



ASSOCIATION
OF SUMMER OLYMPIC
INTERNATIONAL FEDERATIONS

FUTURE OF GLOBAL SPORT

2019 ASOIF



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1. Foreword

The Association of Summer Olympic International Federations (ASOIF) has a mission to protect and defend the common interests of its members and has developed the vision to position itself as a provider of added value to its members, the summer Olympic International Federations (IFs), and for the Sports and Olympic Movement in general.

We have always believed that the collective expertise and experience of our members is unmatched. It is for this reason that we established and subsequently enhanced our consultative and advisory groups. We have established seven such groups covering Medical & Sports Science, Olympic & Multi-Sport Games, Commercial, Development & Education, Technology, Legal and Parasport.

In a fast evolving world, sport is increasingly subjected to technological, socio-economic and geo-political developments that all sports governing bodies must anticipate and be prepared to respond to. It is therefore critical for us to challenge our thinking and encourage our members to challenge their own.

ASOIF research conducted in 2015 examined the work of our members in the important field of anti-doping and helped inform the creation of the International Testing Agency (ITA). Subsequently, we established the ASOIF Governance Task Force and our new Governance Support and Monitoring Unit to address issues in this field.

For the above reasons, we commissioned this important piece of thought leadership to aggregate the personal views of key influencers and decision-makers on the themes and trends that will increasingly affect IFs and the model under which sport will be managed going forward. We will use this report to make recommendations to our own IFs and also to inform the work of our various internal groups.

Rather than offering solutions to all the challenges facing the sports sector, this report aims to increase awareness and provide insights for our IFs to allow them to act according to their own individual situations and stages of development. It will provide ASOIF with guidance and a basis for prioritisation, particularly in relation to its work on establishing a solid future role for IFs, as the involvement of both public authorities (governments) and private interests in sport continues to grow.

On behalf of ASOIF and its members I give special thanks to all the contributors to this report who freely gave their time and shared their experience and knowledge during their interviews and to the Steering Committee for their work in guiding the project. Mention must also be made of the ASOIF staff members and consultants who provided supporting research and processed and consolidated the mass of information that was collected in constructing this report.

Francesco Ricci Bitti

President

The report concludes with a blueprint for IFs to adapt and take advantage of the opportunities presented by today's increasingly disrupted and competitive sporting landscape. This consists of ten recommendations for IFs related to the two equally important themes of Governance and Entrepreneurialism:

Governance

- 1) IFs must defend their right to establish the world rankings, world championships and control the qualification pathways for their sport(s) at all major multi-sport events.
- 2) IFs must earn the right to govern their sports globally and autonomously through upholding the highest standards of governance and protecting the integrity of their sports.
- 3) IFs must defend their role as the administrators of the global competition calendar for their sport(s).
- 4) IFs should regularly review their Constitutions/ Statutes to ensure they are compliant with the applicable national, regional, international and sports law.
- 5) IFs should maintain and strengthen their coordination and oversight roles with regard to the global development of their sports.

Entrepreneurialism

- 1) IFs must fully utilise technological advancements in order to gain direct access to understand and grow their global fan base.
- 2) IFs must harness the data they obtain from engaging with their fans/consumers.
- 3) IFs must remain open to developing current and new competition and broadcast formats.
- 4) IFs should adapt to and invest resources in order to change their culture to one that embraces innovation, creativity, experimentation, acceptance of "fast failure" and learning from mistakes.
- 5) Where appropriate, IFs should open themselves up to investment from risk-sharing, collaboration and partnership with both the private and public sectors.



3. Background

a. Key Objectives, Methodology and Contributors

In recent years questions have been raised about the legitimacy and credibility of IFs as custodians of their sports due to their increasing commercialisation, a perceived and sometimes real lack of good governance amid heightened scrutiny from public authorities, particularly in relation to competition law.

This report aims to clarify the role of IFs as the global governing bodies of their sports and raise awareness of the current and potential challenges that threaten to undermine their functional autonomy. It also explores potential opportunities to enhance the effectiveness and relevance of their global strategies and activities in a rapidly transforming sports landscape.

It is primarily based on an aggregation of opinions from key influencers and leaders from a variety of backgrounds related to sport, business and the public authorities whose views were collected during the course of individual interviews commissioned by ASOIF. It is somewhat subjective in nature, albeit substantiated with supporting data where possible, and has been put together by ASOIF's editorial team in order to reflect the predominant views of the contributors.

Note that the contributors were asked to provide their opinions on a broad variety of topics from an individual, as opposed to an organisational, perspective. As such, they did not necessarily provide views that were aligned with the interests of their respective

organisations or roles. The roles stated below are purely informative, and the specific views provided have been kept anonymous.

The report focuses on the consequences for the future development of sport as a result of technological, social, economic, environmental and geo-political changes which began in the 20th century and continue to accelerate and shape the sports industry in the 21st century. Many of the issues that follow have been part of sports sector debates for some time. Former responses to the perceived challenges and opportunities within the sector, with respect to the IFs, have tended to be *ad hoc* and individual. Here we endeavour to consolidate a broad overview of the major trends and influences that the sector is experiencing in one place. In doing so we hope to stimulate debate resulting in concrete initiatives for the future within the Olympic and Sports Movement as a whole.

The individuals who contributed did so either through personal interviews or as members of the project's Steering Committee, or both, and were:

- ▼ Darren Bailey – Chair, European Commission Expert Group on Good Governance
- ▼ David Dellea – Director, Sports Business Advisory, PwC
- ▼ Christophe Dubi – Executive Director of the Olympic Games, International Olympic Committee
- ▼ Yannis Exarchos – CEO, Olympic Broadcasting Services
- ▼ Valérie Fourneyron – Chair, International Testing Agency
- ▼ Anna Hellman – Director, ThinkSport
- ▼ David Hill – Former Chairman, FOX Sports

- ▼ Andy Hunt – CEO, World Sailing
- ▼ Peter Hutton – Director of Global Live Sports Partnerships & Programming, Facebook
- ▼ Ulrich Lacher, Lacher Consulting
- ▼ Emma Lax – Managing Director, We Are Disrupt
- ▼ Thomas Lund – Secretary General, Badminton World Federation
- ▼ Craig McLatchey – Lagardère Sports and Entertainment
- ▼ Simon Morton – COO, UK Sport
- ▼ Christian Müller – Business Development Director, Infront Sports
- ▼ Michael Payne – Founder, Payne Sports Media Strategies
- ▼ Andrew Ryan – Executive Director, ASOIF

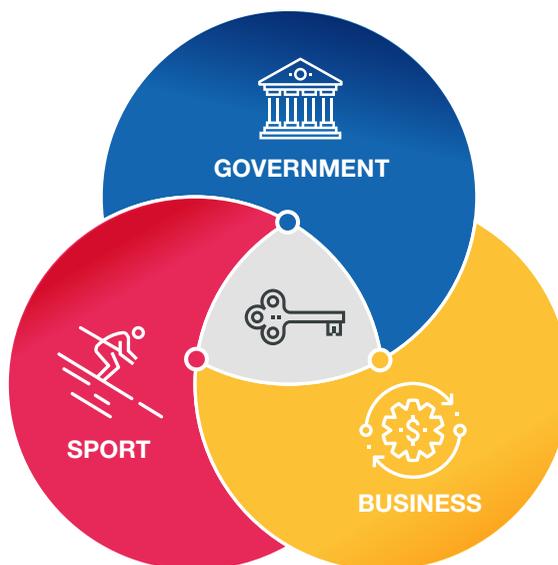
ASOIF staff members and consultants who administrated the project, added supporting research and brought the ensuing content together were:

- ▼ Will Reynolds, for conducting and documenting interviews with most of the contributors on behalf of ASOIF and consolidating the opinions and views expressed;
- ▼ Jidong Wang and Junjie Li from ASOIF’s administration, who coordinated the overall project and researched extensive data to substantiate opinions expressed in this report;
- ▼ The Sports Business Club at the University of St. Gallen whose members contributed through a brainstorming workshop at the Maison du Sport International in Lausanne at a critical stage; and
- ▼ Leteris Coroyannakis from PwC’s Sports Business Advisory team, who contributed with further content ideas and supported ASOIF in its structuring and drafting of the final report.

b. Key Stakeholders and Need for Consensus on Roles and Responsibilities

A broad consensus exists that sports sector decisions are now influenced by a wide range of considerations, including social and technological changes, geopolitical issues and national and regional legislation. This is accentuated by governments increasingly moving to address cross-border challenges and the greater degree of involvement of business interests in the global sports sphere as its value grows. The three key actors in this sphere – IFs/governing bodies of sport, public authorities and business interests – will increasingly operate together in the same space and consequently, at times, compete against each other.

Figure 1: Key stakeholder categories in the sports governance ecosystem



Source: ASOIF

The main challenge is to find a sustainable equilibrium so that the interaction of these three groups optimises outcomes, protecting the interests of society, sport and athletes, while allowing for the continued development and growth of a sector for which fans and society seem to have an insatiable appetite.

IFs are adapting to a new reality influenced by recent governmental and legislative decisions, e.g. the advent of the General Data Protection Regulation (GDPR) and the International Skating Union (ISU) case which led to a European view on legitimacy of sanctioning athletes and officials taking part in events outside the IF envelope. IFs also face mounting challenges from business entities operating within what had traditionally

been considered as the “IF space”. Overall, such developments have led to the IFs’ future role becoming unclear, uncertain and possibly even under threat. This analysis explores how the aforementioned changes, as well as future trends, will affect IF decision-making particularly with regard to future investment, governance and administration.

The long-term outcome of the project, perhaps ambitiously, aims to culminate in a global conference and declaration to achieve a consensus on the status, function and role of the IFs among inter-governmental organisations, public authorities, commercial entities and the Olympic and Sports Movement stakeholders.



