

# Lesson 1.2

## Factors Contributing to Industry Growth



### Factors Influencing Industry Growth

- **Increase in participation**
- More people following sports and entertainment
- Increase in sports/entertainment offerings
- Attendance boom
- Media coverage
- Global products

### Evidence of Increased Participation Rates

*The U.S. Youth Soccer Association reports that there were 100,000 registered players in 1974. Today the organization has grown to 3.2 million registered players and over 800,000 coaches and volunteers*




### Evidence of Increased Participation Rates

*The number of U.S. golfers has risen to 12.6% of the population vs. 3.5% 50 years ago*



### Evidence of Increased Participation Rates

*According to the National Federation of State High School Associations, the sport of lacrosse has seen a 280% increase in participation in the last decade*



### Evidence of Increased Participation Rates

*Among sports and recreation activities that grew more than 15% the past 10 years, skateboarding led the way with a 74.1% growth, according to the National Sporting Goods Association (NSGA)*



### Evidence of Increased Participation Rates

*"Skateboarding saw a remarkable increase in the last 10 years, due in part, to the television exposure provided by ESPN's X-Games"*

- NSGA VP of Information & Research,  
Thomas B. Doyle



### Evidence of Increased Participation Rates

*According to a CBS Sports report, USA Hockey saw a record 519,547 people register as amateur hockey players in the US in 2014, 8,000 more players than any other year as non-traditional markets like California, Texas and Florida have grown exponentially over the past 20 years*





### Evidence of Increased Participation Rates

*Data from USA Water Polo (USAWP) shows water polo is one of the fastest growing sports in the USA, specifically at the high school level*



*According to [swimmersworld.com](http://swimmersworld.com), nationwide participation is up 25% in the last five years while memberships increased by 67% from 26,873 to 44,773 (an all-time high) in the last eight years*



### Factors Influencing Industry Growth

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- Emergence of Internet and new technologies

# History of SEM

## LESSON 1.2

### Increase in Those Following Sports & Entertainment

U.S. television broadcast 800 hours of sports in 1971

Compare that to the coverage of the 2016 Summer Olympics in Rio, Brazil, when NBC featured more than 6,000 hours of television coverage (up from 5,535 in 2012) across its platforms (including NBC, USA, Bravo, CNBC, MSNBC) and all 130 competitions were streamed online.



### Increase in Those Following Sports & Entertainment

According to a LA Times story, Americans collectively spent 31 billion hours watching sports on TV last year — a 40% increase from a decade ago



### Factors Influencing Industry Growth

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### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

*Disc Golf: The sport had 560 courses in the U.S. in 1995, by 2017 that number had grown to 7,000 and the sport has averaged 16% growth annually over the past 15 years.*



*In 2000 there were 5,653 active members of the Professional Disc Golf Association; by 2017 there were 35,663 members 10,774 people joined the PDGA in 2016 alone*

### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

Spikeball: this fast-paced game was invented in the 1980's, disappeared during the 90's, and burst back on the scene in 2013 –today the sport boasts over 125,00 participants, has its own governing body and is the self-proclaimed fastest growing sport in the U.S.



### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

According to the Columbus Dispatch, over 300 official USA Spikeball tournaments were scheduled throughout the U.S. last year. The sport was featured on ESPN2's "Sports Nation" show.





### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

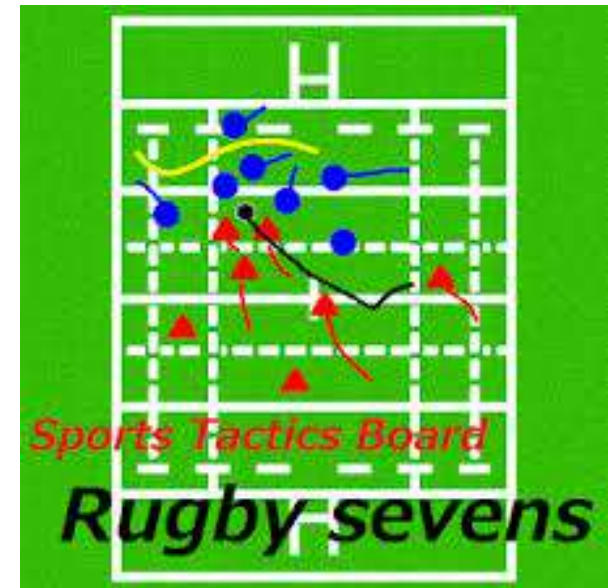
Rugby is the currently the fastest growing sport in the U.S.A. According to bloomberg.com, the number of rugby participants has increased 14 percent annually for the last five years and now boasts a record 1.2 million participants throughout the country.



### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

In 2016, Rugby was a competitive event at the Summer Games in Rio for the first time since the 1924 Olympic Games (the Rio event was Rugby “Sevens”, a 7-on-7 version of the sport)



### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

*U.S. high schools have recently recognized non-mainstream sports as officially sanctioned sports in recent years*

*In 2013, Hawaii became the first state to sanction surfing as an officially recognized high school sport*



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## LESSON 1.2

### Increase in Sports/Entertainment Offerings

#### More options for sports as participants:

*Also in 2013, the state of Missouri bass fishing became an officially sanctioned high school sport (joining the states of Illinois, Kentucky and Tennessee as states sanctioning fishing as a recognized sport)*



### Increase in Sports/Entertainment Offerings

More options for sports  
as participants:

*One school in Florida is attempting to legitimize Go Kart racing as an official varsity sport*



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## LESSON 1.2

### Increase in Sports/Entertainment Offerings



*ESPN's coverage features more than 65 sports including MLB, NBA, NFL's Monday Night Football, NASCAR, MLS, FIFA World Cup, WNBA, college football, men's and women's college basketball, golf, Little League World Series, fishing, spelling, billiards, poker, arena football, eating championships, and the X Games*



### Increase in Sports/Entertainment Offerings

*DirecTV offers over 285 channels as part of their "premiere" package, including over 50 channels dedicated specifically to sports programming (and that doesn't include the seventeen "specialty" packages that require an additional subscription like the NBA League Pass, NFL Ticket or NHL Center Ice).*



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TERMS AND CONDITIONS

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- See multiple matches at the same time, live on your TV with



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### Attendance Increases

The NHL enjoyed its third highest attendance figure in league history during the 2016-17 season with 21,429,412 fans visiting NHL arenas.



### Attendance Increases

To put the league's growth into perspective, the NHL's attendance was 7,758,05 in the 1978-79 season

2016-17 NHL season attendance (lockout shortened season)



1978-79 NHL season total attendance



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### Attendance Increases

Over 75 percent of movies in the top 50 all-time highest-grossing films (before inflation) were released after the year 2000. Nearly 50 percent of films in the top ten were released in 2015 or later. The highest grossing film in the 70s was Star Wars, at just under \$800 million and in the 80s was E.T., at just \$750 million.



### Attendance Increases

The 2016 release of “ Star Wars: The Force Awakens” barely beat the record held by “ Jurassic World” when it took just 12 days to surpass the \$1 billion mark.





### Discussion Topic



*Titanic* more than doubled *Star Wars* at the box office in terms of overall global ticket sales, but is that the whole story?

Do you think twice as many ticket buying patrons attended *Titanic* than *Star Wars*? Why or why not?



### Discussion Topic



Although Titanic's box office figures are incredibly impressive, the box office figures do not necessarily tell the whole story.

Ticket prices in 1997 were much higher than they were in 1977, the year Star Wars was released and box office records are not adjusted for inflation.



## Discussion Topic



When box office numbers are adjusted for inflation, the domestic top grossing film in American history is NOT *Titanic*.

What is it???



### Discussion Topic



After adjustment, the top spot goes to *Gone with the Wind*, while *Titanic* slips to just 5<sup>th</sup> overall...



