



Sports Outlook 2022

From media rights to NFTs, PwC unpacks
the hottest industry trends

The ninth edition of PwC's Sports Outlook for North America comes as the COVID-19 pandemic continues to evolve. This year's report covers 10 trends and predictions on the hottest issues facing the sports industry.

In addition, we offer three in-depth playbooks:

Non-fungible tokens (NFTs): The future of digital assets in sports

Media rights: Content still rules as big tech weighs in

Smart venues: Make it magical to build revenue

Without further ado, we offer our predictions for 2022.



1. Sports betting

Since the US Supreme Court struck down the Professional and Amateur Sports Protection Act of 1992, US sports betting has grown — and will likely continue to grow — exponentially. In 2021 alone, Americans bet more than \$52.7 billion on sports, according to Morning Consult. Major League Baseball, the National Basketball Association, the National Hockey League, the National Football League and even the Ultimate Fighting Championship all have official sportsbook partners. New York just legalized mobile sports betting, which might indicate that we are at the tipping point. All signs indicate that US sports betting is here to stay. See last year's [playbook](#) for further analysis.

2. Streaming and rights negotiations **PLAYBOOK**

Content distribution rights continue to be the largest revenue driver in sports media, as streaming continues to disrupt traditional broadcast and cable models. See this year's [media rights playbook](#) for the full picture.

3. M&A

Digital content and betting are reshaping sports, fusing leagues with more industries than ever before. Whether it is Netflix and Formula One, BetMGM and the NFL, or Fanatics and MLB, sports has become synonymous with technology, casinos, media producers and more. Entire businesses are sprouting up with eight-figure valuations off the back of sports content. Even though the number of passionate sports fans in the US remains relatively flat, companies recognize that those customers' enthusiasm and willingness to spend makes them an attractive target market.

Of course, partnerships are a great way to reach these audiences, but there may be no better long-term way to lock up content than via acquisition. Sports-related deals are off to a roaring start just two months into the year, with the acquisitions of Activision Blizzard, The Athletic, Zynga and Topps. Given high demand for exclusive content and enabling technology, M&A will likely continue to be a popular route to growing businesses. Some of these acquisitions may come from unexpected sources, too. A year ago, Fanatics was mostly just viewed as a merchandise company; today they own trading-card company Topps, leading NFT provider Candy Digital and more. Sports has a way of scrambling traditional business models, and the smartest companies use the disruption to expand their market access.

4. Resurgence of live audiences

Due to the pandemic, NFL teams averaged only 9,635 live fans during the 2020 season. For 2021, Sports Business Journal reported that the NFL averaged 67,254 live fans, which is slightly higher than the numbers in 2018 and 2019. Despite COVID-19 variants, the demand for live entertainment is very strong. Live Nation had its fourth best month in history for ticket sales during 2021, according to Variety. With huge investment in new [stadiums](#), [race tracks](#) and [theaters](#), 2022 is expected to set multiple records for live entertainment attendance, as fans long for the return of the normalcy and excitement of live events. Of course, COVID-19 is a serious threat and could derail this progress. But if there is one thing that 2021 taught us, it's that fans still want to see sports in person. As the latest Omicron wave recedes and vaccination rates continue to tick upward, we expect that live audiences will return and these trends will likely continue.

5. Smart venues

PLAYBOOK

The fan experience will become increasingly important as crowds return. Teams are succeeding by enhancing services with data-driven solutions — both for fans and behind the scenes. Read our [smart venue playbook](#).



6. NFTs and digital assets

PLAYBOOK

Digital assets will soon become critical pieces of the sports technology infrastructure. Our [NFT and digital asset playbook](#) looks at the evolution of these technologies and how they can drive fan engagement.

