that, in 2019, only 10% of college athletes with significant mental health issues sought help, compared to 33% of all college students.³³ Resources should be easily accessible for college athletes, and they should be encouraged to take advantage of them, especially with NIL and other new pressures.

Environmental sustainability is becoming another increasingly important business goal, driven, in part, by more sustainably minded sponsors, fans, and professional organizations, like the Green Sports Alliance.³⁴ All the major professional sports leagues now have green initiatives and are looking to reduce their overall environmental impact.³⁵ These include projects and programs around recycling, renewable energy use, zero landfill initiatives, food recycling and donation, single-use plastics elimination, reclaimed rainwater usage, and LEED certification for venues. With a new generation of sports facilities coming online, sustainability is being considered from the start across every element of construction and operations. One experiment is Climate Pledge Arena, home to the NHL’s Seattle Kraken and the WNBA’s Storm. The facility is built from the ground up with sustainability in mind and aims to be net-zero carbon after its first year of operation.³⁶



Strategic questions to consider:

- Will programs associated with these areas continue to be voluntary, or should sports organizations and other governing bodies make them mandatory?
- How can organizations and teams transform into purpose-driven organizations, moving beyond raising awareness to make lasting change?
- How can efforts across these areas drive deeper, more meaningful connections with fans?

Signposts for the future

In 2022, the sports industry will continue to see an influx of money from new sources, shifting power dynamics in college sports, more widespread use of emerging technologies, and a greater focus on broader societal issues.

These themes will interact with and influence one another and create new opportunities and challenges for sports organizations, leagues, owners, teams, players, and fans.



For 2022, we recommend that sports organizations should be mindful of the following signposts:

- Regulatory efforts around cryptocurrencies, sports betting and associated advertising, and federal action around student-athlete rights.
- Unintended consequences of the expanding NIL market in college athletics.
- The impacts of conference realignment and NCAA constitutional changes to smaller athletic programs.
- Major sports betting mergers and if they are more domestically or globally focused.
- The growth of the pure sports NFT market and how NFTs will drive other segments such as gaming.
- Shifts in sports advertising models with new types of sponsors, the use of college athletes, and new digital platforms.
- Tangible results (both financial and societal) from high-profile sustainability initiatives.
- Fan adoption of recent innovations across generations—will they strengthen relationships or distract from core products?

Contacts



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