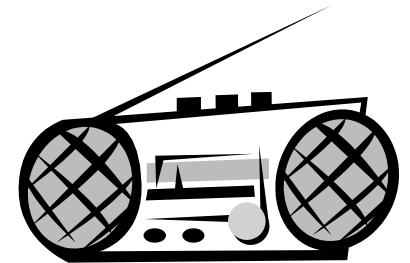
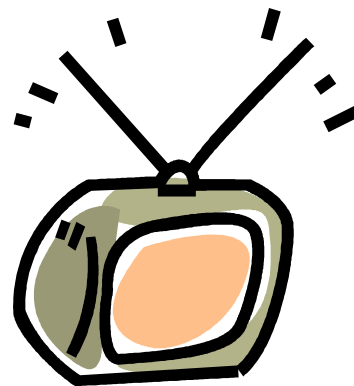
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### Media Coverage

Media coverage of sports and entertainment has grown significantly in the past half-century, placing athletes and entertainers in the public eye with incredible frequency

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### Media Coverage

Introduction of Internet makes information available “on demand” with increased frequency and accessibility



### Media Coverage

- Television and radio provide alternative news sources to newspapers while social media provides an even newer alternative to all other forms of media
- Profit potential for media centers encourage increased competition for top stories
- Introduction of Internet makes information available “on demand” and with increased frequency

### Media Coverage

*"Arnold Palmer...came along at the same time television was exploding in America. Now we've got global Internet access. Our sport wasn't global when I began playing the Tour. Now it is. You can log on anywhere in the world and see what any player did in any tournament or for the year. With that international boom, that international stream of information, golf is getting exposed to parts of the world that it never even thought of getting into."*

- Tiger Woods

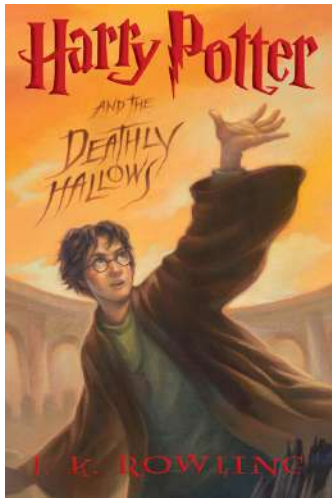


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### Global Marketplace

The international marketplace continues to provide a platform for driving sales of sports and entertainment products and services





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At the start of the 2016-2017 season, and for the third year in a row, NBA rosters included over 100 international players and each of the 30 teams had at least one international player.

### Global Marketplace

*In 2017, Takuma Sato became the first Japanese winner of the Indianapolis 500 when he denied Helio Castroneves a record-tying fourth victory as the two traded the lead in the final laps*

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### Global Marketplace

Global events like Wimbledon, the Tour de France, FIFA World Cup, Olympic Games, the Iditarod and Cannes Film Festival attract world-wide attention, providing an exceptional marketing opportunity for ticket sales, sponsorship sales, licensing and merchandise opportunities and provide a major economic impact for host cities



### Global Marketplace

In 2010, ESPN, CANAL + Events and Tignes Ski & Snowboard Resort (in France) launched the first Winter X Games to be held outside the United States, and X Games Munich 2013 demonstrated the growth in global appeal of the event when 47.5 hours of action were broadcast across ESPN's various platforms, including 26.5 hours on live television



### Global Marketplace

The global demand for footwear and sports apparel continues to grow with international brands like China's Li Ning and Germany's Adidas and Puma fiercely competing with American brands like Nike and Under Armour for market share



### Global Marketplace

A number of NBA All-Stars have recently opted out of relationships with American brands to pursue deals with Chinese sportswear brands, including D. Wade who left Jordan Brand for Li-Ning, and Klay Thompson who has his own signature shoe with Anta. Reebok recently intensified its marketing efforts to reach consumers in India (with its population of more than 1.2 billion people) by signing Indian cricket captain M. S. Dhoni as its ambassador, along with other yet-to-be-revealed "well-known personalities from different walks of life such as musicians, entertainers and professionals" (according to the Economic Times).