7. Sports documentaries and reality TV

Netflix is already trying to replicate the success of *The Last Dance* docuseries with a new golf reality show, and many other brands are likely to try the same approach. Other midsize leagues and governing bodies probably look at the growth of Formula One in the US with envy, and likely see the docuseries *Drive to Survive* as a major contributing factor. Startup leagues and other legacy organizations are likely considering how to create their own content of this type — and media companies appear equally excited to work with them to fill the air on their networks or nascent streaming services. Tom Brady’s [Man in the Arena](#) and a forthcoming Derek Jeter [documentary](#) are only the tip of the iceberg. Expect to see many more behind-the-scenes sports documentaries in 2022 — as well as record high interest for both the content itself and the athletes featured.

8. Sponsorship data

Sponsoring a sports team, league, stadium or athlete [isn’t a new](#) idea. But only a few companies have built a strong “sponsorship flywheel,” giving them a strategic and financial advantage in branding, sponsorship bids and overall ROI on sponsorship activities. This year, new spend categories are driving significant increases in advertising (betting and cryptocurrency are the biggest), which has kept the overall sponsorship industry healthy. However, those new sponsors will be anticipating ROI and will likely want data to see how their spend is converting to revenue. On top of the demand, supply is increasing with the rise of jersey sponsorships and the potential for new sponsorships in the digital world. The combination of new opportunities, new vendors and modern modeling techniques that require more data (which will be negatively impacted by the [loss of cookies](#)) could make 2022 the year that sponsors start truly demanding better metrics and a higher ROI for their sponsorship dollars.

9. Fan-created content

Gen Z loves short-form, user-created content. Traditional live sports and entertainment don't offer either, which may explain why Gen Z has the [lowest share of time spent](#) watching live sports compared to all other living generations. For the future of live sports and entertainment, leagues and organizations will likely have to integrate more short-form video content to capture this generation's interest. This may include things like running a contest campaign for best dance video, sharing during-event content posted live on social media platforms or even combining such content with other technologies, such as NFTs, to monetize it. However it happens, fan-created content will likely become a core aspect of the live sports and entertainment experience during 2022.

10. Mixed reality

Mixed reality is the combination of real-world experience, virtual reality (VR) and augmented reality (AR). Currently, mixed reality is being used to create [advertising campaigns](#) and to [bring brands to life](#) inside sports stadiums. As the capabilities of wide-scale mixed reality become more mainstream, you may soon be able to feel as though you're on the sidelines as you watch your favorite team through a VR headset or get specific stats for players by holding your phone's camera up to their numbers. All of this will dovetail off the growth of [metaverse](#) experiences and the sale of digital assets. While we are probably a few years away from this being the default way to experience sports, Apple claims the world's largest AR platform, and many other tech companies are likely to join in. In 2022, mixed reality will begin to go mainstream — and sports will likely be among the first industries to benefit.



NFTs: The future of digital assets in sports



Lots of ink has been spilled about NFTs (non-fungible tokens) and other digital assets — what they are, how they're used and their potential. This playbook focuses almost entirely on that third bucket: the vast potential for NFTs and how they will likely shape the future of sports.



What are NFTs?

A non-fungible token (NFT) is a unique, non-interchangeable digital asset stored on a blockchain. NFTs allow content creators to limit the number of owners of an asset to as few as one, thereby creating an element of scarcity that has never existed in the digital world. Along with many other forms of digital content ownership (including cryptocurrency), NFTs are expected to underpin value exchange in Web3, a more decentralized version of the internet under development that's featuring interoperable platforms. Web3, in turn, may provide the structure for a metaverse or a series of metaverses — landscapes of virtual spaces where users can transition seamlessly across multiple experiences.





Collectible NFT sales

What are they?

NFTs can be used to sell collectible, authenticated, limited-edition digital content. [NBA Top Shot](#) from Dapper Labs is perhaps the best known, but today there are thousands of sports NFTs that can be bought and sold on platforms such as OpenSea, a secondary market for digital assets. Quarterback Tom Brady's NFT startup, Autograph, recently raised \$170 million in Series B funding, according to *Fortune*. Collectible NFTs — typically licensed by leagues, teams or individual athletes — essentially serve as trading cards for the digital world. For sports organizations that are serious about digital assets, collectible NFTs are a good opportunity.