4. Historical Context & Foundations

a. Development of sports over time

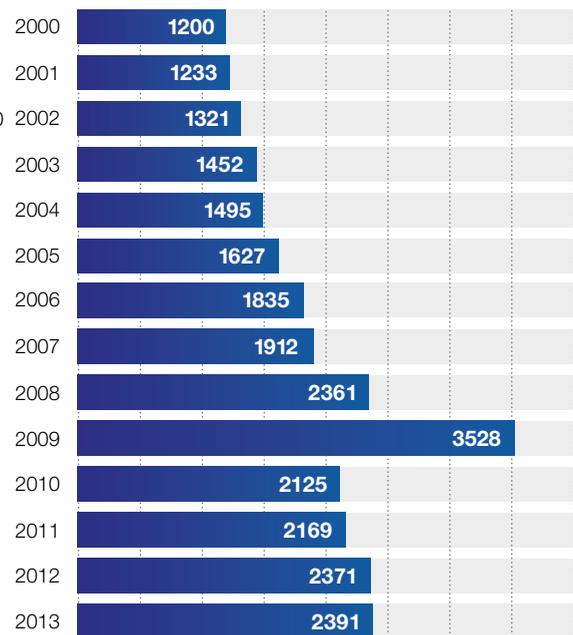
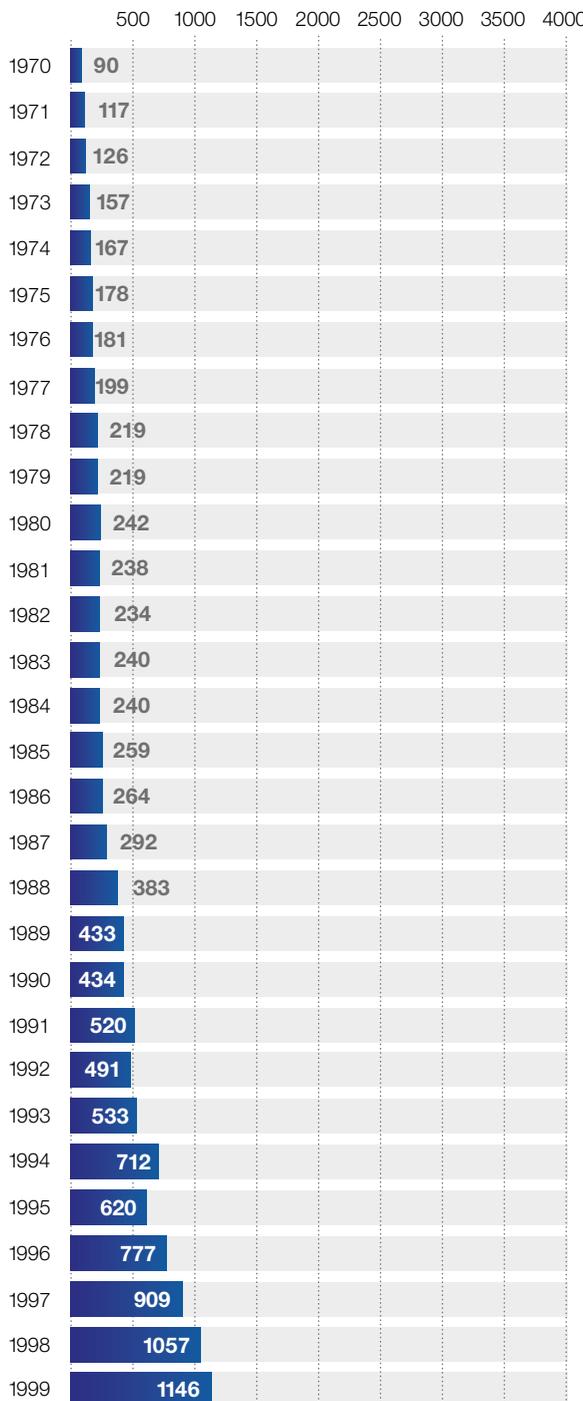
Sports and competitions in various forms have been practiced since the beginning of civilisation and have evolved in sophistication and scope in parallel with societal, scientific and technological advances. Over the past 30+ years, the proliferation of competitions sanctioned or organised by the summer IFs alone has seen an exponential rise in their sanctioned (approved) events from 90 in 1970 to more than 8,400 over the course of the Olympic quadrennial 2013-2016 (source: ASOIF/ATOS IF database prototype). All of these events found host cities across the globe, indicating a parallel increasing demand to stage sporting events of varying sizes from more host cities depending on their scale, requirements

and objectives. This relatively sudden accelerated proliferation of events is also attributed to advances in computerisation and communications technology, most recently through use of the Internet, enabling IFs to manage the administration of far more events. This in turn facilitated efficient and speedy administration across borders and allowed for a greater awareness of these events among participants, spectators and fans.

Ultimately, the limit to the number of events is the 52 weeks in the annual calendar, the availability of the world's best athletes for any particular event, host city demand and other market forces, all of which are related to the relative attractiveness of an individual sport, event or discipline.



Figure 2: Evolution in number of competitions sanctioned/organised by ASOIF 28 member IFs



Source: ASOIF

i. Phase 1: 1880-1959

National Federations (NFs) were established mainly in the late 19th and early 20th centuries in Europe. The primary aim was to harmonise varying sets of rules, including field of play dimensions, heights of nets, goal sizes and scoring systems in order to allow teams from different villages, towns, cities and regions to compete against each other under the same parameters and conditions, to create a so-called “level playing field”.

In each sport, the establishment of the IF followed soon after in response to a demand to compete nation versus nation and otherwise internationally. The main aim was to ensure that individual contests between teams or individuals from different nations, and more generally competitions with international participation (e.g. for tennis at Wimbledon from its inception in 1877), could take place under a common set of rules and be officiated by judges, referees and umpires trained to apply these same rules consistently. Soon after, the IF role expanded to coordinate the international calendar, initially to ensure the most efficient use of expenditure on travel which, until the late 1960s, was mainly undertaken by land and sea, even when inter-continental travel was required.

Figure 3: Year of Olympic IFs establishment and first debut in the modern Olympic Games

IF	Sport	Establishment Year	First Olympic Games
FIG	Gymnastics	1881	1896
WR	Rugby	1886	1900
FISA	Rowing	1892	1896
ISU	Ice Skating	1892	1908
UCI	Cycling	1900	1896
FIFA	Football	1904	1900
IWF	Weightlifting	1905	1896
WS	Sailing	1907	1900
ISSF	Shooting	1907	1896
FINA	Aquatics	1908	1896
IIHF	Ice Hockey	1908	1924
FIS	Skiing	1910	1924
IAAF	Athletics	1912	1896
FIE	Fencing	1913	1896
ITF	Tennis	1913	1896
FEI	Equestrian	1921	1900
IBSF	Bobsleigh and Skeleton	1923	1924
FIH	Hockey	1924	1908
World Skate	Skateboarding	1924	2020
ITTF	Table Tennis	1926	1988
WA	Archery	1931	1900
FIBA	Basketball	1932	1936
BWF	Badminton	1934	1992
WBSC	Baseball / Softball	2013	1992 (Baseball)/1996 (Softball)
AIBA	Boxing	1920	1904
ICF	Canoeing	1946	1936
IHF	Handball	1946	1972
FIVB	Volleyball	1947	1964
UIPM	Modern Pentathlon	1948	1912
IJF	Judo	1951	1964
UWW	Wrestling	1905	1896
FIL	Luge	1957	1964
IGF	Golf	1958	1900
ISA	Surfing	1964	2020
WCF	Curling	1966	1924
WKF	Karate	1970	2020
WT	Taekwondo	1973	2000
ITU	Triathlon	1989	2000
IBU	Biathlon	1993	1960
IFSC	Sport Climbing	2007	2020

Source: ASOIF



ii. Phase 2: 1960-2000

The end of the 1960s witnessed an accelerated commercial development of sports competitions driven by business interests and the rapid expansion and growing popularity of live sport on television. This led to the IFs and their NF members, almost by default, assuming the responsibility for coordinating the development of grassroots sport and the essential junior development competitions which “feed” the elite and professional levels, first on a national level and then internationally, as a wider national participation at elite level enhanced values. The value and popularity of athletes and teams competing for their countries against each other is largely undiminished despite the rise of individual and team competitions where athletes represent themselves or their clubs (e.g. FIFA World Cup and Olympic Games, etc.). During this period, the IFs began to develop their own sources of revenue from their competitions in order to fund their administrative responsibilities and to generate funding to invest in development programmes worldwide. The first IF Olympic revenues were shared out by the International Olympic Committee (IOC) following the Barcelona Games in 1992 and amounted to USD 1.5 million per IF, acting as a significant catalyst for IF activity in many cases.

In fact the foresight of the IOC President at that time, in ending the era of amateurism for the Olympic Games, cleared the way for the success the Games have enjoyed in recent decades. Professional athletes were included in the Games but on the condition that no prize money would be paid and that all athletes fell under the jurisdiction of their respective IFs and National Olympic Committees (NOCs) for the period of the Games. This, in turn, strengthened the role of the major IFs by providing them with a formal central coordination role in relation to the top professional athletes at the Games and the related qualifying process. The attractiveness of the Games was thereby secured in a single stroke by the participation of the world’s best athletes in the Olympic sports.

The role of the IFs became more complex starting generally in the 1980s for a variety of reasons, some internal to sport and some external. In this period the primary goal of IFs became to attract audiences to their competitions which was, to some degree, at the expense of others. In the larger more professional

sports, promoters, leagues and clubs entered the field complicating matters further at a time when most IFs were neither resourced financially nor ready to become risk-takers. They began to struggle operationally as their work was underpinned by a volunteer culture unprepared for competition with the commercial world and hampered by an inherent slow reaction culture and lack of skills to address the challenges arising at the time.

These pressures, however, ensured that the European and North American models of sport were bound to begin to converge, often through mutual interest at the



professional level. Some advanced IFs began negotiating with other groups that were also destined to become ruling bodies themselves, at least to some extent, such as the NHL, NBA, MLB, and later ATP and then WTA. The resultant loss of control of “slices” of the professional sports sector, often following anti-trust (monopoly and restrictive practice) issues, was to be a catalyst for major change that is still evolving today and can be seen through a continued “drift” of the American sports model into Europe and now new markets further afield.

The IFs maintained a developmental role which went hand-in-hand with the increased importance of NFs

as governments and public authorities began to fund grassroots sports programmes often on public health grounds. In parallel, they provided funding for elite sport with a view to winning world championship and Olympic medals as an expression of national pride. This was aimed at contributing to a “feel good” factor for society in their countries as well as projecting a positive image internationally. These developments led to a close cooperation between governments (providing funding) and NFs (delivering grass roots and elite development programmes). It also led to governments working closely with IFs on the hosting of major sports competitions and multi-sport games events.



In summary, the initial fundamental pillars of the role of IFs were as follows:

- I. Defining and enforcing their sports' rules and regulations
- II. Coordinating their sports' international calendar in an efficient manner in the interests of their members
- III. Organising, financing and managing the global development of their sports including the many

junior and development competitions that underpin the professional elite events

- IV. Organising their own IF major championships to earn revenues to support the above known as the solidarity mechanism

These pillars evolved into a broader set of responsibilities as defined by ASOIF's Role of International Federations expert group, which are summarised in the following table:



Figure 4: Description of IFs' roles and responsibilities

Governing/Ruling	<ul style="list-style-type: none"> • Standardise rules and regulations of competitions • Facilitate and harmonise international competition calendar • Define standards and guidelines for sports equipment and facilities • Classify competitors into categories at global level
Organising/Administering competitions	<ul style="list-style-type: none"> • Establish format and category of international competitions • Engaged in the organisation and delivery of their respective sport at the Olympic Games • Organise and coordinate large regional, continental and world competitions
Development/Solidarity	<ul style="list-style-type: none"> • Represent and promote sporting values and Olympism • Promote the development of their respective sports worldwide • Encourage the promotion of sport for elite, grassroots and young athletes, as well as for fans and spectators • Establish and maintain the global development competition structure (including junior, emerging and veteran) which supports the elite level • Train and accredit international referees, judges and umpires
Integrity	<ul style="list-style-type: none"> • Responsible for the integrity of their respective sport competitions at global level • Adopt preventive measures against unfair and unlawful dealings and discrimination • Collaborate with inter-governmental organisations to identify, monitor and intervene in any breach of integrity
Governance	<ul style="list-style-type: none"> • Establish and continuously revise rules and statutes, policies and procedures to ensure good governance • Close partnership with Olympic Movement stakeholders and inter-governmental organisations to achieve better governance
Medical/Science	<ul style="list-style-type: none"> • Define medical and anti-doping standards and regulations • Promote, protect and safeguard athlete's health and well-being
Commercial delivery	<ul style="list-style-type: none"> • Generate revenues from commercial activities and redistribute the resources to all levels of their respective sport • Balance competing interests, resolve conflicts and act to prevent monopolie
Technology	<ul style="list-style-type: none"> • Adapt to state-of-the-art sport technology and integrate it with relevant areas and activities • Support for refereeing, judging, umpiring and judge selection • Control of equipment evolution
Media/Communications	<ul style="list-style-type: none"> • Facilitate and oversee media rights distribution and broadcast production of their respective sport • Engage with the stakeholders, athletes and fans through traditional and digital media at global level • Management of digital strategy and relations with esports etc.