### Global Marketplace

Prominent American sports are making a push to expand their presence overseas. Last season, the NBA played two regular season games in London while this season Mexico City will host a regular season NFL game (between the New England Patriots and the Oakland Raiders)



### Global Marketplace

NFL Commissioner Roger Goodell has been very public with his sentiments that he would like to see a much bigger NFL presence in London, even suggesting the possibility of bringing an expansion franchise to the city





### Global Marketplace

Last season, 76,473 fans attended a regular season game in Mexico City between the Oakland Raiders and Houston Texans

According to a USA Today report, 205,000 fans also attended a related fan fest, while 55,000 took part in additional community events related to the NFL game.

The NFL plans to build off this success by hosting more games in the city in Mexico City



### Global Marketplace

To continue expanding their global brand, the NBA will host its 2nd annual NBA Africa Game in 2017



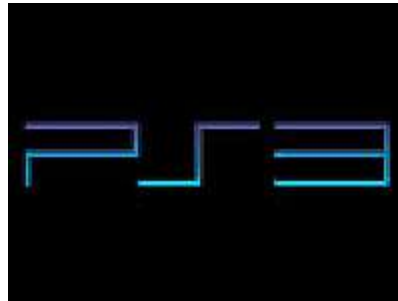
### Global Marketplace

The UFC staged a bout (UFC 120 featuring Michael Bisping and Yoshirio Akiyama) at London's O2 arena and the event was attended by 17,133 fans, breaking the European attendance and gate receipts record which was set by the MEN at UFC 105. It was also the biggest box office sporting event in O2 Arena history.



### Signs of Continued Industry Growth

The worldwide video game industry will become a nearly \$100 billion industry this year and is projected to reach \$118.6 billion by 2019, thanks to the combined growth of console, portable, PC, and online video games, according to a story published on [venturebeat.com](http://venturebeat.com)



### Signs of Continued Industry Growth

The U.S. music industry experienced double digit growth for the first time in 20 years in 2016 as recorded music sales hit \$7.65 billion

- Streaming services - \$3.93 billion
- Downloads, CDs, Vinyl - \$3.51 billion
- Paid music subscriptions - \$22.6 million (up from \$10.8 million in 2015)

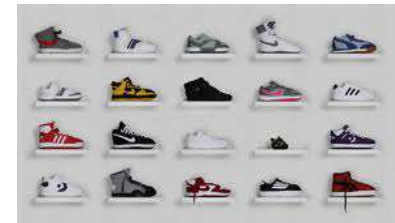


### Signs of Continued Industry Growth

The global theme parks market is projected to reach \$44.3 billion by 2020, according to a report by Global Industry Analysts, Inc.



Also according to Global Industry Analysts, Inc., the global footwear market is expected to reach \$211.5 billion by 2018



In 2016, the soccer industry generated a record \$60.2 billion in sponsor dollars – an increase of roughly \$14 billion since 2010



### Signs of Continued Industry Growth

Adidas reported revenues of nearly \$2.78 billion in 2016 in global soccer sales, an increase of a whopping \$300 million from the previous year.



### Signs of Continued Industry Growth

NFL media fees are projected to double to \$8 billion annually by the end of the decade.



According to a 2017 Forbes report, the NBA generated a record \$5.9 billion in revenue last season, a 13% increase from 2016





### Signs of Continued Industry Growth

Centerplate, the leading hospitality partner to North America's premier sports, convention and entertainment venues, is now also the fastest growing restaurant chain in America, according to Nation's Restaurant News.

Centerplate serves over 115 million guests per year.



### Signs of Continued Industry Growth

*Forbes reports that ESPN is now valued at over \$50 billion*



### Signs of Continued Industry Growth

Television audiences continue to grow in size while sports and entertainment properties expand the various means for distributing content (social media, streaming etc)



The 2017 NBA Finals saw record viewership numbers – Game 5's 25.5 million viewers made it the second-most watched NBA Finals contest since 1998

Game 5 was also most-streamed NBA Finals game in league history



### Signs of Continued Industry Growth

The NBA continues to be a leader in embracing social media surpassing 400 million likes and followers combined across all league, team and player pages on Facebook, Twitter, Instagram, Sina and Tencent. The NBA was the first professional sports league to exceed one billion videos viewed on its YouTube channel and now has more than 1.3 billion videos viewed overall (according to nba.com).