What might their evolution look like?

Trading cards have been popular for decades and with multiple organizations already collaborating with NFT companies to build their own digital trading cards, this is more than just a passing fad. The next step is “before they were famous” cards, featuring college NFTs, minor league players and college prospects. This phase is already starting, and it will quickly reach high schools, where professional-looking videos are poised to boom in value. Within the next 12 months, creators will likely be able to create and sell their own NFTs with the click of a button. Think of all the people posting videos on social media of a top high school recruit making a crazy play. Soon, those videos will be able to be authenticated and limited. Imagine that there are exactly five authenticated versions of a basketball prodigy dunking on a 6-foot-10-inch center in a high school championship game. In five years, when that prodigy is an NBA MVP candidate, how much will the original video be worth?

Teams and ticket vendors are also getting in on the action, turning ticket stubs into NFTs. Soon, your digital ticket may serve as a hype video — then a highlight reel — from the game you were at. Think about traditional memorabilia: The paper ticket stub for the greatest scoring NBA player [recently sold for nearly a half million dollars](#). For the next generation, perhaps a digital stub is authenticated and features some exclusive content. Would someone pay \$1 million for it?

Finally, all of this will be displayable in the metaverse. In fact, assuming content can be shared across platforms, it will be available in multiple metaverses. Do you have a sports-specific digital hangout where you want to hang your prized possessions? Great. An office setting to display your \$50,000 NFT like you would wear a fancy watch or hang a signed photograph? No problem. Your NFT is yours to share in these virtual settings.



Season ticket member (STM) NFTs



What are they?

As mentioned, many teams have already started to consider how tickets could become digital tokens, providing ticket holders — especially season ticket members — with access to special content in the real world or around the stadium experience. Importantly, this could also provide teams with an opportunity to serve their season ticket waitlist. For a small annual fee, waitlist members could receive the same digital perks as STMs.

What might their evolution look like?

STM NFTs are a verified pass to whatever special content a team can dream up. This could include special VIP areas of the venue, discounts at concession stands or other traditional benefits of season tickets — with full confidence in their authenticity.

But tokenized season tickets allow organizations to go even further. Soon, STMs will likely receive special edition collectible NFTs for the games they attend. Within a few years, an STM can expect these as a standard part of their membership, and they will want special tokens to show off their fandom.

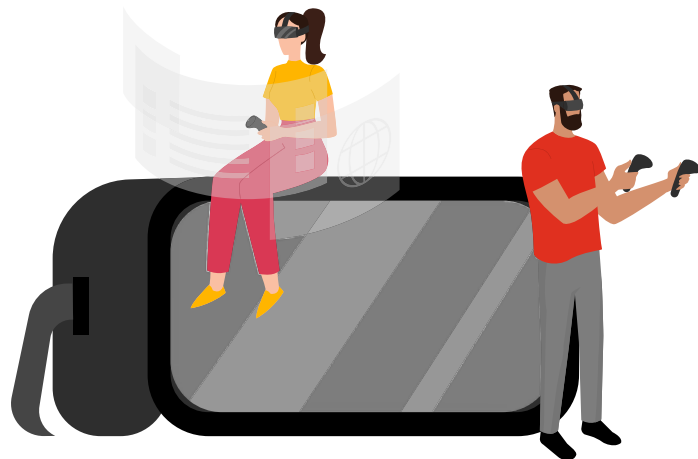
For sponsors, tokenization presents a great way to align themselves with a team or league and create unique activations that build equity for both brands. Local stores have been doing this sort of thing for ages, but by using blockchain technology, teams can make it so only sponsors can verify and ensure that customers don't lose their added benefits if they misplace their physical ticket — creating value for both sponsors and fans.



