



L.E.K. Sports Survey — Digital Engagement Part 2: The Digital Response

Drawing from its recent survey of sports fans in the U.S., L.E.K. Consulting seeks to help broadcasters, marketers, leagues and other sports industry leaders respond to market shifts in viewership and fandom.

In our previous installment, we looked at how changing consumer preferences and engagement across both traditional and alternative sports segments, as well as emerging platforms like over-the-top (OTT) broadband Internet television, are likely to impact the industry going forward. In Part 2 of this *Executive Insights* series, we identify specific strategies, from new broadband-delivery services to fantasy and eSports, that have the potential to boost engagement particularly among Millennial consumers, with the goal of making digital services a larger part of the sports ecosystem.

OTT to the rescue

In our survey, we explored which factors might persuade viewers to up their sports intake. Responses varied according to age — nearly one-quarter of non-Millennial cable subscribers, for instance, would be happy to just have additional games/events included within their legacy TV package. Not so much with cable-shy Millennials, however. Even when offered more sports on TV, only 14% of those age 34 and under would actually tune in more often, according to the survey.

But what if we were to change the method of delivery? Hence, participants were subsequently presented with a hypothetical OTT sports service that offered the same wide-ranging menu of networks typically found on legacy TV packages (from national sports networks like ESPN and Fox Sports to league-specific networks of the NFL, NBA, NHL and MLB). Suddenly, more Millennial fans were on board: According to our findings, 58% were attracted to the idea of a sports-centered digital subscription plan compared to 41% of non-Millennial respondents (see Figure 1). Of the nearly two-thirds who indicated they would “definitely” or “probably” sign up if the price was right, more than a third (36%) would ultimately commit (compared to a 23% “take rate” for non-Millennials).

Is this broadband delivery model financially feasible? While maximum penetration is achieved at the lower end of a self-reported expected \$35-\$70 monthly pricing scale, the service could theoretically generate an estimated \$3.2 billion per year at around the halfway mark (\$55 per month). A step in the right direction, yes; even so, that’s only about one-fifth the total annual revenue (\$17 billion) derived from affiliate fees and advertising spots by the universe of sports channels under the current ecosystem.

While it’s not a panacea, OTT can nonetheless serve as a boost for companies with flat-to-flagging revenues. Case in point: World Wrestling Entertainment’s WWE Network, a subscription-based video streaming service that launched in early 2014, drawing

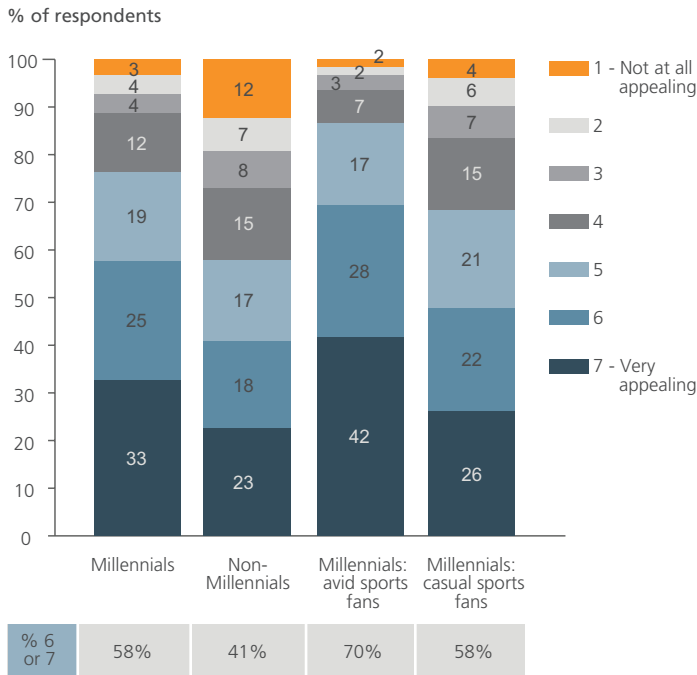
L.E.K. Sports Survey — Digital Engagement Part 2: The Digital Response was written by **Alex Evans** and **Gil Moran**, Managing Directors in L.E.K. Consulting’s Media & Entertainment practice. Alex and Gil are based in Los Angeles.

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Figure 1

Appeal of a sports-specific digital subscription product



Q72: How appealing is the service described above on a scale of 1 to 7?

one million paid subscribers in its first year, has since grown its base to roughly 1.5 million. The network's success has helped strengthen WWE's overall video business (TV, network, PPV, home entertainment and digital), which itself has achieved a nearly 20% CAGR increase during the period 2013-15. In short, by embracing subscription video on demand (SVOD) while relying less on pay TV and third-party revenue sharing, WWE found a reliable source of recurring subscriber-based income (around \$180 million at the current rate), one that is expected to represent an increasingly larger share of the company's total video revenues.