### Signs of Continued Industry Growth

Sports and entertainment consumers are increasingly turning to streaming content to consume major events

Super Bowl 51 was reportedly the most live-streamed Super Bowl ever, delivering an average minute audience of 1.72 million, up +23% over last year and an increase of 224% over FOX's last Super Bowl stream in 2014



### Signs of Continued Industry Growth

Sports and entertainment consumers are increasingly turning to streaming content to consume major events

According to [sportsbusinessdaily.com](http://sportsbusinessdaily.com), the number of fans who listened to the streaming audio broadcast Wimbledon (via the event's website, [Wimbledon.com](http://Wimbledon.com)) jumped a whopping 500% in the last two years



### Signs of Continued Industry Growth

The value of major league sport franchises continues to grow at a furious pace. In 1973, the late George Steinbrenner bought the New York Yankees for just under \$9 million. In 2017, Forbes magazine valued the historic franchise at \$3.7 billion.

In 2017, the average MLB team was worth \$1.54 billion, a 19% increase from 2016 (according to forbes.com)



### Signs of Continued Industry Growth

In 2017, Forbes reported that the Dallas Cowboys franchise was the most valuable sports team in the world at a whopping \$4.2 billion (a 5% increase over its last valuation)



Rounding out the top five most valuable sports teams in the world were:

- New York Yankees, \$3.7 billion, 9% (MLB)
- Manchester United, \$3.69 billion, 11% (Soccer)
- Barcelona, \$3.64 billion, 2% (Soccer)
- Real Madrid, \$3.58 billion, -2% (Soccer)



### Signs of Continued Industry Growth

In 2014 Steve Ballmer purchased the NBA's LA Clippers for a record \$2 billion - the team's previous owner, Donald Sterling, bought the team in 1981 for \$12 million.



By comparison, the NBA's Milwaukee Bucks were sold in 2015 for \$550 million – illustrating the impact market size can have on the value of a franchise.



### Signs of Continued Industry Growth

In another example of how market size impacts franchise values, the NFL's Rams franchise nearly doubled in value (from \$1.45 billion to \$2.9 billion) as soon as it was announced that they would re-locate from St. Louis to Los Angeles (according to CBS Sports).



# Signs of Continued Industry Growth

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**Fandom** is a term used to refer to a subculture composed of fans characterized by a feeling of sympathy and camaraderie with others who share a common interest

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### Signs of Continued Industry Growth

The term fandom can be used to describe all types of fan groupings or “subcultures”



### Signs of Continued Industry Growth

ESPN's annual "SportsNation Survey" found that a whopping 90% of male respondents claimed to be sports fans on some level

Over 50% of respondents claimed to more of a sports fan than they were five years ago

58% of respondents would prefer to receive free season tickets to their favorite sports team than be promoted at work.



### Signs of Continued Industry Growth

Fans have, in a limited number of occasions, successfully organized on behalf of a cancelled television series to lobby networks to bring back their favorite show (examples include Chuck in 2010, Community in 2012 and NBC's Timeless in 2017 while prompting Netflix to resurrect cult hit series Arrested Development in 2018)



### Signs of Continued Industry Growth

The intensity levels of fandom vary, ranging from a casual sports fan who might take in one game per year to those fans that put the “fan” in “fanatic” (and otherwise engage in behavior that other fans might otherwise find to be irrational)



### Signs of Continued Industry Growth

Fans who go to extremes to show their loyalty to their favorite team, band, actor or other celebrity are often referred to as “superfans”





### Signs of Continued Industry Growth

Self-proclaimed Clippers fan “Clipper Darrell” spent \$12,000 customizing his BMW to reflect his love for the Los Angeles Clippers (complete with the license plate “CLIPERD”)



Darrell has gone so far as to have his own personal dedicated website

Because Clipper Darrell began charging people for public appearances, the Clippers franchise asked that he disassociate himself with the team in 2012. They would later sort the issue out and Darrell returned to his regular seats.