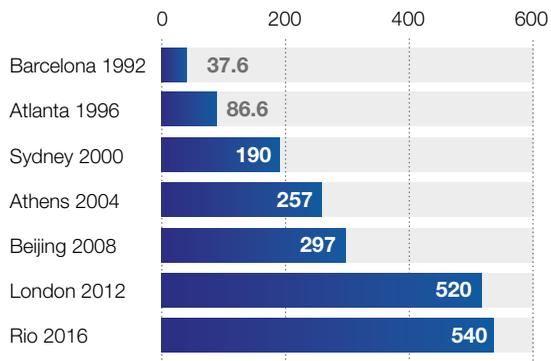
Source: ASOIF Role of International Federations expert group

Legend: Traditional Roles Recent Roles

iii. Phase 3: 2001-2019

As IFs grew in importance, so did the extent to which sport content was being consumed both linearly (through terrestrial TV) and more recently digitally via satellite and cable TV. Equally, access to sport became increasingly democratised across the globe, intensifying and enriching how people consumed and experienced sport. With the advent of mass participation in, and consumption of, sport came exponential commercial growth, particularly for the biggest and most popular sports and competitions where revenues have reached the levels of multinational companies and athlete salaries compete with those of the highest paid entertainment stars. The Olympic Games are no exception, with the IOC commercialising the event to great effect. By mid-2017, it had been able to pay out a total of over USD 540 million in revenue shares to the 28 sports on the Olympic Games programme from the Rio 2016 Games alone. This is over 14 times what it was able to pay out to IFs following the Barcelona games in 1992.

Figure 5: Summer Olympic Games Gross Revenue redistributed by IOC to IFs (in USD million)



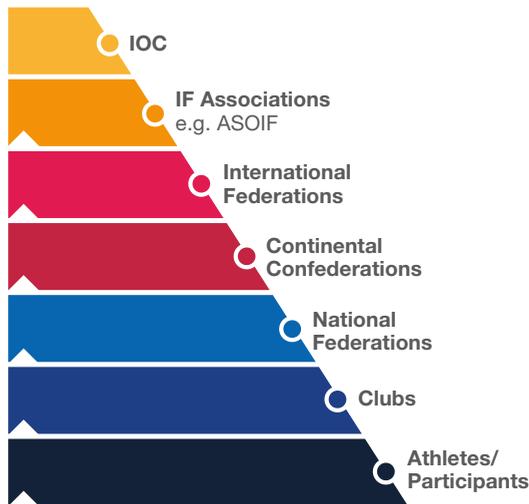
Source: ASOIF

b. Recognised Sports Models: European Vs. American

The European model of sport is long-established and typically follows a pyramidal structure with governing bodies at the apex. Its functions can be grouped into five key areas: educational, promotion of public health, social well-being, cultural and recreational. In Europe, sport typically originates at the club level, with close links to the local area and community. This indicates the social relevance of the European model, whereby sport contributes to forging a common identity and bringing people together. In order to protect the social role of sport, its specificity has been recognised by the European Union (EU) institutions in general. According to this principle, certain elements of European law, such as employment law, should not be directly and fully applied to the sport sector as this may have negative consequences for society. Furthermore, it has been acknowledged that sports governing bodies should be able to maintain a high degree of autonomy in fulfilling their role. This comes with an implicit recognition that any such autonomy from governmental interference must be earned through good governance and upholding the highest standards of integrity in their sports.



Figure 6: Pyramidal structure of European model of sport



Source: ASOIF

Note: Within the Olympic context, it is important to understand the status of NFs, which are first and foremost recognised by – and hence members of – their respective IFs as the sole national governing body within their territory as per the Olympic Charter. Once these NFs have been formally recognised by and become members of their IFs, they may then be accepted as members of their respective NOCs in their territory. That said, the national territories recognised by governments and IFs do not always align with those of the IOC, and vice-versa. For example, the IOC recognises the NOCs of Hong Kong and Chinese Taipei, and in UK, the IOC recognises the NOC of Great Britain where, by contrast, many IFs recognise separate NFs from England, Scotland, Wales and Northern Ireland.

The American model of sport differs as it is characterised by a clear separation of amateur and professional sports and this approach has been reflected in a number of other countries such as South Korea. While the professional level is heavily focused on the commercialisation of sports, athletes, brands and other relevant products, the amateur level is geared towards an “extra-curricular” model. That is, one that places a stronger emphasis on education, with sport being an ancillary activity to that. The typical pathway for an athlete in the American model is to rise through the ranks of the amateur levels, play at a top-tier sport programme at the collegiate level, and ultimately move into the professional tier of their sport.

Figure 7: Key differences between European and American sport models

	European (socio-cultural)	American (commercial)
Organisational motive	Sporting competition	Profit and entertainment
League structure	Open pyramid; promotion and relegation	Closed, ring-fenced leagues
Role of governing bodies	Vertical solidarity; sport for all	Profit maximisation; promote elite athletes as celebrities
Cultural identity	National leagues, local teams Opposition to relocation of teams and transnational leagues	Transnational or global leagues composed of franchises
International competitions	Important for national identity	Non-existent or minimal
Governance	Pyramidal structure; cross-border engagement and multiple legal frameworks	League or commission which regulates itself
Development	Primary purpose	Secondary purpose

Sources:
Lincoln Allison (2005), *The Global Politics of Sport*; ASOIF

5. Global Trends Impacting the Sports Sector

a. Urbanisation, population growth, climate change and resource scarcity

Today, the UN estimates that more than half of the world's population lives in urban areas with a staggering 1.5 million people being added to the global urban population every week. Factoring in global population growth, which is expected to reach 9 billion by 2050, more than two thirds of us will be living in cities by that year.

The potential long-term consequence will have an impact on whether international sport remains the “pinnacle” of sport. Contributors predict that urbanisation will strengthen the role of the city in relation to the state effectively creating city-states once again. Current estimates have cities like Abuja and Kinshasha having populations of 80-90m by the end of the century. In this scenario, sport between nations may have a reduced value/impact at the expense of sport between cities. This of course adds further weight to the idea that the American model of sport will become predominant. It also aligns to the rise of global leagues and franchises which tend to be city-based. One can see fault-lines emerging within countries already.

Closely linked to this is the pressing issue of climate change. Without significant global action, average temperatures are predicted by the Intergovernmental Panel on Climate Change (IPCC) to increase by more than two degrees Celsius by 2100, a threshold at which scientists believe significant and potentially irreversible environmental changes will have occurred. At the same time, the pressure on resources will increase dramatically, with the US National Intelligence Council predicting demand to increase by 35% for food, 40% for water and 50% for energy by 2030.

This overall evolution will lead to unprecedented challenges for cities, which will have to cater for more and more inhabitants in less and less space and with increased climate threats and demand for resources. These mega-trends are already recognised in industries such as banking where they are shaping policy and strategy in investment which focus

on potential growth areas such as infrastructure, agricultural yield, health care, retirement real estate and water scarcity.

Inevitably, the organisers of sporting events will also have to adapt and respond to such challenges. It will be essential for event organisers to foster true partnerships with host cities and private interests with a view to driving meaningful, as opposed to “fleeting” social and other legacy impacts.

b. Shifts in global economic power

Despite turbulence and even recession in certain promising economies that were growing rapidly, the shift in global economic power is proceeding, albeit in a less certain manner. China, India and Indonesia in particular continue to raise their productivity levels towards those of western economies, while having far vaster populations, with the former set to host the FIBA Basketball World Cup this year and the Winter Olympic Games in 2022 making it the first country to host a summer, winter and youth Olympic Games.

For IFs and sports properties in general, the commercial appeal of engaging with these populations through sport is impossible to ignore. This is particularly the case in a digital age, where monetisation through direct-to-consumer distribution and access to fan data holds great promise.

Regardless of the degree to which their sports are already established globally, IFs must accelerate their focus on developing effective strategies towards the regions of the world to which economic power continues to shift. A failure to follow this trend closely, and plan and act accordingly, would be a failure to secure the mid- to long-term development of their respective sports.

c. Demographic, social and technological change

Another development of inherent relevance to the sports sector is that of an ageing population. By 2100, UN data predicts that the global population aged 60 years or

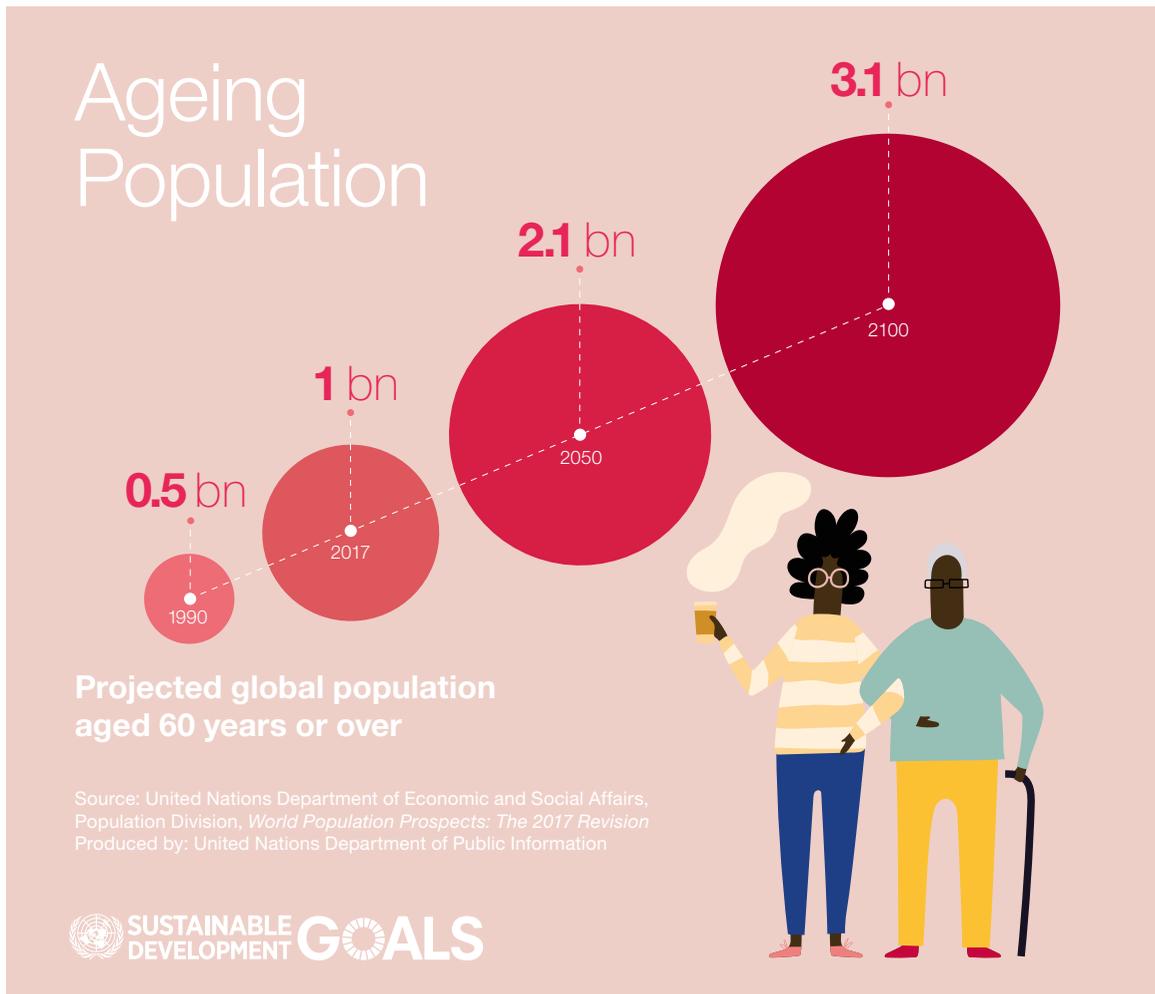
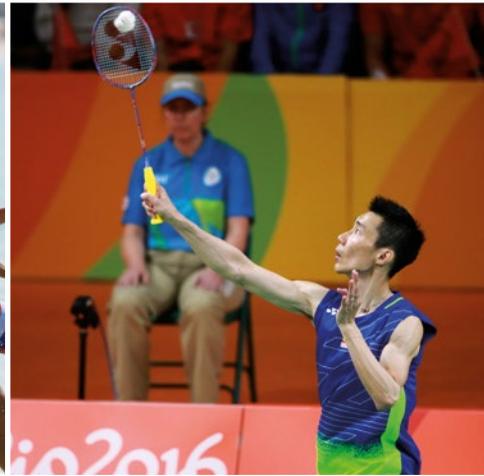