Virtual access tokens

What are they?

Collectible NFTs and STM tokens are, in some ways, just evolutions and enhancements of traditional loyalty programs. But combining the [metaverse](#) with digital assets — including both fungible and non-fungible tokens — enables a whole new market for even more fan segments. Virtual access tokens can allow special access during games, plus new forms of social experiences and opportunities to engage with teams, athletes and other fans within a metaverse. Athlete access is critical for reaching the next generation of fans, and while social media enables some access, the metaverse can significantly expand the opportunity.



What might their evolution look like?

These tokens may have implications both within and outside of games. Within games, they could enable a different viewing experience for fans who are willing to pay more but can't attend games in person. A limited number of token owners could receive access to unique video content, such as player cams, bench cams or even locker-room access. Essentially, it's a new version of season tickets. Fans could interact with players during the game in a virtual setting, or with other fans in virtual worlds. Some teams are already [selling tokens](#) that give fans the right to influence non-strategic game-day decisions, such as walk-up music.

The special access available to virtual access token holders could logically be extended to STMs as well. For instance, for most away games, metaverse tokens would enable STMs to still feel like VIPs and get access to unique content. For games they attend, they could feel like part of the team by virtually sitting in on the halftime speech and seeing the game from the coach's own viewpoint.

Beyond the boundaries of a live game, virtual access tokens can allow the sorts of authenticated, limited access that digital natives have shown a willingness to pay for. A team could sell tokens that allow fans to listen in on proprietary conversations with coaches or players. Imagine a velvet rope conversation that anyone can watch, but only a limited number of tokenized fans are able to ask questions and interact directly with the team. In many ways, this could democratize the press relationship, but established sportswriters could benefit as well if their credentials (or that of other VIPs) are tokenized and prioritized, allowing them premier authenticated access to team members.

The accessibility and potential to create scarcity makes a virtual access token extremely valuable. Further, each fan who purchases a token leaves a data footprint. By knowing so much about which fans have these tokens, sponsorship could also become a major revenue stream for teams or leagues. Put another way, digital assets and the metaverse provide a whole new world where teams' brand equity can be leveraged for both ticket sales and sponsored events.

So what does it all mean?

Digital assets can fundamentally alter how fans interact with their favorite teams. There will be more ways to meaningfully connect with teams and athletes than ever before. If executed effectively to help enhance the customer experience, fans can form closer bonds with their teams. Correspondingly, digital assets should provide a significant revenue opportunity for sports organizations. Traditionally, ticket sales, media rights and sponsorship form the three largest revenue streams for teams and leagues. All three could see significant growth due to tokenized tickets, NFT media rights and sponsorship of digital or metaverse events. In fact, it wouldn't surprise us if in the next five years, digital asset sales become a serious revenue stream for many teams and leagues.

The challenge will likely come from organizations' ability to build the infrastructure that allows digital assets to thrive. To make this a success, teams and leagues will need a sophisticated tech stack that connects their new digital sales data with existing customer databases. Further, it's essential for organizations to anticipate and mitigate [legal risk and tax implications](#). Much like NFTs, the regulatory landscape surrounding blockchain technology is evolving.

This industry has always responded well to shifts in customer behavior, and Web3 is almost certainly going to be a major one. Teams should prepare for a sports world that is about to embark on a reimagination of so much of how fans consume sports.



**Media rights:
Content still rules.
Streaming accelerates.
Big Tech weighs in.**



Distribution continues to drive revenue in sports media, as the shift to streaming accelerates. Deep-pocketed tech companies have entered the market as strong competitors to traditional broadcasters, which is contributing to soaring rights costs and perhaps signaling a threshold: We may be approaching the moment when streaming becomes the preferred platform for premium sports content.

