



**2023 DIGITAL
TRENDS IN THE
SPORTS INDUSTRY**

FOREWORD



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A handwritten signature of Motasem El Bawab in black ink.

Data transformation presents a central theme within the sports industry's digitalization. Often in these annual discussions, we talk more generously about the role of technology adoption to drive growth, including how the latest digital solutions such as Web3.0, blockchain, and mobile streaming enable rights holders to engage international audiences, and collate unique fan data.

During the coming months, sports properties will be presented with another period of change and opportunities for modernization. However, according to the International Monetary Fund (IMF)¹ and other financial outlooks, the population is navigating a marked economic downturn that will impact the strength of the technology sector. In 2022, the US technology market dropped by 27 percent, according to Nasdaq², while Forrester forecasts continued disruption to European technology spend, largely due to barriers in regional supply chains³.

Looking ahead, as we turn the page and consider the prospects for 2023, there's no indication that the industry won't continue to innovate. Nevertheless, how organizations weather challenging economic times will depend on their ability to develop a solid direct-to-consumer (D2C) framework that generates new revenue streams, while governed and powered by data, including how the frameworks for the extraction and transfer of data help to optimize their internal operations, save on costly processes, and serve the creation of personalized digital campaigns.

Sponsorship and media rights contracts do, admittedly, provide the sports industry with a level of financial stability. Nevertheless, sport isn't immune to the challenges faced by other sectors. On the contrary, while reductions in advertising and consumer spend will often be the first signs of a slowing economy, audience and customer retention must be a primary focus for sports

properties in 2023 and can be achieved by sustaining customer satisfaction via a combination of best-in-class user experiences (UX), and a state-of-the-art retention engine through active content engagement. Investing in user acquisition without fixing user retention is throwing money down the drain.

This requires a robust customer database to help rights holders maintain customer relationships and to connect their sponsors and stakeholders with segmented audiences. Therefore, by optimizing the use of user data inside an organization, sports entities that draw on a centralized data source (also known as a "single source of truth"), and made available across all business verticals, will help to enhance the customer experience (CX), based on their individual behaviors, and provide alternative, data-informed solutions for their partners to target the digital fan.

But it is important to think beyond just the fan/customer-facing opportunity and ensure that any new activity can be administered by the employees. By implementing the right combination of technologies and software solutions within a data-driven business model – including a customer relationship management (CRM) capability – sports properties are able to enhance the employee experience (EX), too. This, in turn, caters for a higher digital maturity among their workforce, strips out unnecessary workflows or bottlenecks, while allowing the organization to continue to augment its digital assets and propel their speed to market.

In our latest *Digital Trends Report 2023*, we explore the importance for: (1) an integrated, data-rich workplace; (2) clean and simplified data extraction; and (3) how data transformation helps organizations to scale a digital capability. Here's to another rewarding year and sport becoming a catalyst for innovation.

¹ World Economic Outlook | International Monetary Fund (IMF) ² Social companies face perfect storm | ING Group

³ European Tech Spend Will Cool in 2023 - Here's Why | Forrester

TABLE OF CONTENTS

1.	INTRODUCTION	4
2.	TECHNOLOGY INTEGRATION WILL HELP OPTIMIZE PROCESSES	5
3.	DATA SIMPLIFICATION KEY TO MAXIMIZING FAN INTELLIGENCE	7
4.	AUDIENCE & CLIENT RETENTION VITAL TO COMMERCIAL GROWTH	10
5.	WHAT'S N3XT?	13
6.	ABOUT N3XT SPORTS	14

INTRODUCTION



Customer loyalty and audience retention will continue to play an important role in sport's evolution in 2023. While both hinge on a fan experience that's value for money, in order to counter economic challenges, it is paramount that rights holders invest time and resources into the strength of their customer relationships. Meanwhile, simplifying the management of customer data will help define an organization's marketing strategy and boost operational efficiency.

According to a Gartner survey of more than 2,000 chief information officers (CIO) globally⁴, 53 percent cited improvements to their company's 'operational excellence' among their digital investment objectives during the past two years, while improvements to customer experiences (CX) were cited by 45 percent. Meanwhile, Gartner research found that an estimated 80 percent of CEOs will increase their technology investments in 2023 'to counter current economic pressures' – yet the vast majority (95 percent) 'struggle with developing a vision for digital change'.