### Signs of Continued Industry Growth

Even college teams enjoy the support of superfans

Northwestern University superfan, Jake Schaefer, dressed as a purple-themed Phantom of the Opera for every Wildcats home basketball game last season



### Signs of Continued Industry Growth

Fandom explains why people propose at sporting events or feature a themed wedding centered on their favorite sports team



### Signs of Continued Industry Growth

On opening night, Activision says that approximately 1.5 million gamers lined up outside 13,000 stores to buy a copy of Modern Warfare 3 at midnight

USA Today published a story suggesting the number of people calling in to work sick the day after Call of Duty is release results in a significant increase

University of Kentucky fans paid between \$7,500 to \$12,500 for the opportunity to attend a basketball camp (called John Calipari Basketball Fantasy Experience) and “essentially experience what it’s like to be a Kentucky basketball player”

### Signs of Continued Industry Growth

The existence of fandom is what ultimately fuels today's non-stop, around the clock media coverage of celebrities and sports stars and drives a culture in which athletes and celebrities are often quickly forgiven for highly publicized transgressions when they perform



### Signs of Continued Industry Growth

While many media pundits publicly chastised LeBron James' decision to announce which team he would be joining in a one hour ESPN special, the show (aptly named "The Decision") drew very high ratings as nearly 10 million people tuned in to watch



### Signs of Continued Industry Growth

Despite being suspended by the NFL for charges relating to child abuse, then demanding to be traded and ultimately, seeing his career fizzle out in Minnesota after two injury plagued seasons, Vikings fans appear to have forgiven the former face of their franchise, Adrian Peterson

Peterson signed as a free agent in 2017 with the New Orleans, whose Saints jersey was the number one selling jersey in the state of Minnesota at the start of training camp, according to an ESPN report



# Signs of Continued Industry Growth

Because of the strong emotional connection fans maintain with their favorite sports teams, wins and losses on the grandest of stages can yield incredible influence on a community at large





### Signs of Continued Industry Growth

It can provide a positive experience when communities tap into fandom to help rally around a common cause

After struggling with one of the worst national disasters in US history (Hurricane Katrina), fans in the New Orleans area often cited the New Orleans Saints Super Bowl win as an inspiration for the city's resurrection



### Signs of Continued Industry Growth

Representing their country just four months after a devastating tsunami rocked Japan, their women's soccer team pulled off one of the greatest upsets in sports history by defeating the heavily favored Germans in the 2011 World Cup and, ultimately, beating the United States in the championship game.

"Our playing is to be an encouragement for the victims of the disaster," said Coach Norio Sasaki after the monumental victory while the headline in the New York Times the following day read: "A Resilient Team Soothes a Nation."

### Signs of Continued Industry Growth

Fandom can, unfortunately, also result in an unhealthy (and potentially dangerous) subculture of fans that become too emotionally invested and obsessive with their favorite sports teams or celebrities.

At the 2016 Euro Cup, Russian fans/hooligans resorted to violence against English fans, dozens were injured and several fans were jailed. CNN reported that the Euro Cup's governing body fined the Russian team 150,000 euros and threatened to expel them from the tournament due to the fans' actions.

In 2017, 4 people were killed and 25 injured when thousands of soccer fans stampeded their way into National Stadium in Honduras to watch a championship match between Motagua and Honduras Progreso



### Signs of Continued Industry Growth

After a 2017 NCAA Elite Eight game between North Carolina and Kentucky, referee John Higgins received multiple deaths threats from Kentucky fans who thought he was favoring UNC throughout the game (the Tarheels beat the Wildcats to advance to the Final Four)



### Signs of Continued Industry Growth



Throughout the entire 2015-16 college football season, Goodyear sponsored the “ Fan Index” in partnership with USA Today, polling college football fans around the country to determine winners of categories ranging from the best uniforms (Michigan Wolverines) to the best fans overall (Ohio State Buckeyes).

### Signs of Continued Industry Growth



Continental Tire, recognizing the incredible passion of soccer fans, tapped into fandom by becoming the official sponsor of Major League Soccer

In 2017, the company launched a marketing campaign paying tribute to fans with a 10-part video series called "supporters"