Consider this: The top pay-TV providers drew about [76 million](#) subscribers in the United States. That compares with upwards of [250 million](#) over-the-top (OTT) media subscriptions. A total of \$22.76 billion was projected to be spent on sports broadcast media rights in 2021, according to [Statista](#). Meanwhile, regional sports networks are finding it more difficult to successfully compete for rights, which is eroding the value of cable TV sports bundles.

With all of this in mind, here's where we see the market likely moving.

Rights deals: Incumbents are winning — for now

Earlier this year, the NFL announced an 11-year, \$100 billion media rights deal that features a deeper commitment to streaming, while maintaining its foundation in broadcast. Significantly, Amazon joined the NFL's four traditional television partners — CBS, NBC, FOX and ESPN/ABC — marking the first time Thursday Night Football went exclusively to a streaming service. Networks will also have the option to stream games on their respective platforms.

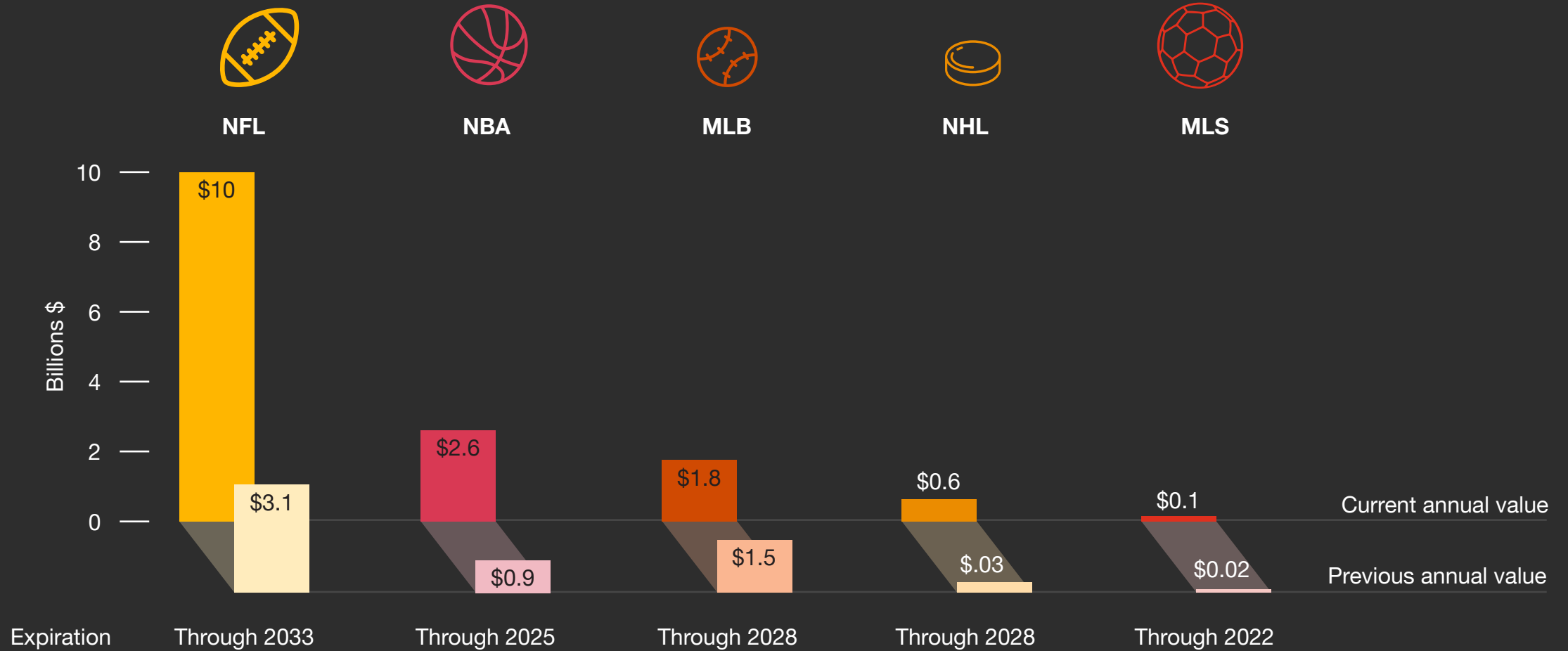
The NHL exited NBC last year and signed [deals](#) with Disney and Turner Sports valued at a combined \$625 million per year. The 2021-22 season has been split between streaming and broadcast outlets: Plans call for 75 games to stream on ESPN+, while 50 will air on TNT along with 28 on ESPN or ABC. Stanley Cup playoffs will be split between Disney and Turner, and the finals will air on ABC and ESPN. The deal with Turner Sports, which is owned by WarnerMedia, included an option to leverage sister company HBO Max. So far, no plans have been announced to stream hockey.