Figure 8: Projected global population aged 60 years or over

more will reach 3.1 billion. While the entertainment world, including sport, scrambles to understand the consumption behaviour of the younger generations, it is currently at risk of neglecting its traditional consumers. Not only will this cohort of older fans be around for longer going forward, they will also have more disposable income to spend on entertainment. It is therefore essential for IFs to develop content and distribution strategies that cater to the entire digital nativity spectrum.

From a social and technological perspective, trends at the younger end of this spectrum need to be better understood if sports properties are to capitalise on the commercial opportunities offered. Inevitably, young people demonstrate different consumption behaviour

than older generations, responding more to peer group influences than traditional marketing approaches and showing great openness to consume through new technology-enabled platforms. Predictions of an immediate global “cashless” society may be premature, but even payment settlement processes will impact sports properties. Younger generations have grown up in a sharing, online economy where they expect to be able to acquire bespoke products and services that cater to their specific needs and all of this at the click of a button. They are often focused on experiences and activities rather than owning material objects. All of these realities are relevant to how and the degree of flexibility with which, a sports product should be packaged going forward.



6. Current Challenges for the World of Sport

a. Snapshot of today's sports sector

Over the last few years, the fast development of new media technologies and changes in consumer behaviour have brought significant change to the world of sport. Overall, the sector has experienced strong growth and is estimated to be worth USD 169.4 billion by market value in 2019 (a 37% increase on the 2012 figure of USD 123.7 billion).

In terms of market size by region, North America remains the largest, followed relatively closely by the EMEA region. A somewhat distant third is the less saturated APAC region but it is expected to close the gap thanks to higher growth rates.

Assessing by revenue streams globally, the most significant and fastest growing source remains sponsorship at USD 66.0 billion, followed by gate and media rights revenues (both at USD 46.8 billion) and then merchandising, which is forecast to grow the slowest, at USD 20.8 billion (source: PwC analysis).

In light of its strong growth and maturing size, the sports sector has become more global, professional and competitive than ever. As a result, stakeholders are having to rethink their value proposition, prepare themselves to integrate or compete with new market players and elaborate a sustainable strategy to remain relevant in the future. This requires a higher degree of entrepreneurialism than was previously the case.

At the same time, future commercial windfalls resulting from these new opportunities will require exemplary governance of sports bodies and the protection of the integrity of the sports they govern, in order to earn and maintain trust. This, in turn, will facilitate good cooperation with public authorities and help defend the sports governing bodies' right to manage their affairs with the appropriate degree of autonomy.

In this section, we summarise some of the most pressing challenges faced by the sports governing bodies and the sector more broadly, covering both commercial and governance perspectives.

b. Changing consumption behaviour

i. Engaging the modern fan

Certain sports face a significant challenge to find innovative ways to engage and grow their fan bases, especially those sports that do not easily translate into an exciting spectacle for spectators. This issue is compounded where the sport in question is also difficult to understand for new audiences.

A number of sports have managed to "step up to the plate" despite an apparent lack of broader spectator appeal, often through a combination of enhanced presentation for live audiences and a better integration of data in the broadcast product. Examples include the use of athlete biometric data by World Archery and International Equestrian Federation (FEI). That said, many IFs have struggled to engage a broad fan base to the extent that they can command their attention on a sustained basis. This is a tall order as fans have developed high expectations in terms of broadcast quality from production, on-screen graphics and the use of statistics, commentary and analysis.

In this era of content overload, where (free) alternative entertainment formats abound and consumers' willingness to pay for content is increasingly limited, IFs need to innovate in order to ensure that their content strategy meets the needs of fans across all platforms and age groups. At its core, this means having a product that tells a story, is entertaining enough to capture and hold fans' attention and imagination, and that the barrier to understanding what is unfolding in front of the spectator is as low as possible in order to deliver growth.

To achieve this, an appropriate balance needs to be struck between tradition (history) and innovation, including competition structures (e.g. the positioning of ITF's Davis Cup), competition formats (e.g. Rugby 7s, FIBA's 3x3 basketball), and scoring system changes to create a greater number of high intensity exciting moments (e.g. ITTF for table tennis). However, different sports have demonstrated highly divergent degrees of willingness to experiment with traditional rules and structures.

Overall, contributors believe the “winners” of tomorrow will be those that innovate and evolve their competition structures and formats, leverage the lifestyle appeal of athletes, ensure a rich and immersive media experience and offer plenty of opportunity for engagement through social media.

“There are misunderstandings around the concept of digital transformation. The big mistake is this: digital transformation is not about embracing digital tools. We all have laptops and smart phones, we use 4G and data services, but this has nothing to do with digital transformation.

Digital transformation, at an organisational level, is about velocity, about early decision making, about empowering people to test things and learning from mistakes.

This is how the major digital technology disruptors of our world operate, and these are principles which are very difficult to digest for the sports administration community. But digital transformation is really understanding the importance of embracing disruption, before being disrupted, through empowering people, especially younger people, to take ownership of things. This goes against the way most of our sports are structured. And I think that sometimes it will be easier to see meaningful and effective change in smaller IFs where there is less cultural resistance.

Nevertheless, I can already see some International Federations, including what we might call traditional and even elitist sports, transforming by embracing the opportunities of technology. I think this example needs to be followed by all Federations. Even the strongest and more traditional sports need to understand the realities very, very well.”

Yiannis Exarchos – CEO, Olympic Broadcasting Services

ii. Digital transformation of media

Our contributors were of the view that “live broadcast”, whether traditional or digital, will continue to play a significant role in most sports’ commercial strategies in the coming years, particularly in new and emerging markets. Live events with enough riding on the end result seem to be the only way to guarantee “eyeballs” and engagement and are key to the sports revenue model as we know it today.

That said, the way fans consume and experience sports is undergoing widespread change. While traditional viewing figures are in decline in most geographies, particularly Europe and North America, this does not mean that fans are consuming less sports content. Rather, they are doing so in different formats and through a broader array of platforms.

Viewers now expect flexible viewing options and are increasingly likely to use over-the-top (OTT)/digital and social channels to keep up-to-date. Indeed, close to 765 million people used an OTT subscription at least once per month in 2018 (source: eMarketer), a market that is now estimated by PwC to be worth USD 45.4 billion.

This has increased the overall competitiveness of the market, making it more challenging for media companies to refinance rights and drive profitability of sports content across the board.

In light of this ongoing platform shift, broadcasters, rights holders, brands and IFs need to create an unprecedented amount of content that is tailored to each of the platforms relevant to their respective fan bases. Mention must also be made of the rise of direct-to-consumer (D2C) solutions, where rights owners will increasingly have a strong commercial interest in establishing their own platforms.

With seven billion people worldwide predicted to have access to high-speed internet by 2020, IFs have a great opportunity to globalise and monetise at vast scale. Furthermore, they will be able to collect valuable data by interacting directly with their audiences. As advertising spend migrates from traditional television to online, IFs that can build direct relationships with a global fan base will be highly sought after by brands, sponsors and other commercial entities.

D2C solutions require significant investment and expertise and need time and experimentation to perfect. Partnering with experienced technology providers and content creators has proven to be a logical way forward for most IFs. An example of a successful such partnership is that of the International Tennis Federation (ITF) and Sportradar, which since 2012 has been the ITF's official data rights partner for the ITF Pro Circuit, Davis Cup and Fed Cup. The company developed the ITF Media Platform, giving the ITF the opportunity to provide live coverage of over 60,000 matches D2C per year. In addition to strengthening the ITF's commercial propositions, Sportradar claims that the collection and processing of the ITF's official data has also helped to support the Federation's internal integrity processes to counter match-fixing.

Beyond D2C, IFs can also use mainstream social networks to expand their fan bases. By reaching new audiences and live-streaming their content for free, IFs can focus on building the communities that are ripe for engagement over the long term and on honing their understanding of the economic models that can emerge around these communities.

Our contributors view the development of a strong free content strategy as becoming more and more important. TV rights budgets are increasingly consolidated among the top rights packages in a market focused on the biggest sports. This is clearly squeezing smaller IFs.

In such a climate, smaller IFs and properties need to consider the alternative channels that are available to them. By way of example, Facebook has signed an agreement with the World Surfing League (WSF) to live-stream all of their events exclusively. The deal includes a combination of money and ad credits that can be used by WSF to target its audience through an effective use of commercial content. This enables it not only to reach new audiences but also to open up new sources of revenue by learning about those audiences – who they are, how they behave online and why – all of which is highly relevant information from a commercial standpoint.

It is this last aspect that is most important for sports to address: the “why” behind their audiences’ consumption behaviour. The contributors to this

research believe sports properties have to be more effective in capturing and understanding data beyond just clicks and page views. Knowing that a fan has taken an action, such as watching or sharing a video, is one thing; understanding the motivations behind that behaviour is quite another. Deepening this understanding will inform what kind of content speaks to fans, allowing sports properties to alter their content strategies for maximum impact.

In summary, innovation does not spring from a defensive mind-set. IFs must be open to a new way of pushing out their content that prioritises learning through experimentation. Crucially, this requires them to accept the possibility of failure as they refine their approach.

iii. Evolution of sponsorship

A number of our contributors underlined the extent to which sport sponsorship models are also undergoing a deep transformation. Most sponsors are no longer satisfied with providing financing to rights-holders merely in exchange for exposure on official perimeter boards or logos on uniforms. They are now looking to engage with specific target audiences in specific territories. This requires close collaboration between sponsors and properties and increasingly strong analytics capabilities in order to understand what makes their consumers really “tick”.

Without a demonstrable case that a return on investment (ROI) can be achieved, many sponsors are just not willing to part with their cash. The onus is therefore on the sports properties to have a compelling offering in order to achieve this.

In recent times, the number of consumption channels and sectors looking to market themselves with the help of sports content has increased dramatically. This is a double-edged sword. On one hand, this has led to an increase in the sponsorship opportunities a sports property can offer, while on the other, and despite overall growth, the sponsorship landscape has become more fragmented, making it difficult for any individual sponsor to stand out in the eyes of consumers.