This is pertinent since customer spend and the commercial stability of rights partners are fundamental to sport's financial health, albeit change management remains relatively low within the sports industry, according to industry experts (see section 3.3 for more on this). The industry's ability to sustain customer satisfaction will play a vital role for maintaining sport's commercial outlook – both in the short- and long-term – while improvements to its data governance will help rights holders to generate new revenue streams via personalized fan experiences, and also cut costs related to outdated business processes.

1.1 EMPLOYEE EXPERIENCE KEY TO UNLOCKING BUSINESS VALUE

In order to increase operational efficiency, an organization must first understand how its digital framework nurtures a high-quality employee experience (EX), including the workforce's ability to: (1) leverage customer data insights to personalize the fan experience; (2) curate a solutions-based environment, based on the employee's ability to easily share fan data; and (3) dismantle disruptive data silos that challenge the flow of information and at a cost to the business.

According to Gartner, leading organizations will adopt so-called total experience (TX) solutions for maximizing both their company's UX and EX in 2023 – while it is projected that, by 2026, six in ten large enterprises will manage TX-focused ecosystems⁵. This should give sports executives pause for thought about how the management of software solutions designed to grow audience engagement can also be used to strengthen employee productivity and employee satisfaction.

As part of this journey, investment in a digital strategy that optimizes the consolidation, extraction, and transfer of existing fan data will continue, as sports organizations seek a holistic approach to their digital transformation. This might include, for example, the deployment of a 360°, centralized data framework that automates customer relationships, and offers employees real-time analysis of customer behavior across the entity's digital assets and commercial channels.

⁴ 2023 CIO Agenda | Gartner ⁵ Seize the Moment to Compose a Resilient Future | Gartner



TREND #1

***TECHNOLOGY
INTEGRATION WILL
HELP OPTIMIZE
PROCESSES***

2.1 STATE OF PLAY

How customer data is leveraged inside the organization plays an important role in determining the quality and types of customer experiences (CX) that drive business value. According to Research and Markets, the global software-as-a-service (SaaS) customer relationship management (CRM) market is predicted to grow by US\$59.4 billion between 2023 to 2027 at a compound annual growth rate (CAGR) of 13.43 percent⁶. Meanwhile, a survey commissioned by Redpoint Group, conducted by The Harris Poll, suggests that two-thirds (66 percent) of customers are willing to share personal data with a brand if it would help to improve their user experience (UX)⁷, highlighting the role of a digital inventory to strengthen customer relationships.

During the projected economic downturn, greater emphasis will be placed on the speed in which rights holders see a return on their technology investments. Nevertheless,

owning a diverse digital portfolio isn't enough to drive return on investment (ROI) alone. The rights holder's ability to integrate technologies into their ecosystem, without disrupting dataflow, also relies on a framework designed to optimize operational efficiency and for integrating technologies that both serve the entity's fan experience and connect the entire ecosystem.

Acting as a conduit, sports properties are pursuing holistic approaches to their digital transformation. This includes a digital assessment to help identify whether legacy systems, and the software solutions they are built on, serve to heighten or hinder their operational efficiency. In order to optimize workflows, sports properties will begin by integrating their existing technology stack into a connected, scalable ecosystem which promotes data ownership.



2.2 HOW THE INDUSTRY IS CHANGING

The National Basketball Association (NBA) decided to migrate its information technology (IT) solutions to Microsoft Azure as part of its cloud evolution⁸. The process adopted the use of the RISE with the SAP enterprise resource planning (ERP) tool and meant the NBA gained access to a wide range of Azure's data and artificial intelligence (AI) solutions for: (1) enhancing its fan engagement; (2) consolidating its datasets; and (3) reducing the organization's IT overheads.

Speaking on the transformation, Puneet Toteja, the NBA's Associate Vice President (AVP), Business Systems Lead, said that the decision to migrate its systems made the organization "much more aware of how to use our Azure cloud environment in ways we hadn't expected", adding: "It's pushing us to think outside the box and bring innovation to our business processes."

Outside the industry...

