



L.E.K. Sports Survey — Digital Engagement Part One: Sports and the “Millennial Problem”

Though they represent a large and increasingly integral segment of the U.S. sports fan base, Millennials bring to the table a unique challenge: Unlike their Baby Boomer and Gen X predecessors, Millennials follow a much broader range of both traditional and alternative sports as adults, and despite having less time on their hands, have a far greater selection of viewing alternatives.

Most notably, Millennials have increasingly bypassed traditional pay TV subscribership — the main staple of sports engagement for years — in favor of untethered media, a trend that is expected to continue in the years ahead. Recent data from ESPN paints a particularly stark portrait: For the fiscal year ending Oct. 1, 2016, subscribership shrank to 90 million, a 10% drop in just three years.

L.E.K. Consulting recently conducted a survey of individuals from different age groups, including both avid and casual sports fans, in an effort to gauge changes in attitudes and behaviors around both traditional and emerging U.S. sporting events, including the way these events are covered. As noted in an earlier L.E.K. study, [Cable at the Crossroads: Pondering the Future of Pay TV](#), an increased uptake of emerging digital-media platforms, particularly among younger consumers, has had a noticeable impact on traditional cable TV subscribership, compelling

providers to consider new approaches in an effort to keep pace with the perpetually evolving marketplace. The same holds true for traditional televised sports: As Millennials continue to back away from mainstream media, they are likely to become increasingly disengaged from sports in terms of viewership and fandom — that is, unless industry heads are able to respond to these changes in a proactive manner.

In the first of a two-part *Executive Insights* series, L.E.K. looks at the various forces reshaping sports fandom in the U.S. In particular, we examine how engagement, preferences and trends across traditional and alternative segments (e.g., eSports), as well as emerging platforms (e.g., over-the-top broadband Internet television (OTT)), are poised to redraw the map for teams, leagues, broadcasters and marketers/retailers.

A generational divide

In terms of both composition and dollars spent, individuals 35 and older continue to dominate the country’s consumer base. However, at a combined 45%, Millennials (ages 17-34) and their Generation Z peers (age 16 and under) are quickly closing the gap — Millennials alone now represent over a quarter of all domestic consumers, and they are the country’s leading life-stage demographic. Coming of age during the rise of the handheld, these individuals have established media preferences that stand in sharp contrast to their Boomer and Gen X counterparts. Unlike those age 65+ whose daily TV allotment continues to

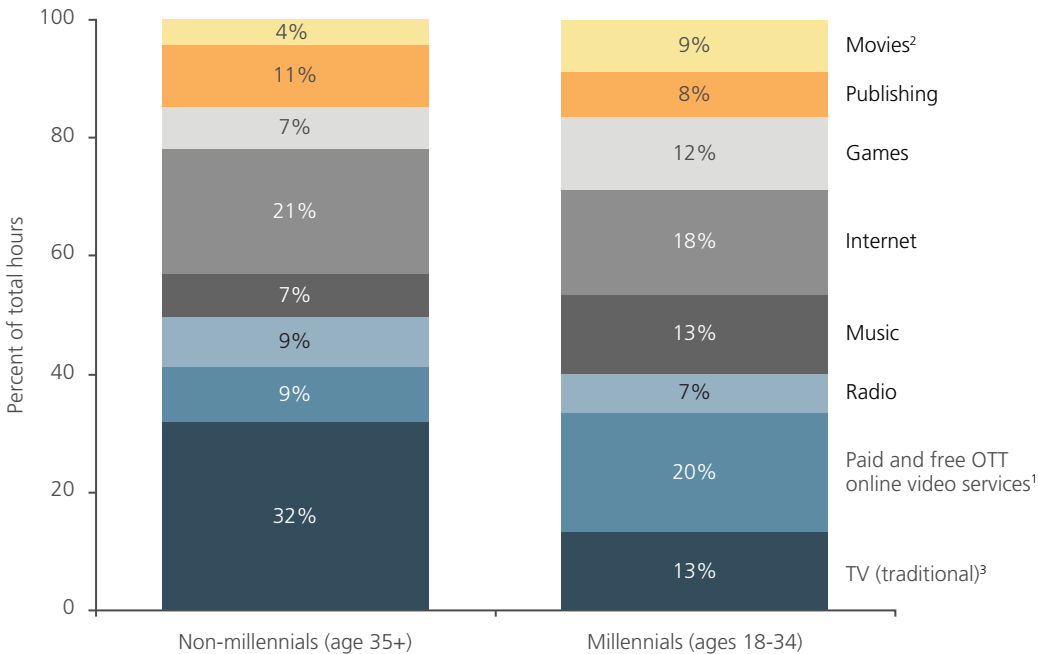
L.E.K. Sports Survey — Digital Engagement Part One: Sports and the “Millennial Problem” was written by **Alex Evans** and **Gil Moran**, Managing Directors in L.E.K. Consulting’s Media & Entertainment practice. Alex and Gil are based in Los Angeles.