A key success factor here is the closeness of the partnership sponsors are able to forge with the

properties that they sponsor. In a world where media and sponsorship are converging, success or failure can be determined by the extent to which these partnerships can deliver content that is tailored, and therefore relevant, to their respective (often overlapping) audiences.

Ultimately, a close collaboration is more likely to lead to a more sophisticated interaction with both parties' end consumers, creating win-win scenarios in terms of monetisation. In the attention economy, therefore, everyone must accept that they are in the content game.

In this game, personalisation is everything. Key trends in this space include virtual advertising as well as virtual and augmented reality (VR and AR), increased consumer targeting and an enhanced fan experience, all of which will be extremely valuable parameters going forward. Investments in these areas and the integration of new content will be required to keep up the pace in a fast changing environment.

iv. Esports as a means to engage younger fans

Among the 40 sports disciplines on show at the 2018 Asian Games, one stood out: Esports. For some, this represented a watershed moment in the mainstream acceptance of Esports and mobile gaming as a competitive sporting discipline.

Esports has now reached a tipping point and is fast becoming a significant industry in its own right. This growth has been driven by gaming communities and their use of social media and live streaming, which is growing 15% year-on-year and expected to hit 165 million monthly viewers by 2020. This has contributed to Esports' path towards becoming a global industry experiencing double-digit growth for a number of years, a trajectory that is expected to continue for some time, even as the industry matures. Research firm Newzoo predicts that the Esports economy, which was estimated to have a 2018 value of USD 905.6 million, will grow a further 50% by 2020.

Gaming is now the biggest media vertical and Esports should be taken seriously, if not for its physical demands, then at least for its widespread appeal, requirement of technical skill and fierce competition.

Such is the popularity of Esports in Asia that the best e-gamers are gaining the social status that was traditionally afforded to athletes. The cultural acceptance of Esports in the west is also changing, as demonstrated by the growth of collegiate e-gaming competitions in the US and the increased prominence of events such as ESL Extreme Masters.

Traditional sports have a lot to learn from Esports, particularly in terms of engaging younger fans. According to some of our contributors, in 20 years sports will regret that they did not take more radical action to appeal to the millennial generation and even younger consumers. One of the gravest threats to all sports is that their audiences are ageing and not being refreshed. Indeed, the average age of sports viewers (at least on traditional television) in the US continues to increase.

As for the possibility of Esports as an Olympic sport, it has been a recent topic of discussion.

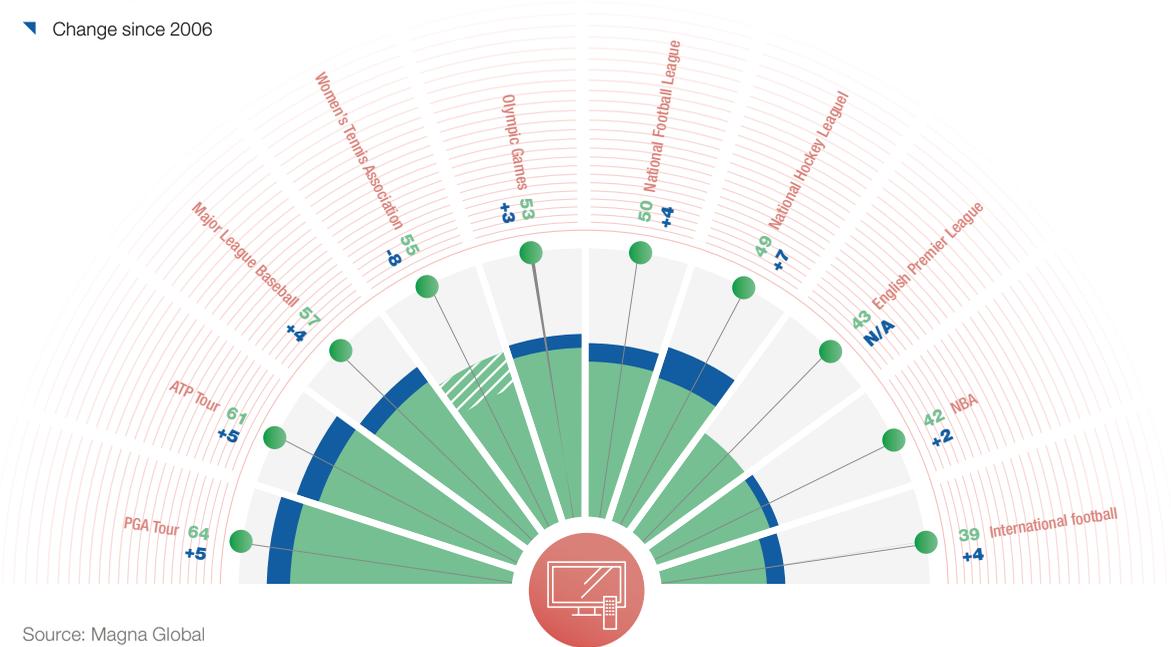
IOC President, Thomas Bach, has made any consideration of the inclusion of Esports in the Olympic programme conditional on not "promoting violence and discrimination" and has highlighted the risk of changing popularity in focusing on any one game.

The debate often tends to veer into a consideration of which party needs the other more: does Esports need Olympic recognition to reach mainstream appeal, or do the Olympic Games need to include Esports in order to engage a younger audience?

In a recent survey of sport industry leaders conducted by PwC, the vast majority of respondents (83.7%) believed Esports should not (yet) be included as part of the Olympic Games. The reasoning behind this view is split between those who think Esports should develop independently (29%), those who do not see Esports as "sport" (28%) and those who think Esports needs a governing body before it can aspire to be an Olympic sport (26.7%).

Figure 9: Evolution in viewership demographics for top sports properties from 2006 to 2016

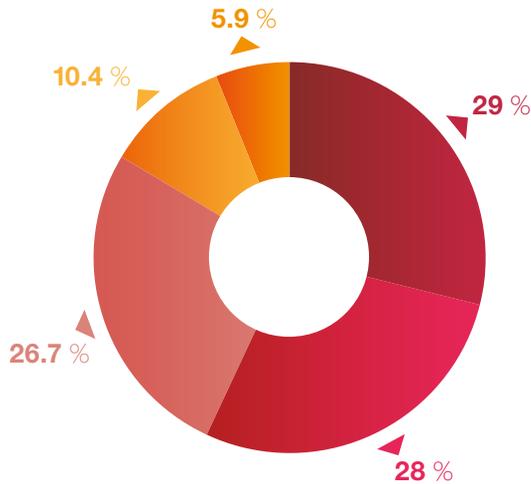
- Median age of TV viewers in 2016
- Change since 2006



Source: Magna Global



Figure 10: Should Esports be included in the Olympic Games?



Percentage of respondents, only one choice possible

- ▼ No, because Esports should develop independently
 ▼ Yes, Esports should be part of the Olympics as soon as possible
- ▼ No, because Esports does not qualify as "sport"
 ▼ Don't know/abstain
- ▼ Not yet, Esports first needs a recognised governing body

Source: PwC Analysis, N = 404

World Sailing has been a pioneering IF in the Esports space holding the first eSailing World Championships throughout 2018 in partnership with Virtual Regatta, a mobile games developer specialising in virtual sailing.

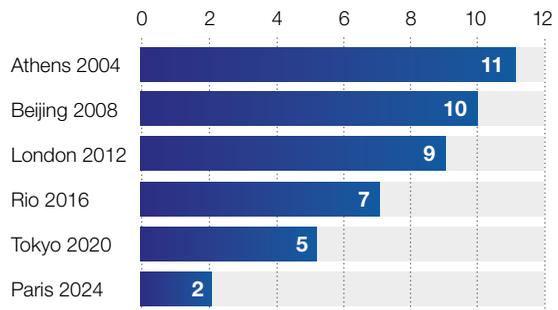
According to Philippe Guigné, Virtual Regatta Founder and CEO, "the eSailing World Championship is probably one of the most ambitious and innovative projects in the world between a Federation and a gaming company. Esports is opening a new audience to our sport as well as allowing sailors to practice their favourite sport everywhere at any time."

Ultimately, sports need to draw more (and ideally younger) people into their funnel, and Esports may be a great entertainment format for a few appropriate sports to do just that.

c. Staging mega-events

The sheer complexity of organising multi-sport mega-events is a challenge in and of itself. In times of increased scrutiny of public spending, the rationale for hosting and funding mega-events must be sufficiently compelling (and well communicated) to garner popular support. The Olympic Games, arguably the most complex of all mega-events, is of course no exception. The Games are large and perceived as costly for the taxpayer and disruptive for the hosts, involving a record 33 IFs for Tokyo 2020 and more than 11,000 athletes. The series of referenda rejecting bids to stage the Winter Olympic Games illustrates the challenges highlighted by a commensurate reduction in the number of bids in recent times.

Figure 11: Number of bids to host the Summer Olympic Games



Source: BBC



While the Games are not seen as in any way under imminent threat of obsolescence, the IOC has been pushed out of its comfort zone. From an ageing viewership and an apparent decline in linear TV ratings in 2016, to doping scandals and a limited number of candidates putting themselves forward as potential hosts, the IOC has had its fair share of challenges in recent times.

There is a clear need for the Olympic Games to resonate with people between Games. The immediacy of modern life is not well-aligned with a massive sporting competition that happens once every four years. There is potential for a transformational partnership between the IOC and IFs that maintains consumer engagement in Olympic sport throughout the cycle.

According to our contributors, the ultimate metrics of success for the Olympic Games are that they remain popular among fans and aspirational for athletes. While the IOC could almost take these two success metrics for granted in the past, this is no longer automatically the case. With alternative entertainment options aplenty and a number of competing single and multi-sport events gaining traction, the IOC knows it must stay “on its toes”. Ensuring that the best athletes compete in the Games will be a major challenge for the IOC as there are increasing pressures on athletes to allocate time from their competition schedules to other events. These top athletes with a global profile from sports like basketball, ice-hockey, tennis, athletics and swimming etc., drive worldwide exposure for the Games as a whole.

At times, Rio 2016 was portrayed in the media as near collapse due to a combination of complexity and mismanagement. This was exacerbated by the global recession impacting the Brazilian economy. It has also raised the question of the extent to which the IOC should directly intervene in the management of the Games. In some areas, such as broadcasting and technology, it has or is looking at becoming more hands on. In others, it is notoriously hands off, and Rio 2016 was a something of a wake-up call as to the risks that this entails.

Beyond scale, operational and appeal challenges, the need for good governance and ethical standards around mega-events is also in the spotlight. The business world is now being held to a higher standard of professional accountability, and the public expects sports to operate to at least as high a standard as the business community, if not higher.

From a sponsorship perspective, the value proposition of the Olympic Games is still as strong as ever. However, sponsors are increasingly under pressure to demonstrate returns on their investments, which requires more leadership from sponsors to make the Olympic Games work for them. It is no longer just a case of placing the Olympic Rings on a product and labelling the brand as an official sponsor of the Games. Sponsors now require much more professional levels of support from the IOC and organising committees in order to develop effective marketing activation programmes.



A future for multi-sport Mega Events

When the 2016 Games were awarded to Rio de Janeiro in 2009, seven years ahead of those Games, economic growth in the BRICS countries was accelerating. Although large parts of the world were already impacted by the financial crisis in the late 2000s, few people anticipated that this would spread to the likes of Brazil. Largely as a consequence of these difficulties, the Olympic Games environment changed dramatically in the preparation and planning years leading up to Rio 2016.