Technology integration of this kind is popular in other entertainment sectors. For example, the Japanese entertainment company Sanrio adopts Microsoft Dynamics 365 Finance and SCM (Operation) in order to provide: (1) high operational efficiency and proactive operations; (2) a solid accounting system; (3) consistent integration with operational and online systems; (4) increased data visibility; and (5) digital transformation within the organization⁹.

This has a profound impact on the organization's data governance, which saw the capture and processing of real-time data increase by 30 percent within only a few months of implementation. In addition, the entire system was successfully migrated into a cloud environment, providing the ability to access the data from anywhere, at any time, with 100 percent accuracy.

⁶ Global SaaS Customer Relationship Management (CRM) Market 2023-2027 | Research and Markets ⁷ Harris Poll - Revisiting the Gaps in Customer Experience | Redpoint Group
⁸ NBA builds a solid foundation for innovation and business success with SAP on Azure | Microsoft ⁹ Transition from Lawson ERP to Microsoft Dynamics 365 | Calsoft Systems



TREND #2

***DATA SIMPLIFICATION
KEY TO MAXIMIZING
FAN INTELLIGENCE***

3.1 STATE OF PLAY

Data transformation is the conversion of data into an optimal, usable format¹⁰. As part of sport's digitalization, there are a number of rights holders that are turning to cloud-based services to help connect and optimize their digital frameworks and dataflow, while enterprise resource planning (ERP) helps to align particular software solutions with individual business objectives.

According to a survey carried out by Panorama Consulting Group (PCG), 74.8 percent of organizations across multiple industries quantify productivity and efficiency as an expected benefit of ERP. This is followed by a reduction to IT maintenance costs (62.6 percent), operating and labor costs (50.4 percent), and customer experience (CX) improvements (58.8 percent). Meanwhile, only four in ten (42.7 percent) identify access to real-time data as a benefit of ERP.

Without proper guidance, there remains a risk, however, of organization's adopting too many services into one ecosystem, and is often the cause of data disparity. That is according to Henri Saab, Solution Architect for Lausanne-based digital consulting firm, TowardsChange, who says that sport's biggest challenge is no longer how to manage data, but the internal governance of the technologies that support data frameworks and how they are used inside the organization.

“ Within a sports federation’s data transformation, it is important to understand the technology solutions which are best suited to its operational needs and how they should be integrated into its digital landscape. ”

Henri Saab

Solution Architect, TowardsChange

“I understand that organizations are focused on the word ‘data’,” he explains. “Nevertheless, nowadays, data isn't the challenge anymore – we have the technologies and software solutions to be able to manage Big Data, and even the disparity of unstructured data.

“Therefore, it's important for sports organizations to simplify their data framework into a single system. It doesn't matter what you want to do – whether it's to launch a mobile application or perhaps a marketing portal or to automate your business processes – a centralized, modernized system allows you to do all of that, and more, while optimizing employee productivity.”

3.2 HOW THE INDUSTRY IS CHANGING

Spanish football club Celta de Vigo adopts the services of enterprise resource planning (ERP) solutions provider, Microsoft Dynamic NAV, to unify its resources and automate processes within a modern management system. The club previously suffered from duplicated datasets and data silos, which harmed employee productivity and inhibited decision-making processes. As part of the arrangement, Celta de Vigo also adopts LS Retain, a Microsoft Dynamics solution, to unify all of the club's sales channels into a single system, providing up-to-date information, accounting for employee accountability and channel management, while managing stock levels and product orders from their sale to distribution.

Outside the industry...

Major manufacturers and retail companies such as Amazon (SAP), Starbucks (Oracle ERP), and Toyota (Microsoft Dynamics 365) adopt ERP solutions to manage business processes within human resources and finance departments, logistics, sales and distribution, including inventory management, as well as revenue management and expenses¹¹.