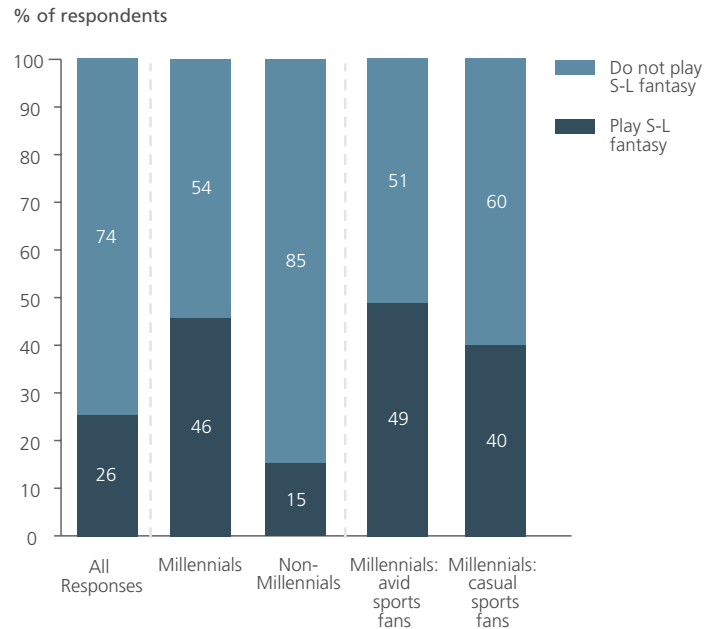
To ensure a smooth OTT launch, providers should consider a number of factors, including:

- Offering a compelling selection of new and library on-demand content
- Leveraging or developing a cost-effective promotion platform
- Establishing proper pricing and package offers
- Partnering with or acquiring a robust technology platform to ensure a seamless experience across devices and platforms

Companies should also bear in mind that a subscriber-based model requires greater focus on customer care and acquisition, ongoing product refinement, and continuous monitoring of subscriber analytics.

Figure 2

Usage of season-long fantasy sports



Q80: In the last two years, have you competed in a fantasy sports league, either season-long (e.g., Yahoo!, ESPN) or daily (e.g., Fanduel, Draftkings)?

Fantasy sports

Despite minimal interest among older consumers, companies can also benefit by targeting Millennial consumers through fantasy sports and eSports programming. Season-long fantasy sports usage among both casual and active Millennial fans currently stands at a robust 46% — more than three times the level of non-Millennial participation (see Figure 2). Furthermore, as season-long fantasy participation increases, so does one's interest in the real-life equivalent — for instance, more than half of fantasy football players (56%) reported spending more time watching actual NFL games.

While daily fantasy sports (DFS) usage among Millennials isn't nearly as strong as season-long sports (28%), data suggests that DFS nevertheless can serve as a gateway to sports fandom in general. According to the survey, some 53% of Millennial respondents were either casual, marginal or nonfans prior to becoming DFS players; more than half (55%) said they were significantly more interested in real sports as a result of participating in DFS.

eSports

Like fantasy sports, eSports is largely the domain of the young, with more than half of Millennial respondents either strongly or marginally interested (compared to a mere 21% of non-

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Challenges for fantasy/eSports:

- Daily fantasy sports is still in the process of rebuilding public and regulator trust and has yet to become a fully mainstream product.
- Season-long fantasy sports is led by a small group of companies (among them ESPN and Yahoo! Sports), and as such, the potential hasn't been fully realized by leagues/others.
- eSports needs both structure and an effective strategy in order to tie in with traditional sports (for instance, the Philadelphia 76ers' ownership has purchased eSports teams with the goal of bringing them under the Sixers' support infrastructure; similarly, BAMTech, the streaming technology arm of Major League Baseball, recently signed a deal with Riot Games, a subsidiary of Chinese media giant Tencent, to stream League of Legends tournaments).

Millennials). While fantasy and real sports tend to go hand in hand, however, the opposite is true with eSports — which may help explain the strong disinterest among sports traditionalists (only 6% of pro football fans identify as avid eSports followers, for instance). Nonetheless, current eSports customers appear receptive to a range of affiliated content and merchandising, from documentaries and animated films to live-action and even reality TV programming.

Better engagement with digital

OTT, fantasy and eSports represent just three digital engagement strategies that can be used by sports media stakeholders to attract Millennials as well as future generations of fans. As other avenues emerge, leagues, broadcasters, marketers/retailers and other industry participants will find it increasingly important to tap into these emerging platforms in order to connect with consumers and remain relevant in the years ahead.

About the Authors



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