For soccer leagues, the streaming transition is moving faster. ESPN+ [signed](#) a \$1.4 billion, eight-year deal with La Liga in 2021 that calls for streaming 380 soccer matches a season, with select games broadcast on ESPN's linear networks. NBC [renewed](#) its more traditional broadcast partnership with the Premier League — a nearly \$2.7 billion spend that's almost double the amount of the previous agreement.

All this activity signals that incumbents remain dominant in sports content, but increased competition from tech giants is likely to drive up the cost of maintaining their positions. Amazon signed streaming deals with the [New York Yankees](#) and France's top soccer league, [Ligue 1](#), while Apple is reportedly eyeing sports content for [Apple TV+](#). Whether the Apple service manages to expand beyond the fictional universe of Ted Lasso remains to be seen, but the fact that these deep-pocketed companies are on the field has the potential to alter the game.



Media rights growth



Sources: CNBC, Forbes, Los Angeles Times, The New York Times, Sports Business Journal, Sports Media Watch

What to watch

Streaming has upended the way we watch television. While 60 million households continue to subscribe to bundled sports channels, ESPN and NBC have made major investments in shifting sports content to streaming platforms. At the end of 2021, NBC [shut down](#) its Sports Network, pushing programming to Peacock as well as the USA Network.

So far, sports fans have been less likely to cut the cord on cable or satellite services, but that may change as media rights strategies shift. One key question in this evolution will be, how do you preserve a sport's reach? A [European Broadcasting Union study](#) noted that free-to-watch streaming has become increasingly important there, with two-thirds of fans using it to watch sports. It's immensely popular, and leagues have used it to leverage sponsorships to offset lost rights revenue.

In the US, two schools of thought have emerged:

- The first is familiar: Keep premium content on broadcast networks. Stream niche sports, such as boxing and Ultimate Fighting Championship, much in the way an earlier generation turned to cable television for premium content.
- Or: Push people to stream what were once broadcast mainstays, à la Amazon's Thursday Night Football.

Sports networks are likely to follow ESPN and NBC's path to some degree, moving at least some content into the streaming realm. Some also may experiment with charging subscribers premium fees for certain big games.

Major League Soccer is the next big media rights deal on the horizon, as its agreements with FOX, Disney and Univision expire at the end of the 2022 season. The league's increasing popularity and younger fan base could offer a glimpse of a bright future. The league is [reportedly](#) seeking a \$300 million-per-year package, more than three times as much as its current deal.

Drive subscriptions, drive revenue

While the advent of streaming has led to disruption in the market, revenue will likely continue to be driven through subscriptions. The key players in sports media may experiment with various modes of delivering content, but, ultimately, they will do the research and the math to ensure that big deals result in big value.



PLAYBOOK

Make it magical: Build revenue with smart venues



Sports fans are returning to America's stadiums with higher expectations than ever. That means they want much more than a win at game's end. Fans expect — crave — a memorable experience. Competition for in-stadium fans is fierce, not just from rival teams, but also from the lure of the 75-inch television in the living room.

How can a sports team deliver those indelible experiences, building fan loyalty even as it boosts revenue? By focusing on these three keys to win fans' allegiance.