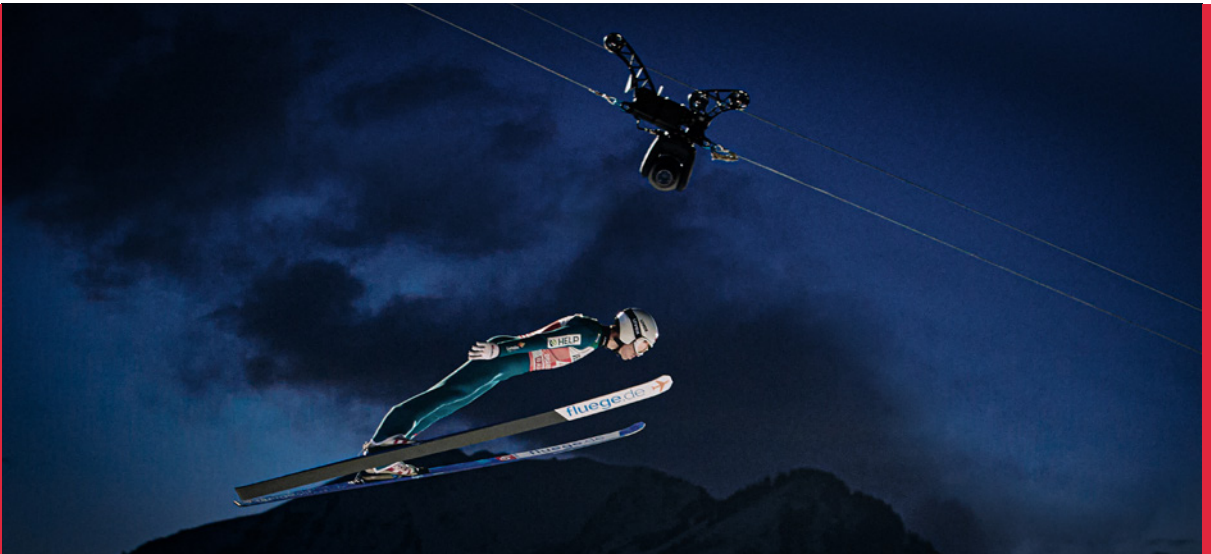


¹⁰ What is Data Transformation? | TIBCO ¹¹ 3 Examples of Big Companies Using ERPs | People Managing People

3.3 CHANGE MANAGEMENT CONSTANT CHALLENGE FOR SPORTS EXECUTIVES

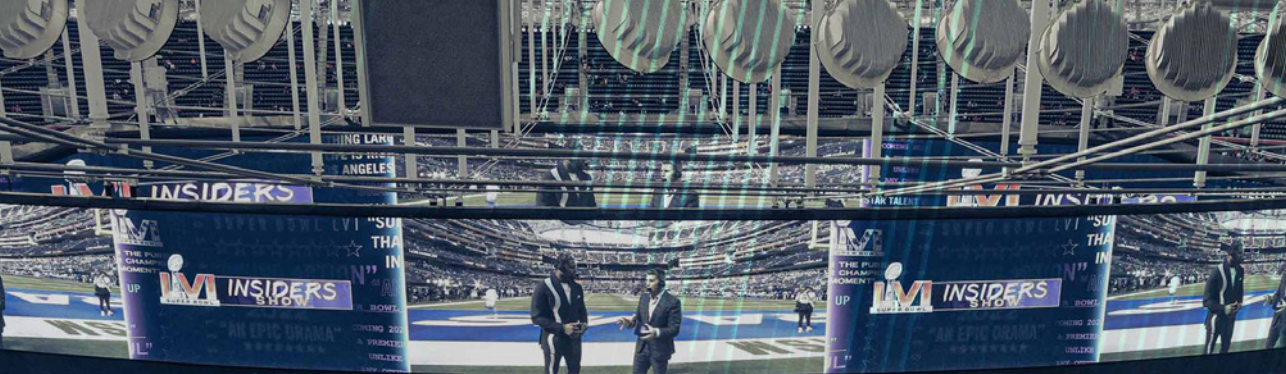
In order to maximize the use of data within an organization and to avoid adopting solutions that may impact the organization further down the pipeline, Henri Saab identifies three aspects of an organization that executives must consider before adopting technology solutions into its digital ecosystem:

