

COVID-19 has changed Australia's sports business for good

Australian sport has seen better times.

In less than two months, all professional codes have been indeterminably postponed, thrown into a chaos never experienced before, lost two CEOs, and made cost-cutting a priority in the absence of broadcast revenue, translating to staff being stood down, salary cuts and renegotiated terms.

While there is no question the virus has devastated economies across societies, a powerful message to professional sport has been the revelation that its business models are unsustainable, and rapid innovation is required to ensure survival in the post-COVID-19 world.

The existing sports business model is simple but flawed, relying on revenue generated by broadcast rights, sponsorship and a bit of merchandise; all contingent upon a live event.

Few sports have responded to the changing landscape and hedged by strategizing for new versions of this same model.

The landscape was exponentially evolving pre-COVID-19, with increasing narrowcasting, growing dependence upon analytics, next gen consumers demanding new options for engagement and rising cost structures associated with professionalism, mostly governed by a federation model structure.

COVID-19 has accelerated the need for sport to evolve in structure and strategy to survive. There are now only two options – innovate or fail.

Australian sport has largely avoided the franchise or private ownership model so prevalent in the northern hemisphere, which ensures some insurance from a typical billionaire owner.

In world sports, 58 billionaires collectively own 70 professional sports teams and are worth a combined \$US359 billion. In the pandemic's wake, many have stepped up to do the ethical thing. Dallas Mavericks owner Mark Cuban has insisted upon paying salaries to workers, and some star NBA athletes have covered arena staff salaries.

Faced with a mature sports industry and pandemic pressure, the capacity of traditional ownership structures in Australian sport is in question, with a different model a strong option for the future.

Is it time for Australian sport to at least consider a hybrid option, leveraging the benefits of an independent national federation overseeing governance, integrity and the social good of clubs, with a combination of membership and private ownership to fund the costly professional model?

Of course, it's plausible that COVID-19 could herald the end of professional sport as we know it, evolving to a leaner, more cost-effective model.

Australia is a crowded and fragmented sporting market, and while demand for sport is insatiable, it is not sustainable to have so many sports competing for the same, small market.

In other sectors, economists would predict an industry consolidation is long overdue. So why does sport present an exception to this rule?

No brand has bigger clout than sport, and from a marketing perspective, this is gold.

Post pandemic, codes and teams must invest in strategies to better leverage the valuable brand of sport through adoption of an innovative, forward-thinking culture, because after all, culture is at the core of the problem.

The largely closed system of Australian sport to date means very few dedicated innovation committees, or structures and expertise access reflecting this critical role in the business of sport.

Although some sports have diversified into esports or initiated new, rapid rule versions of their games, there has been limited effort to establish new revenue growth streams in Australian sport.

Authentic story telling on and off the field will help distinguish and re-position sports brands in recovery. Take for example the current exemplar of sport-branded content, “The Last Dance”, the ESPN documentary series on Michael Jordan, attracting an audience of 6.9 million on its release, making it the highest watched documentary in ESPN history. While the audience pales in comparison to the normal Monday night NBA 12 million viewership, this new potential broadcast opportunity and brand narrative are golden new revenue streams, attracting new sponsors, advertisers and fans alike.

Fan engagement, particularly amongst the next gen, is challenging in a hyper-competitive landscape. The winning product will be the one to deeply resonate, by appealing to the connected, socially conscious and interactive profile of this generation, who will represent one third of fans over the next ten years.

Strategies designed to tap this tsunami of opportunity are not without legal and ethical complexity, but nevertheless represent the most attractive alternative revenue proposition for sport, and the holy grail of competitive advantage.

From the ashes of this crisis, sport will of course rise. But to be sustainable, it must return as a leaner, more innovative system that will have the agility and resourcing to respond to the next crisis more robustly. Post pandemic, the culture of sport must change to embrace innovation.