1. Use technology to improve operations.

Teams must excel at maintenance to ensure fans find clean, safe and seamless conditions. It should already be a given that ample bathrooms are available to all and air filtration systems are upgraded to reassure pandemic-weary fans. To take the fan experience further, however, teams should use new virtual modeling technologies to anticipate every need.

By building a digital twin of a stadium, teams can plan for scenarios and prepare for any eventuality. For instance: What if the temperature hits 105 degrees, and everyone in the stadium needs water? What's the most efficient way to make sure people don't wilt in the heat and the power stays on?

Stadium officials can test security measures, plan effectively for traffic and crowd control, and monitor structural conditions. Such planning helps to identify weaknesses and retrofit facilities. For example, officials can identify and make necessary elevator repairs before the elevator stops functioning. During the game, digital twin modeling can be used in real time to smooth the fan experience — for example, offering the shortest path to seats or steering the thirsty to short beer lines — reduce waste and expedite responses to emergencies.

2. Bring the magic to fans.

What makes a day at the ballpark magical? A game-winning homer or a last-second touchdown? Sure. But there's so much more. Maybe a fan gets to meet his favorite player. Or a mascot cheers a cranky child. Or a free beer is delivered to season ticket holders on their birthdays.

Memorable experiences, both physical and virtual, drive fan loyalty and — not coincidentally — boost revenue. The magic starts with data. Teams must gather more data on fans' preferences to tailor unique experiences for them. That data should come from as many sources as possible — not just from purchases at the stadium, but also through strategic partnerships surrounding mobile streaming, sports betting and other services.

Such data needs to be accessible to customer-facing employees in the organization, so they can leverage it to create experiences that will resonate with individual fans.

Data can help drive fan-pleasers — and revenue-enhancers — such as speedy food lines, grab-and-go kiosks, or apps to preorder stadium food and skip lines entirely. Special mobile offers can be timed to inspire souvenir store purchases.

As new technologies evolve, stadiums in the future will be able to deliver so much more than a Jumbotron fan shot. Why not bring fans together for every game? Watch away games holographically at the home stadium, projected on the field as it is played elsewhere. (See our NFT and digital asset playbook for more on sports and the metaverse.)





3. Don't punt on climate change.

Many fans are demanding that stadiums and teams do more to become climate friendly. In a 2021 [GWI survey](#), just over two-thirds of sports fans aged 16 to 24 said they believe sports should do more to help the community, improve inequality or act sustainably.

Case in point: Seattle's Climate Pledge Arena, sponsored by Amazon. The stadium, which opened last year, [aspires](#) to be certified as the first carbon-neutral arena in the world and plans to ban single-use plastics. Elsewhere, SoFI Stadium in the Los Angeles area has an extensive [sustainability program](#) for its 298-acre property, including maximum diversion of materials from landfill into recycling, composting, reuse and donations. Mercedes-Benz Stadium in Atlanta, the first stadium to [win](#) the US Green Building Council's LEED Platinum certification, features a rainwater collection system that's used to irrigate the site's landscaping.

Every team should expect to be held to higher environmental standards when building or retrofitting stadiums. Teams will need to set and track metrics to [reduce carbon emissions](#), recycle waste and inspire others to do the same. We predict that almost every arena built in the future will strive to be carbon-neutral.

Investments to help reduce energy consumption will likely pay off as the cost of energy increases. Further, taking action on sustainability demonstrates a team's values and builds goodwill among fans and the broader community.

Remember, the score isn't just on the scoreboard.

Stadiums in the 21st century aren't merely collections of seats and vendors around a playing field. As technology continues to evolve, facial recognition, automated intelligence and robotics may figure in the next chapter of fan experience.

Winning the game, of course, is still the first thing that fans demand. But there is so much more to a winning stadium experience — from the moment a fan sets foot on the concourse until he or she returns home. Teams that focus on the entire customer experience can thrive, regardless of what happens on the field.



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