<p>1</p> <p>CHANGE MANAGEMENT MATURITY IS “VERY LOW” IN SPORTS BUSINESS, SO SPORTS PROPERTIES SHOULD WORK TO UNDERSTAND HOW TECHNOLOGIES WILL SERVE THE EMPLOYEE EXPERIENCE (EX)</p>	<p>2</p> <p>DATA COMPLEXITY CAN BE DAMAGING TO OPERATIONAL EFFICIENCY AND THE BOTTOM- LINE, AND THEREFORE MEANS SPORTS ORGANIZATIONS CAN SAVE ON COSTS BY SIMPLIFYING THEIR INFRASTRUCTURE</p>	<p>3</p> <p>SPEED TO MARKET IS COMPARATIVELY HIGHER IN THE SPORTS INDUSTRY, PLACING ORGANIZATIONS IN A UNIQUE POSITION FOR INNOVATION. QUALITY DATA GOVERNANCE WILL HELP SCALE A DIGITAL INVENTORY</p>
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“Sports organizations will often adopt technologies for individual needs or business objectives and not whether they add value to the business,” he continues. “As a result, they end up selecting different cloud-based solutions aligned to their different departments. By taking this approach, sports organizations are prone to creating complex digital architectures, based on multiple data sources, and contribute to their own data disparity.

“It doesn’t matter how modern the framework is, complex ecosystems are prone to higher operations costs, a greater need for change management, weaker employee retention, and diminished customer service. The step I urge sports organizations to take in 2023 is to really simplify their digital ecosystem. This places more onus on building a customer relationship management (CRM) capability that ensures data is extremely well located, and a foundation for scaling digital acumen and to meet one’s future technology needs without damaging dataflow.”



SoFi Stadium



TREND #3

**AUDIENCE & CLIENT
RETENTION VITAL
TO COMMERCIAL
GROWTH**



4.1 STATE OF PLAY

It is one thing to be able to grow audiences and collect customer data. However, for sports organizations to thrive in 2023, their ability to retain a healthy subscriber base, while providing a platform for connecting stakeholder and commercial partners with their fans, requires a digital strategy capable not only of consolidating unique customer data, but one that also raises data acumen across the entity's entire ecosystem. According to MarketWatch, a rising demand for new technologies is driving the value of the sports technology market, which is predicted to surpass US\$48.2 billion in 2028, at a compound annual growth rate (CAGR) of 8.3 percent¹². This aligns with forecasts for the global information technology (IT) market, too, which is projected to grow by 8.4 percent and surpass US\$2 trillion in the next five years¹³, despite near-term challenges, and identifies an exciting proposition for sports to deliver innovation to global audiences.

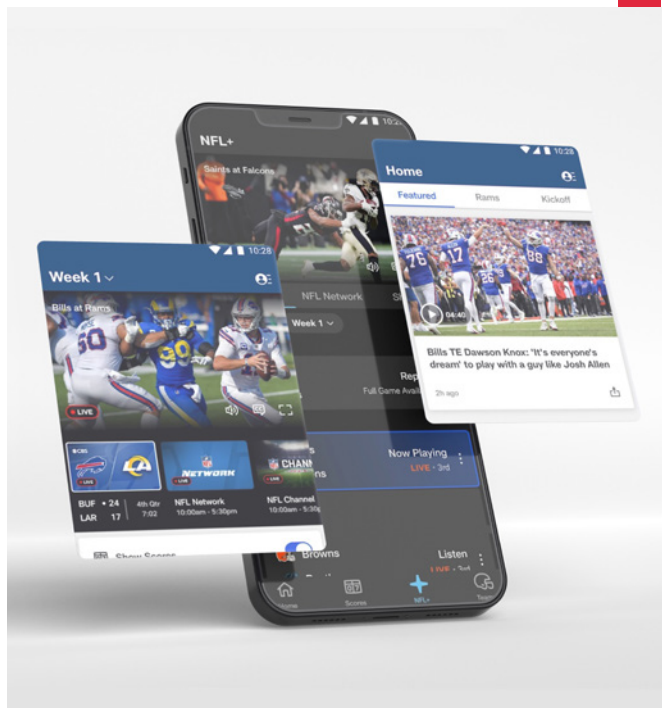
While owning a rich digital inventory helps entities capture and consolidate data based on the user's demographic, putting these learnings into action, and discovering new ways to monetize fan engagements, also relies on the employee's ability to access and extract relevant customer data, and will challenge sports organizations to create products that serve both the entity's audience growth and its ability to extract user data from a single digital touchpoint. For example, this can be identified by the extent in which international federations, leagues, and teams continue to launch and/or acquire their very own direct-to-consumer (D2C) platforms in order to drive fan engagement and advocate data ownership.