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Executive Insights

Figure 1

Time spent consuming various forms of media content (2015)



Note: ¹Includes free video and paid OTT services; ²Includes in-theater and physical purchase / rental, and includes TV show box sets; ³Television; (including live TV and DVR, or TV accessed through pay TV services delivered through the internet, such as Sling TV, PlayStation Vue). N= 552 for Non-Millennials; N = 1, 113 for Millennials.

Source: 2016 L.E.K. Media & Entertainment Survey

rise (currently averaging some 450 minutes of per-day viewing, according to Nielsen), Millennials are rapidly tuning out, with viewership among 18-to-24-year-olds down 4.7% (less than 300 minutes per day) and among 25-to-34-year-olds down 2.8% (around 250 minutes per day) annually since 2010.

Fueling the trend is the ongoing uptake of free online video and paid OTT services, which currently accounts for some 20% of Millennials' reported total media consumption. By contrast, Millennials spend only 13% of their time in front of traditional TV, roughly one-third the TV time allotted by those age 35 and over (see Figure 1).

Furthermore, the falloff in pay TV viewership is likely to accelerate among pre-Millennials: According to data from The Diffusion Group, by 2021, those under 18 are expected to devote a scant five minutes per day to traditional TV viewing, compared to 43 minutes daily for consumers age 45 and over. Given the decades-long dominance of traditional TV in the sports arena, the likelihood of further viewing declines could have a significant impact on sports engagement going forward.