From a global TV and social media perspective, the Games were delivered very successfully, with overall record consumption figures. However, the ensuing corruption scandals and lack of finance available to maintain the sports venues constructed has brought the legacy of the Games into question as for previous editions.

More recently, Hamburg (following a referendum), Rome and Budapest all withdrew from the race to host the 2024 summer Olympics before the IOC hosting decision in September 2017, leaving only

Los Angeles and Paris to compete. The IOC's decision to award two editions of the Games for 2024 and 2028 buys valuable time for a rethink on the future bidding process, Games delivery, reducing Games costs and indeed the scope, scale and format of the Games themselves. The decision to award two Games simultaneously has also been vindicated by the fact that it has created a waiting list of candidates to host the Summer Games in 2032, thus ensuring the IOC's immediate financial health through the success of the next three summer Games.

Nevertheless, the new, perhaps "populist" reality is that even if federal, provincial and local governments are aligned with business and a Games bidding committee for any given candidate city, the local population now seem more reluctant to pay for, and more suspicious of establishment motives for hosting, the Games.

Following the massive global consumption of Rio 2016, the prevailing view seems to be that everybody wants to watch the Games, but nobody wants to organise or pay for them anymore. This has pushed the IOC into elaborating "The New Norm" concept, adding to the earlier introduction of its "Agenda 2020", a set of 118 reforms that re-imagines how the Olympic Games are delivered.

The concept's aim is to reduce the costs of the Games across the board significantly, thereby making them more attractive to potential bidding cities. However, there seems to be a reluctance to accept the success of the measures being implemented until they have been tried and tested at one or two editions of the Games.

The winter Games are facing the same difficulties in terms of costs, but these are compounded by

the environmental challenges presented by winter sports. Indeed, a series of recent reports have painted a bleak picture.

A January 2018 article in *The Economist* pointed out that greenhouse gas emissions are more pronounced in the Alps than average, where a rise of 2°C is common. In addition, the OECD projected back in 2006 that 40% of 666 alpine ski resorts would no longer be able to operate a 100-day ski season if temperatures rose a further 2°C and 70% could disappear if the rise were to be of 4°C. In terms of hosting winter sports, a recent study concluded that only 13 of the 21 former hosts look certain to be able to host winter sports in 2050.

Snow-making and "snow-farming", which were prevalent in Pyeongchang for the 2018 Games and will be again at Beijing 2022, aim to offset these problems and are fine for the majority of skiers who use machine-groomed runs. However, environmentalists highlight water and energy wastage a poor use of scarce resources.

The above indicators point to an uncertain future, both for the summer and winter Games. While the IOC is not alone in facing problems for multi-sport events (e.g. Commonwealth Games Federation re-awarded its 2022 Games after Durban failed to meet early financial commitments), it will have to continue to be proactive in rethinking the Games if it is to remain a viable proposition in the mid- to long-term.

Although making the Games interesting for potential hosts, global fans and viewers, sponsors and broadcasters, ultimately the future of the Games will depend on the strength of the IOC's stakeholders, the IFs and the major NOCs, as well as the participation of the best athletes.

d. Athlete autonomy

Athletes are starting to act more independently and autonomously, both individually and in groups. At the moment, athlete participation in the Games is defined through their NF/IF structures and systems. Already today, however, athletes are commissioning their own performance entourages and demanding their own terms of participation in sports competitions, a development that is likely to have significant knock-on effects. On the political front, emerging athlete groups are campaigning for a greater say in the decision-making processes that impact them. At the World Anti-Doping Agency (WADA), this struggle for greater representation has attracted much recent media attention as athletes, principally from Western Europe and North America, have voiced their opinions regarding the situation of Russia and its athletes following the doping scandal at the Sochi 2014 winter Games.

In such an environment, where athletes have more direct access to fans than ever before, it is logical that more of them are starting to ask for a larger piece of the pie. While the recent moves of the likes of Ronaldo to Juventus F.C. and LeBron James to the LA Lakers demonstrate just how economically impactful athletes can be, the power shift in favour of athletes is not limited to the elite few. In general, athletes are becoming more commercially driven. As soon as they have a sufficient group of engaged fans following them, they can begin to influence (and at times dictate) terms to a greater extent.

In a world where OTT is growing so significantly, athletes may own better and richer channels of distribution than some conventional broadcasters. In such a model, athletes play the role of rights owners and even broadcasters, thereby disintermediating a relationship what has been the key source of revenue to sports properties along with sponsorship fees.

In parallel, more one-off, head-to-head events will emerge, both across sports disciplines and within, such as golf's USD 9-million "The Match" between Tiger Woods and Phil Mickelson in November 2018, and the so-called "Money Fight" between Floyd Mayweather Jr. and Connor McGregor in August 2017. These events were shown on pay-per-view via major cable and satellite providers and on subscription platforms.

As the commercial value of athletes grows, so does the influence they wield. In certain instances, this trend may well redefine the economic model underpinning the commercialisation of some sports. Watch this space.

e. Private investment and public sector involvement in sports

Governing bodies have not always fulfilled their roles of effectively governing and administering their sports. For example, some IFs have struggled to drive an appropriate share of revenue and profile to their top athletes, while certain NFs have had difficulties growing grassroots participation. Where IFs and NFs do not assert themselves, business may well sweep in and capitalise on missed opportunities, or the public sector may feel the need to make up for ineffective governance.

In light of this ongoing possibility, an IF has to think like a business. A protectionist approach is not going to cut it and IFs can ill-afford to rest on their laurels while claiming a historical right to govern a sport. This can always be questioned and their entitlement must be earned on an ongoing basis in the face of commercial and political encroachment.

Public authorities, for their part, are well-aware of this tension and are wary of its impact on the future of sports development. These concerns are in turn influencing their decisions about which competitions to bid to host, at times rationalising one-off hosting fees for major events organised by IFs with the expectation that these funds will be reinvested into the sport(s) the IFs govern. At grassroots level there are indications of a trend to engage commercial entities to deliver increased participation as an alternative to funding NFs to fulfil the same objective, a policy which has not been particularly successful in the past.

“*If NFs and IFs don't assert themselves then business will naturally move in. They have to think more like businesses. A protectionist approach is not going to provide a solution. Federations cannot rely on a historical entitlement to regulate sport simply because they have a wider social objective. Their leadership position has to be earned in the face of commercial challenge.***”**

Simon Morton – COO, UK Sport

With the proliferation and growth of privately owned competitions that are either not at all or, at best, loosely affiliated to IFs, governing bodies need to decide on their strategies. Are they going to compete against these promoters or are they going to focus on ensuring that their top athletes are incentivised to stay within their structures? Either way, if an Olympic IF loses control of its Olympic qualification pathway, its competitions become less attractive to athletes, potential host nations and cities. This indicates a need for IFs to be better integrated and more collaborative with their national bodies, particularly in countries where those national bodies are well financed and politically strong.

Public authorities, which often find themselves in a polarised sporting event landscape, also need to make up their minds: take big risks on smaller or newer sports competitions, or play it safe with established top-tier sporting events. Despite the growth in the supply of big sporting events (from 90 in 1970 to 8,400 in the 2013 - 2016 Olympic quadrennial as mentioned previously), the market for them remains immature. This is both on the “buy” and on the “sell” side: there is no settled price structure, and buyers cannot clearly articulate the costs and benefits of hosting, sometimes due to a lack of transparency on such matters from previous hosts.

Related to this issue is the lack of a single recognised methodology for such assessments, although attempts are under way to address this through initiatives such as the Global Sports Impact (GSI) study launched by Sportcal.

There is a trend for public authorities, cities and national governing bodies to conduct feasibility studies to evaluate developing their own sporting events. In many cases, this is in reaction to a number of IF events that are considered to be relatively expensive, pass on too much risk to the local organiser and where there is little domestic control and shared ownership.

There are recent examples of sports events with growth potential organised independently of the IF. If such an event succeeds, an IF could lose control of a major global competition in a matter of years. Much of the competition’s success depends on the creator’s ability to brand, market, monetise and capture the public’s imagination with world-leading stars. A tall order, but not impossible.

In such a scenario, where an IF’s role is limited and technical expertise can be bought on the open market, IFs may well be presented with a “beat them or join them” dilemma.

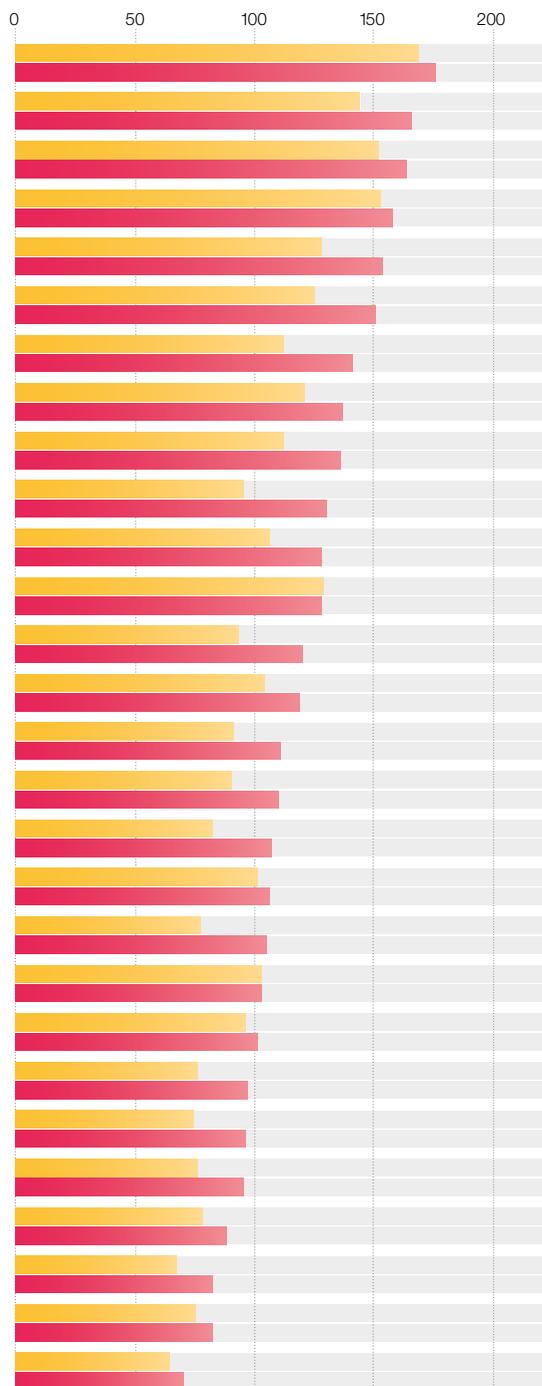
In general, public authorities are concerned that certain Federations, at the national and international level, have proved to be ineffective and unable to take the big decisions that are required for their sports to move forward. As a result, governments are feeling an increased responsibility to step in. They are getting closer to sport by using the levers they control, such as funding, to influence behaviour and affect change. They are accountable to the taxpayer and believe that they must do what they can to improve sport to ensure that public money is spent wisely.

f. Governance

The opportunities resulting from the exponential commercial growth of sports have led to questions being asked which challenge the established role of IFs and sports governing bodies in general, and the extent to which they are seen as fit to govern sports on a global scale. This is especially the case in view of a number of high-profile corruption and doping scandals involving individuals linked to governing bodies of sport.