4.2 HOW THE INDUSTRY IS CHANGING

Among the most notable introductions, in September 2022, the National Football League (NFL) integrated its newly launched NFL+ streaming service into its digital ecosystem, including access to live regular season and postseason games on mobile devices. Meanwhile the National Basketball Association (NBA) rolled out a new-look mobile app, which leverages Microsoft's artificial intelligence (AI) and cloud software to personalize the user experience.

In a similar vein, Major League Baseball (MLB) plans to launch a new OTT service as early as 2023, which will reportedly allow fans to livestream local games without a cable TV subscription, and is not expected to affect linear-TV subscriptions. In October, MLB expanded its partnership with Google Cloud to introduce new personalized, data-driven fan experiences to its existing MLB.TV product, using AI and machine learning. It is hoped that the partnership will improve how MLB executives monitor fan behavior.

Elsewhere, the Japan Football Association (JFA) takes an alternative approach by leveraging its dedicated JFA Passport mobile app as a membership platform for its fans, coaches, players and referees to access the federation's services and content for free, via a personalized user profile.

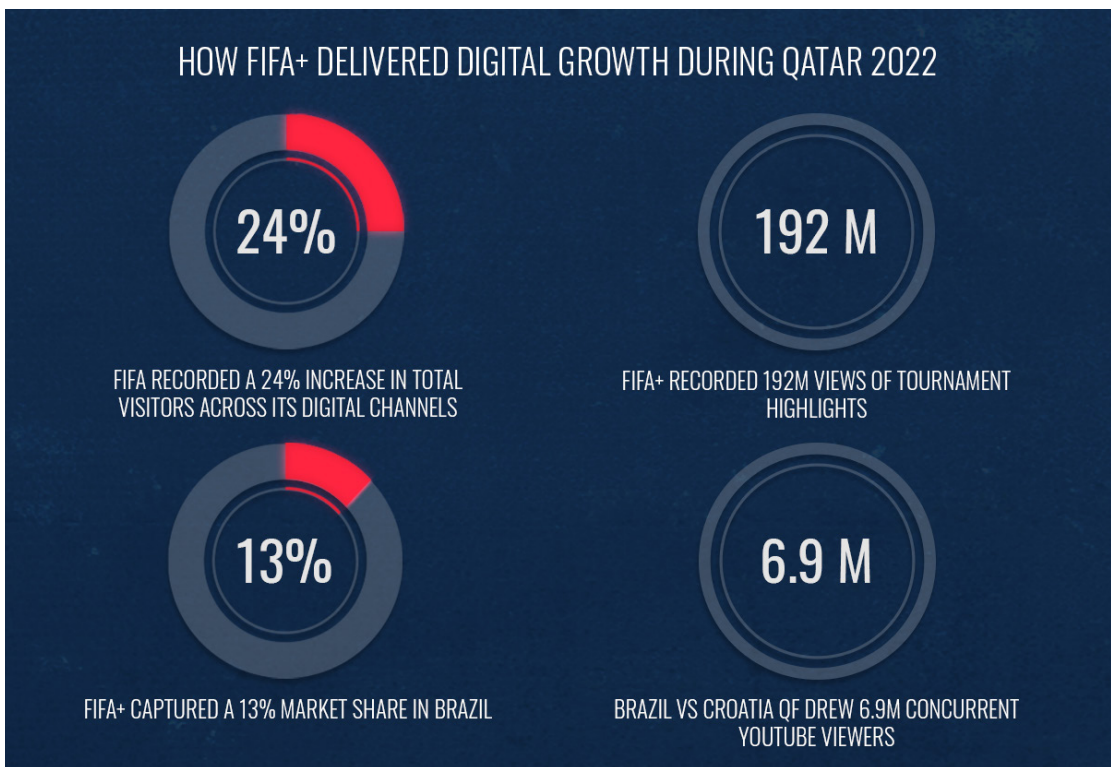


¹² Sports Technology Market Overview | MarketWatch ¹³ Global IT Services Market Size, Share & Industry Trends | ReportLinker

4.3 FIFA+ CONSOLIDATES GOVERNING BODY'S DIGITAL FAN EXPERIENCES

The launch of FIFA+, football's global governing body's dedicated over-the-top (OTT) streaming service, acts as a benchmark for how direct-to-consumer (D2C) digital-product development is supporting the federation's regional marketing efforts. For example, the digital platform played a central role in the organization's fan engagement strategy in the Brazilian market during the Qatar 2022 men's FIFA World Cup, with subscribers able to livestream all 64 tournament matches for free, produced in Portuguese and including local commentary.