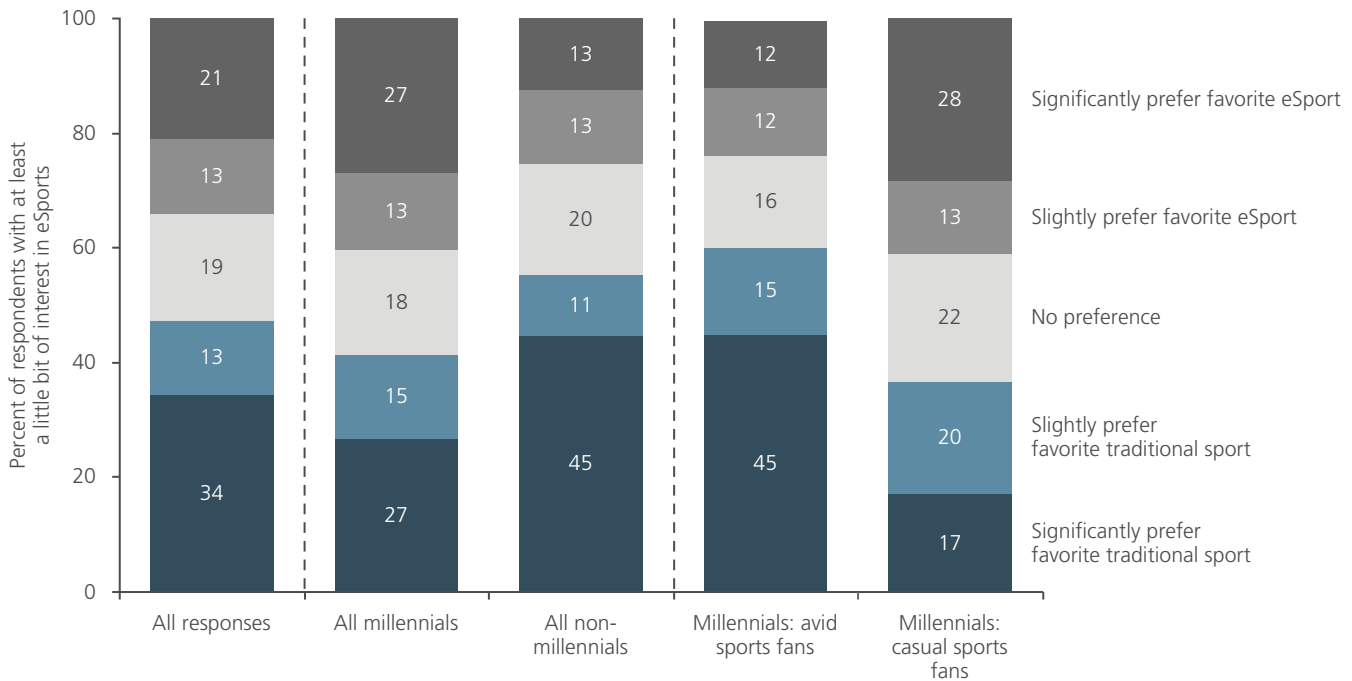
Fewer viewers = fewer fans

As our findings suggest, the falloff in TV subscribership could have even farther-reaching consequences. When asked to list key reasons why they became sports fans in the first place, respondents cited "watching games on TV growing up" as their top reason (30%), equal to the number who indicated "playing sports as youngsters." This, of course, is no surprise — for years, viewers have been able to easily access basic sports programming as part of the standard cable TV package, or pay a premium for an even broader range of both regional and national major-league sports coverage. Given that TV has been the historical conduit for sports appreciation, the decline in legacy viewership points to a concurrent falloff in sports fandom going forward.

Alternative challenges

As they continue to move away from traditional sports viewing, a growing number of Millennials are instead flocking to alternatives such as eSports, including live video-gaming competitions such as The International, an annual tournament devoted to DOTA 2. Though such events aren't organized in the traditional sense, the growing popularity of eSports nonetheless has the potential to

Figure 2
Preference for favorite eSport vs. favorite traditional sport



Q103: You said \$Q102_text is your favorite eSport and that \$Q11_RANK1_text is your favorite traditional sport. Of those two, which do you prefer?

further diminish Millennials' loyalty to traditional sports. Consider, for example, BAMTech's — Major League Baseball's video streaming and technology services company — recent deal to pay \$300 million to Riot Games through 2023 for the streaming rights for its eSport, League of Legends.⁴ Current research finds Millennials evenly split in their allegiance to traditional sports versus eSports (42% versus 40%, respectively); by comparison, slightly more than one-quarter of non-Millennials follow eSports, while the majority (56%) maintain a preference for traditional sporting events (see Figure 2).

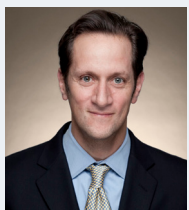
Even so, 26% of millennial eSports enthusiasts reported a significant uptick in eSports viewing over the past year; an equal number marginally increased viewership during the same period. Consequently, some 61% of eSports followers spent less time in front of the tube over the past 12 months, 45% cut back on traditional sports viewing, and another 35% attended fewer sports events due to increased eSports engagement.

New approaches needed

Particularly as Millennials become increasingly dominant within the marketplace, sports industry leaders (e.g., leagues, broadcast partners, other stakeholders) must sharpen their game, including offering programming that caters to the needs of these highly mobile, less engaged viewers. In the next installment, L.E.K. identifies several strategies to help those in the traditional sports marketplace target both avid and casual Millennial fans through alternative platforms such as OTT/DTC, fantasy sports and eSports, including bringing digital events into the traditional sports ecosystem where possible.

⁴"MLB's BAMTech inks \$300M exclusive deal with Riot Games," espn.com, Dec. 17, 2016.

About the Authors



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