This led ASOIF to introduce a governance assessment and support tool for its members at the beginning of 2017, which reported initially annually and now biannually on the state of governance within its member IFs. This assessment was based on a detailed assisted self-assessment questionnaire covering 50 governance criteria. The responses were then moderated by an independent expert entity. The ASOIF Governance Assessment was endorsed by the Council of Europe’s Conference of Ministers responsible for Sport at its meeting in November 2016. It has highlighted the importance of good governance to the IFs and has focused minds on the need for constant review and improvement in this area.

Figure 12: ASOIF member IF governance ranking (anonimised)



▾ Moderated 2017 ▾ Moderated 2018
 Source: ASOIF

At the same time, public spending has increasingly come under scrutiny, particularly with regard to sport, while business interests are encroaching on IFs' accepted areas of responsibility, for example in the organisation of sporting events. As such, the pyramidal structure and specificity of sport described in section 4(b) of this report are being challenged.

Public authorities have sought to regulate certain aspects of the sports sector by applying national and regional legislation often designed to address employment or competition law matters more generally and therefore at times of questionable application to sport. Examples of this have been the rejection of FIFA's proposed "6+5" rule, whereby clubs would have had to field at least six players eligible to play for the national team of the country of the club, and the European Commission's recent decision that ISU rules imposing penalties on athletes participating in competitions not sanctioned by the ISU that were deemed to be in breach of EU anti-trust law.

The bottom line is that unless the governing bodies of sport can live up to the challenge of self-regulation and gain recognition and acceptance for their role, the threat of excessive intervention from public authorities will remain.

g. Integrity of Sport

Closely linked to the need to demonstrate the highest levels of governance is the essential role of the IFs in protecting the integrity of their sports. This role includes the fight against doping in their sports, anti-corruption, such as illegal betting and match-fixing, and athlete welfare. Although IFs must play a central and coordinating role here, they often cannot address these matters in isolation. IFs work in a cross-border global environment, national legislation cannot. This highlights the need for a much closer collaboration between the international sports governing bodies and the public and legislative authorities and in cases related to the betting and gaming industry, commercial entities as well.

7. Vision of the Future of Sports: 2019-2040 (“Phase 4”)

a. Vision of the future (fast-forward 20 years)

i. IFs/governing bodies of tomorrow

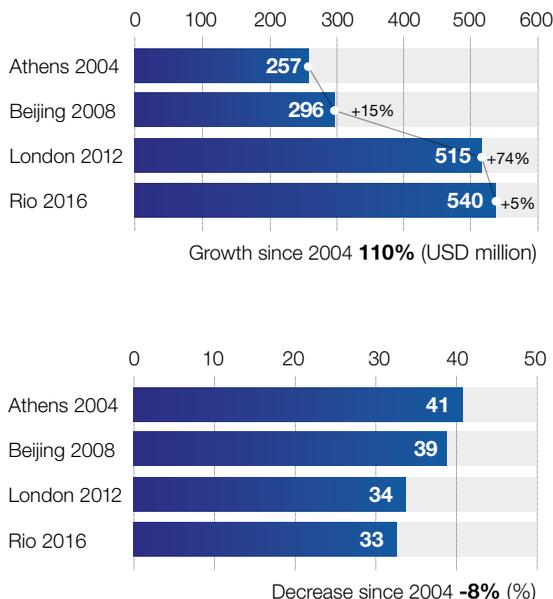
The traditional role of an IF is to govern the rules and regulations of its sport and oversee its global development in the broadest terms (i.e. determining where and when competitions are held and investing any excess revenues from its own events and properties on development of its sport through, for example, the training of athletes, judges and coaches – the so-called ‘solidarity’ mechanism).

In the 20th century, IFs began to establish their own competitions, with the most successful generating significant revenues. However, the rapidly changing social, technological and commercial landscape has enabled private business to surpass IFs in certain instances in terms of their ability to exploit sporting properties commercially. Our contributors predict

that this trend will continue in the next 20 years, with a rapid growth in new sporting formats and leagues created by private entities. IFs will be forced to re-evaluate their role and strategies in favour of partnering and collaborating with the private sector. They will also need to change the way in which they interact with sponsors and governments, from transactional relationships to collaborative partnerships that allow all parties to derive greater benefit.

In terms of the Summer Olympic Games, around half of the IFs may be said to have a significant reliance on IOC revenues, that is more than 25% of their revenues coming from their Games revenue share in any four-year cycle, with more than a third relying on Games revenue share for over 45% of their income. While this reliance is steadily declining overall (from an approximate average dependency of 45% at the time of the Sydney 2000 Games, to around 32% following those of Rio 2016), the bottom third would be ill-advised to let this situation linger.

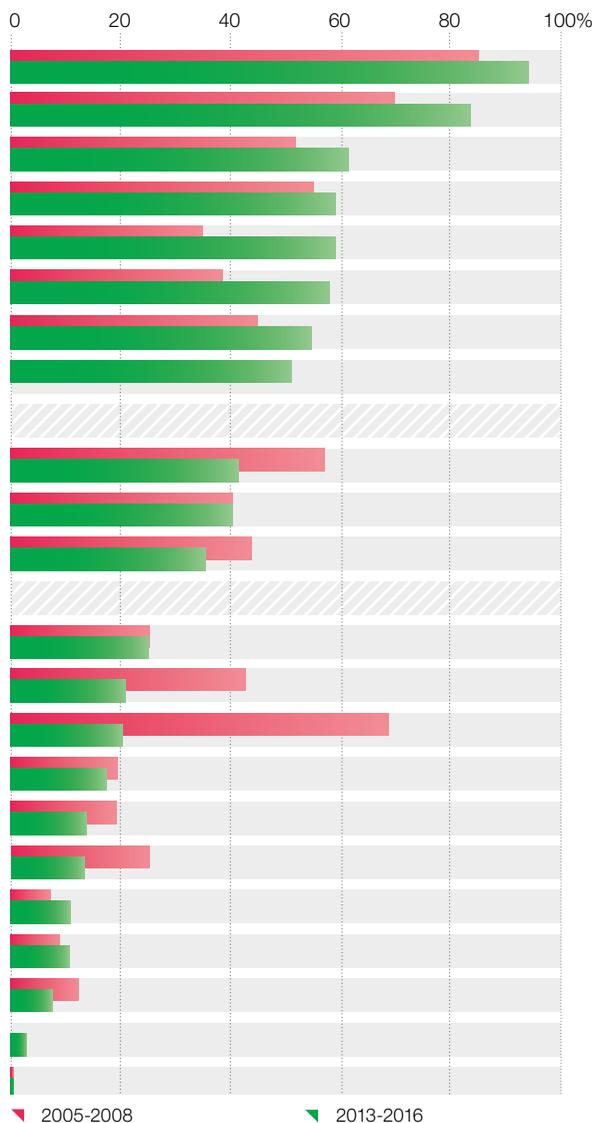
Figure 13: ASOIF IF dependence on Olympic Revenues (collective evolution)



Source: ASOIF



Figure 14: ASOIF members' dependence on Olympic Revenues (anonimised) individual status



Source: ASOIF

Despite their relative lack of financial resources, a number of these IFs are being assertive in defining a clear vision as to where they would like to take their respective sports. Crucially, they are also asking themselves what concrete products and propositions they need to develop in order to adjust their business models and reduce this reliance on Olympic revenues, which may no longer increase as rapidly as in the past.

Some of the key areas raised by our contributors for IF consideration include:

- ▼ The use of data and technology to make their sports a more interesting broadcast product
- ▼ The use of digital channels to drive up interest in their sports (including having an OTT strategy)
- ▼ Taking greater ownership of their core assets in order to shape them in a way that is best aligned with the long-term interest of their sport

Relevant across all of the above areas is the need to embrace digital in earnest. This goes way beyond simply introducing digital tools. It is about digitally transforming the business models and organisational design of IFs. It is about being proactive, accelerating decision-making and empowering people to experiment with ideas and learn from their mistakes. It is about disrupting your own organisation before external forces disrupt it instead.

As one contributor told us, having the right culture in place is crucial in this regard, as “culture eats strategy for breakfast”. Few people disagree that IFs need to change to remain relevant, but implementation tends to be a greater challenge largely due to the success of many IFs to date. While some IFs are already changing, arguably all of them need to follow suit as the world is changing at a faster rate than many of us realise.

IFs cannot wait until their Olympic revenue or its growth is threatened. Olympic status is no longer indicative of popularity, with numerous non-Olympic sports-based offerings gaining traction such as Esports and Parkour. Too many IFs have proven to be reactive, only innovating in response to the threat of Olympic expulsion. For obvious reasons, this can no longer be an effective strategy for sports that need to assert their relevance in modern society.

Overall, IFs have to develop a more proactive, creative and commercially driven mind-set. Thankfully, they are in a unique position to exploit the various opportunities, the direct or indirect benefits of which can be put to good use to further the development of their sports.

ii. Events of tomorrow

As mentioned in sections 3(a) and 5(d), the number of sporting events has grown exponentially in the past 40+ years due to what has been an insatiable global demand for them. That said, this growth has

somewhat slowed over the past few years, making it reasonable to speculate that the global market for sporting events is likely to experience a degree of saturation between now and 2040.

Furthermore, in light of the increased need to demonstrate ROI across all stakeholders, our contributors expect that today's sporting event model will have to change. In broader terms, sporting events will no longer simply entail a transactional relationship between organisers, broadcasters, sponsors, private enterprise and host cities. Rather, true partnerships will need to be formed among stakeholders, which will entail closer collaboration and greater risk sharing.

An early prototype of such an event may have been the combined 2018 European Championships in Berlin and Glasgow, where the European Broadcast Union, backed by 40 of its member broadcasters, teamed up with seven European sports federations (athletics, aquatics, rowing, triathlon, cycling, golf and gymnastics) in order to establish a new event that exceeded expectation in terms of viewing figures.

These combined European Championships were run in full collaboration with the traditional structures of the Sports Movement but at a fraction of the cost of larger multi-sport mega-events.

Overall, contributors predicted that the key to the success of future events is their ability to understand and cater to fans, both on site and remotely through the broadcast product. In both scenarios, consumers have more choice of alternative entertainment formats than ever before. In order to maintain a good share of consumers' collective wallet, and stave off the threat of other (sporting) events stealing the show, IFs will need to keep on innovating in terms of the experience they offer fans and the way they partner to deliver events.

iii. Athletes of tomorrow

As mentioned in section 6(c), athletes with sufficient following are increasingly gaining power in today's disintermediated media landscape. A recurring theme among contributors was the lack of one global body representing their interests, which has so far largely excluded them from global representation and decision-making. As athletes continue to gain influence in the coming 20 years, there will be a need for, and expectation that, such bodies merge. In football, for example, FIFPro is largely global and may become an increasingly relevant broker in the governance of the world's biggest sport. Another recent development

has been the establishment of an independent (funded) athletes' union in Germany. Along with the IOC Athletes Commission and the WADA Athletes Commission, Athletes Germany, as it is called, has been vocal on anti-doping matters and is campaigning for a greater say.

The more powerful, influential athlete of tomorrow will also need greater incentives to commit to compete in established events. These may take a number of forms: prize money, sponsorship bonuses, appearance payments or event ranking points. Events will increasingly compete for elite athletes' participation based on a mix of these elements.