The strategy offered an alternative to the governing body's traditional broadcast partners in Brazil and saw FIFA+ draw 40 million unique visitors and capture a 13 percent viewership share in the region during Qatar 2022, according to the latest figures from FIFA. The personalization of content across FIFA's multiple online services also helped drive a 24 percent increase in visiting fans to FIFA's digital channels compared to Russia 2018, including 192 million views of Qatar 2022's match highlights globally. For example, its local strategy saw Brazil's quarter-final clash with Croatia draw 6.9 million concurrent viewers on YouTube, a world record for a livestream via the social video platform.



In addition to the FIFA+ platform's live and on-demand (VOD) video options, the service also grants users access to the FIFA Store and FIFA Ticketing servers, as well as the governing body's FIFA Collect digital collectibles portal. By housing its array of digital services in one place, FIFA+ not only heightens the user experience (UX) via a dedicated content hub that appeals to fans but enables FIFA's marketing teams to segment targeted content campaigns based on the user's interests and demographic, which in turn strengthens the workforce's digital and data acumen.

WHAT'S N3XT?



Mounir Zok

Chief Executive Officer (CEO)
N3XT Sports

Organizations at all levels of the sporting pyramid can find ways to make their business more efficient. Efficiency breeds creativity and a creative, productive workforce is important for producing digital experiences that fans want to explore and keeps them invested in your brand. As rights holders navigate economic change, technology sits at the heart of both the user experiences (UX) and the employee experiences (EX) that drive business value.

Among the first steps to achieving harmony within your organization's digital infrastructure is to examine the flow of data between its internal departments and how they serve the entity's broader partnerships and stakeholder value chains. A routine digital assessment will give executives the insights they need to better understand the relationship between its technology and data, highlighting barriers to innovation and how the simplification of its data-analysis processes can help department heads to overcome them.

N3XT Sports provides an easy-to-use Data Assessment Tool (DAT) designed specifically for sports organizations to assess their current ecosystems. As part of this process, our team of consultants devise a range of different options for digitalization inside our client organizations that promote revenue generation and cost savings in the short-term, while laying the groundwork for long-term data transformation.

By examining the integrity of your digital framework, including how the combination of software solutions support your existing ecosystem, a digital roadmap tailored to the organization's business objectives can help guide executives towards simplifying its digital frameworks and, therefore, how the workforce manages and governs its data.

Whether they are looking for quick changes, or a long-term overhaul of their data capability, the simplification of data frameworks helps to both cut out unnecessary operational costs and create a flexible ecosystem for implementing digital products that work together to consolidate customer data. In turn, this makes it easier for the organization to sustain customer relationships via a centralized system, and build the personalized, digital experiences that the modern sports fan craves and puts the industry at the cutting edge of innovation today.

Mounir Zok

ABOUT N3XT SPORTS

N3XT Sports is an end-to-end consulting agency in the sports industry, bringing world-class expertise and experience to our clients through strategic management consulting and implementation support. We specialize in the modernization and transformation of organizations across the Olympic and professional sports sectors.

We work with our clients and partners to identify and address their most critical challenges, allowing them to achieve a sustainable competitive advantage within the rapidly changing sports landscape. Our clients include leading Olympic, football and basketball organizations, international sports governing bodies, investors, tech companies and government entities.

We invite you to use, share and build upon the insights and statements made in this report.

You are free to distribute the material in any medium or format, including within your organization, to your stakeholders and to students or universities.

You can contact the N3XT Sports team through info@n3xtsports.com to gain further understanding of the insights presented in this report, particularly as it pertains to engaging in the development and implementation of a digital transformation strategy.

This report was produced as part of the N3XT Sports Reports series, made freely available to the sports industry.

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