Further down the pyramid, technologies such as the Blockchain may offer possibilities for athletes from a number of perspectives. For example, decentralised and secure crowd funding through the Blockchain will make it possible for a growing number of athletes to receive much needed funding. In the coming 20 years, athletes are likely to be able to "tokenise" their careers, raising funds from people who are willing to invest with the potential of a return should any given career develop positively through the ranks of professional sport. Another interesting use of the Blockchain in sport is the protection of image rights, as piloted by former Formula One champion Fernando Alonso through Wenn Digital's Blockchain-secured platform KodakOne.

iv. Future of media consumption

From 1998 to 2018, sports revenues flowed predominantly from linear television. From 2019 to 2040 the shift towards streaming services will continue through the acquisition of sports rights by technology giants such as Amazon, Facebook, Alibaba, Netflix and Tencent, who will increasingly bundle sports content into their existing subscription services. This bundling will also fuel doubts as to the future profitability of acquiring sports rights as a standalone proposition.

With regard to content distribution mix, having a cross-channel strategy will be crucial given the increasingly fragmented media environment in which sports properties operate. Most IFs outside of the top few would be well advised to limit their reliance on traditional broadcasting deals for the bulk of their non-Olympic revenues. The decline of linear TV viewing figures has resulted in greater broadcaster scrutiny of the rights they purchase. Many are limiting risk by acquiring premium sports rights only, shying away from sports with smaller audiences.

A trend towards “safe bets” has also emerged in the bidding decisions of public authorities, which are increasingly going for major established events at the expense of new competitions.

Our contributors believe that IFs should shift their commercial strategies towards using their own – as well as partnering with other – digital channels to create awareness of their sports, reach new audiences and create a data-driven value proposition for sponsors. With the advent of 5G, which was first used to broadcast a sporting event at Wembley Stadium in November 2018, content consumption is likely to grow exponentially, and sport will be no exception. It must therefore be a commercial priority for IFs to be well-placed to take advantage of this impending boom.

v. Future of sponsorship

The biggest challenge for IFs in the next 10 to 20 years is to attract new people to participate in and consume their sports. In order to do well in this regard, especially among the younger generation, IFs must adapt their strategies to how society is changing and in particular to how young people discover and consume content nowadays.

A good place to look for clues is how successful brands communicate with their audiences. To do so, they often use a new kind of media – so-called influencer media – to which sport lends itself well. In order to reach new audiences, IFs would be well advised to collaborate with such influencers, be they athletes, celebrities, bloggers or vloggers. Engaging with their often massive online following is simply too attractive a proposition to resist.

At the centre of all of this are the fans. Where a sponsor’s interests align with those of an IF in terms of fan demographics, win-win scenarios can ensue. The more successful an IF is at reaching and engaging fans, the more valuable its offering will be as a proposition for sponsors or partners. This invariably will entail securing resources (or teaming up with entities) that have strong analytics capabilities.

Indeed, being successful in this regard will improve an IF’s negotiating position, thereby allowing it to extract more from its sponsorship partnerships, both in terms of data and financial resources. The better an IF understands its value in terms of fan engagement, the better placed it is to associate itself with the right partners.

The alternative is to fall behind other rights holders who are better equipped to tackle the demands of modern marketing and distribution. In a world where marketers are much more sensitive about ROI, IFs will need to compete with “best-in-class” rights holders in terms of knowledge and talent in order to maintain the commercial value of their properties and continue to develop their sports.

b. What role for International Federations?

What should the role of IFs be within this disrupted sports landscape that we will experience over the coming 20 years? From the interviews conducted during this research, we found that the IFs’ strength is that they are widely accepted as the only bodies effectively capable of governing and administering their sports on a global basis crossing national and regional boundaries. Unless new challengers emerge, this is expected to remain the case going forward.

This applies in a number of areas. For starters, IFs are the only bodies able to provide a set of rules for competition that are globally adhered to with correspondingly consistent standards for refereeing, judging and umpiring in international sporting competitions.

IFs are also the best placed bodies to manage the worldwide competition calendar and establish and manage the world rankings for their sports. A key related advantage in this regard remains their ability to decide which competitions count towards Olympic qualification given the continued importance of the Games.

Furthermore, IFs are generally recognised and accepted as having the sole ability to stage the world championships and thus determine the world champions through their competition structures. This applies both for team and individual sports, and is an essential part of the pyramidal structure of global sport.

Protection of the integrity of sport is fundamental to its credibility. As soon as the audience believes the outcome of competitions is pre-determined by match-fixing or by other corrupt means, interest disappears. As the global governing bodies of their sports, IFs must ensure that integrity is maintained by providing a central coordination role across national boundaries in support of national police and legislative bodies.

8. Recommendations for a Well Governed Entrepreneurial IF

The picture that has emerged throughout the course of this research is that IFs must tend to two key strands with equal attention in order to remain relevant: governance and entrepreneurialism. Although in certain areas there are guidelines that directionally indicate established ways of doing things, how exactly an IF lives up to this two-tiered challenge will vary on a case-by-case basis.

Based on the many points raised by our contributors, we have devised the following ten specific recommendations that we deem useful for IFs to consider carefully:

Governance

1. IFs should establish and vigorously defend their right to establish the world ranking and their sole right to organise and manage the pathway for the world championships in their sports, as well as control and manage the qualification systems and competitions in their sport(s) at major multi-sport events including the Olympic Games.
2. IFs must earn, assert and maintain the right to govern their sports worldwide in an autonomous manner through establishing and upholding the highest governance standards. As part of the above, IFs must play a major role in the fight against doping in their sport(s) and protecting its/their integrity, particularly in relation to guaranteeing the impartiality and competence of officiating as well as the fight against match-fixing and other forms of corruption.
3. IFs must defend their role as the administrators of the global competition calendar for their sport(s) and put in place processes and mechanisms to protect



against breaches of anti-trust laws and conflict of interest involving events that they organise themselves as primary rights-holders.

4. IFs should regularly review their constitutions/ statutes to ensure they are compliant with the applicable national and regional law in the country that they are based, in addition to international law and standards, while respecting the relevant principles in the Olympic Charter.
5. IFs should strengthen their coordination roles with regard to the global development of their sports. This includes the development of enhanced solidarity mechanisms to ensure effective redistribution and investment of revenues, and the creation of stronger links between elite and grassroots levels of sport to boost participation.

Entrepreneurialism

1. IFs must utilise technological advancements, either in-house through direct-to-consumer content distribution, or by partnering with technology providers, digital platforms and online influencers, in order to gain direct access to, understand the consumption behaviour of, engage with and grow their global fan base.
2. IFs must harness the data they obtain from engaging with their fans/consumers in order to tailor their content and distribution strategy and to drive other business decisions.
3. IFs must remain open to innovating their competition and broadcast formats in order to ensure their content is attractive to both the modern and traditional fan and

“Two of the three major actors in the growing sports space, governments and sport governing bodies are, as institutions, appropriately considered and relatively slow to act. This means that the evolution of the roles of IFs and NFs will be slower than many might predict. Nevertheless, this evolution will most surely come including as a result of the impacts of the third major actor, business. We, therefore, face a rapid evolution rather than a revolution but there will be winners and losers”.

Craig McLatchey – Lagardère Sports and Entertainment

keeping up with the rapid pace of innovation in sports content distribution.

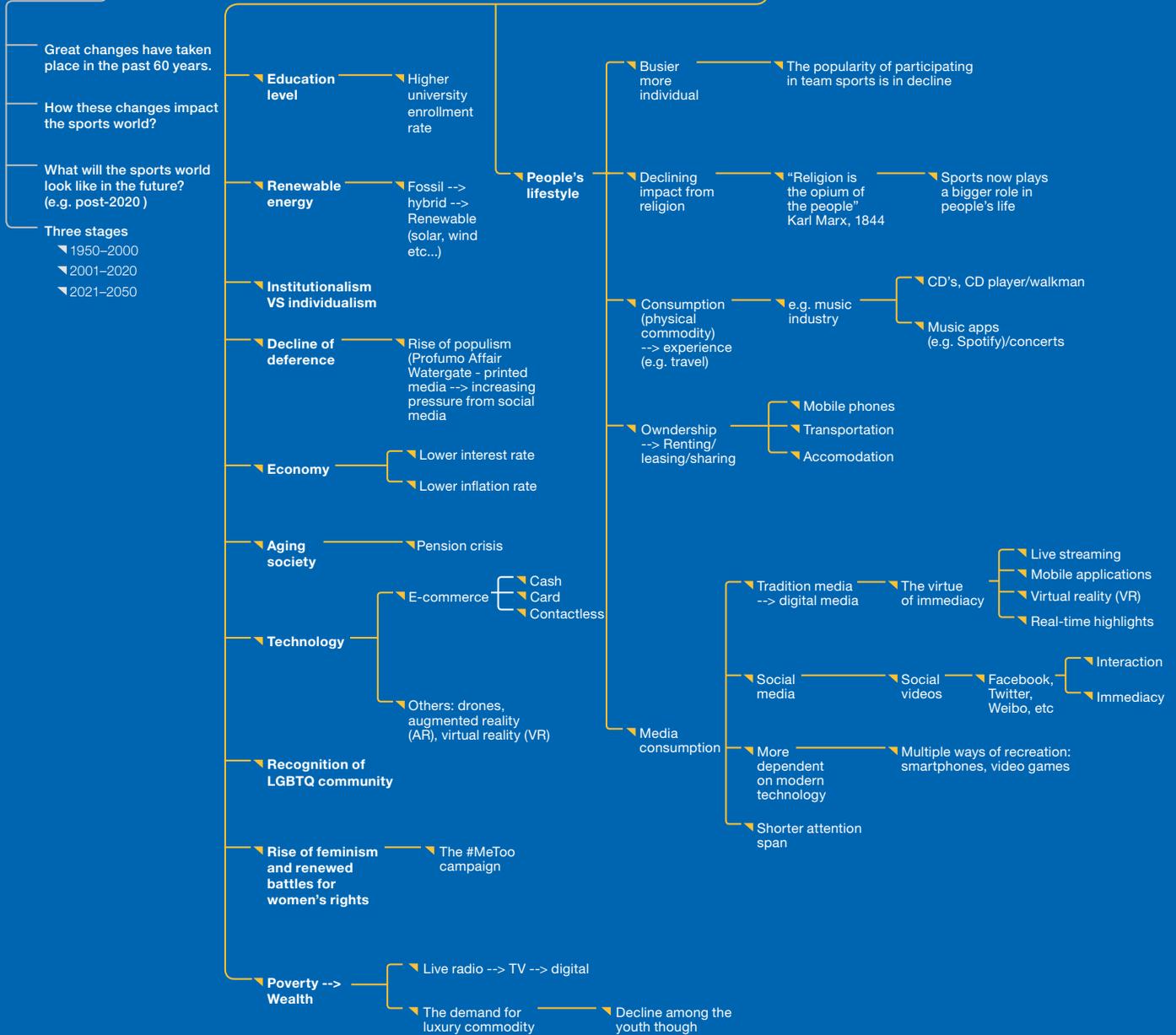
4. To the extent possible, IFs should invest resources in order to adapt their culture to one that embraces innovation, creativity, experimentation, “fast failure” and learning from mistakes. Crucial in this regard will be IFs ability to set forward a vision and mission that attracts the talent that is required to achieve true entrepreneurialism.
5. IFs should open themselves up to investment from risk-sharing, collaboration and partnership with both the private sector and the appropriate levels of government in order to maximise the commercial potential of their assets (competitions) and to optimise the benefits for all interested stakeholders.



Future of Global Sport – Mind Map

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RECOMMENDATION ON IFS AND IOC

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- ▶ Prediction for the future



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